DKLS INDUSTRIES BERHAD

Company No : 199501040269 (369472-P)

# TRANSFORMING THROUGH DIGITALIZATION

ANNUAL REPORT 2022

## CORPORATE CHARACTER

Peace, Goodwill and 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
Chairman, Non-Independent
Non-Executive Director

**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

**Mr Liew Chai Kar**
Independent
Non-Executive Director

**Ms Ang Chan Moy**
Independent
Non-Executive Director

**AUDIT COMMITTEE**

**Mr Chin Kok Tong**
Chairman

**Mr Liew Chai Kar**

**Ms Ang Chan Moy**

**NOMINATION & REMUNERATION COMMITTEE**

**Mr Liew Chai Kar**
Chairman

**Mr Chin Kok Tong**

**Ms Ang Chan Moy**

**INVESTMENT COMMITTEE**

**Mr Ding Poi Bor**
Chairman

**Dato' Ding Pei Chai** DPTJ, PMP

**Ir Sam Tuck Wah**

**Mr Chin Kok Tong**

**COMPANY SECRETARY**

Mr Cheai Weng Hoong

**PRINCIPAL BANKERS**

AmBank (M) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Bhd
OCBC Bank (Malaysia) Berhad

**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

**AUDITORS**

Ernst & Young PLT

**REGISTERED OFFICE**

No. 1, Jalan Lasam, 30350 Ipoh, Perak Darul Ridzuan
Tel : 05-2380 612
Fax : 05-2461 689

**STOCK EXCHANGE LISTING**

Main Market - Bursa Malaysia Securities Berhad
Stock Code: 7528
Stock Name: DKLS

**REGISTRAR**

Shared Services & Resources Sdn Bhd
No. 1, Jalan Lasam, 30350 Ipoh, Perak Darul Ridzuan
Tel : 05-2380 612
Fax : 05-2461 689

**COMPANY WEBSITE**

https://dkls.com.my

# CORPORATE STRUCTURE

**DKLS INDUSTRIES BERHAD**

- 100% DKLS CONSTRUCTION SDN BHD
- 100% DKLS QUARRY & PREMIX SDN BHD
- 100% DKLS QUARRY & PREMIX (NORTH) 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
  - 70% SAVAN-DKLS WATER SUPPLY CO LTD
- 100% DKLS HIGHLANDS SDN BHD

# PROFILE OF DIRECTORS

Nationality : Malaysian

Gender : Male

Age : 67

**DATO' DING PEI CHAI** DPTJ, PMP
CHAIRMAN
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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 also serves as a member of the Investment Committee of the Company.

Dato' Ding is a Civil Engineer who graduated from Monash University (Australia) and has more than 40 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 and Mr Ding Poi Bor are siblings whilst Ir Sam Tuck Wah is his brother-in-law and Ms Ding Zhe Xin is his niece. He does not have any conflict of interest with the Company except for those transactions disclosed on pages 174 to 176 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.

Nationality : Malaysian

Gender : Male

Age : 68

**MR DING POI BOR**
GROUP MANAGING DIRECTOR

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 1 March 2003 and redesignated 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 four 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 within his realm of responsibility.

Mr Ding and Dato' Ding Pei Chai DPTJ, PMP are siblings whilst Ir Sam Tuck Wah is his brother-in-law. He is also the father of Ms Ding Zhe Xin. He does not have any conflict of interest with the Company except for those transactions disclosed on pages 174 to 176 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.

Nationality : Malaysian

Gender : Male

Age : 63

## IR SAM TUCK WAH
EXECUTIVE DIRECTOR

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 brother-in-law of Dato' Ding Pei Chai DPTJ, PMP and Mr Ding Poi Bor whilst Ms Ding Zhe Xin is his niece. He does not have any conflict of interest with the Company except for those transactions disclosed on pages 174 to 176 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.

Nationality : Malaysian

Gender : Female

Age : 34

## MS DING ZHE XIN
EXECUTIVE DIRECTOR

Ms Ding was appointed to the Board as Executive Director of DKLS Industries Berhad on 3 August 2020. She also holds directorships in the subsidiary companies within the DKLS Group and one private limited company.

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.

Ms Ding continued on with her career as an advocate and solicitor at legal firms where she practiced mainly in construction, commercial and real estate related dispute resolution 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 is the daughter of Mr Ding Poi Bor and the niece of Dato' Ding Pei Chai DPTJ, PMP and Ir Sam Tuck Wah. She does not have any conflict of interest with the Company except for those transactions disclosed on pages 174 to 176 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.

# PROFILE OF DIRECTORS

**MR CHIN KOK TONG**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality : Malaysian

Gender : Male

Age : 52

Mr Chin was appointed to the Board as an Independent Non-Executive Director of DKLS Industries Berhad on 9 December 2013. He had served as an independent member of the Audit Committee of the Company from 9 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 the 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 conflict of interest with the Company. 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 LIEW CHAI KAR**
INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality : Malaysian

Gender : Male

Age : 64

Mr Liew was appointed to the Board as an Independent Non-Executive Director of DKLS Industries Berhad on 27 May 2021. He currently serves as the Chairman of the Nomination and Remuneration Committee and also as a member of the Audit Committee of the Company.

Mr Liew has more than 42 years of experience in financial services, having worked in United Malayan Banking Corp Bhd, Hong Leong Bank Berhad and United Overseas Bank (M) Berhad. In 2011, he was promoted to Area Manager of UOB East Coast Area Centre covering Pahang, Terengganu and Kelantan and had held the position until his retirement on 31 December 2021.

His experience in the various fields of financial services expands to corporate and consumer banking, branch management and operational, formulation and planning of sales and marketing strategies, monitoring of strategic and thematic business opportunities, human resource and customer relationship management.

Mr Liew has no family relationship and is not related to any other director and/or substantial shareholder of the Company. He does not have any conflict of interest with the Company. 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.

Nationality : Malaysian

Gender : Female

Age : 60

## MS ANG CHAN MOY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Ang was appointed to the Board as an Independent Non-Executive Director of DKLS Industries Berhad on 15 November 2021. She currently serves as a member of the Nomination and Remuneration Committee and also as a member of the Audit Committee of the Company.

Ms Ang is a graduate and Chartered Member of the Chartered Institute of Management Accountants ("**CIMA**"), United Kingdom, and a member of the Malaysian Institute of Accountants ("**MIA**"). She is also a member of the Chartered Tax Institute of Malaysia ("**CTIM**"). She is the founder and currently the Managing Director of a property development company in Ipoh.

Ms Ang has four decades of cost and management experiences spanning a wide range of industries from construction of roads and water treatment plants, tin and gold mining, quarrying and manufacturing to property development.

Ms Ang has no family relationship and is not related to any other director and/or substantial shareholder of the Company. She does not have any conflict of interest with the Company. 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.

# KEY SENIOR MANAGEMENT TEAM

**MR DING POI BOR**
**Group Managing Director**

Please refer to the Board of Directors' section for the profile of Mr Ding Poi Bor

**IR SAM TUCK WAH**
**Executive Director**

Please refer to the Board of Directors' section for the profile of Ir Sam Tuck Wah

**MS DING ZHE XIN**
**Executive Director**

Please refer to the Board of Directors' section for the profile of Ms Ding Zhe Xin

**MS DING SOO KING**
Corporate Advisor

Nationality : Malaysian
Gender : Female
Age : 61

Ms Ding Soo King has served as a Corporate Advisor to the Board since 4 August 2020 and also holds directorships in the subsidiary companies within 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 has held various positions within the DKLS Group since then.

Ms Ding has more than 30 years of 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, sister of Dato' Ding Pei Chai DPTJ, PMP and Mr Ding Poi Bor, and aunt to Ms Ding Zhe Xin, who are all Board members of DKLS. She has deemed interest in various related party transactions with DKLS Group as disclosed on pages 174 to 176 of the Annual Report.

**IR CALVIN SAM TUCK HENG**
Group General Manager

Nationality : Malaysian
Gender : Male
Age : 51

Ir Calvin joined DKLS Group on 1 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 over 28 years of accumulated experience in the field of civil and structural engineering and its related industries.

He was appointed as the Group General Manager on 1 November 2005 and is responsible for overseeing the operations of the construction and quarry division. He covers all aspects of project management within the construction division, including financial, technical, contractual and personnel management. He also played a dominant role in overseeing the expansion of the quarry division including the setting up of a new quarry and premix plant in Bukit Perak, Kedah in 2021.

He is the brother of Ir Sam Tuck Wah who is the Executive Director.

# KEY SENIOR MANAGEMENT TEAM

**IR YEE CHEE YOONG**
Technical Director
Savan-DKLS Water Supply Co Ltd

Nationality : Malaysian
Gender : Male
Age : 68

Ir Yee joined DKLS Group in May 2010 as a 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 the 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 at both consulting 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 Financial Controller

Nationality : Malaysian
Gender : Female
Age : 50

Ms Wong joined DKLS Group in May 2005 and was appointed as Group Accountant in December 2015. She was promoted to her current position in October 2021. 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 KOK TZY KEAT**
General Manager, Quarry (North) Division

Nationality : Malaysian
Gender : Male
Age : 46

Mr Kok joined DKLS Group in 2002 and was appointed as Senior Quarry Manager (North) on January 2019. He is promoted to his current position in November 2021 and is responsible for overseeing the overall strategic planning and management of the Group's quarry operations in the Northern region. Since joining the Quarry Division of the 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 lines.

His job scope includes business planning and expansion, implementing and monitoring sales, targets and business strategies, as well as managing operations for the Group's quarry division in the Northern region. Mr Kok also played an instrumental role in the setting up of the Group's premix plant in Pokok Sena, Kedah in 2019 and quarry and premix plant in Bukit Perak, Kedah in 2021. 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.

# KEY SENIOR MANAGEMENT TEAM

**MR DING JU SHUEN**
Executive Director,
of several subsidiary companies of the Group

Nationality : Malaysian
Gender : Male
Age : 31

Mr Ding joined DKLS Group on 2 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.

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

Mr Ding's area of experience encompasses property development, construction and quarry masters. He holds directorship in several subsidiaries of the Group and oversees the financial and non-financial performances, as well as business strategies and priorities of such subsidiary companies so as to ensure that they are in line with the Group's objectives, policies and practices.

He is the son of Mr Ding Poi Bor, brother of Ms Ding Zhe Xin and also the nephew of Dato' Ding Pei Chai DPTJ, PMP and Ir Sam Tuck Wah, who are all members of the Board.

**MR THYE SHIAW DLING**
Senior Project Manager

Nationality : Malaysian
Gender : Male
Age : 52

Mr Thye joined DKLS Group in March 2012 as Senior Project Manager and is primarily responsible in overseeing all phases of development projects from planning stage through to completion and delivery.

His job scope includes project planning and budgeting, authorities submissions and regulatory prerequisites, monitor and manage consultants and project schedule and progress, as well as 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 the Group's development project in Ipoh.

He has more than 26 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.

# KEY SENIOR MANAGEMENT TEAM

**AR. CHENG MAO YANG**
Executive Director,
DKLS Premierhome Sdn Bhd

Nationality : Malaysian
Gender : Male
Age : 34

Ar Cheng joined DKLS Group on 1 August 2021 as Architectural Design & Planning Manager. He obtained an architectural Degree from the University of Strathclyde, Glasgow in 2011 and also completed his Masters in Architecture in 2012. He is a qualified architect registered with the Malaysian Institute of Architects and Board of Architects Malaysia (PAM/LAM). He was appointed as executive director of DKLS Premierhome Sdn Bhd on 19 August 2022.

Ar Cheng has a combined working experience of more than 10 years in architectural design and planning, technical and regulatory compliances and project management. He currently spearheads DKLS Premierhome Sdn Bhd and its development schemes. His job scope includes overseeing the company's financial and non-financial performances, as well as planning and managing the company in line with its business strategies and priorities. He also prepares and reviews feasibility studies and proposals for potential projects.

He is the son-in-law of Mr Ding Poi Bor, who is the Managing Director and spouse of Ms Ding Zhe Xin, who is the Executive Director.

**MS KAM YEE LIN**
Group Accountant

Nationality : Malaysian
Gender : Female
Age : 33

Ms Kam joined DKLS Group on 1 September 2021. She graduated from Tunku Abdul Rahman College with Advanced Diploma in Business Studies (Accounting) in 2011. She is a fellow member of Association of Chartered Certified Accountants ("**ACCA**") and also a member of the Malaysian Institute of Accountants ("**MIA**").

Prior to joining the Group, she was previously an Audit Manager at Ernst & Young PLT and has over 10 years of experience in auditing in various industries.

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

**MR WAI KWONG SENG**
Contract Manager

Nationality : Malaysian
Gender : Male
Age : 36

Mr Wai joined DKLS Group in November 2012 as Assistant Quantity Surveyor and was appointed as Assistant Contract Manager in the end of December 2019. He was promoted to his current position as Contract Manager in November 2021. He obtained a Bachelor of Science (Hons) in Quantity Surveying from University Tunku Abdul Rahman in 2011 and has more than 10 years of working experience in the construction industry.

He currently oversees the Contract Department and his role includes procurement and tendering process for construction projects, contract administration from pre to post completion of works, project management including monitoring construction progress and managing construction schedules, contractors and suppliers, costings and budgets as well as attend to all contractual matters in relation to such projects.

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

**Additional Information:**

- Save for Mr Ding Poi Bor, Ir Sam Tuck Wah, Ms Ding Zhe Xin, Ms Ding Soo King, Ar Cheng Mao Yang, 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 regulatory bodies during the financial year.

# GROUP FINANCIAL HIGHLIGHTS

2022
REVENUE
**179.70 MIL**

### REVENUE (RM)

| | |
|---|---|
| **2022** | **179,703,387** |
| 2021 | 182,235,243 |
| 2020 | 172,382,936 |
| 2019 | 186,328,216 |
| 2018 | 217,532,177 |

2022
PROFIT BEFORE TAX
**18.42 MIL**

### PROFIT BEFORE TAX (RM)

| | |
|---|---|
| **2022** | **18,417,214** |
| 2021 | 22,251,055 |
| 2020 | 18,299,012 |
| 2019 | 11,537,331 |
| 2018 | 10,348,657 |

2022
PROFIT AFTER TAX & NON-CONTROLLING INTEREST
**12.11 MIL**

### PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS (RM)

| | |
|---|---|
| **2022** | **12,105,736** |
| 2021 | 15,830,627 |
| 2020 | 13,020,721 |
| 2019 | 5,952,695 |
| 2018 | 5,546,908 |

2022
SHAREHOLDERS' FUND
**419.80 MIL**

### SHAREHOLDERS' FUND (RM)

| | |
|---|---|
| **2022** | **419,798,320** |
| 2021 | 419,135,551 |
| 2020 | 408,479,112 |
| 2019 | 400,371,001 |
| 2018 | 398,929,504 |

2022
EARNINGS PER SHARE
**13.06 SEN**

### EARNINGS PER SHARE (SEN)

| | |
|---|---|
| **2022** | **13.06** |
| 2021 | 17.08 |
| 2020 | 14.05 |
| 2019 | 6.42 |
| 2018 | 5.98 |

# CHAIRMAN'S STATEMENT

## Dear Valued Shareholders,

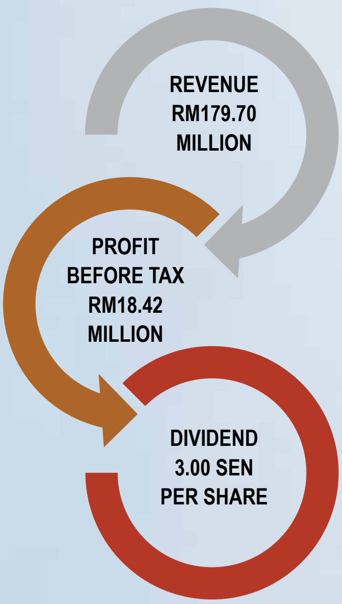
**On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of DKLS Industries Berhad ("DKLS" or "the Group") for the financial year ended 31 December 2022 ("FY 2022").**

Whilst the transition of the Covid-19 pandemic to endemic has allowed the Government to remove the vast bulk of pandemic related restrictions, the economic and financial impact of the Pandemic has lingered and continued to affect not only the Malaysian, but the global economy as a whole.

The beginning of the financial year also saw a major global event unfold with the start of the Russo-Ukrainian war. The war had caused disruption to the supply chain and saw commodity and energy prices climbed rapidly, adding to the inflationary woes in the post Pandemic world. The inflationary pressure was felt across the board and more pertinent to our core business, the rising costs of building materials. The increase in borrowing rates and stringent financing standards over the past year has also had an effect over the overall business environment. For the construction segment, the project roll-out rates were slow compared to what was originally anticipated by the industry.

Moving forward, DKLS will remain cautious and continue to overcome these challenges by seeking better job opportunities, containing costs and undertaking business innovations to improve operational efficiencies, with major focus on digitalising our business operations. We further recognise the importance of non-financial reporting and had accordingly enhanced our sustainability framework and stepped up on our Environmental, Social and Governance disclosures ("**ESG**").

Despite facing an ongoing volatile business landscape, the Group had managed to plough through these adversities and remained resilient in creating value for its shareholders. In this regard, DKLS had registered satisfactory financial results and remained profitable in FY 2022.




### Review of Financial Results and Dividends

In a year that has been challenging where the pace of economy recovery remains uncertain, the Group recorded revenue of RM179.70 million and profit before tax of RM18.42 million in FY 2022 compared to revenue of RM182.24 million and profit before tax of RM22.25 million in FY 2021, representing a decline in revenue of 1.39% and profit before tax of 17.21%. The lower revenue and profit before tax was mainly due to lower contribution from various business segments under challenging operating environment, save for the Quarry division which had recorded an increase in both revenue and profit before tax, and the Investment division which had recorded an increase in profit before tax.

Upon deliberation, the Board is pleased to recommend a first and final dividend of 3.00 sen per share for FY 2022, to be approved at the forthcoming Annual General Meeting by the shareholders. The total dividend payment to the shareholders for FY 2022 will involve RM2,780,988.

# CHAIRMAN'S STATEMENT

### Adherence to Corporate Governance and Sustainability

The Group remains committed to a high standard of governance, professionalism, ethics and integrity in the conduct of our business and professional activities. In order to ensure consistent performance and creating a sustainable long-term economic growth, it is pertinent for the Group to maintain a strong Corporate Governance practice. Our Corporate Governance Overview Statement can be found on page 47 to 59 of this Annual Report.

As the expectations on corporate responsibility increase, where transparency becomes more prevalent, companies are recognizing the need to be more proactive on sustainability matters. Minimal disclosures and good intentions are no longer sufficient. The latest amendments on enhanced sustainability disclosures made to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements further emphasized that the ESG aspect has more bearing on stakeholder decisions now more than ever. We at DKLS look forward to embark on a more transparent and impactful sustainable journey with the improved sustainability framework in place. Our Sustainability Statement can be found on page 28 to 46 of this Annual Report.

### Market Outlook and Prospects

It is expected that the growth of the local economic landscape going into 2023 will remain sluggish.

The long awaited revised Budget 2023 had announced some significant allocation towards infrastructure and roadworks. Although the resumption of various civil projects would undeniably help bring back economic activity in the construction sector, details of such projects are still uncertain and viability of projects will still depend on several external factors. The major challenges within the industry now are the rising prices of building materials and fuel, supply chain disruptions and shortage of workers, all of which have contributed to the increasing construction costs. Other challenges include rising interest rates resulting in higher financing costs and the supply chain disruptions which leads to delays.

The property development sector will likely experience a moderate outlook due to property glut in certain locations and lack of attractive housing incentive packages. The revised Budget 2023 focused largely on the affordable residential housing sub-segment in the Government's effort to encourage ownership of affordable houses by the B40 households. The continuation of full exemption of stamp duty for first-time home buyers and raising of the stamp duty exemption from 50% to 75% for residential properties priced between RM500,001 to RM1,000,000 was also announced as a positive measure to continue boosting buying interest in this category of housing products. However, such exemptions will primarily appeal to local residents who are first-time home buyers only, and may not be sufficient to significantly increase demand in the overall property market. Buyers' and investors' sentiment may continue to be affected attributable to factors such as expected interest rate hikes and rising costs which would directly affect buyers' discretionary income and affordability.

Against this backdrop, we remain committed to drive our businesses and our operations forward to ensure that we continue to deliver value to our stakeholders. We aim to continue to actively tender for feasible projects in 2023 while monitoring our ongoing projects and margins closely. Each Group division will also continue to leverage on their respective expertise and core strengths to procure better performance and long term sustainable growth.

### Appreciation and Concluding Remarks

On behalf of the Board, I wish to express my sincerest gratitude and appreciation to our shareholders, various government agencies, clients, consultants, suppliers and business partners who have contributed significantly to our success and for the continuous support and confidence in the DKLS Group.

I wish to place on record my deepest appreciation to my fellow members of the Board and management team for their wise counsel, guidance and invaluable contributions.

Lastly, I would also like to register my deepest gratitude to all the people at DKLS and its Group of Companies for all their sacrifice, dedication, and commitment to the Group's cause. I am grateful that together we had already seen and successfully overcome tougher years where the pandemic had stirred unprecedented economy headwinds into our business operations. Together with the Board we acknowledge that the coming years will continue to remain challenging due to the nature of our businesses but we believe as with the past, with the undivided support of our management team and people, we will be able overcome all these obstacles and deliver sustainable results for all our stakeholders.

Thank you.

**Dato' Ding Pei Chai** DPTJ, PMP
Chairman

**Dear Shareholders,**

**First and foremost, we are heartened and thankful to see our people and businesses emerged safe and steady after two tumultuous years of battling the Covid-19 pandemic. As our businesses and operations return to some form of normalcy, the health and safety of our people shall continue to remain our primary focus.**

In 2022, the Group sailed through a trying economic environment by leveraging on its synergistic value of its core businesses. The shift towards the endemic phase of COVID-19 has helped recovery in some ways, but the business landscape remains challenging with rising inflation and interest rates, uncertain macroeconomic environment, supply chain disruptions and shortage of labour. The persistent inflation, mainly due to the prolonged Russia-Ukraine conflict and COVID-19 lockdowns in some of the major cities in China, has led to rising building and construction costs, affecting the Group's major business operations.

Despite facing new challenges, the Group remained steadfast, attributable to sound guidance and leadership of our Board of Directors and management team, as well as unwavering commitment and adaptability of our employees. We believe that by leveraging on the abilities of our stakeholders and our many years of expertise in the industry, the Group will continue to steer ahead in a sustainable and profitable manner.

In the following sections of this Management Discussion and Analysis, we will share detailed updates of our operations in the financial year 2022 ("FY 2022"), including the financial and operational performances of each of our business units.

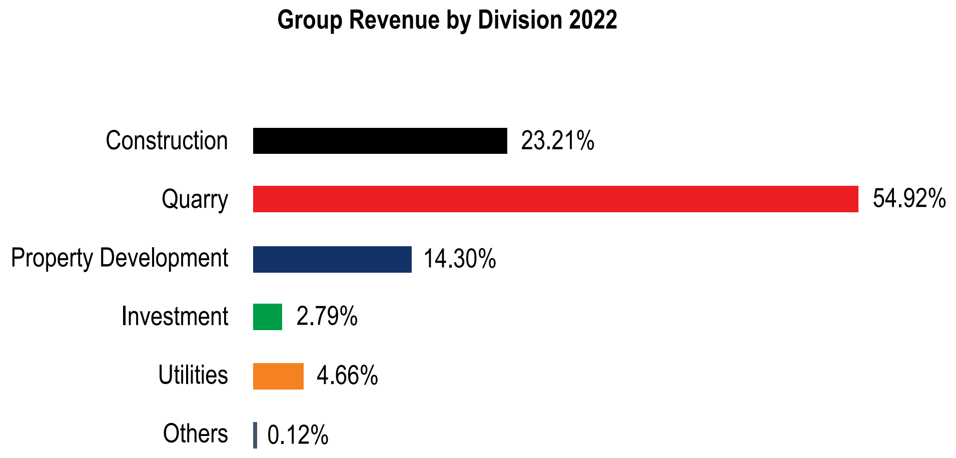
## GROUP FINANCIAL PERFORMANCE

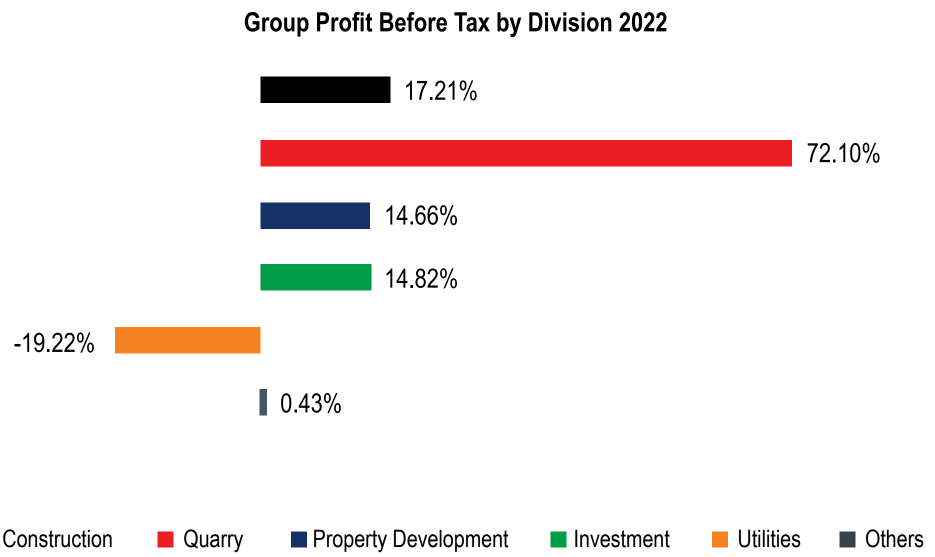
**REVENUE**
**RM179.70 MIL**

**PROFIT BEFORE TAX**
**RM18.42 MIL**

The Group recorded revenue of RM179.70 million and profit before tax of RM18.42 million in FY 2022 compared to revenue of RM182.24 million and profit before tax of RM22.25 million in the financial year 2021 ("FY 2021"), representing a decline in revenue of 1.39% and decrease in profit before tax of 17.21%. The reduced revenue was mainly due to lower contribution from various business segments under challenging operating environment. The lower profit before tax was mainly due to the allowance for impairment loss on property, plant and equipment in the utilities division.

Details on our Divisional performance are elaborated in the following pages




| | Division Revenue | | Division Profit Before Tax | |
|---|---|---|---|---|
| | 2022 RM million | 2021 RM million | 2022 RM million | 2021 RM million |
| Construction | 41.71 | 54.59 | 3.17 | 3.94 |
| Quarry | 98.69 | 77.70 | 13.28 | 8.83 |
| Property Development | 25.70 | 32.16 | 2.70 | 6.43 |
| Investment | 5.01 | 5.22 | 2.73 | 1.86 |
| Utilities | 8.38 | 10.45 | (3.54) | 0.98 |
| Others | 0.21 | 2.12 | 0.08 | 0.21 |
| | 179.70 | 182.24 | 18.42 | 22.25 |

## CONSTRUCTION

**REVENUE**
**RM41.71**
**Million**

**PROFIT BEFORE TAX**
**RM3.17**
**Million**

The Construction Division of the Group comprises the activities undertaken by its wholly owned subsidiary, DKLS Construction Sdn Bhd ("DKLS Construction"), which is principally involved in the construction of large scale infrastructure projects spanning from highways, roads and bridges, airport runways, water treatment facilities and hydropower plant, jetties, special purpose buildings as well as commercial and residential development for both public and private sectors. DKLS Construction is a Class A and G7 contractor with Pusat Khidmat Kontraktor and the Construction Industry Development Board. We take pride in the high-quality construction and building services that we provide and are accredited with the MS ISO 9001:2015 Quality Management System by SIRIM.

### Operating Environment

Post Covid-19 pandemic, the Construction Division was required to undertake strategic adjustments to all our pending project schedules to accommodate the work stoppages which resulted from the movement control orders in FY 2021 to curb the spread of COVID-19 then.

The Russia-Ukraine war has sent major commodity prices skyrocketing, especially for building materials such as steel, aluminium and copper. This posed huge impact on the Construction Division when tendering for infrastructure or building projects, as they have to balance between rising costs and profitability while keeping their bids and prices competitive among other industry players.

The slow global economic recovery significantly reduced the number of projects rolled out in FY 2022. The scarcity of projects and contractors' desperation to recover from the Covid-19 impact had caused aggressive bidding competitions with tenderers lowering their profit margin significantly and often taking on higher risks in order to secure projects, which in turn saw a decline in successful tender biddings by the Division.

### Financial Performances

The Construction Division recorded a total revenue of RM41.71 million (FY 2021: RM54.59 million) and profit before tax of RM3.17 million (FY 2021 : RM3.94 million). The Division's revenue and profit before tax were affected by the reduced order book from new contracts.

### Key Initiatives and Business Updates

With economic activities starting to pick-up during the second half of the financial year, our construction works were able resume with business as usual. Whilst higher input prices and labour shortages remain constant challenges for the construction industry, the revival and acceleration of major infrastructure and affordable housing projects lead the trajectory for the construction industry.

The Division is pleased to announce that the construction of Water Transfer Scheme Infrastructure Project (Phase 1) in Jeniang, Kedah, which serves as one of an integral project component as part of an engineered solution to cope with water scarcity or shortage in the Northern Peninsular region predicted to occur by 2050, and the housing project at Manjung, Perak (Manjung Residence Phase 3) were successfully completed and handed over in time during FY 2022.

The construction of the Malaysia Civil Servants Housing Project (PPAM) (Phase 1) in Bukit Pinang, Kota Setar, Kedah has also been completed pending utilities inspection for handover.

*" Completed Construction of Water Transfer Scheme Infrastructure Project (Phase 1) in Kedah"*

*" Completed Manjung Residence Phase 3"*

*" Completed Manjung Residence Phase 3"*

*" PPAM (Phase 1) in Bukit Pinang, Kota Setar, Kedah"*

The Division look forth to the continued construction works of the following residential development in FY 2023:

1. Goshen @ Ipoh Premier City Phase 2 (Ipoh City)
2. Pantai Point 2 (Pantai Remis, Perak)
3. Manjung Residence Phase 4 (Manjung District)
4. Victoria Country Phase 1 (Manjung District)
5. Victoria Cottage Phase 3A (Manjung District)

### Outlook for 2023

Outlook for the construction industry in the coming year is anticipated to be slow moving. The announcement of several public infrastructure and roadwork projects by the Government lacked details and is expected to take some time before being rolled out. The Division also remains vigilant in view of the uncertain business environment that includes geopolitical uncertainties, rising building material prices, labour shortages, supply chain disruptions and macro-economic headwinds.

Notwithstanding, the Division will continue to actively seize any viable tender opportunities in order to increase its order book as part of its long-term growth strategy.

In the meantime, the Division is focusing on the execution and timely completion of its existing projects. At the same time the Division will monitor the costs and margins for its ongoing projects closely to cushion the impact of rising costs and inflation.

## QUARRY

**REVENUE**
**RM98.69**
**Million**

**PROFIT BEFORE TAX**
**RM13.28**
**Million**

The 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 – ("DKLS Quarry") which is in the business of manufacturing, supply and sale of quarry products, ready-mix concrete and asphaltic concrete (premix). DKLS Quarry owns and operates three quarry plants, two ready-mix concrete batching plants and five premix plants across Peninsular Malaysia.

### Operating Environment

The Quarry Division was faced with continuous challenges during FY 2022, especially with the reduction of construction projects and supply chain challenges that affected demand for the quarry products. Nevertheless, the Division's expansion in Bukit Perak, Kedah proved to be a successful move, as the new plant had contributed significantly to the Division's improved financial performance. In this regard, the Division was able to leverage on the strategic location of its Bukit Perak plant to capitalise on new opportunities and increase production output during the financial year.

The Division is confident of generating sufficient operating cash flows to support its business plans and growth strategy. The Division is well positioned for geographical expansion to strengthen its competitive advantage and drive consistent growth for the years ahead.

### Financial Performances

The Quarry Division's revenue grew year-on-year by 27.01% to RM98.69 million (FY 2021 : 77.70 million). The Division continued to set its record high profit before tax of RM13.28 million in FY 2022 (FY 2021 : RM8.83 Million), a significant increase of 50.40% compared to FY 2021. The improved performance of the Division was mainly due to higher sales volume and higher average selling price for the quarry and premix products.

### Key Initiatives and Business Updates

The Quarry Division operated in a very keen competitive environment and faced stiff competition from other local manufacturers. In dealing with market competition, DKLS Quarry has adopted a proactive approach in increasing its production capacities and geographical outreach by setting up new plants such as the Bukit Perak plant, situated at Pendang, Kedah in FY 2021, in order to meet market demands. Apart from its expansion plans, the Division is constantly seeking to create value for its customers to ensure the delivery of quality products and high service standards to its ever-discerning customers. The Division is accredited with the MS ISO 9001: 2015 Quality Management System by SIRIM and obtained product certification from CIBD Malaysia.

During the financial year, the Division ceased operations for its ready-mix plant in Sik, Kedah to better focus on its new Bukit Perak plant. This move was necessary so that the Division can better utilise its resources and streamline its business to focus on areas with higher profitability.

Post Covid-19 pandemic, notwithstanding the aggressive market competition, the Division with its eminent team of leaders outperformed its sales targets and made remarkable contribution to the Group's financial standing. Although the Division was thrown with various lingering challenges in FY 2022 in spite of the elevated inflation rate, the Division actively managed the costs of production as well as remained focused in improving efficiency and recovery to maintain its profit margins.

DKLS Quarry was proactive in deriving solutions in response to the Division's expansion and operational challenges during FY 2022. In order to meet market demands and remain competitive in the industry, the Division kicked off its digital transformation initiatives which acted as key drivers of operational efficiency during FY 2022. This includes automating and streamlining the administrative and sales data collection and analysis process.

**Quarry Division Operation Network**

| Plant/Location | Pundut, Perak | Teluk Intan, Perak | Bukit Perak, Kedah | Sik, Kedah | Pokok Sena, Kedah |
|---|---|---|---|---|---|
| Quarry Plant | ● | | ● | ● | |
| Ready-Mix Plant | ● | ● | | ● (Ceased operations from July 2022 onwards) | |
| Premix Plant | ● | ● | ● | ● | ● |

**Outlook for 2023**

As Malaysia transitions out of the pandemic phase of COVID-19, the focus of the Quarry Division shifted to margin optimisation, effective manufacturing and supply chain management, operational efficiency and agile business portfolio management.

As the global economy recovers, inflation is projected to rise and remain elevated in 2023. This is driven by a confluence of sustained demand, high energy and commodity prices, as well as ongoing disruptions in global supply chains. Moving forward, the Division will continue to capitalise on the strategic locations of its plants and pick-up in demand of quarry and premix products, at the same time build our resilience for future growth and seek business opportunities that will expand our businesses.

DKLS Quarry is encouraged by the progress it has made so far, and is optimistic of its prospects for the upcoming year. The Division is committed to continue its good momentum by leveraging on the expertise and experience of its key management personnel and strong business foundation of many years to drive profitability, innovation and sustained growth for the business.

*" Crusher Plant at Bukit Perak Quarry"*


*"Premix Plant 2 at Bukit Enggang Quarry"*

## PROPERTY DEVELOPMENT

**REVENUE**
**RM25.70**
**Million**

**PROFIT BEFORE TAX**
**RM2.70**
**Million**

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

### Operating Environment

Post Covid-19 pandemic, the property development sector slowly regained momentum when Malaysia transitioned into the Endemic Phase on 1 April 2022. Projects that were halted are able to fully resumed and progressed with optimum work output while still being mindful of the health and safety of our employees and workers.

In early 2022, the Housing Integrated Management System (HIMS) was introduced by the National Housing Department (Jabatan Perumahan Negara, JPN) of the Ministry of Housing and Local Government (Kementerian Perumahan dan Kerajaan Tempatan, KPKT), which serves as a one-stop platform for the authorities to regulate, manage, engage, receive, and gather data relating to housing developments. Apart from streamlining the application and approval processes, HIMS system further allows for eSPAs to be generated for new projects.

As business returned to its pre pandemic output, other material matter such as rising costs of labour and materials began to impact on the revenue of the Division. Thus, the Group has remained cautious by closely monitoring its costs and margins for ongoing projects.

### Financial Performances

In FY 2022, DKLS Property recorded a total revenue of RM25.70 million (FY 2021 : RM32.16 million) and profit before tax of RM2.70 million (FY 2021 : RM6.43 million). Putting the year in perspective, the Division's revenue and profit before tax was affected with new projects being put on hold during the pandemic period. However, these projects are currently being re-activated and will require some time before physical works are able to commence. The Division's revenue and profit for FY 2022 was contributed mainly by the Goshen @ Ipoh Premier City (Phase 2) project.

### Key Initiatives and Business Updates

During FY 2022 the Division focused on strengthening fundamentals and adapting operations to the dynamic environment. Customer-oriented campaigns addressing home buyers' pain points were rolled out to drive sales and increase take-up rates.

The Division worked hand-in-hand within our in-house Construction and Quarry Division to manage the rising costs of raw building materials and ensure all systems within the value chain were in sync to deliver quality and on-time products to our customers.

Furthermore, the Division invested in digital transformation to drive innovation and improve operational performance. The Group increased the use of digital marketing and subscribed to a leading front-end software for the Division to facilitate a seamless ecosystem for a smooth and efficient engagement, and real-time database between sales personnel, customers and accounts department, to meet market demands and customer expectations.

As the demand to add more sustainable elements in our property development projects increases, the Division will look into incorporating elements that promote a sustainable community and support property values over time such as green living, sustainability-driven designs and features that promote safe and healthy lifestyles. The Goshen @ Ipoh Premier City (Phase 2) development, for example, included elements of increased green and open spaces and clubhouse facilities with a swimming pool and fully equipped gym. These features received positive feedbacks from customers and served as an additional pull-factor in their purchase decisions.

“ Club house at Goshen @ Ipoh Premier City (Phase 2)”

**Outlook for 2023**

Bank Negara Malaysia (BNM) has raised the Overnight Policy Rate (“OPR”) four times in FY 2022 alone where this has increased borrowing costs for the purchase of properties. Economists are of the view that there may still be further increases in 2023 which will further impact buyer’s affordability and demand for properties.

The revised national Budget 2023 tabled did not re-introduce the Home Ownership Campaign which helped spurred the property market in FY 2021. However, first time homebuyers are still able to enjoy full stamp duty exemption for homes priced RM500,000 and below, and 75% exemption for homes priced between RM500,001 to RM1,000,000. These incentives may appeal to first time home buyers but due to various factors such as rising prices and strict borrowing standards, the Division does not anticipate an immediate pick up in take-up rates.

The Division will continue to be vigilant and will in the meantime focus on its strategy of cost optimisation and value engineering to plan and launch new upcoming products with an eye on current market conditions.

The Division also understands the importance of replenishing its land bank to ensure the Division has sustainable projects in its pipeline for future growth. We will continue to pursue strategic land banking opportunities, especially in our key operating locations.

## INVESTMENT

**REVENUE**
**RM5.01**
**Million**

**PROFIT BEFORE TAX**
**RM2.73**
**Million**

The Investment Division mainly involves 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.

### Operating Environment

The post Covid-19 pandemic recovery has been a rough patch in the Division’s revenue stream. The accelerated shift towards hybrid working and downsizing of companies to cut costs has led to subdued demand for large, prime physical workspace. The low demand and slow take up rate at the beginning of FY 2022 resulted in a lower occupancy rate compared to the previous year.

Post Covid-19 pandemic, many businesses are still struggling to get back on their feet. In order to attract new tenants and retain quality tenants, the Division continued to face significant pressure to provide incentives and rental assistance in order to compete with other market competitors, which had caused a decline in the Division’s revenue margin.

### Financial Performance

The Division reported revenue of RM5.01 million and profit before tax of RM2.73 million in FY 2022 compared to revenue of RM5.22 million and profit before tax of RM1.86 million in FY 2021, representing a decrease in revenue of 4.02% and increase in profit before tax of 46.77%.

The significant increase of profit before tax was mainly due to:-

a) Fair value gain on investment properties of RM0.63 million in FY 2022 (FY 2021 : RMNil); and
b) Higher foreign exchange gain of RM0.43 million in FY 2022 (FY 2021 : RM0.27 million).

### Key initiatives and Business Updates

During FY 2022, the Division continued to emphasis on the safety of our tenants while being compliant with the SOP requirements that were eased upon cessation of the Movement Control Order.

In view of the highly competitive environment, the Division in its effort to mitigate the impact on the Division’s operations and financial performance has offered attractive tenancy terms such as lower rental rate, as well as flexible terms to retain existing tenants and attract new occupiers. The Division also regularly engages with tenants to establish sustainable business relationship.

*“ Wisma DKLS @Tower 8, Bangsar South”*

### Outlook for 2023

The Division remains optimistic that demand for office spaces will increase for the upcoming year. Malaysia re-opened its borders in early April 2022 and allowed quarantine free travel as the nation transitions to the endemic phase. This will allow economic activities including foreign investments to resume which will increase leasing activities and demands for large office spaces. It is expected that the office market is set for the release of pent-up demand, as more countries re-open their borders with the improved vaccination rates around the world.

As at December 2022, the Division’s occupancy rate stood at 81%. With more workers returning to the office and in tandem with the uptick in economic activities and business sentiment, rental rates and occupancy rates are expected to gradually increase. The Division believes that demand for strategically located properties with MSC status will continue to have an edge over other commercial buildings and leverage on such attributes of its property to attract quality tenants. However, the rising interest rates and increase in maintenance costs may have an impact on the Division’s margin in the future.

## UTILITIES

**REVENUE**
**RM8.38**
**Million**

**LOSS BEFORE TAX**
**RM3.54**
**Million**

The Utilities Division of the 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. Our Nake Water Treatment Plant is accredited with MS ISO 9001 : 2015 Quality Management System by SIRIM for management and support services as operation and maintenance.


*" Water treatment plant at Savan-DKLS"*

### Operating Environment

Kaysone Phomvihan District of Savannakhet Province is about 830km$^2$ and bulk of the Division's customers are currently concentrated within the 40km$^2$ area of Savannakhet town. The Division will continue to monitor water demand and undertake the necessary studies to assess if any expansion or improvement is necessary to meet demands.

### Financial Performance

The Division reported revenue of RM8.38 million and loss before tax of RM3.54 million in FY 2022 compared to revenue of RM10.45 million and profit before tax of RM0.98 million in FY 2021. The decline in revenue was mainly due to the foreign exchange translation resulted from the weakening of KIP currency against USD. The Division recorded a loss before tax in FY 2022 mainly due to the allowance for impairment loss of RM6.35 million being recognised on the property, plant and equipment. The impairment loss recorded as higher weighted average cost of capital (FY 2022 : 18%, FY 2021 : 12.5%) was applied to discount the future cash flows due to the high increase in Laos' equity risk premium rate from 13.14% to 23.20%.

### Key Initiatives and Business Updates

During the FY 2022, the Division was successful in curbing the spread of Covid-19 infection among its staff with its contingency plans and standard operations. The Division has also successfully obtained an approval from the local government to increase the tariff rate by 9% with effect from February 2022. Procedural compliances and mitigation measures, such as pipe replacement, water meter checking and replacement, and water pressure studies and management have been undertaken to address the non-revenue water (NRW). In its effort to further bring down the NRW, the Division had also started to zoom into monitoring and targeting areas associated with high NRW and set up a NRW inspection team tasked to check on all suspicious accounts.

### Outlook for 2023

The Group remains optimistic that the Utilities Division's water treatment plant concession in the Lao People's Democratic Republic will continue to contribute a stable and sustainable recurring income stream to the Group. However, the volatility of the foreign exchange rates has to some extent impacted and may continue to impact the Division's performance in the near future.

## OTHERS

**REVENUE**
**RM0.21**
**Million**

**PROFIT BEFORE TAX**
**RM0.08**
**Million**

The activities under this Division are undertaken through the Group's wholly-owned subsidiary, DKLS Marketing Sdn Bhd. This Division functions as the logistics and supply chain platform in sourcing, purchasing and distributing a wide range of building and construction materials in supporting the Group's other business Divisions.

### Operating Environment

Post Covid-19 pandemic, the Division posted a decline in its sales due to the slow economic recovery and fewer construction activities undertaken by the Group's Construction Division.

### Financial Performance

In FY 2022, the Division recorded revenue of RM0.21 million (FY 2021 : RM2.12 million) and profit before tax of RM0.08 million (FY 2021 : RM0.21 million). The financial performance was lower in the current year mainly due to lower sales.

### Key Initiatives and Business Updates

The Division will continue to enhance its workflow, and at the same time restructure its business processes for better efficiency. The Division will continue to look forward to source for quality materials while trying to keep the impact of price hike to the minimal.

### Outlook for 2023

In 2023, we foresee the Division will continue to operate in a challenging environment. We will continue to broaden our suppliers base locally and regionally to strengthen our competitiveness and improve the quality of our offerings to support the Group's other business Divisions.

## CLOSING

Overall, the Group remains cautious and does not generally anticipate a significant rebound in economic recovery in 2023. While certain sector may recover at a faster pace, other sectors will likely still continue to struggle to return to their pre-pandemic positions in view of challenging factors such as rising inflation, supply chain disruptions and global geopolitical tension risks. Nonetheless, we will continue to hinge on our financial stability together with our internal capabilities and industry experience to ensure successful execution of our plans going forward.

As the Group moves beyond the COVID-19 chapter, the management will continue to look for any other business opportunities to improve and strengthen the Group's competitive edge.

**Mr Ding Poi Bor**
**Managing Director**

## ABOUT THIS SUSTAINABILITY STATEMENT

DKLS Industries Berhad ("**DKLS**" or "**the Company**") acknowledges the profound positive impact of sustainability which acts as a critical driver for a long-term sustainable business growth of the Company and its subsidiaries ("**the Group**"). The Company also recognises the opportunities that can arise from leveraging the sustainability elements from Economic, Environment and Social ("**EES**") aspect into the Company's objectives, policies and practices.

As the country transitions into the endemic phase beginning 1 April 2022, the Group anticipates to have all our sustainability initiatives integrated into our daily operations without any major setbacks across all business divisions, in order to effectively pursue sustainable value for our stakeholders.

**Reporting Period**

1 January 2022- 31 December 2022

**Reporting Scope**

Our reporting scope for the financial year 2022 ("**FY 2022**") covers sustainability related performances, achievements and initiatives across all business operations of the Group in Malaysia and excludes any business operations and corporate activities conducted outside Malaysia.

**Principal Guidelines**

Bursa Malaysia's Main Market Listing Requirements ("**Listing Requirements**")

Bursa Malaysia's Sustainability Reporting Guide 3rd Edition

**Assurance**

This statement has not been subjected to any internal or external assurance. However, we are continuously working to enhance our data collection and reporting method for a more effective sustainability management.

**SUSTAINABILITY AIM AND OBJECTIVE**

**To explore and implement sustainable practices across the business whilst attempting to achieve the right balance between economic success, the requirements of our stakeholders and larger society.**

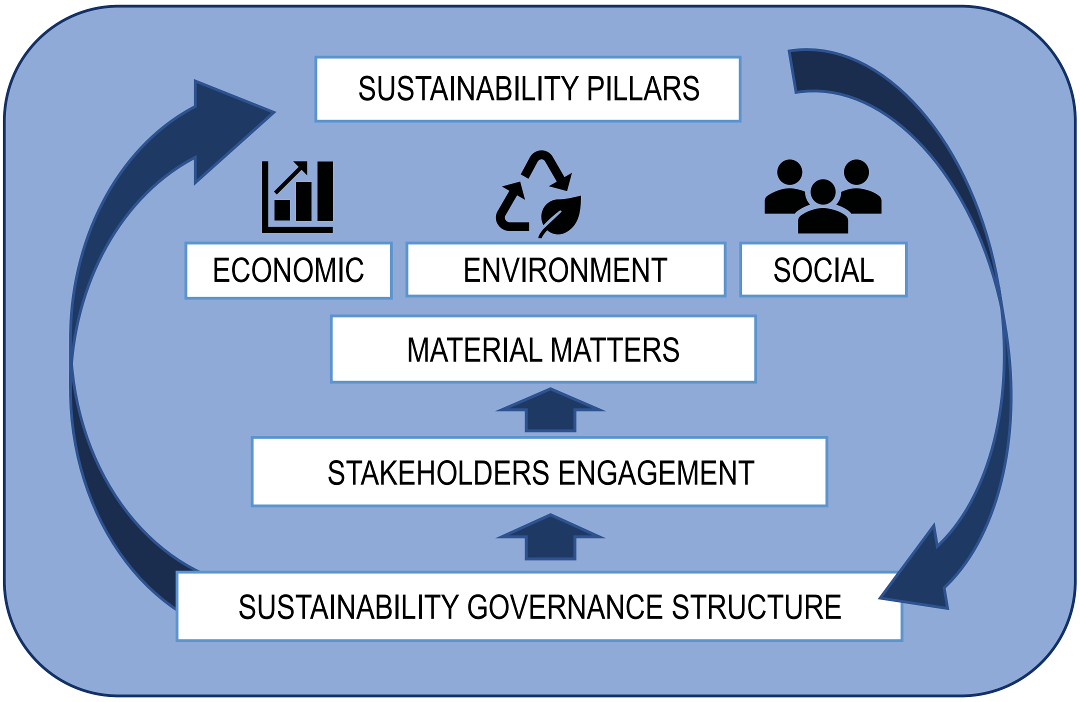
**To integrate the principles of sustainability into the Group's strategies, business plans, processes and procedures.**

**To cultivate a culture of sustainability within the Group and wider community, with an emphasis on incorporating economic, environment, social and governance considerations into decision-making processes and in the delivery of outcomes.**

**To focus further towards specific sustainability targets of high priority and their respective metrics to enable efficient monitoring and tracking by the Group.**

## SUSTAINABILITY FRAMEWORK

During the FY 2022, we developed a sustainability framework to further enhance our sustainability agenda and align our focus towards driving sustainability growth. We hold onto our framework as a tool to lead us to an effective long-term sustainability journey.




## SUSTAINABILITY PILLARS

| DKLS GROUP SUSTAINABILITY PILLARS | | | |
|---|---|---|---|
| ECONOMIC | ENVIRONMENTAL | SOCIAL | |
| | | WORKPLACE | COMMUNITY |
| Delivery of products and services and maintain good corporate governance | Manage the environmental impacts in the areas that we operate | Develop talents and recognise employees' contributions, providing a safe and conducive workplace environment | Giving back to the community |

## GOVERNANCE STRUCTURE

In ensuring the implementation and integration of sustainability strategies into our business, we have established a sustainability governance structure. This structure is underpinned by the Board of Directors, who are committed to the Group's sustainability objectives and oversees the overall sustainability framework. A dedicated Sustainability Committee chaired by the Company's Executive Director is established to ensure an effective governance structure for sustainability. The Committee has an overall responsibility over the management of sustainability matters within the Group. There is also a Sustainability Working Group, which includes business and functional divisions that are responsible for practising sustainability in their daily operations as well as tracking and monitoring its progress.

**Board of Directors**

- Drives sustainability strategy.
- Issues final approval for sustainability policies, strategies and initiatives recommended by the Sustainability Committee.

**Sustainability Committee**

- Led by Executive Director.
- Supported by Heads of Business Divisions and key Senior Managers.
- Formulates, monitors and reviews sustainability targets, priorities, strategies, performance and present it to the Board of Directors.
- Oversees the overall strategy implementation and provides strategic guidance.
- Ensures that policies, processes and systems related to sustainability are in place.

**Sustainability Working Group**

- Business and functional divisions.
- Operationalises the plans in the respective business units and divisions.
- Coordinates, implements and "carry out" Group-wide sustainability initiatives.
- Collates sustainability related information against measurable matrix for the purpose of progress and performance review.
- Addresses and manages challenges and constraints to the sustainability initiatives.

## Stakeholders Engagement

We believe that proactive stakeholder engagement is vital to ensure our business operations are viable, strategic and relevant. We constantly engage with a diverse group of stakeholders through various channels, formally and informally. Our stakeholder engagement is shown in the following table:

| Stakeholders Group | Method of Engagement | Frequency | Areas of Concern | Our Response |
|---|---|---|---|---|
| Financiers/ Shareholders | • Annual general meetings<br>• Annual report<br>• Financial reports<br>• Corporate website<br><br>• Bursa announcements | • Annually<br>• Annually<br>• Quarterly<br>• As and when required<br>• As and when required | • Business behaviour<br>• Market presence<br>• Group performance<br>• Shareholder returns<br>• Risk management<br>• Corporate governance and compliance | • Our quarterly financial reporting and announcements to Bursa Malaysia provides timely updates on strategy and performance<br>• Prudent risk management and governance<br>• Annual report on business progress and performance<br>• Transparency through reporting and timely communication |

| Stakeholders Group | Method of Engagement | Frequency | Areas of Concern | Our Response |
|---|---|---|---|---|
| Employees | • Internal memo<br>• Annual performance appraisal<br>• Internal communication and whistleblowing platform<br>• Employee's Handbook, Code of Ethics and company policies<br>• Training and development programmes<br>• Staff engagement initiatives | • As and when required<br>• Annually<br>• As and when required<br>• Ongoing<br>• As and when required<br>• As and when required | • Company's direction and updates<br>• Diversity and equal opportunity<br>• Remunerations and benefits<br>• Career development<br>• Training opportunities<br>• Health and safety at work<br>• Work-life balance | • Committed to providing a safe, engaging, inclusive, and stimulating work environment that fosters high levels of employee satisfaction and loyalty |
| Customers | • Online and offline communication<br>• Corporate website<br>• Social media<br>• Marketing materials<br>• Tenant memos and notices<br>• Customer reward initiatives and events | • As and when required<br>• Ongoing<br>• Ongoing<br>• Ongoing<br>• As and when required<br>• As and when required | • Product and service quality and safety<br>• Customer satisfaction<br>• Sustainability/environmental compliance<br>• Customer privacy<br>• Organisational compliance | • Ensure all employees are well trained and received ongoing training in product knowledge and customer service skills<br>• Ongoing operational improvements are being implemented across all business units to ensure product quality and to optimise sales and marketing channels<br>• Digitalisation of customer engagement platforms<br>• Prompt action towards customers' and tenants' feedbacks |
| Local Community | • Meetings and dialogues<br>• Social media<br>• Corporate website<br>• Strategic partnerships<br>• Build sustainable Corporate Social Responsibility ("**CSR**") programmes | • Ongoing/as and when required | • Environmental impact<br>• Local community development<br>• Philanthropy<br>• Job and business opportunities | • Compliance of orders and regulations of local authorities<br>• Infrastructure improvements around development vicinity<br>• Collaboration with NGOs, community organisations and social enterprises to establish community enrichment |
| External providers | • Review and coordination meetings<br>• Negotiation meetings<br>• Annual performance evaluation<br>• Registration Screening (pre-qualification of suppliers, vendors and subcontractors) | • Ongoing<br>• As and when required<br>• Annually<br>• One off/ every new engagement | • Fair contract terms<br>• Timely payment<br>• Occupational Health and Safety<br>• Fair procurement practice<br>• Cost saving practices<br>• Supporting local suppliers<br>• Product quality and company reputation | • Favourable or competitive contract terms<br>• Improve operational and management efficiency by communicating and working with trusted partners<br>• Adherence to Standard Operating Procedure for timely payments<br>• Prioritising business partners with good performance |

| Stakeholders Group | Method of Engagement | Frequency | Areas of Concern | Our Response |
|---|---|---|---|---|
| Government or Local Authorities/ Regulators | • Annual Reports<br>• Announcement on Bursa's website<br>• Certifications<br>• Audit and site inspections<br>• Dialogues with authorities | • Annually/as and when required | • Regulatory compliance<br>• Listing Requirements<br>• Transparency of disclosure<br>• Tax payment | • Senior management in the Governance structure of each subsidiary to ensure strict regulatory compliance<br>• Monitor announcements and updates on Bursa website closely<br>• All financial information are disclosed in the Annual Report<br>• Annual audit exercise |

**Materiality Assessment**

The Sustainability Committee has been reviewing the list of material sustainability matters annually to ensure that it is aligned with the Group's business strategies, operations and risks. In the FY 2022, we identified our material sustainability matters by conducting a materiality assessment exercise via the process illustrated below.

1

**Identify**

The Sustainability Working Group will obtain feedback on stakeholders' concerns and analyse material matters against industry's practices.

2

**Prioritize**

The Sustainability Committee then prioritises key material matters based on its assessment on significance of the economic, environmental and social impact and how they affect stakeholders' decisions before presenting its performance targets and action plans to the Board of Directors.

3

**Validate**

The Board of Directors validates and approves the list of prioritised material matters, performance targets and action plans before they are implemented and reported.

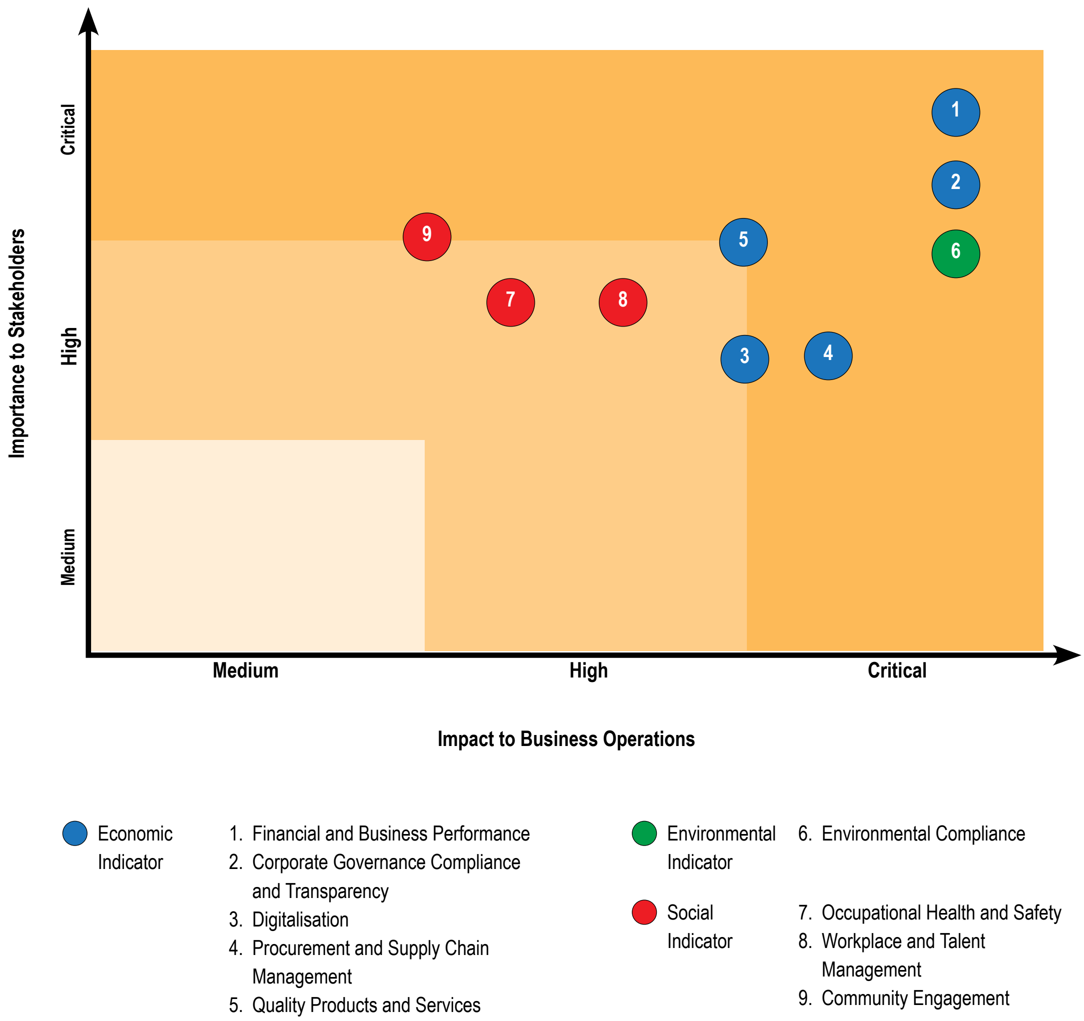
## Material Matters

Based on the materiality assessment performed above, the key stakeholders' concerns and business risks of the Group deemed most material have been distilled into the following nine (9) key material matters in the FY 2022:

1. Financial and Business Performance
2. Corporate Governance Compliance and Transparency
3. Digitalisation
4. Procurement and Supply Chain Management
5. Quality Products and Services
6. Environmental Compliance
7. Occupational Health and Safety
8. Workplace and Talent Management
9. Community Engagement

## Materiality Matrix

The nine (9) key material matters identified for the FY 2022 are then divided into three main groups: Economic, Environmental and Social, with each material matter measured according to their level of impact towards the Company's business operations and importance to stakeholders. These materiality matrix which are presented in the graph below sets a framework to better guide the Group's organisational plans and business decisions towards sustainable development:-



**Measuring Sustainability Performance**

In our effort to achieve high standard of sustainability, we have established the following Key Performance Indicators ("**KPI**") and strategic priorities ("**Target(s)**") in the FY 2021. This initiative will ensure consistent progress and timeliness being complied and the Group commits to undertake continuous efforts to achieve such KPIs and Targets set. The Group's KPI performance for the FY 2022 are set out below:

| KPI | Strategic Priorities | Target |
|---|---|---|
| **SOCIAL** | | |
| Number of initiatives taken to contribute to local community | To continuously broaden and deepen the impact of our CSR contributions by giving back to the community. | Minimum two initiatives per year. |
| FY 2022 | Successfully achieved two CSR initiatives. | |
| FY 2021 | Achieved two CSR initiatives throughout the year, with strict adherence to social distancing. | |
| **ENVIRONMENT** | | |
| Provision of open spaces, natural environment and amenities | • Continue to develop projects that are considered green and efficient.<br>• To include more eco-friendly features in our projects. | Provide at least 15% of the total development area for green and open spaces, inclusive of amenities, for gated and guarded developments. |
| FY 2022 | Goshen @ Ipoh Premier City Phase 2 achieved about 19.2% of green and open spaces, including amenities. There are no new gated and guarded development projects launched in the FY 2022. | |
| FY 2021 | Goshen @ Ipoh Premier City Phase 2 achieved about 19.2% of green and open spaces, including amenities. | |
| Compliance with Environmental Legislations | Close monitoring of compliance and training by Occupational Safety and Health Committees across relevant business divisions. | Zero major incident of non-compliance with environmental legislation. |
| FY 2022 | No significant cases of fines for environmental non-compliance. | |
| FY 2021 | No significant cases of fines for environmental non-compliance. | |
| Accessibility for Electric Vehicles ("EV") | • Property Development Division to include provision for charging station during the planning stage for new developments with clubhouses.<br>• This move will incentivise the adoption of EV, which will reduce carbon emissions and air pollution. | Install at least one (1) EV charging station at every clubhouse. |
| FY 2022 | In progress. There are no new development projects with clubhouse facilities launched in the FY 2022. | |
| FY 2021 | In progress. To incorporate charging station at every clubhouse for future development from FY 2023. | |

| KPI | Strategic Priorities | Target |
|---|---|---|
| **ECONOMIC** | | |
| Corporate Governance Compliance and Transparency | • Effective business ethics, integrity and compliance.<br>• Fostering good corporate governance.<br>• Ensure policies and procedures such as Ethics, Anti-Corruption and Whistleblowing are embedded and emphasised throughout the Group through communication including briefings, declarations and information made readily available on corporate website to enhance awareness and understanding. | Zero reported and proven corruption and incident of fraud. |
| FY 2022 | Zero reported and proven corruption and incident of fraud. | |
| FY 2021 | Zero reported and proven corruption and incident of fraud. | |
| Digitalisation | • Accelerating and elevate digital excellence across the Group to enhance efficiency and productivity.<br>• Upskilling digital literacy and data skills of our workforce as a key enabler for sustainable growth. | • Investment and implementation in digital innovation in our operations across the Group.<br>• Zero data breaches. |
| FY 2022 | • ERP system (phase 1) fully integrated into business operations for Quarry Division.<br>• Continued subscription of a leading front end software for Property Development Division.<br>• No significant cybersecurity breach was reported throughout the year | |
| FY 2021 | • Implementation of ERP platform (phase 1) for Quarry Division commenced on 1 January 2022.<br>• Subscription of a leading front end software for Property Development Division to facilitate a seamless digital ecosystem for a smooth and efficient engagement, and database between sales personnel, customers and accounts department.<br>• No significant cybersecurity breach was reported throughout the year. | |

# ECONOMIC

## FINANCIAL AND BUSINESS PERFORMANCE

At DKLS, economic sustainability is regarded as the most vital component of the Group as it affects our ability to continue creating long-term value for all our stakeholders, including financial values generated and distributed to our stakeholders. By ensuring sustainable growth and long-term profitability, we aim to enhance value for our stakeholders through profit distribution and create competitive remuneration packages to reward the employees for their contribution. Profitability in our business allows us to contribute back to the community where we operate in by creating employment opportunities and improving their living standards. Thus, we continue to strive to expand and enhance our business portfolios without compromising the quality of our products as well as the expectations of our stakeholders.

The Group's economic performance for FY 2022 is disclosed in the Management Discussion and Analysis in this Annual Report.

The Group registered a profit before tax of RM18.42 million on the back of a total revenue of RM179.70 million.

| Key Financial Indicators | FY 2022 | FY 2021 |
|---|---|---|
| **Revenue (RM)** | 179,703,387 | 182,235,243 |
| **Profit Before Tax (RM)** | 18,417,214 | 22,251,055 |
| **Profit after Tax and Non-Controlling Interests (RM)** | 11,298,173 | 15,830,627 |
| **Earnings Per Share (sen)** | 13.06 | 17.08 |
| **Dividend Per Share (sen)** | 3.00 | 3.00 |

## CORPORATE GOVERNANCE COMPLIANCE AND TRANSPARENCY

DKLS, guided by the Malaysian Code on Corporate Governance 2021 ("**MCCG"**), has been proactive in promoting good Corporate Governance and ensuring the principles and best practices of good governance are applied, where appropriate throughout the Group.

Our Corporate Governance framework and practices are disclosed under the Corporate Governance Overview Statement in this Annual Report. Our degree of compliance is assessed based on the latest Bursa Malaysia Sustainability Disclosure Review where we are in compliance in most of the best practices recommended and are committed to further improve our disclosures in the next financial year.

To ensure compliance with all internal controls, risk management, laws and regulations, the Group has established clearly documented standard operating policies and procedures, where these policies, procedures and guidelines are reviewed periodically.

## 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 has clear guidelines relating to the standards and ethics that all employees are expected to adhere to. It is designed to maintain a harmonious standard in the workplace among employees of all levels. We have also established a Whistleblowing Policy and Procedures 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. The Code, together with the Whistleblowing Policy and Procedures, can be found on the Group's corporate website.

## REGULATORY COMPLIANCE

Regulatory compliance remains one of the central pillars in our corporate culture and form the basis of the way we conduct our businesses. While we continue to look for opportunities to expand our business, we hold firmly our stance in meeting all regulatory compliance across all aspects of our operations ranging from protecting the safety and well-being of our employees to ensuring that we continue to deliver quality products and services.

Our commitment towards meeting all legal and regulatory obligations is well established within the Group with various internal controls and processes in place to identify, assess and respond to compliance requirements as they evolve within our dynamic business environment. Additionally, we have also remained in close consultation with relevant authorities and consultants to ensure that we clearly understand our compliance obligations. The Group's standard operating procedures and internal control measure is reviewed by our internal auditor periodically to ensure its effectiveness.

Compliance with all prevailing laws and regulations concerning:

- ☑ Listing Requirements
- ☑ Occupational health and safety standards
- ☑ Labour practices
- ☑ Personal data protection
- ☑ Covid-19 related Standard Operating Procedures
- ☑ Construction, mineral and housing development activities
- ☑ Environment
- ☑ Marketing communications
- ☑ Anti-corruption

## ANTI-CORRUPTION POLICY AND GUIDELINES

DKLS is committed to maintain a workplace culture that embodies 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 and was reviewed and revised in May 2022 to serve as a guide for our employees to act in accordance with DKLS's values and integrity. The policy also outlines strict procedures concerning entertainment and hospitality expenses, as well as sponsorships and donations, so that strict controls are in place to prevent any subterfuge for bribery.

As per briefings conducted on the Group's Anti-Corruption Policy and Guidelines, each employee is expected to strictly comply with all contents of the policy failing which 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 Malaysian Anti-Corruption Commission (MACC) Act 2009 and the MACC (Amendment) Act 2018. All employees are encouraged to report any misconduct relating to fraud and corrupt practices through the whistleblowing channel set up by the Group.

## RISK MANAGEMENT

At DKLS, the Group is cognizant of the fact that running business operations inherently bears some degree of risk. Our business risks across the Group are reviewed annually by the Risk Management Committee ("**RMC**"). The committee develops risk management information in which new risks are identified, mitigation plans are formulated and changes in risk profile (if any) are taken into consideration. The risk assessment, at gross and residual level, is guided by the likelihood and impact ratings, which was established pursuant to our Group's Risk Assessment Framework.

During the year, the Group constantly reviews and 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 which will enable the Group to stay informed, robust and nimble, when facing potential business challenges, thereby enhancing efficiency and effectiveness of business operations across the Group. Further details are set out in the section of Statement on Risk Management and Internal Control within this Annual Report.

## PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

As a diversified business with presence in every stage of the construction and development value chain, the Group plays a vital role in supporting the local marketplace through responsible procurement practices that help to foster local industries, facilitate local knowledge transfer, and engender shared prosperity for our community. Fair and equitable procurement practices also serve to strengthen trust with our external providers and help us source for products.

In line with our sustainability policies and framework, we strive to engage with local suppliers whenever possible without compromising on the cost, quality or safety of a product or services acquired. Local procurement translates to reduced environmental impacts, lower carbon footprint and resource consumption and increased business efficiency, given its shorter supply chains.

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. Purchases are made via suppliers on appointed supplier lists maintained by the Group Purchasing Department. The performance of these suppliers are assessed annually to ensure they remain competitive in terms of timely delivery, product quality and pricing.

In the FY 2022, the Group Purchasing Department recorded 100% of its procurement sourced from local suppliers.

## QUALITY PRODUCTS AND SERVICES

Throughout the years, our initiatives of engaging in effective two-way communication with our stakeholders including our customers, the community, Government agencies, regulators as well as the general public, has helped us strengthen our reputation as a responsible company. We have built our reputation for excellence in product and service delivery, integrity and professionalism across all business divisions and the market we operate in. We have set up policies, procedures and best practices in place to deliver long-term value for our stakeholders.

Regular reviews, process improvements and quality control assessments are carried out to ensure that our processes remain in compliance and continually enhanced. This empowers our employees to take ownership and drive results through commitment and competency. Our Construction and Quarry Divisions are ISO 9001:2015 accredited in Quality Management System. As for the Property Development Division, DKLS Development Sdn Bhd is also ISO 9001:2015 certified where our policies, procedures and best practices are audited and verified by SIRIM.

Selected buildings under the Construction Division are assessed against the Quality Assessment System in Construction ("**QLASSIC**") which focused on the workmanship quality of a building construction work based on the Construction Industry Standards CIS 7:2006. The Construction Division has also adopted its own benchmark for strict adherence to quality standards based on QLASSIC to meet the expectation entrusted on the Group as a brand that delivers quality workmanship.

Our Quarry Division adheres to stringent production requirements and delivers the best quality products certified by CIDB to meet customer demands and standards. The Property Development Division is recognised by its hallmark of thoughtful design and its effort in creating enduring value with good customer service that builds brand presence and loyalty amongst homeowners and community at large.

## DIGITALISATION

Digital transformation is one of the most crucial sustainability initiative that has been implemented to enable and integrate technology into our businesses. Especially in today's fast paced environment, digital transformation is a strategic imperative which not only helps an organisation to generate efficiencies, enhance agility and sustain business continuity in its day-to-day operations, but also enables rapid decision making through its real-time and resourceful features.

In FY 2021, the Group kicked-off a 12-months digital transformation journey to update and integrate our existing Information Technology (IT) landscape for Quarry Division. We embarked on this project with a globally renowned software company to strengthen our IT backbone for digital transformation and to integrate our manufacturing and project site operations with our core IT systems. These holistic digitalisation initiatives allow us to take advantage of growing data streams on project management, trading activities, procurement and finance automation fronts. It enhances the reliability of data as it brings full autonomy in the consolidation and reporting process, providing greater clarity, transparency and insight for decision-making. We completed the rollout for Enterprise Resource Planning (ERP) with selected modules in December 2022. While the Division has started using the system components, fine-tuning processes across the Division are ongoing in 2023.

To stay relevant with the new normal era of digitalisation and automation, the Group had made further investment in a leading front-end software for the Property Development Division. Complementing the current sales processes, this ecosystem solution has helped the Group to adapt to the needs of digital-centric audience in facilitating a smoother, faster and more efficient home-buying process.

As part of our journey towards digital transformation, the Group is continuously looking at improving and upgrading our ways of working. We see enhancing digitalisation capabilities as a key driver of our evolution. The Group will continue to roll out harmonisation efforts in all business operations across our business divisions in the near future. By doing this, the Group is able to scale our ecosystem and accelerate growth while future-proofing our business strategy. This includes diversification of new verticals, embracing disruptive technologies while also nurturing a controlled ecosystem based on data, analytics and IoT (Internet-of-Things). Integrating digital, technology, automation into our business operations will not only support efficiency and growth, it also helps enable our sustainability agenda.

Whilst we try to step up to the digitalisation that has been taking place, we are also aware that this process may attract other new forms of risks such as cybersecurity breaches. On a practical level, considerable efforts have been invested in ensuring a high level of cybersecurity is achieved through the implementation of risk-based control approach and enforcement through documented policies and procedures, software and hardware controls to manage our IT security risks.

We conducted software audits randomly to ensure compliance with software licensing requirements and prevention of illegal download of software by employees. Our Group IT team is tasked in ensuring that there are relevant preventive, detective and recovery measures in place across all our businesses' operations. We also monitor the health of all systems and have in place contingency plans for potential disruptions to critical systems and processes.

To ensure continuous follow-through, Group IT also promotes cybersecurity awareness among all employees through trainings and periodic cybersecurity announcements and alerts. We review and update our IT Policy and Procedures from time to time to ensure the guidelines for managing the security of our IT infrastructure, onsite and offsite disaster recovery facility remain relevant.


*"Cybersecurity training during our Christmas celebration"*

# ENVIRONMENTAL

## ENVIRONMENTAL COMPLIANCE

At DKLS, we strive to uphold the responsibility we are entrusted with as a responsible corporate organisation to safeguard and conserve the environment in which we operate. The Group is committed to identify, manage, and mitigate our business environmental impact in an environmentally sustainable manner. We continue to work hand in hand with the environmental authorities and ensure that relevant environmental laws and regulations are complied with to the best of our ability.

## WASTE MANAGEMENT

**Regional offices**

In our effort to foster a resource-efficient and productive work culture, we have implemented various initiatives to instil conscientious use of natural and manufactured resources, as well as ethical waste treatment by business units. A brief outline of waste management initiatives at our offices are as follows:-

- 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 or on draft papers.
- 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.

**Construction Sites**

While waste production is inevitable during construction work, DKLS Group has mitigated this by implementing a scheduled waste management plan where construction waste is collected and disposed at legal dumping areas to ensure compliance with environment departments' requirements and standards regarding waste management.

- Efficient project site management evolves around 6S (Sort, Set In Order, Shine, Safety, Standardise and Sustain) methodology of housekeeping techniques for best professional practices on organising, cleaning, developing and sustaining a productive and safe work environment.
- Monitor the usage of raw materials to ensure wastage are used efficiently and where possible, recycling non-hazardous wastes.
- Construction waste is segregated and recycled as much as possible to reduce the cost of procuring raw materials and to minimise the amount of construction waste going to landfills.

## ENERGY AND WATER CONSERVATION

In the FY 2021, after the Malaysian Government had eased the movement restrictions related to Covid-19 pandemic, there was an increase in water supply usage due to frequent handwashing and cleaning of premises by employees as part of the preventive measures against COVID-19, compared to the FY 2020 where water and electric usage was lower due to closure of our regional offices as a result of several movement restriction orders nationwide. In the FY 2022, we have recorded a higher water usage than the FY 2021 as main cause of increase was due to the water tank leakage at our Sitiawan office which has been resolved in a short time span. We continue to instil good hygiene practices among our employees for their safety while emphasising the importance in using water and electricity wisely.

| Property | Water (m³) | | | Electricity (kWh) | | |
|---|---|---|---|---|---|---|
| Year | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Ipoh Office (HQ) | 356.00 | 773.00 | 342.00 | 98,781.50 | 130,213.00 | 129,203.00 |
| BizHub DKLS (Sitiawan) | 825.00 | 747.00 | 2,095.00 | 121,495.00 | 125,847.00 | 139,048.00 |
| Tower 8 (Bangsar South) | 221.24 | 221.89 | 227.84 | 6,632.00 | 6,106.00 | 1,423.00 |
| Total | 1,402.24 | 1,741.89 | 2,664.84 | 226,908.50 | 262,166.00 | 269,674.00 |

# ENVIRONMENTAL


"Gabion Wall at entrance of Goshen @ Ipoh Premier City project made from recycled rock materials amidst green landscape"

"Gated Guarded Development at Goshen @ Ipoh Premier City - construction still in progress".

**Looking ahead**

Looking ahead, DKLS Group intends to continuously assimilate eco-conscious elements to reflect our commitment towards sustainability in our business operations. We are also committed to proactively improve our compliance with the applicable environmental laws and regulations.

## WORKPLACE AND TALENT MANAGEMENT

At DKLS, we are fortunate to have a pool of talented employees. Our management handpicks employees from various professional backgrounds with multi diverse set of skills, experience and capabilities to perform critical functions across our diverse business operations. We are committed to keep them motivated, inspired, and engaged because they are the driving force behind our business operations and are at the forefront of building the Group's industry reputation.

In order to achieve this, we strive to elevate DKLS Group's productivity, improve employee satisfaction and maintain a high talent retention rate through effective human capital management, learning and development strategies and policies that are centred on strong corporate governance, competency and sustainability. Beyond providing employment opportunities and ensuring well-being of all our employees through fair and competitive benefits and welfares scheme, we also invest in training and upgrading skills of employees with an aim to equip them with valuable skills to achieve the mission and goals of the Group.

## DIVERSITY AND EQUALITY

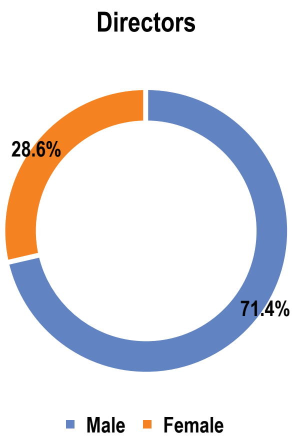
Being a home-grown Malaysian organisation, at DKLS, we promote diversity, inclusivity and equality regardless of gender, race and religion to encourage different groups of people to build positive relationships at the workplace. Diversity is seen as an asset because it promotes for the dissemination of diverse points of view and perspectives, as well as new ideas that support innovation and the development of our business.

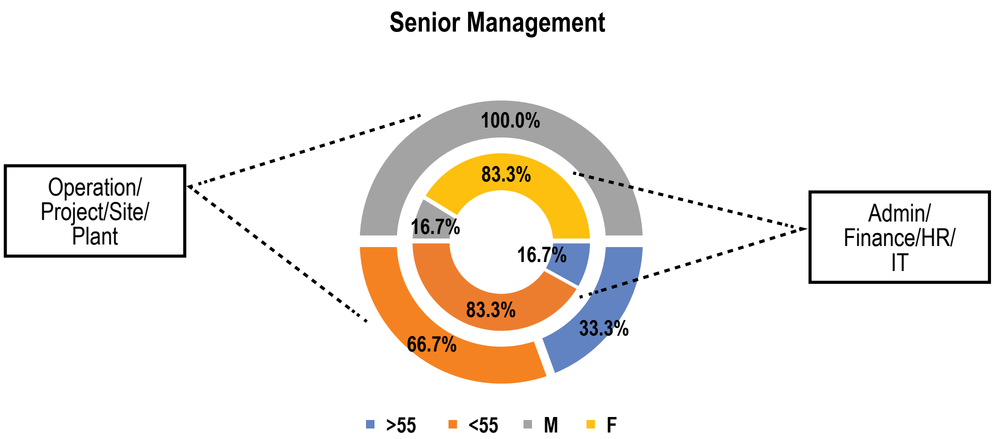
Diversity facilitates better problem solving and solution development in today's increasingly complex business environment by leveraging on multi perspectivity and approaches of a diverse ethnic and cultural talent pool.

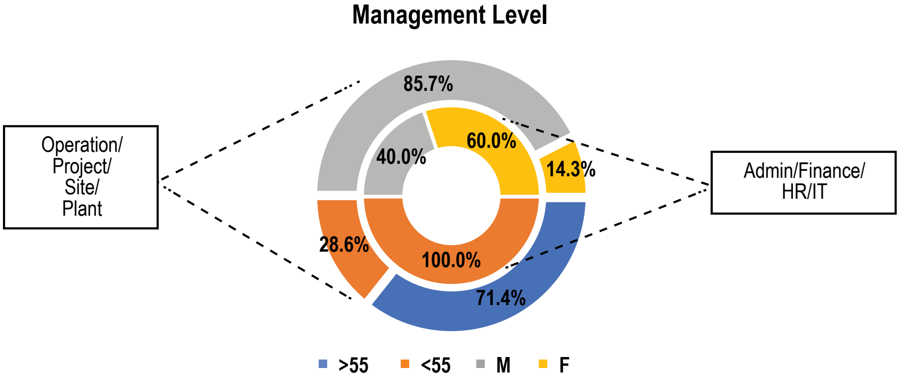
Any decision regarding recruitment, retention, career advancement, training opportunities, and remuneration are solely based on meritorious performance, in which employees' skills, capabilities, performance and qualifications are evaluated through a fair evaluation process.

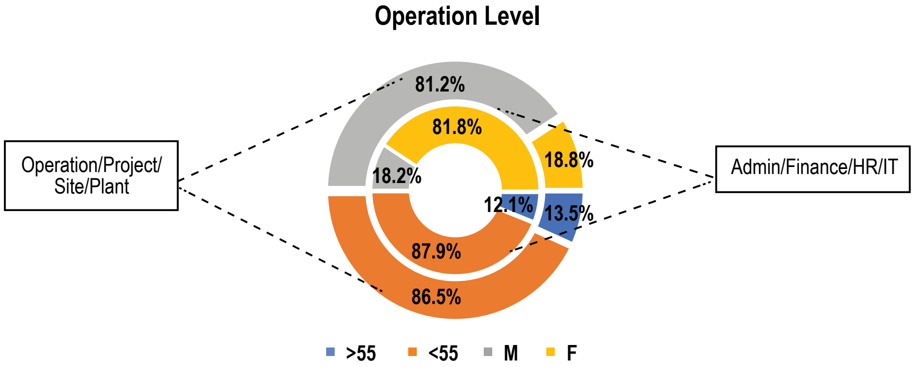
As of 31 December 2022, the Group has a total strength of 231 employees across our business divisions. Despite the fact that the Group's core business operations are traditionally and primarily male-dominated, we continue to welcome capable female employees to join our operations.

The following data shows the Group's human resource allocation for the FY 2022:






## EMPLOYEE ENGAGEMENT

At DKLS, we believe that effective employee engagement through people-driven culture strengthens individual ownership and a sense of belonging to the Group. Our initiatives taken have proved to be a success as most employees are long serving employees of the Group.

In the meantime, the Group is persistent in cultivating an open working environment. All Directors and senior management of the Group are easily accessible which encourages employees to propose their ideas or clarify any of their queries freely. To ensure a two-way communication between the management and employees, regular communication sessions/meetings are conducted. The management are also required to keep track of their employee's work progress and provide genuine feedback or coaching as required.

While the impact of Covid-19 pandemic has begun to decline, we continue to encourage all department meetings to be conducted virtually where personnel involved are not based at the same location. Where physical meetings are conducted, attendees are still required to put on their masks so as to ensure the health and safety of our employees are still protected without compromising our daily business operations.

As much as the pandemic had deprived us from organising social gatherings freely over the past few years, we are delighted to finally be able to organise some activities for our employees to foster good relationship among our employees.


*"Appreciation Award Ceremony for Mr. Chin Meow Hin's retirement from DKLS Quarry & Premix Sdn Bhd after 31 years of long service with DKLS"*


*"Appreciation Award Ceremony on Mr. Chor Ah Lek's retirement from DKLS Quarry & Premix Sdn Bhd after 21 years of long service with DKLS"*

# SOCIAL


*"Hari Raya Lunch"*


*"Malaysia Day Celebration"*


*"Christmas Celebration at Ipoh Office"*


*"Christmas Celebration at Sitiawan Office"*

## LABOUR PRACTICES AND STANDARDS

The Group firmly believes that in order to maintain a reputable standard of labour practices, training and development of employees plays a vital part of the human resource development. We continue to advocate the need for continuous trainings to develop a high-performance culture and create an environment of high achievers while being able to provide our employees with access to up-to-date personal and work-related skills that they may require.

Training also serves to boost the confidence of our employees as they will be able to mitigate their competency gaps and remove any hindrance for them to progress in their career paths. Ever since the outbreak of the Covid-19 virus, we have adopted digital learning to enable employees to continuously update their skills and knowledge while still being safe. While the spread of virus has stabilised in our community, we continue to encourage employees to join virtual trainings as it provides a safer learning environment. There were no complaints concerning human right violations in this financial year.

Nevertheless, we had also conducted physical trainings on our ISO new product Certification for our Teluk Intan and Pundut quarry employees and several other trainings to allow our employees to be updated with any new work-related changes as well as develop their practical skill sets.

## HEALTH AND SAFETY

Our commitment to excellence extends to all aspects of our operations, including our approach to health and safety. As a responsible company, our responsibilities include to manage occupational hazards and provide a safe and healthy work environment for all of our stakeholders, which entails every stakeholder to return from their respective workplaces unharmed and safe. Our aspiration is to go beyond compliance and our continual commitment to health and safety is underscored by our achievement of minimal work related incidents across our business operations in the FY 2022.

At DKLS, independent Occupational Safety and Health Committee(s) have been established to safeguard and prioritise the health and safety of our employees and visitors at applicable workplaces, in compliance with the Malaysia's Occupational Safety and Health Act 1994.

The committee is led by the respective division leaders where they shall continuously identify areas for improvements. Apart from that, their role is also to ensure that prompt actions are carried out when addressing incidents, accidents or emergencies pertaining to health and safety on site.

The division leaders are supported by an implementation team comprising employees from various department who is also responsible to provide timely reporting of such incidents/ accidents to HQ for them to initiate any action plans that are to be undertaken at the group level. We are committed to continuously improve our safety standards to reduce the risk of accidents at our workplace and project sites.

## WELFARE AND BENEFITS

DKLS continues to provide competitive benefits in order to motivate and reward our employees. We adhere to government mandated statutory benefits and compensation requirements such as KWSP, PERKESO, annual leave, medical leave, and compassionate leave.

Eligible employees are also entitled to hospitalisation and surgical insurance, as well as parking and vehicle related benefits.

## COMMUNITY ENGAGEMENT

Following the Government's announcement of the country's transition into the endemic phase, we have gradually resumed our CSR activities which were put on hold last year. DKLS Group has committed to always strive to play a role in contributing to and uplifting the needful community.

The Group also believes that education is an equaliser where no eager learner shall be left behind. DKLS has continuously invested in improving educational standards via DKLS Foundation which was established since 2000.

**DKLS Foundation's Annual Education Excellence Awards**

Our DKLS Foundation is determined to contribute to the development of the successors of our nation via education as we regard education as a powerful weapon that aids an individual to overcome social stigmas such as poverty, fear and status to achieve success. Education plays a vital role in the contemporary and industrialised world, bearing that in mind the Group with its constant effort always invest in improving the education standards of the local society where we operate.

Since it has been more than 20 years the DKLS Foundation has been established, the Foundation has in line with its vision and determination been actively involved in promoting Scholastic excellence among Malaysian Secondary School in the Manjung District.

DKLS Foundation is also grateful that we are finally able to resume to celebrate and give recognition to students who have excelled in their education against all odds, particularly after the disruption caused by the Covid-19 pandemic. The following are some pictures from our annual education excellence awards ceremony:-


*"STPM Best Academia and All-Rounder Awards Presentation Ceremony on 22 September 2022"*


*"SPM Best Academia and All-Rounder Awards Presentation Ceremony on 19 August 2022"*

# SOCIAL

**Chinese New Year Lunch from DKLS to residents of Sitiawan Carevilla Home**

Earlier this year when the Covid-19 pandemic was still widely spread among our community, DKLS Group had within the guidelines issued by the government provided Chinese New Year Lunch to the residents of Sitiawan Carevilla Home. As the residents of Carevilla Home belong to a high risk group if in contact with Covid-19, our management had decided to only send a representative to handover the lunch packages to the management of the Home. Amidst the restrictions faced, we endeavoured to play our small part in celebrating the festive season with the less fortunate community, without compromising on their health and safety.

*"Delivery of CNY Lunch packages to residents of Sitiawan Carevilla Home"*

*"Delivery of CNY goodies to residents of Sitiawan Carevilla Home"*

Since the Covid-19 pandemic has been declared endemic, DKLS Group will strive to continue serving the community with paramount focus on safeguarding their health and safety.

**Looking Ahead**

Looking ahead, DKLS Group recognises the importance to embed sustainability within our business, both in terms of new initiatives undertaken and reporting structure. Our ultimate goal is to build a sustainable business for future generations. We look forward to accomplish this by seeking opportunities to run our operations with improved transparency and accountability towards sustainability, while also staying current on industry developments, actively and regularly engaging our stakeholders, building on our existing sustainability framework, and seeking to further expand sustainable practises within our business to improve our overall sustainability performance. We shall continuously review, monitor and update our sustainability KPI's and strive to achieve our targets and benchmark our progress against international standards of reporting.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 issued by the Securities Commission in April 2021 ("**MCCG**"), except where stated otherwise, during the financial year ended 31 December 2022. 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 2022. 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 https://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 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 when exercising their duties.

The Board has periodically reviewed the Charter to ensure it remains relevant and appropriate. The Charter can be viewed on the Company's website at https://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 senior management team whereby updates are reported on a quarterly basis.

#### 1.2 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 different individuals. The Board is chaired by Dato' Ding Pei Chai DPTJ, PMP, a founding 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 the 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 the Board's effectiveness and conduct by focusing on strategy, governance and compliance, managing the interface between the Board and the senior management team, and ensuring a smooth, open and constructive dialogue between the Board and shareholders.

The presence of three (3) independent non-executive directors fulfils a pivotal role in corporate accountability in support of the Chairman. Although all the directors are jointly responsible for the Group's strategic business direction, the role of these independent non-executive directors is particularly important as they provide unbiased and independent views, advice and judgment taking into account the long term interests of our stakeholders.

In line with the MCCG, the Chairman of the Board is not a member of the Audit Committee or the Nomination and Remuneration Committee.

The Board has evaluated the position of the non-independent non-executive Chairman and concluded that the existing independent directors are able to discharge their duties and responsibilities effectively to ensure that there is a balance of power and authority on the Board.

### 1.3 The Role of Company Secretary

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

The Company Secretary attends all Board's and the Board 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 draft minutes of meetings are circulated to the Board and Board Committee members for their review and comments, before tabling them for approval at the next meeting.

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

### 1.4 Access to Information and Advice

All directors are furnished with an agenda together with a full set of Board and meeting papers to the Board and the Board Committees' 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. The Board and meeting papers contain a comprehensive summary of the topics to be tabled for discussion at the Board and the Board Committee meeting, including the background, rationale, risk factors and relevant reports to support the management's recommendation.

All directors have full and unrestricted access to the advice and services of the senior management team, Company Secretary, 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 annoucements 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.

### 1.5 Meetings of the Board and Board Committees

The Board Committees' meetings are conducted separately from the Board meetings to facilitate objective and independent discussions during the meetings. The Audit Committee and Nomination and Remuneration Committee meetings are conducted without the presence of executive directors, in view that both committees comprise wholly of independent directors.

At the Board meeting, the respective Board Committee's chairmen gives an update of the discussions and decisions made by the Board Committees in order to apprise all Board members on the same.

## 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 https://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 1 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 the Group.

The Board has reviewed and revised the Anti-Corruption Policy and Guidelines on 24 May 2022. The Board will continuously assess its effectiveness and review the policy as and when necessary, in any event, at least once every three (3) years. The Anti-Corruption Policy and Guidelines can be viewed on the Company's website at https://dkls.com.my.

### 1.6.3 Whistleblowing Policy and Procedures

In line with the 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 has reviewed and revised the Whistleblowing Policy and Procedures on 24 May 2022. The Board will continuously assess its effectiveness and review the policy as and when necessary, in any event, at least once every three (3) years. The Whistleblowing Policy and Procedures can be viewed on the Company's website at https://dkls.com.my.

## 1.7 Sustainability Governance and Strategies

The Board together with the management is responsible for incorporating sustainability considerations into its planning and decision making process to ensure that the Group is able to deliver sustainable value and maintain confidence of its stakeholders. In doing so the Board will review the Group's performance against the key sustainability targets identified in terms of environmental, social and governance ("ESG") and address the associated ESG risks and opportunities. The Group had further identified a set of key performance indicators against the key sustainability targets set for better monitoring and tracking of its sustainability progress.

The Board had revised the performance evaluation for the Group to include a review of the performance of the Board in addressing the Group's material sustainability targets, strategy, risks and opportunities. This is also to promote accountability among the Board on sustainability issues concerning the Group, which is crucial for the long-term growth of the Group. Relevant provisions were also included in the senior management's annual evaluation forms since 2021.

Currently, the Group's Sustainability Committee is led by an Executive Director. The sustainability targets and performance of the Group are presented in more detail in the Group's Sustainability Statement.

## 2 Board Dynamic

### 2.1 Size and Composition of the Board

The members of the Board are as follows:

**Chairman:**
Dato' Ding Pei Chai DPTJ, PMP (Chairman/Non-Independent Non-Executive Director)

**Members:**
Executive Directors
Mr Ding Poi Bor (Managing Director)
Ir Sam Tuck Wah
Ms Ding Zhe Xin

Independent Non-Executive Directors
Mr Chin Kok Tong
Mr Liew Chai Kar
Ms Ang Chan Moy

The Board includes three (3) independent non-executive directors, representing more than 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 5.2 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 through the Nomination and Remuneration Committee 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 Independence of 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 members of the Nomination and Remuneration Committee, who are also independent non-executive directors, conduct self-assessment on their independence on an annual basis. Each independent director is required to declare his or her independence annually. Apart from that, their independence is also assessed based on whether they can act independently of management. The Board and its Nomination and Remuneration Committee have upon their annual assessment, concluded that each of the three (3) 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 5.3 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 Nomination and Remuneration Committee and the Board have carefully assessed and reviewed the performance of Mr Chin Kok Tong who has served the Board for nine (9) years by 9 December 2022 and have determined his independence as a director. Based on the following justifications, the Board concluded that Mr Chin Kok Tong is able to continue to discharge his duties and responsibilities effectively to ensure balance of power and authority on the Board.

(i) Mr Chin Kok Tong has met the criteria as independent director pursuant to the Listing Requirements, hence he is able to provide an element of objectivity, independent judgement and balance to the Board;

(ii) He is a Senior Independent Director with high intellect, honesty and genuine commitment to serve in the best interest of the Company and its shareholders;

(iii) He does not hold any directorship in other listed companies to render him to contribute less productively in the Company;

(iv) His valuable advice on financial matters and wide knowledge particularly his knowledge in accounting matters will continue to add credence to the Company and will not have any adverse effect on his independency as independent non-executive director;

(v) He attended all scheduled Board meetings without fail during the year under review;

(vi) His long tenure as an independent non-executive director has no conflict of interest or undue influence from interested parties. In fact, he is familiar with the Company's and Group's business operations. He is able to challenge ideas and provide perspective to the management;

(vii) Although having served for a consecutive term of more than nine (9) years, he is subject to yearly assessment and review by the Board through a transparent criteria evaluation;

(viii) In addition, he also makes an annual declaration that he is independent of management and free from any business or relationship that could interfere with the independent judgment of the Company;

(ix) Without retaining him, the Company will stand to lose a very professional Board member of his caliber; and

(x) In accordance with the MCCG, the Company is not classified as a Large Company.

The Board has recommended that approval of the shareholders be sought through a two-tier voting process to retain Mr Chin Kok Tong, an independent director who has served on the Board exceeding a term of nine (9) years, as an independent director beyond nine (9) years.

### 2.3 Board and Senior Management Diversity

The Board recognises the importance of diversity in designing the composition and total manpower of the Board and senior management team. The Board has adopted a Gender Diversity Policy for the Board and senior management, which is available on the Company's website at https://dkls.com.my. The Board is committed to improve boardroom and senior management diversity in terms of different skills and industry experience, race, religion, gender, cultural and geographical background, ethnicity and age, so that board decisions are made taking into account diverse perspective and insights.

Currently, the percentage of women participation on the Board is 28.6%. The Board will continue to work towards having more female members on the Board and at senior management level in the next few years by sourcing from independent search firms and/or through other mediums available.

Overall, the Board is satisfied with the existing number and composition of the members and is of the view that the Board and senior management team comprise 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.

### 2.4 Appointment and Re-Election of Directors

Appointments and re-elections to the Board are made based on the recommendation of the Nomination and Remuneration Committee and the Board. In accordance with the Company's Constitution, all directors shall retire from the office at least once in three (3) years but shall be eligible for re-election. The directors who are appointed by the Board are subjected to re-election by the shareholders at the next Annual General Meeting ("**AGM**") held following their appointment.

The Board has adopted a Directors' Fit and Proper Policy of the Company for the appointment and re-election of directors, which is available on the Company's website at https://dkls.com.my. The Board is committed to ensure that each of its directors has the character, integrity, experience, competence and time to effectively discharge his or her role as a director.

The directors seeking re-election at the forthcoming AGM are shown on the Notice of AGM on page 201 of the Annual Report.

## 2.5 Overall Effectiveness of the Board and Individual Directors

### 2.5.1 Assessment of Board, Board Committees and Individual Directors

The Board, through the Nomination and Remuneration Committee, conducts annual assessment on the effectiveness of the Board, the Board Committees as well as the performance of each individual directors of the Company. The assessment is administered via customised questionnaires, using a self and peer-rating model for continuous improvement. The Nomination and Remuneration Committee also conducts self-assessment on the independent directors annually. The assessment is carried out internally wherein at the end of the financial year, each director is handed a Board and Board Committee Evaluation Form to conduct the self and peer assessment. Upon completion, the Board and Board Committee Evaluation Form is returned to the Company Secretary for compilation of the assessment results to be tabled at the next Nomination and Remuneration Committee meeting.

The areas covered by the annual assessment are:

(a) For the Board
- Attributes of each individual director i.e., industry knowledge, specific competencies, characteristics, diverse perspectives and skills, independence and more
- Board and Board Committee structure, Mix and Composition - whether the Board or Board Committees composed of directors with appropriate mix of skill and experience to meet the Company's requirements
- Quality of information and decision making - whether sufficient support, information and resources are made available to the Board for effective decisions to be made
- Boardroom activities including its roles and responsibilities such as strategy planning, performance management, risk management and succession planning as well as commitment to serve
- Sustainability Governance - sustainability considerations, targets and performance are made and communicated in the course of its duties
- Board's relationship with the management on whether sufficient support is given and whether there was an open communication

(b) For individual directors
- The assessment is conducted in accordance with the criteria stipulated in the Directors' Fit and Proper Policy

Based on the recent annual assessment, 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.

As recommended by the MCCG, none of the Board members are active politicians, heads of state, heads of government and ministers as this would impair the independence of their judgment in carrying out their duties as a director.

### 2.5.2 Time Commitment

The directors allocate sufficient time to discharge their roles and 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 2022, 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 of the Board were held on 24 February 2022, 24 May 2022, 22 August 2022 and 21 November 2022.

The following are the attendance details of each director in respect of the meetings held:

| Directors | Board meeting | Board Committees | |
|---|---|---|---|
| | | Audit | Nomination and Remuneration |
| Dato' Ding Pei Chai DPTJ, PMP | 3/4 | - | - |
| Mr Ding Poi Bor | 4/4 | - | - |
| Ir Sam Tuck Wah | 4/4 | - | - |
| Ms Ding Zhe Xin | 4/4 | - | - |
| Mr Chin Kok Tong | 4/4 | 4/4 | 3/3 |
| Mr Liew Chai Kar | 4/4 | 4/4 | 3/3 |
| Ms Ang Chan Moy | 4/4 | 4/4 | 3/3 |

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.

Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda to facilitate informed decision-making.

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.

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 2022, the transactions involving the present directors are set out on pages 174 to 176 of the Annual Report.

The Board is satisfied with the level of time commitment given by the directors towards fulfilling their roles, duties and responsibilities as directors of the Company as demonstrated by their attendance at the meetings of the Board and Board Committees.

**2.5.3 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 Secretary 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 | Training Programmes Attended |
|---|---|
| Dato' Ding Pei Chai DPTJ, PMP | • Anti-Money Laundering Regime: Director and Company Secretary's Reporting Obligations |
| Mr Ding Poi Bor | • TCFD 101: Getting started with climate-related financial reporting |

| Name of Director | Training Programmes Attended |
|---|---|
| Ir Sam Tuck Wah | • TCFD 101: Getting started with climate-related financial reporting<br>• TCFD 102: Building experience in climate related financial reporting<br>• Housing Integrated Management System - What Housing Developers Need to Know?<br>• Emerging Trends Talk: ESG Oversight - Role of the Board |
| Ms Ding Zhe Xin | • TCFD 101: Getting started with climate-related financial reporting<br>• Sounds Legal: Amendments to the Employment Act 1955<br>• TTCS 3rd Virtual Tax Conference: Tackling Practical Problems faced by Taxpayers<br>• 10th Malaysia Land Conference 2022<br>• ESG Disclosure at a Glance: Key Developments and Future Trends<br>• Emerging Trends Talk: ESG Oversight - Role of the Board |
| Mr Chin Kok Tong | • TCFD 101: Getting started in climate related financial reporting<br>• TCFD 102: Building experience in climate related financial reporting |
| Mr Liew Chai Kar | • TCFD 102: Building experience in climate related financial reporting<br>• Assessing your organisational structure<br>• ESG Disclosure at a Glance: Key Developments and Future Trends<br>• Board Benchmarking for Sustainability<br>• Emerging Trends Talk: ESG Oversight - Role of the Board<br>• Advocacy Sessions for Directors and Senior Management<br>• Understanding the importance of Section 17A of MACC Act 2009 to Investor Relations<br>• Audit Oversight Board Conversation with Audit Committees |
| Ms Ang Chan Moy | • CEO Series 2022: Annual Property Developers Conference<br>• TCFD 101: Getting started in climate related financial reporting<br>• TCFD 102: Building experience in climate related financial reporting<br>• 8 Days Digital Marketing Transformation Initiative (DMTI) Programme<br>• Plan Malaysia Planning Guidelines for the Northern and Central Zones<br>• Change Management in New Normal<br>• Navigating Form Q, Form N and Dispute Resolution<br>• ESG Disclosure at a Glance: Key Developments and Future Trends<br>• Board Benchmarking for Sustainability<br>• Emerging Trends Talk: ESG Oversight - Role of the Board<br>• Understanding the importance of Section 17A - MACC Act 2009 to Investor Relations<br>• Audit Oversight Board Conversation with Audit Committees |

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.

**2.6 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, as well as senior management. 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.

#### 2.6.1 Composition

The Nomination and Remuneration Committee comprise exclusively of independent non-executive directors only.

The composition of the Nomination and Remuneration Committee are as below:
- Mr Liew Chai Kar (Chairman)
- Mr Chin Kok Tong (Member)
- Ms Ang Chan Moy (Member)

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 24 February 2022, 22 August 2022 and 21 November 2022.

#### 2.6.2 Summary of Activities

The summary of the activities carried out by the Nomination and Remuneration Committee during the financial year 2022, amongst others, included the following:

- Assessed the overall performance of the Audit Committee for the financial year 2021 on the self and peer evaluation basis and concluded 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**");
- Self-assessment by the members of the Nomination and Remuneration Committee on their independency and verified that all the independent directors have satisfied the criteria of independence pursuant to the Listing Requirements for financial year 2021;
- Assessed individual directors, overall Board and its performance and effectiveness as a whole for financial year 2021;
- Reviewed the composition of the Board based on the required mix of skills, experience and other qualities of the Board for financial year 2021;
- Reviewed and assessed the performance of directors seeking for re-election at the forthcoming AGM, and made recommendations to the Board for its support and endorsement;
- Reviewed and recommended to the Board for adoption the revised Policy on Nomination and Assessment Process of Directors;
- Reviewed and recommended to the Board for adoption the Directors' Fit and Proper Policy of the Company for the appointment and re-election of Directors;
- Reviewed the training that the directors received in financial year 2021 to ensure appropriate continuous training;
- Reviewed the proposed executive directors' discretionary uncontracted bonus for year 2021 and recommended the same to the Board for approval;
- Reviewed the proposed directors' remuneration and benefits including contractual bonus for executive directors of the Company for the year 2023 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 2023 to May 2024 and recommended the same to the Board for approval;
- Considered the proposed resolution to be put forward to the shareholders at the forthcoming AGM, through a two-tier voting process, the appointment of Mr Chin Kok Tong to continue in office as independent non-executive director upon the expiry of his nine (9) year tenure on 9 December 2022 and recommended the same to the Board for approval.

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. As such, there is no need to separate the nomination and remuneration functions into distinct nomination and remuneration committees.

The details of the TOR of the Nomination and Remuneration Committee can be viewed on the Company's website at https://dkls.com.my.

## 3 Remuneration

### 3.1 Remuneration Policy for Directors and Senior Management

The Board has established a fair and transparent procedure for developing policy on the remuneration of the directors and senior management. The Board has in place a remuneration policy which provides a basis to ensure that the executive and non-executive directors and senior management are fairly rewarded for their individual contributions to the Company's and Group's overall performance, in addition to its objective to attract and retain talents.

The Board has updated the Remuneration Policy and Procedures for Directors and Senior Management to include remuneration procedures for senior management at the point of their appointment.

The Remuneration Policy for Directors and Senior Management is available on the Company's website at https://dkls.com.my.

### 3.2 Directors' Remuneration

Details of remuneration paid to Directors of the Company for the financial year 2022 are as follows:

| No. | Company Directors | Remuneration paid by the Company | | | | |
|---|---|---|---|---|---|---|
| | | Fee/Salary RM | Allowance[1] RM | Benefit-in-Kind RM | Other Emoluments[2] RM | Total RM |
| 1 | Dato' Ding Pei Chai DPTJ, PMP | 70,000 | 900 | - | - | 70,900 |
| 2 | Mr Chin Kok Tong | 50,000 | 1,200 | - | - | 51,200 |
| 3 | Mr Liew Chai Kar | 28,333 | 1,200 | - | - | 29,533 |
| 4 | Ms Ang Chan Moy | 26,500 | 1,200 | - | - | 27,700 |
| 5 | Mr Ding Poi Bor | 88,000 | - | - | 16,720 | 104,720 |
| 6 | Ir Sam Tuck Wah | 48,000 | - | - | 9,563 | 57,563 |
| 7 | Ms Ding Zhe Xin | 88,000 | - | - | 11,562 | 99,562 |
| | **Total** | **398,833** | **4,500** | **-** | **37,845** | **441,178** |

*Notes:*

[1] *Allowance includes meeting allowance*

[2] *Other emoluments include Employee Provident Fund, SOCSO, Employment Insurance System contributions*

| No. | Company Directors | Remuneration paid by the Group | | | | |
|---|---|---|---|---|---|---|
| | | Fee/Salary RM | Allowance[1] RM | Benefit-in-Kind RM | Other Emoluments[2] RM | Total RM |
| 1 | Dato' Ding Pei Chai DPTJ, PMP | 70,000 | 900 | - | - | 70,900 |
| 2 | Mr Chin Kok Tong | 50,000 | 1,200 | - | - | 51,200 |
| 3 | Mr Liew Chai Kar | 28,333 | 1,200 | - | - | 29,533 |
| 4 | Ms Ang Chan Moy | 26,500 | 1,200 | - | - | 27,700 |
| 5 | Mr Ding Poi Bor | 489,500 | - | 9,900 | 93,543 | 592,943 |
| 6 | Ir Sam Tuck Wah | 419,700 | - | 2,650 | 81,228 | 503,578 |
| 7 | Ms Ding Zhe Xin | 240,000 | - | - | 30,804 | 270,804 |
| | **Total** | **1,324,033** | **4,500** | **12,550** | **205,575** | **1,546,658** |

*Notes:*

[1] *Allowance includes meeting allowance*

[2] *Other emoluments include Employee Provident Fund, SOCSO, Employment Insurance System contributions*

The Board noted that Practice 8.2 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 Establishment and Effectiveness of the Audit Committee

#### 1.1 Establishment and Terms of Reference

The Audit Committee of the Company comprises three (3) independent non-executive directors. 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 https://dkls.com.my.

The composition of the Audit Committee are as below:

- Mr Chin Kok Tong (Chairman)
- Mr Liew Chai Kar (Member)
- Ms Ang Chan Moy (Member)

#### 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 64 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 Right 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

##### 1.5.1 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 purview.

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, relevant senior management 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.

##### 1.5.2 Relationship with External Auditors

Messrs Ernst & Young PLT ("**EY**") 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 Audit Committee conducts an annual assessment in line with the Group's External Auditors Policy on the suitability, objectivity and independence of the external auditors. Areas of assessment include quality of audit services, processes and performance, adequacy of resources, independence, professional skepticism and objectivity, audit scope and planning, as well as communication and interaction with the Audit Committee. The Audit Committee ensures that the external auditors are independent of the activities they audit, and reviews the contracts for provision of non-audit services by the external auditors.

The external auditors are re-appointed by the shareholders of the Company annually, based on recommendation of the Board.

The external auditors shall 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.

#### 1.5.3 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, allowing them to operate independently of management so as to ensure their analysis, judgements and reports are free from bias or undue influence. They are primarily responsible in assessing and improving the effectiveness of the risk management, internal control systems and governance processes within the Group. 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.

A summary of the activities of the Audit Committee during the financial year 2022 is set out in the Audit Committee Report on pages 64 to 67 of the Annual Report.

### 2 Risk Management and Internal Control Framework

The Board acknowledges its responsibility to maintain a sound risk management and internal control system to manage and mitigate significant risks across the Group and to safeguard stakeholders' interests and the Group's assets. 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, established 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.

The Audit Committee reviews and assesses the adequacy of the risk management and internal control systems mainly based on reports presented by management, external and internal auditors during its meetings.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control at pages 60 to 63 of the Annual Report.

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

### 1 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 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 processes.

### 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 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 AGM is sent out to the shareholders in sufficient time as permitted by law and regulations before the date of the meeting. The AGM remains the principal forum for dialogue with the shareholders where they may seek clarifications on the Group's businesses.

The 26$^{th}$ AGM was successfully held physically on 24 May 2022.

Shareholders were 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 and relevant key senior management, as well as the external auditors of the Company, were present to answer questions raised at the meeting. The Chairman provided sufficient time to shareholders' questions on matters pertaining to the Company's performance and responded 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 considering 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 interests 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 27 February 2023.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is pleased to present 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.

## 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 2022 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 to the Board in a timely manner 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**"), both established at management level. 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. The Risk Management Policy and Guideline was last revised and adopted by the Audit Committee and the Board in November 2021 for more effective risk management processes across the Group.

During 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 will 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.

In the financial year 2022, the RMC 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 Risk**

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.

**Law and Regulatory Compliance Risk**

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 is also committed to do business with integrity and had formalised the Anti-Corruption Policy and Guidelines to outline the Group's approach in combating bribery and corruption in all business dealings and relationships. The Group's stance in combating corruption is made publicly available on the Company's website at https://dkls.com.my via the Anti-Corruption Policy and Guidelines and Whistleblowing Policy. The policies are reviewed and updated periodically and as and when necessary.

**Environmental Risk**

With increasing awareness on environmental and social issues, particularly concerning global warming, climate change and greater expectations by stakeholders, the Group has accordingly addressed the sustainability risks and opportunities which are relevant to its businesses, including climate-related risks and opportunities. The Group is also mindful of the transition risks that can occur when moving towards a less polluting, greener economy. Such transitions could mean that the Group's financial standing would face big shifts in asset values or higher costs of doing business. The Group would continue to monitor and implement its best management practices to effectively transition to a greener economy while keeping a minimal impact on the Group's financial standing.

**Technology Risk**

In its effort towards digital transformation so as to remain competitive in the industry, the Group has introduced and integrate digitalised software platforms and systems into its business operations and management to enhance the accessibility of data and data centralisation. However, during the transitional period, it is expected that a new set of risks will arise.

The Group understands that there will be new risks associated with its digitalisation efforts and will continuously review and enhance its controls to mitigate the risks arising from new and emerging threats by reinforcing its IT security efforts and initiatives, including to provide in-house IT training and updates to all staff as and when necessary.

**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 2022, the Group's total loans and borrowings was RM46.80 million. There is no immediate refinancing risk as the tranches of the Group's term loan have tenures ranging from two (2) to six (6) 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 monitors 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.

**Property 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 needs to be taken to manage and mitigate risks as early as possible.

The Investment Committee oversees the business risks investments. 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.

## 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 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 to assist 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 approved by the Board. The variances between actual versus 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 Financial Controller 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 and internal control system 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 requiring 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 2022.

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 23 November 2021 so as to be in line with the requirements of applicable practices and guidance of the Malaysian Code on Corporate Governance issued by the Securities Commission in April 2021 ("**MCCG**"). The TOR can be viewed on the Company's website at https://dkls.com.my.

## COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDANCE

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

**Chairman** : Mr Chin Kok Tong

**Members** : Mr Liew Chai Kar and Ms Ang Chan Moy

The Chairman of the Audit Committee, Mr Chin Kok Tong is an independent non-executive director who is a member of the Malaysian Institute of Certified Public Accountants ('MICPA') and Malaysian Institute of Accountants ('MIA').

In compliance with Practices 1.4 and 9.1 of the MCCG, the Chairman of the Audit Committee is not the Chairman of the Board. This is to ensure transparency and objectivity in the discussions and decisions of the Audit Committee.

During the financial year 2022, a total of four (4) meetings of the Audit Committee were held on 24 February 2022, 24 May 2022, 22 August 2022 and 21 November 2022. The attendance of members in 2022 is as follows:

| Member | Number of meetings attended |
|---|---|
| Mr Chin Kok Tong (Chairman) | 4/4 |
| Mr Liew Chai Kar | 4/4 |
| Ms Ang Chan Moy | 4/4 |

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 Secretary attended all the meetings of the Audit Committee held during the financial year 2022.

## REVIEW OF THE AUDIT COMMITTEE

The Nomination and Remuneration 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 2022 are as follows:-

**1. 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**").

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 Main Market 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.

The review of the annual audited financial statements of the Company for the financial year ended 31 December 2021 is 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.

(b) 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. External Audit**

(a) The Audit Committee met with representatives of Messrs Ernst & Young PLT ("**EY**"), the external auditors, twice during the year on 24 February 2022 and 21 November 2022, which included private sessions with the external auditors without the presence of the executive directors and employees.

i. The Audit Committee reviewed with EY, the "2021 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 2021 and also set out their comments and conclusions thereon.

ii. The Audit Committee noted that there were no major 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.

iii. 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 and the International Code of Ethics for Professional Accountants (including International Independence Standards).

iv. The Audit Committee reviewed and approved the external auditors' 2022 Audit Plan outlining their scope of work, new digital global audit methodology, timing and proposed fees for the statutory audit together with the non-audit fees before recommending the same for the Board's final approval.

(b) The Audit Committee conducted an evaluation of EY in respect of the financial year 2021 in accordance with the requirements set out in the External Auditors' Policy, encompassing the firm's calibre, quality of audit services, processes and performance, adequacy of resources, the partners/director involvement, 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 2022 to the Board for approval.

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

During the financial year 2022, 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 | 82,000 | 5,200 |
| Group | 295,559 | 16,200 |

The recurring non-audit services were in respect of tax compliance services and the review of Housing Development Accounts.

**3. Internal audit**

(a) The Audit Committee met with representatives of Messrs KPMG Management & Risk Consulting Sdn Bhd ("**KPMG MRC**"), the internal auditors on 21 November 2022, which included a private session with the internal auditors without the presence of the executive directors and employees.

i. The Audit Committee reviewed the Internal Audit Report (including follow-up review reports) of the Group for the financial year 2022, 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.

ii. The Audit Committee also reviewed the Internal Audit Plan of the Group for the financial year 2023 before recommending the same to the Board for consideration and approval.

(b) The Audit Committee conducted an evaluation of KPMG MRC in respect of the financial year 2022 through the Internal Audit Function Evaluation Form adopted on 23 November 2021, which assessment includes factors such as the firm's performance, effectiveness of their function, adequacy of resources, independence and objectivity and professionalism.

**4. Risk Management**

The Audit Committee reviewed the 2022 Risk Profile and identified two (2) new risks, in the Risk Registers of the Company and eight (8) major subsidiaries before recommending the same to the Board for adoption.

**5. 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 Main Market 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. Others**

(a) During the financial year 2022, 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 2021:-

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

(b) During the financial year 2022, the Audit Committee reviewed the proposed amendments to the following policies of the Group before recommending the same to the Board for approval:-

- Anti-Corruption Policy and Guidelines; and
- Whistle Blowing Policy and Procedures.

## INTERNAL AUDIT FUNCTION

The Board recognises the appointment of the internal auditors as one of the many ways of reviewing and assessing the effectiveness of the risk management framework and internal control system of the Group.

Since 2005, the Company has outsourced the internal audit function to independent professional services firms, currently provided by KPMG MRC, to carry out independent internal audit services on various operating units within the Group based on risk-based audit plan as approved by the Audit Committee.

The internal audit engagement by KPMG MRC is led by an Executive Director, namely Encik Mohd Khaidzir Shahari, who is a professional member of the ACMA, MIA, CGMA, CIA. He currently leads the Risk Consulting Practice in KPMG in Malaysia. He has accumulated more than 25 years of experience with extensive audit, accounting, quality assessment review, risk management engagements and consulting experience. He provides overall direction of the internal audit engagement and is responsible for all stages of the audit work and maintains contact with the management to ensure open communication is practised and all internal audit work is carried out effectively and on a timely manner. An Associate Director with Internal Audit, Risk and Compliance Services ('IARCS') practice of KPMG MRC, namely Ms Kaoy Lay Min, who is a Chartered Accountant (Association of Chartered Certified Accountants), led the engagement fieldwork and is supported by other professional staffs. All the personnel deployed by KPMG MRC are free from any relationships or conflicts of interest that could impair their objectivity and independence during the course of their work.

The internal audit engagement team had adopted KPMG MRC Internal Audit Methodology ('KIAM'), risk-based internal audit methodology, which is aligned with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The internal auditors 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 2022. There was a total of seven (7) observations noted from the internal audit conducted, with one (1) of which was classified as "High" priority whereby it is pertinent that action plans are developed and actions commenced to address the weaknesses and six (6) were classified as "Medium" priority where the finding has a moderate potential risk and impact, but if not addressed in a timely manner, may escalate into a significant issue.

The Audit Committee reviewed and approved the internal audit engagement and the related fees to ensure the independence and objectivity of the internal auditors. The cost incurred for the internal audit engagement for the financial year ended 31 December 2022 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 2022.

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 36 to the financial statements under "**Related Party Disclosures**" on pages 174 to 176 of the Annual Report.

iii) **Recurrent Related Party Transactions**

During the financial year 2022, 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 27 February 2023.

# DIRECTORS' REPORT

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 2022.

**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 18 to the financial statements.

**Results**

| | Group RM | Company RM |
|---|---|---|
| Profit for the year | 11,298,173 | 2,131,439 |
| Attributable to: | | |
| Owners of the Company | 12,105,736 | 2,131,439 |
| Non-controlling interests | (807,563) | - |
| | 11,298,173 | 2,131,439 |

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 other than the impairment loss on property, plant and equipment of RM6,348,289 as disclosed in Note 14 to the financial statements.

**Dividend**

The amount of dividend paid by the Company since 31 December 2021 was as follows:

| | RM |
|---|---|
| In respect of the financial year ended 31 December 2021 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 24 May 2022 and paid on 19 August 2022 | 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 2022, of 3 sen per share on 92,699,600 ordinary shares, amounting to a total dividend payable of RM2,780,988 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 2023.

# 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
Ding Zhe Xin
Chin Kok Tong
Liew Chai Kar
Ang Chan Moy

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.<br>DKLS Quarry & Premix Sdn. Bhd.<br>DKLS Signaturehomes Sdn. Bhd.<br>DKLS Development Sdn. Bhd.<br>DKLS Marketing Sdn. Bhd.<br>DKLS Quarry & Premix (North) Sdn. Bhd. |
| Ding Soo King (resigned on 19 August 2022) | DKLS Equity Sdn. Bhd. |
| Ding Ju Shuen | DKLS Development Sdn. Bhd.<br>DKLS Premierhome Sdn Bhd |
| Ding Ju Shuen (appointed on 19 August 2022) | DKLS Construction Sdn. Bhd.<br>DKLS Quarry & Premix Sdn. Bhd.<br>DKLS Equity Sdn Bhd<br>DKLS Clearwater Sdn. Bhd.<br>DKLS Quarry & Premix (North) Sdn. Bhd. |
| Cheng Mao Yang (appointed on 19 August 2022) | DKLS Premierhome Sdn Bhd |
| Yee Chee Yoong | Savan-DKLS Water Supply Co Ltd |
| Tee Chee Seng | Savan-DKLS Water Supply Co Ltd |
| Khamsy Boulom | Savan-DKLS Water Supply Co Ltd |
| Sanesack Soulisack (resigned on 21 November 2022) | Savan-DKLS Water Supply Co Ltd |
| Southasack Phanthalath (resigned on 1 August 2022) | 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 36 to the financial statements.

The directors' benefits are as follows:

| | Group RM | Company RM |
|---|---|---|
| Fees | 174,833 | 174,833 |
| Salaries and other emoluments | 1,153,700 | 228,500 |
| Contributions to defined contribution plan | 201,200 | 36,400 |
| Social security contributions | 4,169 | 1,342 |
| Employment insurance system contributions | 206 | 103 |
| Estimated monetary value of benefits-in-kind | 12,550 | - |
| | 1,546,658 | 441,178 |
| Insurance effected to indemnify directors* | 14,500 | 14,500 |
| | 1,561,158 | 455,678 |

* 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 2022** | **Bought** | **Sold** | **31 December 2022** |
| **Direct interest** | | | | |
| Dato' Ding Pei Chai DPTJ, PMP | 3,315,163 | - | - | 3,315,163 |
| Ding Poi Bor* | 30,114,362 | - | - | 30,114,362 |
| Ir Sam Tuck Wah | 12,551,225 | - | - | 12,551,225 |
| Chin Kok Tong | 2,000 | - | - | 2,000 |
| Liew Chai Kar | 21,000 | - | - | 21,000 |
| **Indirect interest** | | | | |
| Dato' Ding Pei Chai DPTJ, PMP** | 470,000 | - | - | 470,000 |
| Dato' Ding Pei Chai DPTJ, PMP*** | 1,297,841 | - | - | 1,297,841 |
| Ir Sam Tuck Wah*** | 2,486,663 | - | - | 2,486,663 |
| Liew Chai Kar*** | 6,000 | - | - | 6,000 |

* *Ding Poi Bor by virtue of his interest 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 and/or subsequent to the financial year are as disclosed in Note 41 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 | 295,559 | 82,000 |
| - non-audit fees | | |
| - non-assurance related services | 11,000 | - |
| | 306,559 | 82,000 |

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 17 April 2023.

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 80 to 193 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 2022 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 17 April 2023.

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 80 to 193 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 17 April 2023.

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 2022 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 80 to 193.

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 2022, 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 2022, construction contract revenue of RM41 million and contract cost of RM27 million accounted for approximately 23% and 21% 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.

We identified revenue and cost of construction as areas of audit focus as these areas involved significant management's judgement 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;

***Key audit matters (cont'd.)***

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

As part of our audit procedures, we performed, amongst others, the following procedures (cont'd.):

(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***

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

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 2022, the Group's investment properties comprise various categories of properties, of which the most significant being the leasehold office building amounting to RM86.5 million, representing 17% 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.

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.

***Impairment on the cost of investment in subsidiaries***

(Refer to Notes 2.13, 3.2(vi) and 18 to the financial statements)

The shortfall arising from the comparison of the cost of investment and the net tangible assets of the subsidiaries, DKLS Equity Sdn Bhd ("DESB") and DKLS Clearwater Sdn. Bhd. ("DCSB") indicated that the carrying amount of the investment in the subsidiaries may be impaired. Accordingly, the Company has performed an impairment test on the investment in these subsidiaries. The management has estimated the recoverable amount of the investment using its fair value less costs to sell and Value-in-use ("VIU") of the Cash Generating Units ("CGU").

The leasehold office building (the "Property") as mentioned in above KAM is held by DESB. 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 2022 by using the income capitalisation method.

Estimating the VIU of CGUs under DCSB involved estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate. We focus on evaluation of assumptions used by management to estimate the recoverable amounts of the CGUs which include estimates of the growth rate of revenue and operating costs.

Given the significance of the amount and subjectivity involved in the impairment test, 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;

***Key audit matters (cont'd.)***

***Impairment on the cost of investment in subsidiaries (cont'd.)***

(Refer to Notes 2.13, 3.2(vi) and 18 to the financial statements) (cont'd.)

As part of our audit procedures, we performed, amongst others, the following procedures (cont'd.):

(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;

(d) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs;

(e) evaluated the assumptions and methodologies used by the Company in performing the impairment assessment of investment in subsidiaries;

(f) tested the basis of preparing the cash flow forecasts taking into account the historical evidence supporting underlying assumptions;

(g) assessed the appropriateness of the key assumptions, such as the weighted-average cost of capital discount rates assigned to the CGUs, growth rates of revenue and the operating cost by comparing against internal information, and external economic and market data;

(h) involved an internal specialist to assist us in assessing the terminal value growth rate and the weighted-average cost of capital discount rate used to determine the present value of the cash flows of CGUs and whether the rate used reflects the current market assessments of the time value money; and

(i) 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.

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

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

(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
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Adeline Chan Su Lynn
No. 03082/07/2023 J
Chartered Accountant

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 17 April 2023

# STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | Note | RM | RM | RM | RM |
| Revenue | 4 | 179,703,387 | 182,235,243 | 5,459,600 | 21,489,600 |
| Other income | 5 | 8,911,207 | 12,244,792 | 3,288,509 | 3,252,088 |
| Construction contract costs recognised as contract expenses | | (26,863,312) | (45,511,302) | - | - |
| Cost of goods sold | | (1,819,951) | (2,653,186) | - | - |
| Cost of sales in respect of property development | 6 | (20,488,499) | (23,791,913) | - | - |
| Changes in work-in-progress and finished goods | | (189,840) | (888,039) | - | - |
| Raw materials and consumables used | | (41,471,278) | (35,885,590) | - | - |
| Direct expenses | 7 | (1,877,567) | (1,661,574) | (200,677) | (188,205) |
| Other expenses | 8 | (35,515,398) | (25,001,322) | - | - |
| Employee benefits expense | 9 | (13,146,013) | (12,885,744) | (441,178) | (359,689) |
| Depreciation | | (6,255,077) | (8,845,466) | (17,481) | (21,868) |
| Administrative expenses | 10 | (19,973,251) | (12,592,410) | (5,806,808) | (834,704) |
| Operating profit | | 21,014,408 | 24,763,489 | 2,281,965 | 23,337,222 |
| Interest expense | 11 | (2,597,194) | (2,055,477) | - | - |
| Share of losses of associate | | - | (456,957) | - | - |
| Profit before tax | | 18,417,214 | 22,251,055 | 2,281,965 | 23,337,222 |
| Income tax expense | 12 | (7,119,041) | (6,225,277) | (150,526) | (80,150) |
| **Profit for the year, net of tax** | | 11,298,173 | 16,025,778 | 2,131,439 | 23,257,072 |

# STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022 (cont'd.)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | 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: | | | | | |
| - subsidiary | 27 | (10,956,437) | (5,316,948) | - | - |
| Items that will not be reclassified to profit or loss in the future | | | | | |
| Surplus on revaluation of land upon transfer from property, plant and equipment to investment properties, net | 27 | - | 900,716 | - | 900,716 |
| **Other comprehensive income for the year, net of tax** | | (10,956,437) | (4,416,232) | - | 900,716 |
| **Total comprehensive income for the year** | | 341,736 | 11,609,546 | 2,131,439 | 24,157,788 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 12,105,736 | 15,830,627 | 2,131,439 | 23,257,072 |
| Non-controlling interests | | (807,563) | 195,151 | - | - |
| | | 11,298,173 | 16,025,778 | 2,131,439 | 23,257,072 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 3,443,757 | 12,510,431 | 2,131,439 | 24,157,788 |
| Non-controlling interests | | (3,102,021) | (900,885) | - | - |
| | | 341,736 | 11,609,546 | 2,131,439 | 24,157,788 |
| **Earnings per share attributable to owners of the Company (sen):** | | | | | |
| Basic/Diluted, for profit for the year | 13 | 13.06 | 17.08 | | |

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | Note | RM | RM | RM | RM |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 63,469,274 | 83,474,337 | 556,071 | 573,552 |
| Right-of-use assets | 15 | 58,930 | 93,769 | - | - |
| Inventories | 16 | 104,681,209 | 104,837,637 | - | - |
| Investment properties | 17 | 124,850,000 | 124,220,000 | 40,740,000 | 40,610,000 |
| Investments in subsidiaries | 18 | - | - | 224,689,428 | 219,187,761 |
| Long term investments | 19 | 21,958 | 26,924 | - | - |
| Trade and other receivables | 20 | 3,313,838 | 25,082,566 | - | 3,009,859 |
| Other assets | 22 | 24,275 | - | - | - |
| Deferred tax assets | 23 | 5,259,728 | 5,236,243 | - | - |
| | | 301,679,212 | 342,971,476 | 265,985,499 | 263,381,172 |
| **Current assets** | | | | | |
| Inventories | 16 | 37,457,842 | 44,946,309 | - | - |
| Trade and other receivables | 20 | 65,082,196 | 48,224,616 | 221,372 | 3,036,560 |
| Other assets | 22 | 17,121,557 | 11,603,425 | 60 | 120 |
| Short term investments | 19 | 54,291,886 | 67,487,177 | 1,579,773 | 1,400,382 |
| Tax recoverable | | 920,332 | 684,817 | - | - |
| Cash and bank balances | 24 | 35,694,594 | 27,198,806 | 10,310,847 | 10,867,293 |
| | | 210,568,407 | 200,145,150 | 12,112,052 | 15,304,355 |
| **Total assets** | | 512,247,619 | 543,116,626 | 278,097,551 | 278,685,527 |

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022 (cont'd.)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | Note | RM | RM | RM | RM |
| **Equity and liabilities** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 25 | 101,883,643 | 101,883,643 | 101,883,643 | 101,883,643 |
| Retained profits | 26 | 331,584,648 | 322,259,900 | 174,061,256 | 174,710,805 |
| Reserves | 27 | (13,669,971) | (5,007,992) | 900,716 | 900,716 |
| | | 419,798,320 | 419,135,551 | 276,845,615 | 277,495,164 |
| **Non-controlling interests** | | 3,571,581 | 6,867,474 | - | - |
| **Total equity** | | 423,369,901 | 426,003,025 | 276,845,615 | 277,495,164 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 28 | 24,189,462 | 28,724,995 | - | - |
| Other payables | 31 | 680,807 | 1,168,753 | - | - |
| Deferred tax liabilities | 23 | 5,484,583 | 4,818,164 | 986,857 | 973,857 |
| | | 30,354,852 | 34,711,912 | 986,857 | 973,857 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 28 | 23,636,479 | 30,099,975 | - | - |
| Trade and other payables | 31 | 31,947,572 | 33,832,962 | 217,936 | 199,751 |
| Other current liabilities | 32 | 2,274,151 | 17,816,306 | - | - |
| Tax payable | | 664,664 | 652,446 | 47,143 | 16,755 |
| | | 58,522,866 | 82,401,689 | 265,079 | 216,506 |
| **Total liabilities** | | 88,877,718 | 117,113,601 | 1,251,936 | 1,190,363 |
| **Net current assets** | | 152,045,541 | 117,743,461 | 11,846,973 | 15,087,849 |
| **Net assets** | | 423,369,901 | 426,003,025 | 276,845,615 | 277,495,164 |
| **Total equity and liabilities** | | 512,247,619 | 543,116,626 | 278,097,551 | 278,685,527 |

*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 2022

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | |
| | | Non-distributable | | | | Distributable | | | |
| **At 1 January 2021** | 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 |
| Total comprehensive income | - | (4,220,912) | 900,716 | - | - | 15,830,627 | 12,510,431 | (900,885) | 11,609,546 |
| Transactions with owners: | | | | | | | | | |
| Dividend on ordinary shares (Note 33) | - | - | - | - | - | (1,853,992) | (1,853,992) | - | (1,853,992) |
| **At 31 December 2021** | 101,883,643 | (9,665,787) | 2,058,238 | 3,026,004 | (426,447) | 322,259,900 | 419,135,551 | 6,867,474 | 426,003,025 |

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022 (cont'd.)

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | | | | Distributable | | | |
| 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 |
| **At 1 January 2022** | 101,883,643 | (9,665,787) | 2,058,238 | 3,026,004 | (426,447) | 322,259,900 | 419,135,551 | 6,867,474 | 426,003,025 |
| Total comprehensive income | - | (8,661,979) | - | - | - | 12,105,736 | 3,443,757 | (3,102,021) | 341,736 |
| Transactions with owners: | | | | | | | | | |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | (193,872) | (193,872) |
| Dividend on ordinary shares (Note 33) | - | - | - | - | - | (2,780,988) | (2,780,988) | - | (2,780,988) |
| | - | - | - | - | - | (2,780,988) | (2,780,988) | (193,872) | (2,974,860) |
| **At 31 December 2022** | 101,833,643 | (18,327,766) | 2,058,238 | 3,026,004 | (426,447) | 331,584,648 | 419,798,320 | 3,571,581 | 423,369,901 |

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022 (cont'd.)

| | Share capital RM | Asset revaluation reserve RM | Distributable Retained profits RM | Total equity RM |
|---|---|---|---|---|
| **Company** | | | | |
| **At 1 January 2021** | 101,883,643 | - | 153,307,725 | 255,191,368 |
| Total comprehensive income | - | 900,716 | 23,257,072 | 24,157,788 |
| Dividend on ordinary shares, representing total transaction with owners (Note 33) | - | - | (1,853,992) | (1,853,992) |
| **At 31 December 2021** | 101,883,643 | 900,716 | 174,710,805 | 277,495,164 |
| **At 1 January 2022** | 101,883,643 | 900,716 | 174,710,805 | 277,495,164 |
| Total comprehensive income | - | - | 2,131,439 | 2,131,439 |
| Dividend on ordinary shares, representing total transaction with owners (Note 33) | - | - | (2,780,988) | (2,780,988) |
| **At 31 December 2022** | 101,883,643 | 900,716 | 174,061,256 | 276,845,615 |

*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 2022

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| **Cash flows from operating activities** | | | | |
| Profit before tax | 18,417,214 | 22,251,055 | 2,281,965 | 23,337,222 |
| Adjustments for: | | | | |
| Adjustment for early repayment of long term receivable | - | (2,073,474) | - | - |
| Allowance for/(Write back of) impairment losses on: | | | | |
| - investments in subsidiaries, net | - | - | 3,558,333 | (1,945,552) |
| - property, plant and equipment | 6,348,289 | - | - | - |
| - trade and other receivables, net | 6,556,286 | 6,467,986 | - | 11,364 |
| Depreciation | 6,722,198 | 9,750,056 | 17,481 | 21,868 |
| Deposit written off | 1,000 | - | - | - |
| Dividend income from: | | | | |
| - short term investments | (2,009) | (1,134,244) | - | (65,321) |
| - subsidiaries | - | - | (5,000,000) | (21,000,000) |
| Fair value gain on investment properties | (630,000) | (120,000) | (130,000) | - |
| Fair value gain on long/short term investments | (1,250,243) | (22,728) | (43,391) | (382) |
| (Gain)/Loss arising from modification of payment terms for receivables | - | (804,035) | - | 454,992 |
| Gain on disposal of: | | | | |
| - investment in an associate | - | (2) | - | - |
| - property, plant and equipment, net | (601,901) | (529,992) | - | - |
| Interest expense | 2,597,194 | 2,062,169 | - | - |
| Interest income | (2,850,405) | (3,851,148) | (748,413) | (955,044) |
| Inventories written back to net realisable value: | | | | |
| - properties development costs | - | (30,439) | - | - |
| - properties held for sale and others | (32,500) | (43,135) | - | - |
| Inventories written off | - | 96,258 | - | - |
| Loss on winding up of a subsidiary | - | 10,013 | - | - |
| Project costs written off | - | 80,140 | - | - |
| Property, plant and equipment written off | 3,111 | 5,867 | - | - |
| Share of losses of associate | - | 456,957 | - | - |
| Unrealised gain on foreign exchange, net | (822,603) | (43,964) | (324,850) | (265,188) |
| **Operating cash flows before changes in working capital** | 34,455,631 | 32,527,340 | (388,875) | (406,041) |

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2022 (cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| **Cash flows from operating activities (cont'd.)** | | | | |
| **Operating cash flows before changes in working capital** | 34,455,631 | 32,527,340 | (388,875) | (406,041) |
| Changes in working capital: | | | | |
| Inventories | 8,763,715 | 5,588,351 | - | - |
| Receivables | (7,877,194) | (9,549,797) | 60 | 1,134 |
| Revolving credit | (9,170,000) | 23,900,000 | - | - |
| Payables | (17,234,611) | (9,953,774) | 18,185 | 129 |
| **Cash flows from/(used in) operations** | 8,937,541 | 42,512,120 | (370,630) | (404,778) |
| Interest paid | (978,640) | (707,376) | - | - |
| Interest received | 2,304,081 | 2,591,962 | 4,208 | 7 |
| Taxes paid | (6,640,483) | (5,962,771) | (107,138) | (53,125) |
| **Net cash flows from/(used in) operating activities** | 3,622,499 | 38,433,935 | (473,560) | (457,896) |
| **Cash flows from investing activities** | | | | |
| Repayment from subsidiaries | - | - | 740,010 | 588,637 |
| Cash outflow from winding up of a subsidiary | - | (10,310) | - | - |
| Interest received | 432,275 | 391,183 | 429,242 | 387,951 |
| Inventories | (1,465,998) | (1,411,589) | - | - |
| Net dividend received from: | | | | |
| - short term investments | 2,009 | 1,134,244 | - | 65,321 |
| - subsidiaries | - | - | 5,000,000 | 21,000,000 |
| Placement of deposits with maturity period of more than 3 months | (2,207,290) | (387,951) | (429,242) | (387,951) |
| Proceeds from disposal of: | | | | |
| - property, plant and equipment | 742,951 | 2,521,814 | - | - |
| - shares in an associate | - | 2 | - | - |
| - short term investments | 47,427,081 | 141,566,080 | 2,190,000 | 13,995,093 |
| Purchase of: | | | | |
| - property, plant and equipment | (2,644,468) | (3,277,755) | - | - |
| - shares in subsidiaries | - | - | (3,660,000) | (18,658,674) |
| - short term investments | (32,976,581) | (155,292,484) | (2,326,000) | (14,525,320) |
| Withdrawal of deposits with maturity period of more than 3 months | 1,586,513 | - | 1,586,513 | - |
| **Net cash flows from/(used in) investing activities** | 10,896,492 | (14,766,766) | 3,530,523 | 2,465,057 |

# STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2022 (cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| **Cash flows from financing activities** | | | | |
| Dividend paid | (2,780,988) | (1,853,992) | (2,780,988) | (1,853,992) |
| Dividend paid to non-controlling interests | (193,872) | (97,407) | - | - |
| Interest paid | (1,233,752) | (1,562,469) | - | - |
| Repayment of hire purchase liabilities | (544,050) | (731,883) | - | - |
| Repayment of principal portion of lease liabilities | (11,866) | (14,613) | - | - |
| Repayment of term loans | (5,000,004) | (12,509,553) | - | - |
| **Net cash flows used in financing activities** | (9,764,532) | (16,769,917) | (2,780,988) | (1,853,992) |
| Net increase in cash and cash equivalents | 4,754,459 | 6,897,252 | 275,975 | 153,169 |
| Effect of exchange rate differences | 11,505 | 155,716 | (139,816) | (83,783) |
| Cash and cash equivalents at 1 January | 16,106,345 | 9,053,377 | 720,921 | 651,535 |
| Cash and cash equivalents at 31 December | 20,872,309 | 16,106,345 | 857,080 | 720,921 |
| (a) Cash and cash equivalents comprise: | | | | |
| Cash and bank balances | 18,534,862 | 12,387,075 | 857,080 | 720,921 |
| Deposits with licensed banks | 17,159,732 | 14,811,731 | 9,453,767 | 10,146,372 |
| | 35,694,594 | 27,198,806 | 10,310,847 | 10,867,293 |
| Bank overdrafts | (3,490,470) | (846,089) | - | - |
| | 32,204,124 | 26,352,717 | 10,310,847 | 10,867,293 |
| Less: Deposits with maturity periods of more than 3 months | (11,331,815) | (10,246,372) | (9,453,767) | (10,146,372) |
| | 20,872,309 | 16,106,345 | 857,080 | 720,921 |

(b) Changes in liabilities arising from financing activities

| | 1 January 2022 RM | Cash flows RM | Other payables RM | Foreign exchange movement RM | New leases RM | Interest expense RM | 31 December 2022 RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| Interest-bearing term loans | 33,583,301 | (6,187,528) | (15,524) | - | - | 1,203,048 | 28,583,297 |
| Interest-bearing hire purchase liabilities | 388,241 | (584,830) | - | - | 1,107,000 | 40,780 | 951,191 |
| Interest-bearing lease liabilities | 107,339 | (17,314) | - | (25,789) | - | 6,747 | 70,983 |
| Dividend paid to non-controlling interests | - | (193,872) | 193,872 | - | - | - | - |
| Dividend paid on ordinary shares | - | (2,780,988) | 2,780,988 | - | - | - | - |
| | 34,078,881 | (9,764,532) | 2,959,336 | (25,789) | 1,107,000 | 1,250,575 | 29,605,471 |
| **Company** | | | | | | | |
| Dividend paid on ordinary shares | - | (2,780,988) | 2,780,988 | - | - | - | - |

# STATEMENTS OF CASH FLOWS

## For the financial year ended 31 December 2022 (cont'd.)

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

| | 1 January 2021 RM | Cash flows RM | Other payables RM | Foreign exchange movement RM | New leases RM | Interest expense RM | 31 December 2021 RM |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| Interest-bearing term loans | 46,092,854 | (14,025,240) | 16,791 | - | - | 1,498,896 | 33,583,301 |
| Interest-bearing hire purchase liabilities | 854,624 | (771,146) | - | - | 265,500 | 39,263 | 388,241 |
| Interest-bearing lease liabilities | 124,454 | (22,132) | - | (12,848) | 8,672 | 9,193 | 107,339 |
| Dividend payable/(paid) to non-controlling interests | 97,218 | (97,407) | - | 189 | - | - | - |
| Dividend paid on ordinary shares | - | (1,853,992) | 1,853,992 | - | - | - | - |
| | 47,169,150 | (16,769,917) | 1,870,783 | (12,659) | 274,172 | 1,547,352 | 34,078,881 |
| **Company** | | | | | | | |
| Dividend paid on ordinary shares | - | (1,853,992) | 1,853,992 | - | - | - | - |

*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 18.

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 No.1, Jalan Lasam, 30350 Ipoh, Perak Darul Ridzuan. The principal place of business of the Company is 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 17 April 2023.

## 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 2022, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after the dates stated below:

| Description | Effective for annual financial periods beginning on or after |
|---|---|
| Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendments to MFRS 16 : Leases) | 1 April 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 |

**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) Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendments to MFRS 16 : Leases)**

The original amendment, COVID-19 – Related Rent Concessions (Amendment to MFRS 16 : Leases) was issued on 5 June 2020 to make it easier for lessees to account for COVID-19 related rent concessions, such as rent holidays and temporary rent deductions, while continuing to provide useful information about their leases to investors. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequences of the COVID-19 pandemic are lease modification and allows lessees to account for such rent concessions as if they were not lease modifications.

These amendments extend the availability of the practical expedient provided in 2020 so that it applies to rent concessions for which any reduction in lease payments affects only payment originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

These amendments had no impact on the financial statements of the Group and of the Company.

**(b) 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.

**(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. The Company applied the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which the Company first applied the amendment.

These amendments had no impact on the financial statements of the Group and of the Company.

**(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.

These amendments had no impact on the financial statements of the Group and of the Company.

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

**2.2 Changes in accounting policies (cont'd.)**

**(c) Reference to the Conceptual Framework (Amendments to MFRS 3 : Business Combination)**

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the 2018 Conceptual Framework for Financial Reporting without significantly changing its requirements.

The amendments provide an exception to the recognition principle of MFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of MFRS 137 or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in MFRS 137 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to MFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Group.

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

The amendments prohibit 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.

These amendments had no impact on the financial statements of the Group and of the Company.

**(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 had no impact on the financial statements of the Group and of 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 |
|---|---|
| MFRS 17 : Insurance Contracts | 1 January 2023 |
| Initial application of MFRS 17 and MFRS 9 – Comparative Information (Amendment 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 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112) | 1 January 2023 |
| Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 : Leases) | 1 January 2024 |
| Non-current Liabilities with Covenants (Amendments to MFRS 101) | 1 January 2024 |
| Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

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

The Amendments to MFRS 101 and MFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to MFRS 101 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

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

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

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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.)**

**(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)**

The amendments to MFRS 112 narrow the scope of the initial recognition exception under MFRS 112, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The Amendments to MFRS 112 shall apply for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Earlier application is permitted.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

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

**(d) Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 : Leases)**

The amendments clarify how companies should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

Therefore, the Amendments add subsequent measurement requirements for the lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall subsequently measures the leaseback liability by applying paragraphs 36 to 46 of MFRS 16. The Amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

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

**(e) Non-current Liabilities with Covenants (Amendments to MFRS 101)**

Amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability.

MFRS 101 requires an entity to classify debt as non-current only if the entity can avoid settling the debt in the 12 months after the reporting date. However, an entity's ability to do so is often subject to complying with covenants.

Amendments to MFRS 101 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the Amendments require an entity to disclose information about these covenants in the notes to the financial statements.

The amendments are expected to improve the information an entity provides about long-term debt with covenants by enabling investors to understand the risk that such debt could become repayable early.

The Amendments to MFRS 101 shall apply for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The Group is currently assessing the impact the amendments will have on its current practices and whether existing loan agreements may require renegotiation.

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

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

**(f) 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.

**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.

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

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

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

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

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 18 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.

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

**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.

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.

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

**2.6 Goodwill (cont'd.)**

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.

**2.7 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 properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. Any gain or loss 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 relate less the costs that relate directly to providing the goods and that have not been recognised as expenses.

**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.

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

**2.11 Leases (cont'd.)**

**(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 uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term 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 leases 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 leases 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.

**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.

**2. Summary of significant accounting policies (cont’d.)**

**2.13 Impairment of non-financial assets (cont’d.)**

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.

**2.14 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.

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

**2.14 Taxes (cont'd.)**

**(ii) Deferred tax (cont'd.)**

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 they have 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.

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) 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.

**(iv) 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 does 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/properties**

Revenue from sales of land/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 cash and bank balances and 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.

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

**2.19 Financial assets (cont'd.)**

**Derecognition (cont'd.)**

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.

**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.

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

**2.20 Financial liabilities (cont'd.)**

**Subsequent measurement (cont'd.)**

**Financial liabilities at fair value through profit or loss (cont'd.)**

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.

**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 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

### 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 grant 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 grant is intended to compensate.

### 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 37(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.

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

**2.26 Fair value measurement (cont'd.)**

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

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 includes 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 2022, 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 9-year period. The post-tax discount rate applied to cash flow projections is 12.5% (2021 : 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 21.1% for year 2023 and ranged from 20.6% to 21.1% for the subsequent years for the anticipated increases in operating costs. A decrease in demand can lead to a decline in the gross margin.

A decrease in the gross margin by 8.4% would result in an impairment of approximately RM198,000.

*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 post-tax discount rate.

A rise in the post-tax discount rate to 35.5% (i.e., +23.0%) would result in an impairment of approximately RM116,000.

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 14-year period. The post-tax discount rate applied to these cash flow projections is 18.0% (2021 : 12.5%). As a result of this analysis, an impairment loss of RM6,348,289 was provided for in the current financial year.

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 36% in financial year 2023 to 30% in financial year 2029 and to remain constant towards the end of the projection period as the older pipes are progressively identified and replaced by the Company and bulk meters are installed to track 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 1.0% would result in an additional impairment of approximately RM475,000.

*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 post-tax discount rate.

A rise in the post-tax discount rate to 19.0% (i.e., +1.0%) would result in an additional impairment of approximately RM869,000.

**(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 40 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 the 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 3.27% (2021 : 3.74%) and 0.04% (2021 : 0.00%) 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 2022. 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 properties 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 its customers' actual default in the future. The information about the ECLs on the Group's trade receivables are disclosed in Note 38(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 tax will decrease/increase by approximately RM2.0 million (2021 : RM10.1 million) and RM2.4 million (2021 : RM12.4 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 2022 was RM224,689,428 (2021 : RM219,187,761).

Based on the Company's impairment review, net of impairment loss of RM3,558,333 was provided for (2021 : written back of RM1,945,552) in the current financial year for investments in subsidiaries.

**4. Revenue**

| | For the year ended 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Segment** | **Investment RM** | **Construction RM** | **Quarry RM** | **Property Development RM** | **Utilities RM** | **Others RM** | **Total RM** |
| **Group** | | | | | | | |
| **Type of goods or services** | | | | | | | |
| Construction contracts | - | 40,574,061 | - | - | - | - | 40,574,061 |
| Sale of completed properties | - | - | - | 802,668 | - | - | 802,668 |
| Sale of development properties | - | - | - | 24,891,733 | - | - | 24,891,733 |
| Sale of goods and services | 7,180 | 65,650 | 98,689,741 | 7,399 | 8,381,188 | 205,369 | 107,356,527 |
| Sale of land | - | 1,072,898 | - | - | - | - | 1,072,898 |
| Revenue from contracts with customers | 7,180 | 41,712,609 | 98,689,741 | 25,701,800 | 8,381,188 | 205,369 | 174,697,887 |
| Rental income from investment properties | 5,005,500 | - | - | - | - | - | 5,005,500 |
| | 5,012,680 | 41,712,609 | 98,689,741 | 25,701,800 | 8,381,188 | 205,369 | 179,703,387 |
| **Geographical markets** | | | | | | | |
| Malaysia | 7,180 | 40,639,711 | 98,689,741 | 25,701,800 | - | 205,369 | 165,243,801 |
| Lao People's Democratic Republic | - | 1,072,898 | - | - | 8,381,188 | - | 9,454,086 |
| | 7,180 | 41,712,609 | 98,689,741 | 25,701,800 | 8,381,188 | 205,369 | 174,697,887 |
| **Timing of transfer of goods or services** | | | | | | | |
| At a point in time | 7,180 | 1,138,548 | 98,689,741 | 810,067 | 8,381,188 | 205,369 | 109,232,093 |
| Over time | - | 40,574,061 | - | 24,891,733 | - | - | 65,465,794 |
| | 7,180 | 41,712,609 | 98,689,741 | 25,701,800 | 8,381,188 | 205,369 | 174,697,887 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022 (cont'd.)

**4. Revenue (cont'd.)**

| | For the year ended 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| **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 | - | 54,614,050 | - | - | - | - | 54,614,050 |
| Sale of completed properties | - | - | - | 4,582,453 | - | - | 4,582,453 |
| Sale of development properties | - | - | - | 27,568,031 | - | - | 27,568,031 |
| Sale of goods and services | 3,700 | (21,400) | 77,697,207 | 4,200 | 10,448,858 | 2,123,432 | 90,255,997 |
| Revenue from contracts with customers | 3,700 | 54,592,650 | 77,697,207 | 32,154,684 | 10,448,858 | 2,123,432 | 177,020,531 |
| Rental income from investment properties | 5,214,712 | - | - | - | - | - | 5,214,712 |
| | 5,218,412 | 54,592,650 | 77,697,207 | 32,154,684 | 10,448,858 | 2,123,432 | 182,235,243 |
| **Geographical markets** | | | | | | | |
| Malaysia | 3,700 | 54,592,650 | 77,697,207 | 32,154,684 | - | 2,123,432 | 166,571,673 |
| Lao People's Democratic Republic | - | - | - | - | 10,448,858 | - | 10,448,858 |
| | 3,700 | 54,592,650 | 77,697,207 | 32,154,684 | 10,448,858 | 2,123,432 | 177,020,531 |
| **Timing of transfer of goods or services** | | | | | | | |
| At a point in time | 3,700 | (21,400) | 77,697,207 | 4,582,453 | 10,448,858 | 2,123,432 | 94,834,250 |
| Over time | - | 54,614,050 | - | 27,572,231 | - | - | 82,186,281 |
| | 3,700 | 54,592,650 | 77,697,207 | 32,154,684 | 10,448,858 | 2,123,432 | 177,020,531 |

**4. Revenue (cont'd.)**

| | 2022 RM | 2021 RM |
|---|---|---|
| **Company** | | |
| **Type of goods or services** | | |
| Dividend income | 5,000,000 | 21,000,000 |
| Rental income from investment properties | 459,600 | 489,600 |
| | 5,459,600 | 21,489,600 |

**5. Other income**

| | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|
| Included in other income are: | | | | |
| Adjustment for early repayment of long term receivable | - | 2,073,474 | - | - |
| Dividend income from short term investments | 2,009 | 1,134,244 | - | 65,321 |
| Fair value gain on investment properties (Note 17) | 630,000 | 120,000 | 130,000 | - |
| Fair value gain on long/short term investments | 1,250,243 | 22,728 | 43,391 | 382 |
| Final distribution of capital repayment from subsidiary upon winding up | 2,000 | - | 2,000 | - |
| Gain arising from modification of payment terms for receivables | - | 804,035 | - | - |
| Gain on disposal of: | | | | |
| - investment in associate | - | 2 | - | - |
| - property, plant and equipment | 601,901 | 569,808 | - | - |
| Gain on foreign exchange | | | | |
| - realised | 108,089 | 12,572 | 108,089 | - |
| - unrealised | 822,603 | 304,311 | 324,850 | 265,188 |
| Government grant received | - | 973,800 | - | 2,400 |
| Hire of motor vehicles | 15,710 | 52,480 | - | - |
| Hire of plant and equipment | 4,800 | 2,000 | - | - |
| Interest income from: | | | | |
| - accretion of interest | 104,906 | 597,052 | 342,260 | 551,298 |
| - debts instruments at amortised cost | 2,097,728 | 2,470,662 | - | - |
| - discounting on retention sum payable | - | 235,724 | - | - |
| - short-term money market deposit | 182,387 | 124,527 | 904 | 7 |
| - short-term deposits | 421,517 | 405,616 | 401,944 | 403,739 |
| - others | 43,867 | 17,567 | 3,305 | - |
| Permit rental | - | 2,000 | - | - |
| Inventories written back to net realisable value: | | | | |
| - property development costs (Note 16(b)) | - | 30,439 | - | - |
| - properties held for sale and others (Note 16(c)) | 32,500 | 43,135 | - | - |
| Rental income from investment properties | 7,800 | 6,899 | - | - |
| Rental income from building | 165,100 | 168,660 | - | - |
| Write back of impairment losses on: | | | | |
| - investments in subsidiaries | - | - | 1,931,766 | 1,963,753 |
| - trade and other receivables, net (Note 38(b)) | 1,464,235 | 946,579 | - | - |

## 6. Cost of sales in respect of property development

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | RM | RM |
| Property development costs (Note 16(b)) | 19,726,051 | 20,107,664 |
| Cost of completed properties sold | 762,448 | 3,684,249 |
| | 20,488,499 | 23,791,913 |

## 7. Direct expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Direct operating expenses of investment properties | | | | |
| - revenue generating during the year | 1,826,386 | 1,617,035 | 149,496 | 143,666 |
| - non-revenue generating during the year | 51,181 | 44,539 | 51,181 | 44,539 |
| | 1,877,567 | 1,661,574 | 200,677 | 188,205 |

Included in direct expenses are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Agent fee | 108,222 | 23,583 | - | - |
| Assessment and quit rent | 468,694 | 462,738 | 65,462 | 59,506 |
| Electricity and water charges | 376,523 | 360,046 | 67,545 | 63,119 |
| Sewerage charges | 105,600 | 105,600 | - | - |
| Short-term lease expense (Note 30) | 25,360 | 24,680 | 4,480 | 3,800 |
| Sundry wages | 341,887 | 321,173 | - | - |
| Upkeep of equipment and machinery | 208,444 | 148,705 | - | - |

The direct expenses are in relation to investment properties.

## 8. Other expenses

Included in other expenses are:

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | RM | RM |
| Diesel and lubricant | 7,284,032 | 5,051,625 |
| Earth royalty | 1,505,688 | 1,421,683 |
| Electricity charges | 1,694,691 | 2,116,334 |
| Hire of motor vehicles | 56,702 | 54,152 |
| Hire of plant and machinery | 107,560 | 19,440 |
| Subcontractor wages | 11,050,938 | 4,293,711 |
| Transportation charges | 3,883,777 | 3,401,992 |

## 9. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| **(a) Staff costs** | | | | |
| Salaries, wages, allowances and overtime | 9,619,711 | 9,855,860 | - | - |
| Contributions to defined contribution plan | 968,256 | 1,010,106 | - | - |
| Social security contributions | 161,757 | 161,758 | - | - |
| Employment insurance system contributions | 12,827 | 12,664 | - | - |
| Human resource development fund contribution | 75,827 | 37,062 | - | - |
| Total staff costs | 10,838,378 | 11,077,450 | - | - |

Employee benefits expense for the year of RM2,052,783 (2021 : RM2,968,721) have been capitalised in construction contract costs as disclosed in Note 21.

### (b) Directors' remuneration

Directors of the Company:*

| | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|
| Executive: | | | | |
| Salaries and other emoluments | 1,149,200 | 906,000 | 224,000 | 168,000 |
| Contributions to defined contribution plan | 201,200 | 159,540 | 36,400 | 27,300 |
| Social security contributions | 4,169 | 3,878 | 1,342 | 1,271 |
| Employment insurance system contributions | 206 | 190 | 103 | 95 |
| Estimated monetary value of benefits-in-kind | 12,550 | 9,900 | - | - |
| | 1,367,325 | 1,079,508 | 261,845 | 196,666 |
| Non-executive: | | | | |
| Fees | 174,833 | 158,523 | 174,833 | 158,523 |
| Other emoluments | 4,500 | 4,500 | 4,500 | 4,500 |
| | 179,333 | 163,023 | 179,333 | 163,023 |

**9. Employee benefits expense (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| **(b) Directors' remuneration (cont'd.)** | | | | |
| Director of subsidiary company: | | | | |
| Salaries and other emoluments | 661,600 | 490,000 | - | - |
| Contributions to defined contribution plan | 108,640 | 82,320 | - | - |
| Social security contributions | 3,137 | 2,999 | - | - |
| Employment insurance system contributions | 150 | 344 | - | - |
| Estimated monetary value of benefits-in-kind | 8,634 | 5,300 | - | - |
| | 782,161 | 580,963 | - | - |
| Total directors' remuneration | 2,328,819 | 1,823,494 | 441,178 | 359,689 |
| Total directors' remuneration excluding benefits-in-kind | 2,307,635 | 1,808,294 | 441,178 | 359,689 |
| Total employee benefits expense, excluding benefits-in-kind | 13,146,013 | 12,885,744 | 441,178 | 359,689 |

* The number of directors of the Company whose total remuneration during the year fall within the following bands are as follows:

| | Number of directors | |
|---|---|---|
| | 2022 | 2021 |
| Executive directors: | | |
| RM200,001 to RM300,000 | 1 | 1 |
| RM400,001 to RM500,000 | - | 2 |
| RM500,001 to RM600,000 | 2 | - |
| | 3 | 3 |
| Non-executive directors: | | |
| RM50,000 and below | 2 | 3 |
| RM50,001 to RM100,000 | 2 | 2 |
| | 4 | 5 |

## 10. Administrative expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Included in administrative expenses are: | | | | |
| Allowance for impairment losses on: | | | | |
| - investments in subsidiaries | - | - | 5,490,099 | 18,201 |
| - property, plant and equipment | 6,348,289 | - | - | - |
| - trade and other receivables (Note 38(b)) | 8,020,521 | 7,414,565 | - | 11,364 |
| Auditors' remuneration: | | | | |
| - statutory audit | | | | |
| - current year | 295,559 | 229,650 | 82,000 | 69,500 |
| - non-audit fees | | | | |
| - non-assurance related services | 11,000 | 34,000 | - | 25,000 |
| - tax and other non-audit services | 5,200 | 10,200 | 5,200 | 5,200 |
| Deposit written off | 1,000 | - | - | - |
| Direct operating expenses of investment properties: | | | | |
| - revenue generating during the year | - | 1,457 | - | - |
| - non-revenue generating during the year | 4,205 | 2,761 | - | - |
| Inventories written off | - | 96,258 | - | - |
| Loss arising from modification of payment terms for receivables | - | - | - | 454,992 |
| Loss on disposal of property, plant and equipment | - | 39,816 | - | - |
| Loss on foreign exchange: | | | | |
| - realised | 487,407 | 931 | - | 3 |
| - unrealised | - | 260,347 | - | - |
| Loss on winding up of a subsidiary | - | 10,013 | - | - |
| Low-value assets lease expense (Note 30) | 9,143 | 8,948 | - | - |
| Project costs written off (Note 22) | - | 80,140 | - | - |
| Property, plant and equipment written off | 3,111 | 5,867 | - | - |
| Security guard | 263,473 | 344,117 | - | - |
| Short term lease expenses (Note 30) | 74,324 | 97,407 | - | - |

## 11. Interest expense

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Interest expense on: | | |
| - bank overdrafts | 9,048 | 180,635 |
| - bankers' acceptances | - | 6,053 |
| - discounting on long term receivables | 273,834 | - |
| - lease liabilities | | |
| - hire purchase | 40,780 | 39,263 |
| - other lease liabilities (Note 30) | 6,747 | 9,193 |
| - letter of credits | - | 606 |
| - unwinding of discount | 128,364 | - |
| - revolving credits | 935,373 | 554,301 |
| - term loans | 1,203,048 | 1,498,896 |
| | 2,597,194 | 2,288,947 |
| Less: Interest expense capitalised in qualifying assets: | | |
| Costs of construction contract costs (Note 21) | - | (6,692) |
| Land held for property development (Note 16(a)) | - | (226,778) |
| | 2,597,194 | 2,055,477 |

The capitalised borrowing costs in the previous financial year were incurred on specific borrowings with effective interest rates which ranged from 2.95% to 4.00% per annum.

## 12. Income tax expense

| | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|
| **Profit or loss** | | | | |
| Malaysia income tax: | | | | |
| Current income tax | 5,896,394 | 5,060,554 | 137,526 | 80,151 |
| Under/(Over) provision in prior years | 294 | 139,788 | - | (1) |
| Foreign tax: | | | | |
| Current income tax | 550,898 | 197,463 | - | - |
| Under provision in prior year | - | 29,810 | - | - |
| | 6,447,586 | 5,427,615 | 137,526 | 80,150 |

**12. Income tax expense (cont'd.)**

| | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|
| Deferred tax (Note 23): | | | | |
| Relating to origination and reversal of temporary differences | 623,157 | 650,155 | 13,000 | - |
| Under provision in prior years | 19,777 | 119,854 | - | - |
| | 642,934 | 770,009 | 13,000 | - |
| Real Property Gains Tax | 2,452 | 22,071 | - | - |
| Withholding tax | 26,069 | 5,582 | - | - |
| Income tax expense recognised in profit or loss | 7,119,041 | 6,225,277 | 150,526 | 80,150 |
| **Other comprehensive income** | | | | |
| Deferred tax related to item recognised in other comprehensive income: | | | | |
| Surplus on revaluation of land upon transfer from property, plant and equipment to investment properties (Note 23, 27) | - | 100,080 | - | 100,080 |

Current income tax is calculated at the Malaysian corporate statutory tax rate of 24% (2021 : 24%) of the estimate assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**12. Income tax expense (cont'd.)**

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 | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| Profit before tax | 18,417,214 | 22,251,055 |
| Taxation at applicable tax rates | 4,420,131 | 5,340,253 |
| Income not subject to tax | (1,078,594) | (1,875,412) |
| Expenses not deductible for tax purposes | 4,085,484 | 2,486,949 |
| Expenses for special deduction for tax purposes | (84,572) | (38,992) |
| Difference in tax rate of foreign subsidiary | (109,687) | (42,970) |
| Deferred tax assets not recognised | 7 | 609 |
| Deferred tax on fair value adjustments | (281,399) | 12,000 |
| Deferred tax on undistributed earnings from foreign subsidiary | 54,077 | 26,527 |
| Recognition of previously unrecognised deferred tax assets | - | (792) |
| Real Property Gains Tax | 2,452 | 22,071 |
| Taxable on foreign source income recognised in prior year | 65,002 | - |
| Withholding tax | 26,069 | 5,582 |
| Under provision of current tax in prior years | 294 | 139,788 |
| Under provision of foreign tax in prior year | - | 29,810 |
| Under provision of deferred tax in prior years | 19,777 | 119,854 |
| Income tax expense recognised in profit or loss | 7,119,041 | 6,225,277 |

| | Company | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| Profit before tax | 2,281,965 | 23,337,222 |
| Taxation at applicable tax rates | 547,672 | 5,600,933 |
| Income not subject to tax | (1,972,496) | (5,820,498) |
| Expenses not deductible for tax purposes | 1,497,341 | 299,107 |
| Deferred tax assets not recognised in current year | 7 | 609 |
| Deferred tax on fair value adjustment | 13,000 | - |
| Taxable on foreign source income recognised in prior year | 65,002 | - |
| Over provision of current tax in prior year | - | (1) |
| Income tax expense recognised in profit or loss | 150,526 | 80,150 |

## 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:

| | 2022<br>RM | 2021<br>RM |
|---|---|---|
| Profit attributable to ordinary equity holders of the Company | 12,105,736 | 15,830,627 |
| Number of ordinary shares in issue | 92,699,600 | 92,699,600 |
| | **Sen** | **Sen** |
| Basic earnings per share for the year | 13.06 | 17.08 |

### (b) Diluted

There is no dilutive effect on earnings per share as the Company has no potential issue of ordinary shares.

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# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022 (cont'd.)

## 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 2022** | | | | | |
| **Cost** | | | | | |
| At 1 January 2022 | 35,337,852 | 110,099,695 | 6,127,352 | 14,428,521 | 165,993,420 |
| Additions | 16,674 | 2,142,207 | 401,462 | 1,191,125 | 3,751,468 |
| Disposals | - | (1,173,753) | - | (864,816) | (2,038,569) |
| Written off | - | (13,300) | (587,240) | - | (600,540) |
| Exchange adjustments | (839,744) | (17,237,981) | (255,771) | (154,942) | (18,488,438) |
| At 31 December 2022 | 34,514,782 | 93,816,868 | 5,685,803 | 14,599,888 | 148,617,341 |

**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 2022 (cont'd.)** | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | |
| At 1 January 2022 | | | | | |
| Accumulated depreciation | 7,487,482 | 58,317,475 | 3,711,434 | 12,875,159 | 82,391,550 |
| Accumulated impairment losses | 35,213 | 92,320 | - | - | 127,533 |
| | 7,522,695 | 58,409,795 | 3,711,434 | 12,875,159 | 82,519,083 |
| Charge for the year: | | | | | |
| Recognised in profit or loss | 440,255 | 4,599,179 | 648,706 | 553,403 | 6,241,543 |
| Capitalised in construction contract costs (Note 21) | - | 267,193 | - | 199,928 | 467,121 |
| | 440,255 | 4,866,372 | 648,706 | 753,331 | 6,708,664 |
| Impairment loss for the year | - | 6,348,289 | - | - | 6,348,289 |
| Disposals | - | (1,123,761) | - | (773,758) | (1,897,519) |
| Written off | - | (12,609) | (584,820) | - | (597,429) |
| Exchange adjustments | (777,969) | (6,829,108) | (213,058) | (112,886) | (7,933,021) |
| At 31 December 2022 | 7,184,981 | 61,658,978 | 3,562,262 | 12,741,846 | 85,148,067 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022 (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 2022 (cont'd.)** | | | | | |
| **Accumulated depreciation and impairment losses (cont'd.)** | | | | | |
| Analysed as: | | | | | |
| Accumulated depreciation | 7,149,768 | 55,257,523 | 3,562,262 | 12,741,846 | 78,711,399 |
| Accumulated impairment losses | 35,213 | 6,401,455 | - | - | 6,436,668 |
| | 7,184,981 | 61,658,978 | 3,562,262 | 12,741,846 | 85,148,067 |
| **Net carrying amount** | 27,329,801 | 32,157,890 | 2,123,541 | 1,858,042 | 63,469,274 |

**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 2021** | | | | | |
| **Cost** | | | | | |
| At 1 January 2021 | 43,984,287 | 121,968,918 | 7,275,542 | 15,206,609 | 188,435,356 |
| Additions | 14,788 | 2,499,598 | 525,992 | 268,147 | 3,308,525 |
| Disposals | (739,768) | (5,711,307) | (2,630) | (969,897) | (7,423,602) |
| Written off | - | (51,268) | (1,539,333) | - | (1,590,601) |
| Transfer | - | (19,000) | 19,000 | - | - |
| Surplus on revaluation (Note 27) | 1,000,796 | - | - | - | 1,000,796 |
| Transferred to investment properties (Note 17) | (8,500,000) | - | - | - | (8,500,000) |
| Exchange adjustments | (422,251) | (8,587,246) | (151,219) | (76,338) | (9,237,054) |
| At 31 December 2021 | 35,337,852 | 110,099,695 | 6,127,352 | 14,428,521 | 165,993,420 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022 (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 2021 (cont'd.)** | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | |
| At 1 January 2021 | | | | | |
| 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 |
| Charge for the year: | | | | | |
| Recognised in profit or loss | 519,136 | 7,044,615 | 533,190 | 734,591 | 8,831,532 |
| Capitalised in construction contract costs (Note 21) | - | 574,584 | - | 326,467 | 901,051 |
| | 519,136 | 7,619,199 | 533,190 | 1,061,058 | 9,732,583 |
| Disposals | (118,300) | (4,486,274) | (2,630) | (824,576) | (5,431,780) |
| Written off | - | (47,944) | (1,536,790) | - | (1,584,734) |
| Exchange adjustments | (367,399) | (3,207,897) | (127,202) | (51,343) | (3,753,841) |
| At 31 December 2021 | 7,522,695 | 58,409,795 | 3,711,434 | 12,875,159 | 82,519,083 |

**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 2021 (cont'd.)** | | | | | |
| **Accumulated depreciation and impairment losses (cont'd.)** | | | | | |
| Analysed as: | | | | | |
| Accumulated depreciation | 7,487,482 | 58,317,475 | 3,711,434 | 12,875,159 | 82,391,550 |
| Accumulated impairment losses | 35,213 | 92,320 | - | - | 127,533 |
| | 7,522,695 | 58,409,795 | 3,711,434 | 12,875,159 | 82,519,083 |
| **Net carrying amount** | 27,815,157 | 51,689,900 | 2,415,918 | 1,553,362 | 83,474,337 |

**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 2022** | | | | |
| **Cost** | | | | |
| At 1 January 2022 | 16,649,591 | 8,519,591 | 10,168,670 | 35,337,852 |
| Additions | 16,674 | - | - | 16,674 |
| Exchange adjustments | - | - | (839,744) | (839,744) |
| At 31 December 2022 | 16,666,265 | 8,519,591 | 9,328,926 | 34,514,782 |
| **Accumulated depreciation and impairment losses** | | | | |
| At 1 January 2022 | | | | |
| Accumulated depreciation | 2,287,888 | 1,151,232 | 4,048,362 | 7,487,482 |
| Accumulated impairment losses | 35,213 | - | - | 35,213 |
| | 2,323,101 | 1,151,232 | 4,048,362 | 7,522,695 |
| Charge for the year | - | 100,348 | 339,907 | 440,255 |
| Exchange adjustments | - | - | (777,969) | (777,969) |
| At 31 December 2022 | 2,323,101 | 1,251,580 | 3,610,300 | 7,184,981 |
| Analysed as: | | | | |
| Accumulated depreciation | 2,287,888 | 1,251,580 | 3,610,300 | 7,149,768 |
| Accumulated impairment losses | 35,213 | - | - | 35,213 |
| | 2,323,101 | 1,251,580 | 3,610,300 | 7,184,981 |
| **Net carrying amount** | 14,343,164 | 7,268,011 | 5,718,626 | 27,329,801 |

** Long term leasehold land is a right-of-use asset.

**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 2021** | | | | |
| **Cost** | | | | |
| At 1 January 2021 | 24,134,007 | 9,259,359 | 10,590,921 | 43,984,287 |
| Additions | 14,788 | - | - | 14,788 |
| Disposals | - | (739,768) | - | (739,768) |
| Surplus on revaluation (Note 27) | 1,000,796 | - | - | 1,000,796 |
| Transferred to investment properties (Note 17) | (8,500,000) | - | - | (8,500,000) |
| Exchange adjustments | - | - | (422,251) | (422,251) |
| At 31 December 2021 | 16,649,591 | 8,519,591 | 10,168,670 | 35,337,852 |
| **Accumulated depreciation and impairment losses** | | | | |
| At 1 January 2021 | | | | |
| 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 |
| Charge for the year | - | 106,571 | 412,565 | 519,136 |
| Disposals | - | (118,300) | - | (118,300) |
| Exchange adjustments | - | - | (367,399) | (367,399) |
| At 31 December 2021 | 2,323,101 | 1,151,232 | 4,048,362 | 7,522,695 |
| Analysed as: | | | | |
| Accumulated depreciation | 2,287,888 | 1,151,232 | 4,048,362 | 7,487,482 |
| Accumulated impairment losses | 35,213 | - | - | 35,213 |
| | 2,323,101 | 1,151,232 | 4,048,362 | 7,522,695 |
| **Net carrying amount** | 14,326,490 | 7,368,359 | 6,120,308 | 27,815,157 |

** Long term leasehold land is a right-of-use asset.

**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 2022** | | | |
| **Cost** | | | |
| At 1 January 2022 | 108,922,128 | 1,177,567 | 110,099,695 |
| Additions | 1,653,701 | 488,506 | 2,142,207 |
| Disposals | (1,173,753) | - | (1,173,753) |
| Written off | (13,300) | - | (13,300) |
| Transfers | 139,439 | (139,439) | - |
| Exchange adjustments | (16,781,238) | (456,743) | (17,237,981) |
| At 31 December 2022 | 92,746,977 | 1,069,891 | 93,816,868 |
| **Accumulated depreciation and impairment losses** | | | |
| At 1 January 2022 | | | |
| Accumulated depreciation | 58,317,475 | - | 58,317,475 |
| Accumulated impairment losses | 92,320 | - | 92,320 |
| | 58,409,795 | - | 58,409,795 |
| Charge for the year: | | | |
| Recognised in profit or loss | 4,599,179 | - | 4,599,179 |
| Capitalised in construction costs | 267,193 | - | 267,193 |
| | 4,866,372 | - | 4,866,372 |
| Impairment loss for the year | 6,348,289 | - | 6,348,289 |
| Disposals | (1,123,761) | - | (1,123,761) |
| Written off | (12,609) | - | (12,609) |
| Exchange adjustments | (6,829,108) | - | (6,829,108) |
| At 31 December 2022 | 61,658,978 | - | 61,658,978 |
| Analysed as: | | | |
| Accumulated depreciation | 55,257,523 | - | 55,257,523 |
| Accumulated impairment losses | 6,401,455 | - | 6,401,455 |
| | 61,658,978 | - | 61,658,978 |
| **Net carrying amount** | 31,087,999 | 1,069,891 | 32,157,890 |

**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 2021** | | | |
| **Cost** | | | |
| At 1 January 2021 | 120,787,353 | 1,181,565 | 121,968,918 |
| Additions | 2,042,566 | 457,032 | 2,499,598 |
| Disposals | (5,711,307) | - | (5,711,307) |
| Written off | (51,268) | - | (51,268) |
| Transfers | 256,863 | (275,863) | (19,000) |
| Exchange adjustments | (8,402,079) | (185,167) | (8,587,246) |
| At 31 December 2021 | 108,922,128 | 1,177,567 | 110,099,695 |
| **Accumulated depreciation and impairment losses** | | | |
| At 1 January 2021 | | | |
| Accumulated depreciation | 58,440,391 | - | 58,440,391 |
| Accumulated impairment losses | 92,320 | - | 92,320 |
| | 58,532,711 | - | 58,532,711 |
| Charge for the year: | | | |
| Recognised in profit or loss | 7,044,615 | - | 7,044,615 |
| Capitalised in construction costs | 574,584 | - | 574,584 |
| | 7,619,199 | - | 7,619,199 |
| Disposals | (4,486,274) | - | (4,486,274) |
| Written off | (47,944) | - | (47,944) |
| Exchange adjustments | (3,207,897) | - | (3,207,897) |
| At 31 December 2021 | 58,409,795 | - | 58,409,795 |
| Analysed as: | | | |
| Accumulated depreciation | 58,317,475 | - | 58,317,475 |
| Accumulated impairment losses | 92,320 | - | 92,320 |
| | 58,409,795 | - | 58,409,795 |
| **Net carrying amount** | 50,512,333 | 1,177,567 | 51,689,900 |

**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 2022** | | | |
| **Cost** | | | |
| At 1 January 2022 | 4,687,713 | 1,439,639 | 6,127,352 |
| Additions | 362,872 | 38,590 | 401,462 |
| Written off | (535,214) | (52,026) | (587,240) |
| Exchange adjustments | (185,396) | (70,375) | (255,771) |
| At 31 December 2022 | 4,329,975 | 1,355,828 | 5,685,803 |
| **Accumulated depreciation** | | | |
| At 1 January 2022 | 2,769,863 | 941,571 | 3,711,434 |
| Charge for the year | 533,863 | 114,843 | 648,706 |
| Written off | (532,794) | (52,026) | (584,820) |
| Exchange adjustments | (142,870) | (70,188) | (213,058) |
| At 31 December 2022 | 2,628,062 | 934,200 | 3,562,262 |
| **Net carrying amount** | 1,701,913 | 421,628 | 2,123,541 |

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**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 2021** | | | |
| **Cost** | | | |
| At 1 January 2021 | 5,121,120 | 2,154,422 | 7,275,542 |
| Additions | 525,992 | - | 525,992 |
| Disposals | (2,630) | - | (2,630) |
| Written off | (859,936) | (679,397) | (1,539,333) |
| Transfer | 19,000 | - | 19,000 |
| Exchange adjustments | (115,833) | (35,386) | (151,219) |
| At 31 December 2021 | 4,687,713 | 1,439,639 | 6,127,352 |
| **Accumulated depreciation** | | | |
| At 1 January 2021 | 3,318,414 | 1,526,452 | 4,844,866 |
| Charge for the year | 403,788 | 129,402 | 533,190 |
| Disposals | (2,630) | - | (2,630) |
| Written off | (857,393) | (679,397) | (1,536,790) |
| Exchange adjustments | (92,316) | (34,886) | (127,202) |
| At 31 December 2021 | 2,769,863 | 941,571 | 3,711,434 |
| **Net carrying amount** | 1,917,850 | 498,068 | 2,415,918 |

**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 2022** | | | | |
| **Cost** | | | | |
| At 1 January 2022 | 731,516 | 36,684 | 50,150 | 818,350 |
| Written off | - | (22,495) | (28,620) | (51,115) |
| At 31 December 2022 | 731,516 | 14,189 | 21,530 | 767,235 |
| **Accumulated depreciation** | | | | |
| At 1 January 2022 | 172,373 | 30,556 | 41,869 | 244,798 |
| Charge for the year | 14,732 | 896 | 1,853 | 17,481 |
| Written off | - | (22,495) | (28,620) | (51,115) |
| At 31 December 2022 | 187,105 | 8,957 | 15,102 | 211,164 |
| **Net carrying amount** | 544,411 | 5,232 | 6,428 | 556,071 |
| **At 31 December 2021** | | | | |
| **Cost** | | | | |
| At 1 January 2021 | 8,230,720 | 493,381 | 729,547 | 9,453,648 |
| Surplus on revaluation (Note 27) | 1,000,796 | - | - | 1,000,796 |
| Transferred to investment properties (Note 17) | (8,500,000) | - | - | (8,500,000) |
| Written off | - | (456,697) | (679,397) | (1,136,094) |
| At 31 December 2021 | 731,516 | 36,684 | 50,150 | 818,350 |
| **Accumulated depreciation** | | | | |
| At 1 January 2021 | 157,641 | 484,053 | 717,330 | 1,359,024 |
| Charge for the year | 14,732 | 3,200 | 3,936 | 21,868 |
| Written off | - | (456,697) | (679,397) | (1,136,094) |
| At 31 December 2021 | 172,373 | 30,556 | 41,869 | 244,798 |
| **Net carrying amount** | 559,143 | 6,128 | 8,281 | 573,552 |

**14. Property, plant and equipment (cont'd.)**

*** Land and building**

| | Freehold land RM | Building RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| **At 31 December 2022** | | | |
| **Cost** | | | |
| At 1 January 2022 and 31 December 2022 | - | 731,516 | 731,516 |
| **Accumulated depreciation** | | | |
| At 1 January 2022 | - | 172,373 | 172,373 |
| Charge for the year | - | 14,732 | 14,732 |
| At 31 December 2022 | - | 187,105 | 187,105 |
| **Net carrying amount** | - | 544,411 | 544,411 |
| **At 31 December 2021** | | | |
| **Cost** | | | |
| At 1 January 2021 | 7,499,204 | 731,516 | 8,230,720 |
| Surplus on revaluation (Note 27) | 1,000,796 | - | 1,000,796 |
| Transferred to investment properties (Note 17) | (8,500,000) | - | (8,500,000) |
| At 31 December 2021 | - | 731,516 | 731,516 |
| **Accumulated depreciation** | | | |
| At 1 January 2021 | - | 157,641 | 157,641 |
| Charge for the year | - | 14,732 | 14,732 |
| At 31 December 2021 | - | 172,373 | 172,373 |
| **Net carrying amount** | - | 559,143 | 559,143 |

**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 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Cash payments | 2,644,468 | 3,277,755 | - | - |
| Hire purchase financing | 1,107,000 | - | - | - |
| Other payables | - | 30,770 | - | - |
| | 3,751,468 | 3,308,525 | - | - |

(b) Included in the property, plant and equipment of the Group are assets held under hire purchase arrangements as follows:

| | At cost | Accumulated depreciation | Net carrying amount | Depreciation charge |
|---|---|---|---|---|
| | RM | RM | RM | RM |
| **Group** | | | | |
| **2022** | | | | |
| Plant and machinery | 2,495,000 | 521,511 | 1,973,489 | 260,625 |
| **2021** | | | | |
| Plant and machinery | 1,265,000 | 260,886 | 1,004,114 | 158,125 |

These assets have been charged as security for the related hire purchase liabilities of the Group (Note 28).

(c) During the current financial year, the Group has carried out a comparison of the net carrying amount against the expected recoverable amount of its property, plant and equipment located in Laos following the increase in country risk of Laos, including political instability and uncertainty, currency fluctuations and weakened economy in the said country. An impairment loss of RM6,348,289 (2021 : RMNil), representing the write-down to the recoverable amount was recognised in profit or loss as administrative expenses. The recoverable amount was determined based on its value in use and the post-tax discount rate used was 18.0% (2021 : 12.5%). The net carrying value of the affected property, plant and equipment as at 31 December 2022 of the Group was RM17,977,186.

(d) The title deeds to certain of the Group's land and building with net carrying amount of RM3,657,306 (2021 : RM3,705,620) 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 (2021 : RM1) which is a parcel of public burial ground not held under a land title.

(e) In the previous financial year end, the Group and the Company had transferred freehold lands that were held as property, plant and equipment to investment properties due to the change in their intended usage. These freehold lands had been revalued by accredited independent valuers based on the valuation techniques and significant unobservable inputs as disclosed in Note 17 prior to their transfer to investment properties.

## 15. Right-of-use assets

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| **Cost** | | |
| As at 1 January | 222,709 | 226,429 |
| Additions | - | 8,672 |
| Reversal of expired lease contracts | (88,882) | - |
| Exchange adjustments | (24,643) | (12,392) |
| As at 31 December | 109,184 | 222,709 |
| **Accumulated depreciation** | | |
| As at 1 January | 128,940 | 112,844 |
| Depreciation expense (Note 30): | | |
| Recognised in profit or loss | 13,534 | 13,934 |
| Capitalised in construction costs (Note 21) | - | 3,539 |
| | 13,534 | 17,473 |
| Reversal of expired lease contracts | (88,882) | - |
| Exchange adjustments | (3,338) | (1,377) |
| As at 31 December | 50,254 | 128,940 |
| **Net carrying amount** | 58,930 | 93,769 |

## 16. Inventories

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| **Non-current** | | |
| At cost: | | |
| Land held for property development (Note a) | 104,681,209 | 104,837,637 |
| **Current** | | |
| At cost: | | |
| Property development costs (Note b) | 8,192,437 | 14,072,103 |
| Properties held for sale and others (Note c) | 28,830,405 | 30,471,706 |
| At net realisable value: | | |
| Properties held for sale and others (Note c) | 435,000 | 402,500 |
| | 37,457,842 | 44,946,309 |
| Total inventories | 142,139,051 | 149,783,946 |

The cost of inventories recognised as an expense during the financial year of the Group amounted to RM63,154,150 (2021 : RM61,548,064).

**16. Inventories (cont'd.)**

The following inventories have been charged to a bank to partially secure the borrowings.

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| Land held for property development | 43,440,325 | 43,440,325 |
| Property development costs | 940,772 | 2,219,487 |
| | 44,381,097 | 45,659,812 |

Included in inventories of the Group are the following land and buildings where their title deeds have yet to be transferred to the subsidiaries concerned.

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| In Malaysia: | | |
| Land held for property development | 6,761,891 | 6,815,298 |
| Property development costs | 204,185 | 1,019,680 |
| Properties held for sale and others | 2,560,000 | 2,560,000 |
| Outside Malaysia: | | |
| Properties held for sale and others | 13,868,406 | 14,133,441 |
| | 23,394,482 | 24,528,419 |

**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 2022** | | | | |
| **Cost** | | | | |
| At 1 January 2022 | 8,300,366 | 73,731,565 | 22,805,706 | 104,837,637 |
| Costs incurred during the year | 115,190 | 21,640 | 1,329,168 | 1,465,998 |
| Transferred to property development costs (Note 16(b)) | (1,317,154) | - | (305,272) | (1,622,426) |
| At 31 December 2022 | 7,098,402 | 73,753,205 | 23,829,602 | 104,681,209 |
| **At 31 December 2021** | | | | |
| **Cost** | | | | |
| At 1 January 2021 | 8,885,084 | 73,780,430 | 21,312,985 | 103,978,499 |
| Costs incurred during the year | 5,917 | - | 1,632,450 | 1,638,367 |
| Reclassification | (195,752) | 1,101 | 194,651 | - |
| Transferred to property development costs (Note 16(b)) | (394,883) | (49,966) | (334,380) | (779,229) |
| At 31 December 2021 | 8,300,366 | 73,731,565 | 22,805,706 | 104,837,637 |

Included in the previous financial year's costs incurred during the year were interest expenses of RM226,778.

**16. Inventories (cont'd.)**

**(b) Property development costs**

| | Freehold land RM | Leasehold land RM | Development costs RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2022** | | | | |
| **Cumulative property development costs** | | | | |
| At 1 January 2022 | 4,714,664 | 5,332,965 | 26,979,965 | 37,027,594 |
| Costs incurred during the year | 12,776 | - | 12,211,183 | 12,223,959 |
| Transferred from land held for property development (Note 16(a)) | 1,317,154 | - | 305,272 | 1,622,426 |
| At 31 December 2022 | 6,044,594 | 5,332,965 | 39,496,420 | 50,873,979 |
| **Cumulative costs recognised in profit or loss** | | | | |
| At 1 January 2022 | (400,612) | (3,113,478) | (19,441,401) | (22,955,491) |
| Recognised during the year (Note 6) | (2,331,957) | (1,278,715) | (16,115,379) | (19,726,051) |
| At 31 December 2022 | (2,732,569) | (4,392,193) | (35,556,780) | (42,681,542) |
| **Property development costs at 31 December 2022** | 3,312,025 | 940,772 | 3,939,640 | 8,192,437 |

**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 2021** | | | | |
| **Cumulative property development costs** | | | | |
| At 1 January 2021 | 3,685,325 | 5,282,999 | 15,923,256 | 24,891,580 |
| Costs incurred during the year | 4,421,224 | - | 14,183,569 | 18,604,793 |
| Transferred from land held for property development (Note 16(a)) | 394,883 | 49,966 | 334,380 | 779,229 |
| Transferred to inventories | (1,262,425) | - | (1,051,351) | (2,313,776) |
| Reversal of completed phases | (2,524,343) | - | (2,409,889) | (4,934,232) |
| At 31 December 2021 | 4,714,664 | 5,332,965 | 26,979,965 | 37,027,594 |
| **Cumulative costs recognised in profit or loss** | | | | |
| At 1 January 2021 | (2,596,691) | (428,942) | (4,992,540) | (8,018,173) |
| Recognised during the year (Note 6) | (564,378) | (2,684,536) | (16,858,750) | (20,107,664) |
| Written back (Note 5) | 30,439 | - | - | 30,439 |
| Transferred to inventories | 205,675 | - | - | 205,675 |
| Reversal of completed phases | 2,524,343 | - | 2,409,889 | 4,934,232 |
| At 31 December 2021 | (400,612) | (3,113,478) | (19,441,401) | (22,955,491) |
| **Property development costs at 31 December 2021** | 4,314,052 | 2,219,487 | 7,538,564 | 14,072,103 |

**16. Inventories (cont'd.)**

**(b) Property development costs (cont'd.)**

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, no write down of property development costs (2021 : written back by RM30,439) to their net realisable value is required in the current financial year.

**(c) Properties held for sale and others**

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| At cost: | | |
| Consumables | 1,555,057 | 1,562,249 |
| Properties held for sale | 20,486,871 | 21,514,354 |
| Raw materials | 2,275,489 | 2,485,904 |
| Spare parts | 1,333,384 | 1,539,755 |
| Work-in-progress – quarry products | 3,179,604 | 3,369,444 |
| | 28,830,405 | 30,471,706 |
| At net realisable value: | | |
| Properties held for sale | 435,000 | 402,500 |
| | 29,265,405 | 30,874,206 |

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 back by RM32,500 (2021 : RM43,135) 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 2022 of the Group was RM435,000 (2021 : RM402,500).

## 17. Investment properties

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| At 1 January | 124,220,000 | 115,600,000 | 40,610,000 | 32,110,000 |
| Transferred from property, plant and equipment (Note 14) | - | 8,500,000 | - | 8,500,000 |
| Fair value gain, net (Note 5) | 630,000 | 120,000 | 130,000 | - |
| At 31 December | 124,850,000 | 124,220,000 | 40,740,000 | 40,610,000 |

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 RM86,500,000 (2021 : RM86,000,000) are mortgaged to secure the Group's revolving credits and term loans (Note 28).

The following investment properties are held under lease terms:

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Leasehold land | 11,400,000 | 11,400,000 | 11,400,000 | 11,400,000 |
| Buildings | 89,200,000 | 88,700,000 | 2,700,000 | 2,700,000 |
| | 100,600,000 | 100,100,000 | 14,100,000 | 14,100,000 |

The title deeds to certain of the Group's leasehold land and building with carrying amounts of RM86,500,000 (2021 : RM86,000,000) 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 37.

**17. Investment properties (cont'd.)**

Description of valuation technique used and key inputs to valuation of investment properties:

| | Valuation technique | Significant unobservable inputs | Range 2022 | Range 2021 |
|---|---|---|---|---|
| Office properties | Income capitalisation method | Estimates average rental value per square feet per month | RM5.00 to RM8.00 | RM5.00 to RM8.60 |
| | | Estimated average outgoing per square feet per month | RM0.96 to RM1.10 | RM1.04 to RM1.10 |
| | | Market yield rate (current term) | 5.50% | 5.50% |
| | | 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 | - 40% to 45% | - 40% to 45% |

**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 income, 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. Investments in subsidiaries**

| | Company | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| Unquoted shares, at cost | 231,168,357 | 222,108,367 |
| Less : Accumulated impairment losses | (6,478,929) | (2,920,606) |
| | 224,689,428 | 219,187,761 |

During the financial year, the Company carried out a review of the net carrying amount against the expected recoverable amount of its investments in certain subsidiaries. The recoverable amount was estimated based on the fair value less costs to sell or value in use.

Investment segment

The fair value less costs to sell was determined based on the adjusted net assets of the subsidiaries. Considering one of the subsidiaries' classified under the investment segment's main underlying assets comprise the investment property, the Company has engaged an 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. Accordingly, a write back of impairment loss of RM1,915,667 (2021 : write back of RM1,945,552) was recognised in the financial statements.

The key assumptions used in the income capitalisation method calculations are presented below:

(i) Estimated average rental value per square feet per month of RM5.00 to RM8.00 (2021 : RM5.00 to RM8.60)

(ii) Market yield rate (current term) of 5.50% (2021 : 5.50%)

(iii) Market yield rate (reversionary term) of 6.00% (2021 : 6.00%)

The management believes that any reasonably possible change in any of the above key assumptions would result in an increase/a decrease in its recoverable amount. If the estimated average rental value per square feet per month decreases by 1% and all other variables were held constant, this would result in an additional impairment loss of approximately RM865,000. If the market yield rate (current term) increases by 1% and all other variables were held constant, this would result in an additional impairment loss of approximately RM61,000. If the market yield rate (reversionary term) increases by 1% and all other variables were held constant, this would result in an additional impairment loss of approximately RM12,019,000.

Utilities segment

The Company has carried out a comparison of the net carrying amount against the expected recoverable amount of its investment in subsidiary following the increase in country risk of Laos, including political instability and uncertainty, currency fluctuations and weakened economy in the country. An impairment loss of RM5,474,000 (2021 : RMNil) was provided for in financial statements as administrative expenses. The recoverable amount was determined based on its value in use and the post-tax discount rate used was 18.0% (2021 : 12.5%).

The key assumptions used in the value in use method calculations are presented below:

(i) Non-revenue water (“NRW”) ranging from 30% to 36%

(ii) Discount rate (post-tax) of 18%

The management believes that any reasonably possible change in any of the above key assumptions would result in an increase/a decrease in its recoverable amount. An increase in the NRW by 1.0% would result in an additional impairment of approximately RM389,000. A rise in the post-tax discount rate to 19% (i.e. +1.0%) would result in an additional impairment loss of RM997,000.

**18. 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* 2022 | 2021 | 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% | 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.

**18. 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 26 January 2022, the Company has subscribed for 1,800,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd for a cash consideration of RM1,800,000.

(b) On 8 July 2022, the Company has subscribed for 10,000 ordinary shares at an issue price of RM1.00 each in DKLS Highlands Sdn. Bhd. for a cash consideration of RM10,000.

(c) On 30 September 2022, the Company has subscribed for 850,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd for a cash consideration of RM850,000.

(d) DKLS Homebuilders Sdn. Bhd., a wholly-owned subsidiary of the Company has been placed under Member's Voluntary Winding up pursuant to Section 439(1)(b) of the Companies Act 2016 on 21 September 2021. The voluntary winding up was completed on 21 November 2022.

(e) On 1 December 2022, the Company has subscribed for 5,400,000 ordinary shares at an issue price of RM1.00 each in DKLS Clearwater Sdn. Bhd. for a consideration of RM5,400,000 which was set off, by way of contra, against the amount owing to the Company.

(f) On 16 December 2022, the Company has subscribed for 1,000,000 ordinary shares at an issue price of RM1.00 each in DKLS Premierhome Sdn Bhd for a cash consideration of RM1,000,000.

(g) Summarised financial information of Savan-DKLS Water Supply Co Ltd which has 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 | |
|---|---|---|
| | 2022<br>RM | 2021<br>RM |
| % of ownership interest held by non-controlling interest* | 30% | 30% |
| Non-current assets | 18,136,785 | 33,747,859 |
| Current assets | 3,068,313 | 2,953,688 |
| Total assets | 21,205,098 | 36,701,547 |
| Non-current liabilities | 7,130,682 | 10,463,620 |
| Current liabilities | 1,193,887 | 3,548,682 |
| Total liabilities | 8,324,569 | 14,012,302 |
| Net assets | 12,880,529 | 22,689,245 |
| Equity attributable to: | | |
| Owners of the Company | 9,016,370 | 15,882,471 |
| Non-controlling interests | 3,864,159 | 6,806,774 |
| | 12,880,529 | 22,689,245 |

* Equals to the proportion of voting rights held.

**18. Investments in subsidiaries (cont'd.)**

(g) (ii) Summarised statement of comprehensive income

| | Savan-DKLS Water Supply Co Ltd | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| Revenue | 8,381,188 | 10,448,858 |
| (Loss)/Profit for the year | (1,514,284) | 650,499 |
| Dividend for the year | 646,239 | - |
| (Loss)/Profit attributable to: | | |
| Owners of the Company | (1,059,999) | 455,348 |
| Non-controlling interests | (454,285) | 195,151 |
| | (1,514,284) | 650,499 |
| Other comprehensive income attributable to: | | |
| Owners of the Company | (5,353,735) | (2,557,416) |
| Non-controlling interests | (2,294,458) | (1,096,036) |
| | (7,648,193) | (3,653,452) |
| Total comprehensive income attributable to: | | |
| Owners of the Company | (6,413,734) | (2,102,068) |
| Non-controlling interests | (2,748,743) | (900,885) |
| | (9,162,477) | (3,002,953) |
| Dividend paid to non-controlling interests | 193,872 | - |

(iii) Summarised statement of cash flows

| | Savan-DKLS Water Supply Co Ltd | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| Net cash from/(used in): | | |
| Operating activities | 4,090,474 | 5,184,263 |
| Investing activities | (935,941) | (582,471) |
| Financing activities | (1,541,914) | (1,960,811) |
| Net increase in cash and cash equivalents | 1,612,619 | 2,640,981 |
| Effects of exchange rate differences | (239,682) | 234,487 |
| Cash and cash equivalents at: | | |
| Beginning of the year | (705,510) | (3,580,978) |
| End of the year | 667,427 | (705,510) |

## 19. Long term/short term investments

| | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| At fair value through profit or loss: | | | | |
| Quoted in Malaysia | | | | |
| - Equity instruments | 21,958 | 26,924 | - | - |
| **Current** | | | | |
| At fair value through profit or loss: | | | | |
| Quoted in Malaysia | | | | |
| - Unit Trust Fund | 54,291,886 | 67,487,177 | 1,579,773 | 1,400,382 |

## 20. Trade and other receivables

| | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| **Other receivables** | | | | |
| Third party | 1,726,166 | 23,599,800 | - | - |
| Subsidiary | - | - | - | 3,009,859 |
| Deposit | 1,587,672 | 1,482,766 | - | - |
| Trade and other receivables (non-current) | 3,313,838 | 25,082,566 | - | 3,009,859 |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 28,949,341 | 27,404,043 | - | - |
| Progress billings receivables | 35,823,325 | 29,547,109 | - | - |
| Retention sum on contracts (Note 21) | 4,146,218 | 2,061,450 | - | - |
| | 68,918,884 | 59,012,602 | - | - |
| Less: Allowance for impairment | (21,105,114) | (14,918,661) | - | - |
| Trade receivables, net | 47,813,770 | 44,093,941 | - | - |

**20. Trade and other receivables (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| **Current (cont'd.)** | | | | |
| **Other receivables** | | | | |
| Third parties | 15,723,426 | 598,070 | - | - |
| Subsidiary | - | - | - | 2,787,890 |
| Deposits | 1,237,955 | 3,263,750 | 31,290 | 31,290 |
| Others | 307,045 | 268,855 | 190,082 | 217,380 |
| | 17,268,426 | 4,130,675 | 221,372 | 3,036,560 |
| Trade and other receivables (current) | 65,082,196 | 48,224,616 | 221,372 | 3,036,560 |
| Total trade and other receivables (current and non-current) | 68,396,034 | 73,307,182 | 221,372 | 6,046,419 |
| Add: Cash and bank balances (Note 24) | 35,694,594 | 27,198,806 | 10,310,847 | 10,867,293 |
| Total financial assets carried at amortised cost | 104,090,628 | 100,505,988 | 10,532,219 | 16,913,712 |

Trade and other receivables at the reporting date are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Ringgit Malaysia | 65,826,982 | 70,192,016 | 31,290 | 5,829,039 |
| Lao Kip | 1,171,029 | 1,751,755 | - | - |
| United States Dollar | 1,398,023 | 1,363,411 | 190,082 | 217,380 |
| | 68,396,034 | 73,307,182 | 221,372 | 6,046,419 |

**(a) Other receivables (non-current)**

Amount due from third party

Amount due from third party (non-current) in the current financial year comprise performance deposits given on a contract. This amount shall be repaid within 2 years. The amount has been remeasured at fair value and the difference between the fair value and the carrying amount of RM273,834 (2021 : RMNil) is recognised as an interest expense in profit or loss. The effective interest rate used is 7.64% (2021 : Nil). Subsequent to initial recognition, the amount is measured at amortised cost.

Amount due from third party (non-current) in the previous financial year represented advances given on contracts. This amount was unsecured, bearing interest at 8% per annum. This amount has been reclassified to amount due from third parties (other receivables) (current) in the current financial year.

**20. Trade and other receivables (cont'd.)**

**(a) Other receivables (non-current) (cont'd.)**

<u>Deposit</u>

This amount represents a lease deposit which is refundable upon expiry of an operating lease in year 2024, where this amount is carried at amortised cost with an effective interest rate of 7.08% (2021 : 7.08%) per annum.

<u>Amount due from a subsidiary</u>

The amount due from a subsidiary in the previous financial year was unsecured and non-interest bearing. This amount was carried at amortised cost at an effective interest rate of 6.44% per annum and has been settled during the financial year.

**(b) Trade receivables (current)**

Trade receivables are generally non-interest bearing and on cash to 90-day (2021 : 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 billing receivables amounting to RM1,207,941 (2021 : RM1,146,031) which are to be settled via in-kind payments.

<u>Amounts due from third parties</u>

Included in amounts due from third parties in the previous financial year were amounts totalling RM277,450 retained by stakeholders that are due upon expiry of retention periods of 24 months as stipulated in the sale and purchase agreements. These amounts have been settled during the year.

**(c) Other receivables (current)**

<u>Amounts due from third parties</u>

Included in amounts due from third parties (other receivables) in the current financial year are advances given on contracts of RM14,729,800 (2021 : RMNil). This amount is unsecured, bears interest at 4.7% per annum and is to be settled in cash.

<u>Deposits</u>

Included in deposits of the Group are security deposits and advances amounting to RM50,000 (2021 : RM50,000) for the development project. These amounts are unsecured, non-interest bearing and repayable on demand.

<u>Amount due from a subsidiary (current)</u>

The amount due from a subsidiary in the previous financial year was unsecured and non-interest bearing. This amount was carried at amortised cost at an effective interest rate of 6.44% per annum and has been settled during the financial year.

## 21. Due from/(to) customers on contracts

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Construction contract costs incurred to date | 72,697,348 | 126,532,037 |
| Attributable profits | 13,077,465 | 13,349,576 |
| | 85,774,813 | 139,881,613 |
| Less: Progress billings | (84,828,361) | (152,790,955) |
| | 946,452 | (12,909,342) |
| Represented by: | | |
| Contract assets (Note 22) | 1,828,127 | 1,305,514 |
| Contract liabilities (Note 32) | (881,675) | (14,214,856) |
| | 946,452 | (12,909,342) |
| Retention sum on contracts, included within trade receivables (Note 20) | 4,146,218 | 2,061,450 |

The costs incurred to date on construction contracts include the following charges made during the financial year:

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Depreciation: | 467,121 | 904,590 |
| - Property, plant and equipment (Note 14) | 467,121 | 901,051 |
| - Right-of-use assets (Note 15) | - | 3,539 |
| Interest on lease liabilities (Note 11): | - | 6,692 |
| - Hire purchase | - | 6,488 |
| - Other lease liabilities | - | 204 |
| Short-term lease expense (Note 30) | 137,041 | 133,875 |
| Employee benefits expense (Note 9) | 2,052,783 | 2,968,721 |
| Employee benefits expense comprise: | | |
| Salaries, wages, allowances and overtime | 1,853,793 | 2,707,115 |
| Contributions to defined contribution plans | 163,408 | 227,230 |
| Social security contributions | 20,155 | 31,055 |
| Employment insurance system contributions | 2,118 | 3,321 |
| Human resource development fund contributions | 13,309 | - |
| | 2,052,783 | 2,968,721 |

## 22. Other assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| **Non-current** | | | | |
| Prepayments | 24,275 | - | - | - |
| **Current** | | | | |
| Contract assets in respect of property development costs | 11,410,248 | 8,275,198 | - | - |
| Contract assets in respect of construction contracts (Note 21) | 1,828,127 | 1,305,514 | - | - |
| Deferred expenses | 186,323 | 221,745 | - | - |
| Deposits | 1,340,000 | 957,000 | - | - |
| Prepayments | 2,356,859 | 843,968 | 60 | 120 |
| | 17,121,557 | 11,603,425 | 60 | 120 |
| Other assets (current and non-current) | 17,145,832 | 11,603,425 | 60 | 120 |

The transaction price allocated to the unsatisfied performance obligations for property development contracts as at 31 December 2022 is RM19,280,373 (2021 : RM15,476,076). The remaining performance obligations are expected to be recognised within one to two years.

The transaction price allocated to the unsatisfied performance obligations for construction contracts as at 31 December 2022 is RM43,445,609 (2021 : RM69,671,261). The remaining performance obligations are expected to be recognised within one to two years.

The contract assets at the beginning of the previous financial year of RM80,140 have been written off in the previous financial year (Note10).

## 23. Deferred tax (assets)/liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| At 1 January | (418,079) | (1,288,168) | 973,857 | 873,777 |
| Recognised in profit or loss (Note 12) | 642,934 | 770,009 | 13,000 | - |
| Recognised in other comprehensive income (Note 12) | - | 100,080 | - | 100,080 |
| At 31 December | 224,855 | (418,079) | 986,857 | 973,857 |

**23. Deferred tax (assets)/liabilities (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Subject to income tax: | | | | |
| Deferred tax assets | (5,259,728) | (5,236,243) | - | - |
| Deferred tax liabilities | 4,174,157 | 3,520,738 | - | - |
| | (1,085,571) | (1,715,505) | - | - |
| Subject to capital gain tax: | | | | |
| Deferred tax liabilities | 1,310,426 | 1,297,426 | 986,857 | 973,857 |
| | 224,855 | (418,079) | 986,857 | 973,857 |

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 2022 | (791,722) | (4,716) | (5,362,448) | (6,158,886) |
| Recognised in profit or loss | 432,195 | 4,716 | 709,173 | 1,146,084 |
| At 31 December 2022 | (359,527) | - | (4,653,275) | (5,012,802) |
| At 1 January 2021 | (921,830) | (432,491) | (5,417,062) | (6,771,383) |
| Recognised in profit or loss | 130,108 | 427,775 | 54,614 | 612,497 |
| At 31 December 2021 | (791,722) | (4,716) | (5,362,448) | (6,158,886) |

**Deferred tax liabilities of the Group:**

| | Property, plant and equipment RM | Investment properties RM | Total RM |
|---|---|---|---|
| At 1 January 2022 | 2,675,285 | 3,065,522 | 5,740,807 |
| Recognised in profit or loss | (520,868) | 17,718 | (503,150) |
| At 31 December 2022 | 2,154,417 | 3,083,240 | 5,237,657 |
| At 1 January 2021 | 2,534,630 | 2,948,585 | 5,483,215 |
| Recognised in profit or loss | 140,655 | 16,857 | 157,512 |
| Recognised in other comprehensive income | - | 100,080 | 100,080 |
| At 31 December 2021 | 2,675,285 | 3,065,522 | 5,740,807 |

**23. Deferred tax (assets)/liabilities (cont'd.)**

**Deferred tax liabilities of the Company:**

| | Investment properties | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| At 1 January | 973,857 | 873,777 |
| Recognised in profit or loss | 13,000 | - |
| Recognised in other comprehensive income | - | 100,080 |
| At 31 December | 986,857 | 973,857 |

Deferred tax asset has not been recognised in respect of the following item:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **RM** | **RM** | **RM** | **RM** |
| Deductible temporary differences: | | | | |
| Unabsorbed capital allowances | (12,126) | (12,094) | (12,126) | (12,094) |
| Potential deferred tax benefits at 24% | (2,910) | (2,903) | (2,910) | (2,903) |

Deferred tax asset has not been recognised in respect of this item as it may not be probable that future taxable profits will be available against which the asset can be utilised.

The Malaysia Finance Bill 2021 gazetted on 31 December 2021 stated that the time frame to carry forward unutilised tax losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. Unutilised tax losses accumulated up to year of assessment 2018 can now be carried forward for ten consecutive years of assessment until year of assessment 2028.

The above unutilised tax losses for the Group will expire by the end of the following years of assessment:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **RM** | **RM** | **RM** | **RM** |
| Unutilised tax losses: | | | | |
| 2028 | 932,825 | 2,598,846 | - | - |
| 2030 | 303,806 | 408,983 | - | - |
| 2031 | 261,399 | 261,399 | - | - |
| | 1,498,030 | 3,269,228 | - | - |

## 24. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Cash and bank balances | 18,534,862 | 12,387,075 | 857,080 | 720,921 |
| Deposits with licensed banks | 17,159,732 | 14,811,731 | 9,453,767 | 10,146,372 |
| | 35,694,594 | 27,198,806 | 10,310,847 | 10,867,293 |

Cash and bank balances at the reporting date are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | RM | RM | RM | RM |
| Lao Kip | 2,821,428 | 802,910 | 344,514 | 505,660 |
| Ringgit Malaysia | 22,558,073 | 15,026,183 | 74,180 | 215,261 |
| Thai Baht | 8,764 | 5,536 | - | - |
| United States Dollar | 10,306,329 | 11,364,177 | 9,892,153 | 10,146,372 |
| | 35,694,594 | 27,198,806 | 10,310,847 | 10,867,293 |

Included in the Group's cash and bank balances are:

(i) amounts totalling RM7,245,650 (2021 : RM3,169,658) in current accounts which earn interest at floating rates based on daily bank deposit rates.

(ii) amounts totalling RM5,938,939 (2021 : RM3,456,092) 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 (2021 : 1 day to 365 days) and 365 days (2021 : 365 days) respectively and earn interests at the rates of 0.25% - 5.59% (2021 : 0.25% - 4.00%) and 3.75% - 4.00% (2021 : 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 RM11,331,815 (2021 : RM10,246,372) and RM9,453,767 (2021 : RM10,146,372) respectively, out of which an amount of RM9,553,767 (2021 : RM10,246,372) and RM9,453,767 (2021 : RM10,146,372) respectively has been pledged as securities for banking facilities granted to subsidiaries (Note 28).

## 25. Share capital

| | Number of ordinary shares | | Amount | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 RM | 2021 RM |
| 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.

## 26. Retained profits

The Company is able to distribute dividends out of its entire retained profits as at 31 December 2022 and 31 December 2021 under the single tier system.

## 27. Reserves

| | Foreign currency translation reserve RM | Asset revaluation reserve RM | Charter capital reserve RM | Other reserve RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2022** | | | | | |
| At 1 January 2022 | (9,665,787) | 2,058,238 | 3,026,004 | (426,447) | (5,007,992) |
| Other comprehensive income: | | | | | |
| Foreign currency translation | | | | | |
| - subsidiary | (10,956,437) | - | - | - | (10,956,437) |
| Less: Non-controlling interest | 2,294,458 | - | - | - | 2,294,458 |
| At 31 December 2022 | (18,327,766) | 2,058,238 | 3,026,004 | (426,447) | (13,669,971) |
| **At 31 December 2021** | | | | | |
| At 1 January 2021 | (5,444,875) | 1,157,522 | 3,026,004 | (426,447) | (1,687,796) |
| Other comprehensive income: | | | | | |
| Foreign currency translation | | | | | |
| - subsidiary | (5,316,948) | - | - | - | (5,316,948) |
| Surplus on revaluation of land (Note 14) | - | 1,000,796 | - | - | 1,000,796 |
| Tax effect on revaluation surplus (Note 12) | - | (100,080) | - | - | (100,080) |
| | - | 900,716 | - | - | 900,716 |
| Less: Non-controlling interest | 1,096,036 | - | - | - | 1,096,036 |
| At 31 December 2021 | (9,665,787) | 2,058,238 | 3,026,004 | (426,447) | (5,007,992) |

## 27. Reserves (cont'd.)

| | Foreign currency translation reserve RM | Asset revaluation reserve RM | Charter capital reserve RM | Other reserve RM | Total RM |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 31 December 2022** | | | | | |
| At 1 January 2022 and 31 December 2022 | - | 900,716 | - | - | 900,716 |
| **At 31 December 2021** | | | | | |
| At 1 January 2021 | - | - | - | - | - |
| Other comprehensive income: | | | | | |
| Surplus on revaluation of land (Note 14) | - | 1,000,796 | - | - | 1,000,796 |
| Tax effect on revaluation surplus (Note 12) | - | (100,080) | - | - | (100,080) |
| | - | 900,716 | - | - | 900,716 |
| At 31 December 2021 | - | 900,716 | - | - | 900,716 |

**(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).

## 28. Loans and borrowings

| | | Group | |
|---|---|---|---|
| | | 2022 | 2021 |
| | Maturity | RM | RM |
| **Non-current** | | | |
| Secured: | | | |
| Lease liabilities: | | | |
| - Hire purchase liabilities (Note 29) | 2024 | 543,678 | 46,286 |
| Term loan | 2024 - 2028 | 23,583,293 | 28,583,297 |
| | | 24,126,971 | 28,629,583 |
| Unsecured: | | | |
| Lease liabilities: | | | |
| - Other lease liabilities (Note 30) | 2024 - 2046 | 62,491 | 95,412 |
| Total loans and borrowings (non-current) | | 24,189,462 | 28,724,995 |
| **Current** | | | |
| Secured: | | | |
| Bank overdrafts | On demand | - | 846,089 |
| Lease liabilities: | | | |
| - Hire purchase liabilities (Note 29) | 2023 | 407,513 | 341,955 |
| Term loan | 2023 | 5,000,004 | 5,000,004 |
| | | 5,407,517 | 6,188,048 |
| Unsecured: | | | |
| Bank overdraft | On demand | 3,490,470 | - |
| Lease liabilities: | | | |
| - Other lease liabilities (Note 30) | 2023 | 8,492 | 11,927 |
| Revolving credits | 2023 | 14,730,000 | 23,900,000 |
| | | 18,228,962 | 23,911,927 |
| Total loans and borrowings (current) | | 23,636,479 | 30,099,975 |
| **Total loans and borrowings** | | | |
| Bank overdrafts | | 3,490,470 | 846,089 |
| Lease liabilities: | | | |
| - Hire purchase liabilities (Note 29) | | 951,191 | 388,241 |
| - Other lease liabilities (Note 30) | | 70,983 | 107,339 |
| Revolving credits | | 14,730,000 | 23,900,000 |
| Term loan | | 28,583,297 | 33,583,301 |
| Total loans and borrowings | | 47,825,941 | 58,824,970 |

**28. Loans and borrowings (cont'd.)**

The remaining maturities of the loans and borrowings as at 31 December 2022 are as follows:

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| On demand or within 1 year | 23,636,479 | 30,099,975 |
| More than 1 year and less than 2 years | 5,381,151 | 5,054,905 |
| More than 2 years and less than 5 years | 15,166,792 | 15,003,546 |
| 5 years or more | 3,641,519 | 8,666,544 |
| | 47,825,941 | 58,824,970 |

Loans and borrowings at the reporting date are denominated in the following currencies:

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| Ringgit Malaysia | 47,770,342 | 57,898,493 |
| Lao Kip | 55,599 | 926,477 |
| | 47,825,941 | 58,824,970 |

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 2.60% to 2.90% (2021 : 2.90% to 2.95%) per annum.

Bank overdrafts

The unsecured bank overdraft in the current financial year bears interest rates ranging from 7.09% to 7.84% per annum and is supported by way of a negative pledge and corporate guarantee given by the holding company.

The secured bank overdrafts bear interest rates ranging from 6.40% to 6.47% (2021 : 6.40% to 6.47%) per annum and were secured by way of pledged term deposit of RM9,453,767 (2021 : RM10,146,372) held by the Company (Note 24).

Revolving credit

The unsecured revolving credit bears interest rates ranging from 3.65% to 5.54% (2021 : 3.65% to 4.43%) per annum which are re-priced at intervals of 1 month.

Term loan

Term loan is secured by a charge over investment properties (Note 17) of the Group. The term loan bears interest rates ranging from 3.49% to 4.74% (2021 : 3.49% to 4.00%) per annum.

## 29. Hire purchase liabilities

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Future minimum payments: | | |
| Payable within 1 year | 444,587 | 353,095 |
| Payable between 1 and 2 years | 563,515 | 46,799 |
| | 1,008,102 | 399,894 |
| Less: Finance charges | (56,911) | (11,653) |
| | 951,191 | 388,241 |
| Representing hire purchase liabilities: | | |
| Due within 12 months (Note 28) | 407,513 | 341,955 |
| Due after 12 months (Note 28) | 543,678 | 46,286 |
| | 951,191 | 388,241 |

## 30. Other lease liabilities

### As lessee

The Group has lease contracts for leasehold land with lease terms of 3 to 30 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 2022 RM | Group 2021 RM |
|---|---|---|
| As at 1 January | 107,339 | 124,454 |
| Additions | - | 8,672 |
| Lease interest (Note 11) | 6,747 | 9,193 |
| Lease payment | (17,314) | (22,132) |
| Exchange adjustments | (25,789) | (12,848) |
| As at 31 December | 70,983 | 107,339 |
| Representing lease liabilities: | | |
| Due within 12 months (Note 28) | 8,492 | 11,927 |
| Due after 12 months (Note 28) | 62,491 | 95,412 |
| | 70,983 | 107,339 |

**30. Other lease liabilities (cont'd.)**

**As lessee (cont'd.)**

The following are the amounts recognised in profit or loss:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **RM** | **RM** | **RM** | **RM** |
| Depreciation expense of right-of-use assets (Note 15) | 13,534 | 17,473 | - | - |
| Interest expense on lease liabilities (Note 11) | 6,747 | 9,193 | - | - |
| Expense relating to short-term lease expense: | | | | |
| - included in direct expenses (Note 7) | 25,360 | 24,680 | 4,480 | 3,800 |
| - included in administrative expenses (Note 10) | 74,324 | 97,407 | - | - |
| - included in construction contract costs (Note 21) | 137,041 | 133,875 | - | - |
| Expense relating to lease of low-value assets included in administrative expenses (Note 10) | 9,143 | 8,948 | - | - |
| The amount recognised in profit or loss | 266,149 | 291,576 | 4,480 | 3,800 |

The Group and the Company had total cash outflow of leases of RM263,182 (2021 : RM287,042) and RM4,480 (2021 : RM3,800) respectively.

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## 31. Trade and other payables

| | Group 2022 RM | Group 2021 RM | Company 2022 RM | Company 2021 RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| **Other payables** | | | | |
| Other commitments | 680,807 | 1,168,753 | - | - |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 20,612,216 | 21,617,392 | - | - |
| Related parties | 4,968 | 219 | - | - |
| | 20,617,184 | 21,617,611 | - | - |
| **Other payables** | | | | |
| Third parties | 778,975 | 602,955 | 924 | 29,892 |
| Related party | 4,894 | 5,317 | 4,894 | 5,317 |
| Accruals | 7,444,138 | 8,599,255 | 125,518 | 72,942 |
| Deposits | 2,513,807 | 2,236,456 | 86,600 | 91,600 |
| Value added tax deductible | 32,013 | 53,078 | - | - |
| Other payables | 18,294 | 21,105 | - | - |
| Other commitments | 538,267 | 697,185 | - | - |
| | 11,330,388 | 12,215,351 | 217,936 | 199,751 |
| Total trade and other payables (current) | 31,947,572 | 33,832,962 | 217,936 | 199,751 |
| Total trade and other payables (current and non-current) | 32,628,379 | 35,001,715 | 217,936 | 199,751 |
| Less: Value added tax deductible | (32,013) | (53,078) | - | - |
| Accrued land owners entitlement (Note (c)) | (2,129,984) | (3,183,404) | - | - |
| | 30,466,382 | 31,765,233 | 217,936 | 199,751 |
| Add: Loans and borrowings (Note 28) | 47,825,941 | 58,824,970 | - | - |
| Total financial liabilities carried at amortised cost | 78,292,323 | 90,590,203 | 217,936 | 199,751 |

**31. Trade and other payables (cont'd.)**

Trade and other payables at the reporting date are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **RM** | **RM** | **RM** | **RM** |
| Ringgit Malaysia | 30,844,607 | 32,340,422 | 217,936 | 199,751 |
| Lao Kip | 1,783,772 | 2,661,293 | - | - |
| | 32,628,379 | 35,001,715 | 217,936 | 199,751 |

**(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., had agreed to repay 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, as part of the mutual understanding between SDWS and NPPS.

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **RM** | **RM** |
| **Non-current** | | |
| Outhoumphone loan | 147,934 | 286,810 |
| Songkhone loan | 532,873 | 881,943 |
| | 680,807 | 1,168,753 |
| **Current** | | |
| Outhoumphone loan | 47,498 | 76,857 |
| Songkhone loan | 490,769 | 620,328 |
| | 538,267 | 697,185 |
| Total other commitments (current and non-current) | 1,219,074 | 1,865,938 |

**(b) Trade payables (current)**

Third parties

These amounts are non-interest bearing. Trade payables are normally settled on 7 to 90-day (2021 : 7 to 90-day) terms.

The amounts due to third parties include retention sum on contracts of RM1,069,645 (2021 : RM2,225,513). These amounts shall be paid within 4 years. These amounts are measured at amortised cost at an effective interest rate of 5.2% (2021 : 5.2%) per annum.

Related parties

The amounts due to related parties are non-interest bearing and with credit terms of 30 days (2021 : 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 36.

**31. Trade and other payables (cont'd.)**

**(c) Accruals (current)**

Included in the accruals are land owners entitlement of RM2,129,984 (2021 : RM3,183,404) for development project which will be payable by way of consideration in kind to the land owners.

**32. Other current liabilities**

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Contract liabilities in respect of property development costs | 1,389,044 | 3,555,954 |
| Contract liabilities in respect of construction contracts (Note 21) | 881,675 | 14,214,856 |
| Advance rental received | 3,432 | 45,496 |
| | 2,274,151 | 17,816,306 |

The contract liabilities at the beginning of the year of RM17,754,594 (2021 : RM22,410,735) has been recognised as revenue during the year.

**33. Dividend**

| | Dividend in respect of year 2022 RM | Dividend in respect of year 2021 RM | Dividend recognised in year 2022 RM | Dividend recognised in year 2021 RM |
|---|---|---|---|---|
| **Company** | | | | |
| **Recognised during the year:** | | | | |
| First and final single tier dividend for 2021 at 3 sen (2020 : at 2 sen) per share on 92,699,600 ordinary shares | - | - | 2,780,988 | 1,853,992 |
| **Proposed but not recognised as a liability as at 31 December 2022:** | | | | |
| First and final single tier dividend for 2022 at 3 sen per share on 92,699,600 ordinary shares | 2,780,988 | 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 2022, of 3 sen per share on 92,699,600 ordinary shares, amounting to a total dividend payable of RM2,780,988 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 2023.

## 34. Commitments

### (a) Capital commitments

Approved capital expenditures as at the reporting date are as follows:

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | RM | RM |
| Approved and contracted for: | | |
| Property, plant and equipment | 1,441,511 | 2,274,996 |

### (b) 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 | |
|---|---|---|
| | 2022 | 2021 |
| | RM | RM |
| Not later than 1 year | 3,828,349 | 2,503,315 |
| Later than 1 year but not later than 5 years | 2,078,447 | 1,192,287 |
| | 5,906,796 | 3,695,602 |

## 35. Contingent liabilities (unsecured)

The Company has provided the following corporate guarantees at the reporting date:

| | Company | |
|---|---|---|
| | 2022 | 2021 |
| | RM | RM |
| **Unsecured:** | | |
| Corporate guarantees given to banks for facilities granted to subsidiaries | 58,132,316 | 66,437,033 |

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.

**36. 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 | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| **Name of company/person/firm** | **Nature** | **RM** | **RM** | **RM** | **RM** |
| **Transactions with subsidiaries:** | | | | | |
| DKLS Construction Sdn. Bhd. | Rental income | - | - | 252,000 | 282,000 |
| DKLS Premierhome Sdn Bhd | Rental income | - | - | 79,200 | 79,200 |
| DKLS Signaturehomes Sdn. Bhd. | Dividend income | - | - | 4,000,000 | - |
| DKLS Quarry & Premix (North) Sdn. Bhd. | Dividend income | - | - | 1,000,000 | 8,500,000 |
| DKLS Quarry & Premix Sdn. Bhd. | Dividend income | - | - | - | 12,500,000 |
| DKLS Homebuilders Sdn. Bhd. | Final distribution | - | - | 2,000 | - |
| **Transactions with related parties:** | | | | | |
| Firm/Company in which Mr Ding Poi Bor has substantial interest: | | | | | |
| DKLS Service Station | Purchase of consumables | (25,358) | (3,251) | - | - |

# NOTES TO THE FINANCIAL STATEMENTS



**36. Related party disclosures (cont'd.)**

**(a) Sale and purchase of goods and services (cont'd.)**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| **Name of company/person/firm** | **Nature** | **RM** | **RM** | **RM** | **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 | (69,499) | (62,610) | (69,499) | (62,610) |
| Aplikasi Budimas Sdn. Bhd. | Rental of car park | (16,930) | (17,200) | (4,480) | (3,800) |
| Persons with which Mr Ding Poi Bor and Dato' Ding Pei Chai are deemed to be connected pursuant to Section 197 of the Companies Act 2016: | | | | | |
| Arkitek Ding Poi Kooi | Architect fees | (66,780) | - | - | - |

Information regarding outstanding balances arising from related party transactions as at 31 December 2022 are disclosed in Note 20 and Note 31.

**36. 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 | |
|---|---|---|---|---|
| | 2022 RM | 2021 RM | 2022 RM | 2021 RM |
| Short term employee benefits | 3,090,659 | 2,443,546 | 225,445 | 169,366 |
| Post-employment benefits: | | | | |
| Defined contribution plan | 444,604 | 394,512 | 36,400 | 27,300 |
| | 3,535,263 | 2,838,058 | 261,845 | 196,666 |

Included in the remuneration of key management personnel are:

| | | | | |
|---|---|---|---|---|
| Executive directors' remuneration (excluding fees and benefits-in-kind) | 1,354,775 | 1,069,608 | 261,845 | 196,666 |

**37. Fair value of non-financial assets and financial instruments**

**(i) Fair value of non-financial assets and financial instruments that are carried at fair value**

An analysis of non-financial assets and 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 2022** | | | | |
| **Non-financial assets:** | | | | |
| Investment properties (Note 17) | - | - | 124,850,000 | 124,850,000 |

**37. Fair value of non-financial assets and financial instruments (cont'd.)**

**(i) Fair value of non-financial assets and 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 2022 (cont'd.)** | | | | |
| **Financial assets:** | | | | |
| Long term/Short term investments (Note 19) | | | | |
| - Equity instruments (quoted) | 21,958 | - | - | 21,958 |
| - Unit trust fund (quoted) | - | 54,291,886 | - | 54,291,886 |
| **Financial liabilities:** | | | | |
| Other commitments (Note 31) | - | 1,219,074 | - | 1,219,074 |
| **At 31 December 2021** | | | | |
| **Non-financial assets:** | | | | |
| Investment properties (Note 17) | - | - | 124,220,000 | 124,220,000 |
| **Financial assets:** | | | | |
| Long term/Short term investments (Note 19) | | | | |
| - Equity instruments (quoted) | 26,924 | - | - | 26,924 |
| - Unit trust fund (quoted) | - | 67,487,177 | - | 67,487,177 |
| **Financial liabilities:** | | | | |
| Other commitments (Note 31) | - | 1,865,938 | - | 1,865,938 |

**37. Fair value of non-financial assets and financial instruments (cont'd.)**

**(i) Fair value of non-financial assets and 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 2022** | | | | |
| **Non-financial assets:** | | | | |
| Investment properties (Note 17) | - | - | 40,740,000 | 40,740,000 |
| **Financial assets:** | | | | |
| Short term investments (Note 19) | | | | |
| - Unit trust fund (quoted) | - | 1,579,773 | - | 1,579,773 |
| **At 31 December 2021** | | | | |
| **Non-financial assets:** | | | | |
| Investment properties (Note 17) | - | - | 40,610,000 | 40,610,000 |
| **Financial assets:** | | | | |
| Short term investments (Note 19) | | | | |
| - Unit trust fund (quoted) | - | 1,400,382 | - | 1,400,382 |

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 2022 and 31 December 2021.

**37. Fair value of non-financial assets and financial instruments (cont'd.)**

**(i) Fair value of non-financial assets and financial instruments that are carried at fair value (cont'd.)**

**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.

**(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) | 20 |
| Cash and bank balances | 24 |
| Loans and borrowings (current and non-current) | 28 |
| Trade and other payables (current) | 31 |

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 ranging from 7.08% to 7.64% (2021 : 7.08% to 8%) and Nil (2021 : 6.44%) per annum respectively.

**38. 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 100 (2021 : 25) basis points lower/higher, with all other variables held constant, the Group's and the Company's profit would have been RM17,296 (2021 : RM33,228) higher/lower and RM94,538 (2021 : RM25,366) lower/higher respectively, arising mainly as a result of lower/higher interest expense from borrowings and lower/higher interest income from interest-bearing financial assets. 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.

**(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 monitors 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.

**38. Financial risk management objectives and policies (cont'd.)**

**(b) Credit risk (cont'd.)**

**Trade receivables (cont'd.)**

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group 2022 RM | Group 2021 RM |
|---|---|---|
| Neither past due nor impaired | 21,994,392 | 15,528,959 |
| 1 to 30 days past due not impaired | 7,166,556 | 6,011,222 |
| 31 to 60 days past due not impaired | 3,106,781 | 5,473,722 |
| 61 to 90 days past due not impaired | 2,193,103 | 2,775,710 |
| 91 to 120 days past due not impaired | 337,230 | 260,448 |
| More than 120 days past due not impaired | 13,015,708 | 14,043,880 |
| Past due but not impaired | 25,819,378 | 28,564,982 |
| Impaired | 21,105,114 | 14,918,661 |
| | 68,918,884 | 59,012,602 |

**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:

| | Trade receivables | | |
|---|---|---|---|
| Group | Lifetime ECL allowance RM | Credit impaired (note a) RM | Total allowance RM |
| At 1 January 2022 | 11,055,886 | 3,862,775 | 14,918,661 |
| Charge for the year (Note 10) | 7,831,410 | 189,111 | 8,020,521 |
| Write back of impairment losses (Note 5) | (281,324) | (1,182,911) | (1,464,235) |
| Write off of impairment losses | - | (26,690) | (26,690) |
| Exchange adjustment | (283,519) | (59,624) | (343,143) |
| At 31 December 2022 | 18,322,453 | 2,782,661 | 21,105,114 |
| At 1 January 2021 | 4,967,647 | 3,635,086 | 8,602,733 |
| Charge for the year (Note 10) | 6,334,553 | 1,080,012 | 7,414,565 |
| Write back of impairment losses (Note 5) | (122,433) | (824,146) | (946,579) |
| Exchange adjustment | (123,881) | (28,177) | (152,058) |
| At 31 December 2021 | 11,055,886 | 3,862,775 | 14,918,661 |

**38. Financial risk management objectives and policies (cont'd.)**

**(b) Credit risk (cont'd.)**

**Impairment on receivables (cont'd.)**

| **Company** | **Other receivables Credit impaired RM** |
|---|---|
| At 1 January 2021 | 663,519 |
| Charge for the year (Note 10) | 11,364 |
| Write off of impairment losses | (674,883) |
| At 31 December 2021 | - |

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

At the reporting date, approximately 53% (2021 : 59%) of the Group’s trade and other receivables were due from a major customer of a subsidiary who is a property developer in Malaysia developing a housing project under “Perumahan Rumah Penjawat Awam” in which the subsidiary concerned acts as a turnkey contractor.

**(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.

**38. Financial risk management objectives and policies (cont'd.)**

**(c) Liquidity risk (cont'd.)**

**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 | Two to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2022** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 28,832,445 | 1,750,601 | 672,859 | 31,255,905 |
| Loans and borrowings | 24,951,314 | 23,121,877 | 3,751,941 | 51,825,132 |
| Total undiscounted financial liabilities | 53,783,759 | 24,872,478 | 4,424,800 | 83,081,037 |
| **At 31 December 2021** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 28,501,973 | 3,339,669 | 1,184,182 | 33,025,824 |
| Loans and borrowings | 31,242,119 | 22,656,298 | 8,995,320 | 62,893,737 |
| Total undiscounted financial liabilities | 59,744,092 | 25,995,967 | 10,179,502 | 95,919,561 |
| **Company** | | | | |
| **At 31 December 2022** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables, representing total undiscounted financial liabilities | 217,936 | - | - | 217,936 |
| **At 31 December 2021** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables, representing total undiscounted financial liabilities | 199,751 | - | - | 199,751 |

**38. Financial risk management objectives and policies (cont'd.)**

**(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.

**(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 20, Note 24, Note 28 and Note 31.

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 | |
|---|---|---|---|
| | | **2022** | **2021** |
| | | **RM** | **RM** |
| **Group** | | | |
| USD/RM | - strengthened 5% (2021 : 4%) | 700,237 | 508,261 |
| | - weakened 5% (2021 : 4%) | (700,237) | (508,261) |
| USD/LAK | - strengthened 55% (2021 : 20%) | 2,387 | 984 |
| | - weakened 55% (2021 : 20%) | (2,387) | (984) |
| THB/RM | - strengthened 2% (2021 : 7%) | 49 | 173 |
| | - weakened 2% (2021 : 7%) | (49) | (173) |
| LAK/RM | - strengthened 47% (2021 : 16%) | 879,440 | 130,306 |
| | - weakened 47% (2021 : 16%) | (879,440) | (130,306) |
| THB/LAK | - strengthened 44% (2021 : 5%) | 4,418 | 287 |
| | - weakened 44% (2021 : 5%) | (4,418) | (287) |
| **Company** | | | |
| USD/RM | - strengthened 5% (2021 : 4%) | 504,112 | 414,550 |
| | - weakened 5% (2021 : 4%) | (504,112) | (414,550) |
| LAK/RM | - strengthened 47% (2021 : 16%) | 161,922 | 96,316 |
| | - weakened 47% (2021 : 16%) | (161,922) | (96,316) |

## 39. 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 2021, 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 2022 and 31 December 2021 were as follows:-

| | | Group | |
|---|---|---|---|
| | | 2022 | 2021 |
| | Note | RM | RM |
| Loans and borrowings (current) | 28 | 23,636,479 | 30,099,975 |
| Trade and other payables (current) | 31 | 31,947,572 | 33,832,962 |
| Less: Short term investment | 19 | (54,291,886) | (67,487,177) |
| Less: Cash and bank balances | 24 | (35,694,594) | (27,198,806) |
| Net debt/(cash) | | (34,402,429) | (30,753,046) |
| Equity attributable to the owners of the Group | | 419,798,320 | 419,135,551 |
| Capital and net debt/(cash) | | 385,395,891 | 388,382,505 |
| Gearing ratio | | 0% | 0% |

## 40. 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, which constitutes a separate reportable segment.

**40. Segmental information (cont'd.)**

**(c) Geographical segments**

**(i) Analysis of revenue from external customers by geographical location**

| | 2022 RM | 2021 RM |
|---|---|---|
| Malaysia | 170,249,301 | 171,786,385 |
| Lao People's Democratic Republic | 9,454,086 | 10,448,858 |
| | 179,703,387 | 182,235,243 |

**(ii) Analysis of non-current assets by geographical location**

| | 2022 RM | 2021 RM |
|---|---|---|
| Malaysia | 283,389,467 | 306,735,997 |
| Lao People's Democratic Republic | 18,289,745 | 36,235,479 |
| | 301,679,212 | 342,971,476 |

**(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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022 (cont'd.)

**40. 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 2022** | | | | | | | | |
| **Revenue** | | | | | | | | |
| External sales | 5,012,680 | 41,712,609 | 98,689,741 | 25,701,800 | 8,381,188 | 205,369 | - | 179,703,387 |
| Inter-segment sales | 5,366,347 | 12,293,706 | 1,296,476 | - | - | 219,178 | (19,175,707) | - |
| Total revenue | 10,379,027 | 54,006,315 | 99,986,217 | 25,701,800 | 8,381,188 | 424,547 | (19,175,707) | 179,703,387 |
| **Results** | | | | | | | | |
| Segment results | 8,935,204 | 4,503,271 | 13,319,931 | 2,697,747 | (3,525,599) | 83,854 | (5,000,000) | 21,014,408 |
| Interest expense | (1,203,048) | (1,337,571) | (42,680) | (1,787) | (12,108) | - | - | (2,597,194) |
| Profit/(Loss) before tax | 7,732,156 | 3,165,700 | 13,277,251 | 2,695,960 | (3,537,707) | 83,854 | (5,000,000) | 18,417,214 |
| Income tax expense | | | | | | | | (7,119,041) |
| Profit for the year | | | | | | | | 11,298,173 |

**40. 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 2022 (cont'd.)** | | | | | | | |
| **Assets and liabilities** | | | | | | | |
| Segment assets | 136,676,940 | 67,789,180 | 79,093,679 | 144,922,277 | 22,959,710 | 311,929 | 451,753,715 |
| Unallocated corporate assets | | | | | | | 60,493,904 |
| Total assets | | | | | | | 512,247,619 |
| Segment liabilities | 31,000,806 | 30,376,198 | 10,213,066 | 9,292,764 | 1,839,371 | 6,266 | 82,728,471 |
| Unallocated corporate liabilities | | | | | | | 6,149,247 |
| Total liabilities | | | | | | | 88,877,718 |
| **Other information** | | | | | | | |
| Capital expenditure | - | 233,047 | 2,792,638 | 93,446 | 632,337 | - | 3,751,468 |
| Depreciation | 123,755 | 1,231,252 | 3,286,440 | 157,933 | 1,921,150 | 1,668 | 6,722,198 |

**40. 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 2022 (cont'd.)** | | | | | | | |
| **Non-cash expenses/(income)** | | | | | | | |
| Allowance for/(Write back of) impairment losses on: | | | | | | | |
| - trade and other receivables, net | - | 6,877,080 | (118,852) | - | (201,942) | - | 6,556,286 |
| - property, plant and equipment | - | - | - | - | 6,348,289 | - | 6,348,289 |
| Deposit written off | - | 1,000 | - | - | - | - | 1,000 |
| Fair value gain on investment properties, net | (630,000) | - | - | - | - | - | (630,000) |
| Fair value gain on long/short term investments | (61,313) | (360,625) | (361,427) | (397,991) | - | (68,887) | (1,250,243) |
| Gain on disposal of property, plant and equipment, net | - | (249,955) | (347,946) | (4,000) | - | - | (601,901) |
| Inventories – properties held for sale and others written back to net realisable value | - | - | - | (32,500) | - | - | (32,500) |
| Property, plant and equipment written off | - | 2,396 | 715 | - | - | - | 3,111 |
| Unrealised gain on foreign exchange, net | (324,850) | (57,807) | - | - | (439,946) | - | (822,603) |

**40. 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 2021** | | | | | | | | |
| **Revenue** | | | | | | | | |
| External sales | 5,218,412 | 54,592,650 | 77,697,207 | 32,154,684 | 10,448,858 | 2,123,432 | - | 182,235,243 |
| Inter-segment sales | 21,533,234 | 12,334,775 | 290,636 | - | - | 291,320 | (34,449,965) | - |
| Total revenue | 26,751,646 | 66,927,425 | 77,987,843 | 32,154,684 | 10,448,858 | 2,414,752 | (34,449,965) | 182,235,243 |
| **Results** | | | | | | | | |
| Segment results | 24,569,969 | 4,494,944 | 8,864,441 | 6,447,334 | 1,167,044 | 219,757 | (21,000,000) | 24,763,489 |
| Interest expense | (1,251,982) | (556,813) | (34,907) | (22,109) | (185,519) | (4,147) | - | (2,055,477) |
| Share of losses from associate | (456,957) | - | - | - | - | - | - | (456,957) |
| Profit before tax | 22,861,030 | 3,938,131 | 8,829,534 | 6,425,225 | 981,525 | 215,610 | (21,000,000) | 22,251,055 |
| Income tax expense | | | | | | | | (6,225,277) |
| Profit for the year | | | | | | | | 16,025,778 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022 (cont'd.)

**40. 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 2021 (cont'd.)** | | | | | | | |
| **Assets and liabilities** | | | | | | | |
| Segment assets | 136,793,518 | 75,365,814 | 70,415,295 | 145,412,493 | 40,553,826 | 1,140,519 | 469,681,465 |
| Unallocated corporate assets | | | | | | | 73,435,161 |
| Total assets | | | | | | | 543,116,626 |
| Segment liabilities | 35,602,590 | 54,426,303 | 8,303,193 | 9,688,295 | 3,606,912 | 15,698 | 111,642,991 |
| Unallocated corporate liabilities | | | | | | | 5,470,610 |
| Total liabilities | | | | | | | 117,113,601 |
| **Other information** | | | | | | | |
| Capital expenditure | 26,250 | 105,860 | 2,564,528 | 22,308 | 586,480 | 3,099 | 3,308,525 |
| Depreciation | 124,824 | 1,803,974 | 2,928,626 | 119,049 | 4,771,665 | 1,918 | 9,750,056 |

**40. 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 2021 (cont'd.)** | | | | | | | |
| **Non-cash expenses/(income)** | | | | | | | |
| Adjustment for early repayment of long term receivable | - | (2,073,474) | - | - | - | - | (2,073,474) |
| Allowance for/(Write back of) impairment losses on trade and other receivables, net | - | 6,572,978 | (215,081) | - | 110,089 | - | 6,467,986 |
| Fair value gain on investment properties, net | - | - | (120,000) | - | - | - | (120,000) |
| Fair value gain on long/short term investments | (510) | (6,549) | (9,371) | (6,298) | - | - | (22,728) |
| Gain arising from modification of payment terms for receivables | - | (804,035) | - | - | - | - | (804,035) |
| Gain on disposal of: | | | | | | | |
| - investment in an associate | (2) | - | - | - | - | - | (2) |
| - property, plant and equipment | - | (460,800) | (48,183) | (17,000) | (4,009) | - | (529,992) |
| Inventories written back to net realisable value: | | | | | | | |
| - property development costs | - | - | - | (30,439) | - | - | (30,439) |
| - properties held for sale and others | - | - | - | (43,135) | - | - | (43,135) |
| Inventories written off | - | - | 96,258 | - | - | - | 96,258 |
| Loss on winding up of a subsidiary | 10,013 | - | - | - | - | - | 10,013 |
| Project costs written off | - | 80,140 | - | - | - | - | 80,140 |
| Property, plant and equipment written off | - | - | 1 | - | 5,866 | - | 5,867 |
| Unrealised (gain)/loss on foreign exchange | (265,188) | (39,123) | - | - | 260,347 | - | (43,964) |

**40. Segmental information (cont'd.)**

**Business segments (cont'd.)**

**Major customers**

The following are the major customers which contribute revenue equal or more than 10% of the Group's total revenue:

| | Revenue | | Segment |
|---|---|---|---|
| | 2022 | 2021 | |
| | RM | RM | |
| Customer A | 21,258,487 | 30,789,211 | Construction |
| Customer B | - | 22,963,594 | Construction |

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

(a) On 4 May 2012, the Company has 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.

(b) On 26 January 2022, the Company has subscribed for 1,800,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd for a cash consideration of RM1,800,000.

(c) On 8 July 2022, the Company has subscribed for 10,000 ordinary shares at an issue price of RM1.00 each in DKLS Highlands Sdn. Bhd. for a cash consideration of RM10,000.

(d) On 30 September 2022, the Company has subscribed for 850,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd for a cash consideration of RM850,000.

(e) On 1 December 2022, the Company has subscribed for 5,400,000 ordinary shares at an issue price of RM1.00 each in DKLS Clearwater Sdn. Bhd. for a consideration of RM5,400,000 which was set off, by way of contra, against the amount owing to the Company.

(f) On 16 December 2022, the Company has subscribed for 1,000,000 ordinary shares at an issue price of RM1.00 each in DKLS Premierhome Sdn Bhd for a cash consideration of RM1,000,000.

(g) On 23 February 2023, the Company has subscribed for 900,000 ordinary shares at an issue price of RM1.00 each in DKLS Equity Sdn Bhd for a cash consideration of RM900,000.

# 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,<br>Lot No. 12742,<br>Mukim of Sitiawan,<br>District of Manjung,<br>Perak Darul Ridzuan | Agricultural land | 02.09.2009 | 9.2698 hectares | Freehold | 114 | 5,400,000 |
| 15FO-15, 15th Floor<br>16FO-1, 16th Floor<br>17FPBS-1, 17th Floor<br>Ipoh Tower,<br>Jalan Dato' Seri Ahmad Said,<br>30450 Ipoh,<br>Perak Darul Ridzuan | Office units (corporate office) | 28.02.2009 | 1,055 sq. ft.<br>13,724 sq. ft.<br>3,013 sq. ft. | Freehold | 14 | 144,083<br>1,934,832<br>544,411 |
| PN 296074, Lot 15517,<br>Mukim Lumut,<br>(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) | 16 | 14,100,000 |
| Geran 40432, Lot 2793,<br>Geran 40433, Lot 668,<br>Mukim Lumut | Agricultural land | 17.01.2011 | 5.6775 hectares<br>0.4148 hectares | Freehold | 24 | 4,000,000 |
| Geran 70221, Lot 172,<br>Geran 70223, Lot 173,<br>Geran 70226, Lot 175,<br>Geran 70222, Lot 176<br>Seksyen 87, Bandar Kuala Lumpur,<br>Kuala Lumpur | Residential land | 09.03.2011 | 562 sq. metres<br>589 sq. metres<br>642 sq. metres<br>701 sq. metres | Freehold | 14 | 2,000,000<br>1,700,000<br>2,300,000<br>2,500,000 |
| 17F-PBS-2,<br>17F-PBS-3,<br>17F-PBS-3A,<br>17F-PBS-5,<br>17F-PBS-6,<br>17F-PBS-7,<br>17F-PBS-8,<br>17F-PBS-9, 17th Floor, Ipoh Tower,<br>Jalan Dato' Seri Ahmad Said,<br>30450 Ipoh,<br>Perak Darul Ridzuan | Office unit (rented out) | 01.04.2011 | 1,270 sq. ft.<br>850 sq. ft.<br>850 sq. ft.<br>1,270 sq. ft.<br>1,087 sq. ft.<br>1,054 sq. ft.<br>1,377 sq. ft.<br>1,431 sq. ft. | Freehold | 14 | 3,490,000 |
| LG-01 Basement Floor,<br>GRF-01,Ground Floor,<br>Ipoh Tower,<br>Jalan Dato' Seri Ahmad Said,<br>30450 Ipoh,<br>Perak Darul Ridzuan | Office unit | 12.10.2017 | 536 sq. metres<br>63 sq. metres | Freehold | 13 | 511,100<br>65,806 |

# PROPERTIES OWNED BY THE GROUP

| Location | Description | Date of acquisition | Area | Tenure | Approximate age of properties (years) | Carrying amount (RM) |
|---|---|---|---|---|---|---|
| **DKLS CONSTRUCTION SDN BHD** | | | | | | |
| PM 2446, Lot 9125, Mukim of Kurong Anai, Ulu Pauh | Agricultural land (vacant) | 28.05.2004 | 1.374 hectares | Leasehold (99 years expiring on 9.8.2098) | 23 | 729,963 |
| PM 2779, Lot 8452 (Formerly PM 2390, Lot 8433) Mukim of Padang Siding, Ulu Pauh | Agricultural land (vacant) | 28.05.2004 | 1.661 hectares | Leasehold (99 years expiring on 8.7.2098) | 23 | 881,629 |
| PM 2391, Lot 8322, Mukim of Padang Siding, Ulu Pauh | Agricultural land (vacant) | 28.05.2004 | 1.449 hectares | Leasehold (99 years expiring on 8.7.2098) | 23 | 763,630 |
| PM 1219, Lot 3016, Mukim of Kurong Anai, Ulu Pauh | Agricultural land (vacant) | 11.06.2010 | 0.7245 hectares | Leasehold (99 years expiring on 20.7.2098) | 23 | 438,138 |
| PM 1220, Lot 3017, Mukim of Kurong Anai, Ulu Pauh | Agricultural land (vacant) | 11.06.2010 | 1.6011 hectares | Leasehold (99 years expiring on 20.7.2098) | 23 | 422,242 |
| PM 2731, Lot 101382 (Formerly PM 1196, Lot 3021), Mukim of Kurong Anai, Ulu Pauh | Agricultural land (vacant) | 11.06.2010 | 1.6000 hectares | Leasehold (99 years expiring on 9.8.2098) | 23 | 421,703 |
| 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) | 15 | 687,330 |

# 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,<br>Lot 5023,<br>Lot 5470,<br>Lot 5782, 5783,<br>Lot 1553,<br>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<br>19.01.1991<br>25.01.1991<br>12.02.1993<br>24.10.1992<br>12.06.1992 | 33 hectares (land)<br>2,552.7 sq.metres (built-up) | Freehold | 82<br>58<br>49<br>85<br>82<br>85 | 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<br>2 rods<br>35 poles<br>(land) | Freehold | 84 | 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<br>12 poles<br>(land) | Freehold | 85 | 1 |
| E.M.R. No 789 S.G 24407<br>Lot 1550, Pundut<br>Mukim of Lumut<br>Perak Darul Ridzuan | Land (storage) | 29.02.2003 | 0.9105 hectares (2a.1r.00p) | Freehold | 103 | 270,000 |
| GM 1215, Lot 3932<br>Tempat Padang Lembu<br>Mukim of Gurun<br>Daerah Kuala Muda,<br>Kedah Darul Aman | Agricultural land (vacant) | 29.12.2003 | 2.221 hectares | Freehold | 61 | 1,550,000 |
| Lot 1937, 1939, 1940, 1953, 1954, 3863, 1959 (3860),<br>2099 & 4819 (6675)<br>Mukim of Lumut<br>Perak Darul Ridzuan | Quarry land | 02.11.2007 | 20.658 hectares | Freehold | 25<br>25<br>21<br>28 | 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) | 33 | 208,802 |
| Lot 9876, Mukim of Lumut, Perak Darul Ridzuan | Quarry land | 02.11.2007 | 0.4833 hectares | Leasehold (60 years expiring on 27.1.2054) | 28 | 98,497 |

+ 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) | 30 | 86,280 |
| Lot 3979, GM 2256 Mukim of Lumut Perak Darul Ridzuan | Agricultural land (vacant) | 02.01.2004 | 0.9105 hectares (2a.1r.00p) | Freehold | 21 | 420,000 |
| GM 183-184, Lot 50151-50152 (Formerly GM 117-118, Lot 59-60), GM 119, Lot 61 (Formerly Lot 4062, GM No 10396), Mukim Daerah Sik, Kedah Darul Aman | Agricultural land (storage & premix plant) | 02.02.2005 | 4.3395 hectares | Freehold | 18 | 471,970 |
| Desa Bistari Block B on Lot 9948 Mk. 13, N.E.S Penang, Unit No. B-13-04 | Apartment (vacant) | 05.07.1999 | 65 sq. metres (built-up) | Freehold | 24 | 280,000 |
| Desa Bistari Block B on Lot 9948 Mk. 13, N.E.S Penang, Unit No. B-22-05 | Apartment (vacant) | 05.07.1999 | 65 sq. metres (built-up) | Freehold | 24 | 280,000 |
| M-16, Block Daisi Mutiara Perdana Lengkok Kelicap 11900 Bayan Lepas Pulau Pinang | Apartment (vacant) | 01.11.2012 | 89 sq. metres (built-up) | Freehold | 11 | 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) | 24 | 1,375,349 |
| Lot 55005, GM 15188, Mukim Sitiawan Manjung Perak | Commercial land and office building | 22.12.2015 | 4,415 sq. metres (land) 3,855.01 sq. metres (built-up) | Freehold | 89 | 4,486,268 |
| 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) | 24 | 1,607,053 |

# 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** | | | | | | |
| GM3062, Lot 62260 (Formerly PT2294),<br>PT2295,<br>PT2296,<br>Dearah Pokok Sena | Agricultural land | 14.09.2017 | 0.4067 hectares<br>0.4073 hectares<br>0.4073 hectares | Freehold | 12 | 1,519,217 |
| GM3055, Lot 62258,<br>GM3061, Lot 62259, (Formerly PT2292 and PT2293)<br>Dearah Pokok Sena | Agricultural land | 01.06.2018 | 0.4176 hectares<br>0.4073 hectares | Freehold | 12<br>12 | 462,143<br>450,789 |
| **DKLS DEVELOPMENT SDN BHD** | | | | | | |
| H.S.(D) 17977, PT 4929, Mukim Lumut, Manjung,<br>Perak Darul Ridzuan | 2½ storey detached residential house | 01.06.2009 | 195.1 sq. metres (land) | Leasehold (99 years expiring on 10.07.2101) | 20 | 72,016 |
| **DKLS EQUITY SDN BHD** | | | | | | |
| Tower 8, Avenue 5,<br>The Horizon, Phase 2,<br>Bangsar South City,<br>Wilayah Persekutuan<br>Kuala Lumpur | 14 storey boutique office building | 31.03.2013 | 12,827.4 sq. metres | Leasehold (99 years expiring on 16.08.2106) | 15 | 86,500,000 |

# ANALYSIS OF SHAREHOLDINGS

## ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2023

| | | |
|---|---|---|
| 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 | 44 | 2.74 | 527 | ** |
| 100 to 1,000 | 631 | 39.34 | 606,205 | 0.66 |
| 1,001 to 10,000 | 789 | 49.19 | 2,855,368 | 3.08 |
| 10,001 to 100,000 | 110 | 6.86 | 2,938,463 | 3.17 |
| 100,001 to 4,634,979 | 28 | 1.75 | 45,120,150 | 48.67 |
| 4,634,980* and above | 2 | 0.12 | 41,178,887 | 44.42 |
| | 1,604 | 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. | Liew Chai Kar | 21,000 | 0.02 | 6,000 *3 | 0.01 |
| 5. | Chin Kok Tong | 2,000 | ** | - | - |
| 6. | Ding Zhe Xin | - | - | - | - |
| 7. | Ang Chan Moy | - | - | - | - |

*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 Poh Poh | 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<br>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. | Soh Yoke Lee | 2,255,700 | 2.43 |
| 12. | Ding Zu Guan | 2,000,000 | 2.16 |
| 13. | Ding Zu Ron | 1,500,000 | 1.62 |
| 14. | Sam Tuck Wah | 1,486,700 | 1.60 |
| 15. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Soh Joon Hang | 1,431,400 | 1.54 |
| 16. | Soh Yoke Moi | 1,297,841 | 1.40 |
| 17. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Ltd (SFS) | 954,800 | 1.03 |
| 18. | Soh Joon Hui | 909,700 | 0.98 |
| 19. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chek Ho Sing | 868,300 | 0.94 |
| 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<br>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<br>Pledged Securities Account for Francisca Lo Fui Khiun | 118,000 | 0.13 |
| 29. | Lee Keng Fah | 108,900 | 0.12 |
| 30. | Low Hing Noi | 102,000 | 0.11 |
| | | 86,299,037 | 93.09 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Seventh 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 Monday, 29 May 2023 at 9.00 a.m. to transact the following businesses:

**AGENDA**

**AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors' and Auditors' Reports thereon. [Explanatory Note 1]

2. To approve the payment of a first and final single tier dividend of 3 sen per share in respect of the financial year ended 31 December 2022. **Resolution 1** [Explanatory Note 2]

3. To approve the payment of Directors' fees and benefits up to an amount of RM226,800 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** [Explanatory Note 3]

4. To re-elect the following Directors who retire by rotation in accordance with Clause 19.3 of the Constitution:
   a. Ir Sam Tuck Wah **Resolution 3**
   b. Ms Ding Zhe Xin **Resolution 4**
   [Explanatory Note 4]

5. To re-appoint Messrs Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration. **Resolution 5** [Explanatory Note 5]

**AS SPECIAL BUSINESS**

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

6. **Ordinary Resolution - Continuing in Office as Independent Non-executive Director** **Resolution 6**
   "That authority be and is hereby given to Mr Chin Kok Tong who has served as an independent non-executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as independent non-executive Director of the Company." [Explanatory Note 6]

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**
Company Secretary
Ipoh
27 April 2023

**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 3 sen per share in respect of the financial year ended 31 December 2022 will be paid on 18 August 2023.

Notice is hereby given that the Register of Members of the Company will be closed on 31 July 2023, 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 31 July 2023 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 No. 1, Jalan Lasam, 30350 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 23 May 2023 will be entitled to attend and vote at the meeting.

f. Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"), all resolutions at the AGM will be put to vote by way of poll.

**EXPLANATORY NOTES:**

These Explanatory Notes set out further information regarding the Agenda and the proposed resolutions to be considered by the members of the Company at the AGM.

1. **Audited Financial Statements for the financial year ended 31 December 2022**

   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. Hence, Agenda 1 is not put forward for voting.

2. **Resolution 1**

   The Board has considered and recommended the first and final single tier dividend of 3 sen per share in respect of the financial year ended 31 December 2022 for the members' approval. 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 18 August 2023 in accordance with the requirements under Section 132(2) and (3) of the Companies Act 2016.

3. **Resolution 2**

   The Board through the Nomination and Remuneration Committee has assessed and agreed to the proposed Directors' fees and benefits payable to non-executive Directors from the conclusion of the date of this AGM until the date of the next AGM at their respective meetings held on 21 November 2022.

   The breakdown of the proposed payment of Directors' fees on an annual basis is as follows:

| | |
|---|---|
| Chairman | RM87,500 |
| Chairman of Audit Committee | RM59,500 |
| Other non-executive Directors | RM37,500 each |

   The Directors' benefits payable up to the amount of RM4,800 comprise meeting allowances.

   The Directors' fees and benefits payable up to an amount of RM226,800 from the conclusion of the date of this AGM until the date of the next AGM shall be paid on a monthly basis at the end of each month.

   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.

4. **Resolutions 3 and 4**

   The Board through the Nomination and Remuneration Committee has deliberated on the suitability of the Directors standing for re-election ("**Retiring Directors**") at their respective meetings held on 27 February 2023. Upon deliberation, the Board (except for the Retiring Directors) collectively agreed that the Retiring Directors have satisfied the requirements in the Directors' Fit and Proper Policy and meet the criteria of character, experience, integrity, competence and time commitment to effectively discharge their respective roles as Directors of the Company and recommended the Retiring Directors to be re-elected as the Directors of the Company.

   The Retiring Directors, being eligible for re-election, have given their consent to seek for re-election at the AGM. Any of the Retiring Directors who is a shareholder of the Company will abstain from voting on the resolution in respect of his or her re-election at the AGM.

   The profiles of the Retiring Directors are disclosed under Profile of Board of Directors on page 6 of the Annual Report 2022 and the details of their interest in the securities of the Company are disclosed under Analysis of Shareholdings on pages 199 and 200 of the Annual Report 2022.

5. **Resolution 5**

   The Board through the Audit Committee has assessed and is satisfied with the quality of audit and services, adequacy of resources, performance, communication, audit scope and planning, and independence and objectivity of the external auditors, Messrs Ernst & Young PLT, which are in accordance with the Paragraph 15.21 of the Listing Requirements, at their respective meetings held on 27 February 2023 and recommended the re-appointment of Messrs Ernst & Young PLT at the AGM.

   Messrs Ernst & Young PLT have indicated their willingness to continue their services for the ensuing year.

6. **Resolution 6**

   The term of office of Mr Chin Kok Tong as an independent non-executive Director of the Company has exceed a cumulative term of nine (9) years.

   Pursuant to Practice 5.3 of the Malaysian Code on Corporate Governance ("**MCCG**"), the tenure of an independent director should not exceed a term limit of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board as a non-independent director. If the Board intends to retain an independent director beyond nine (9) years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

   The Board through the Nomination and Remuneration Committee has deliberated and assessed the independence of Mr Chin Kok Tong at their respective meetings held on 21 November 2022. Upon deliberation, the Board (except for Mr Chin Kok Tong) collectively agreed to recommend that Mr Chin Kok Tong be retained as independent non-executive Director of the Company on the following rationale and justifications:

(i) Mr Chin Kok Tong has met the criteria as independent director pursuant to Listing Requirements, hence he is able to provide an element of objectivity, independent judgement and balance to the Board.
(ii) He is the Senior Independent Director with high intellect, honesty and genuine commitment to serve in the best interest of the Company and its shareholders.
(iii) He does not hold any directorship in other listed companies to render him to contribute less productively in the Company.
(iv) His valuable advice on financial matters and wide knowledge particularly his knowledge in accounting matters will continue to add credence to the Company and will not have any adverse effect on his independency as independent non-executive director.
(v) Although having served for a consecutive term of more than nine (9) years, he is subject to yearly assessment and review by the Board through a transparent criteria evaluation.
(vi) In addition, he also makes an annual declaration that he is independent of management and free from any business or relationship that could interfere with the independent judgment of the Company.

DKLS INDUSTRIES BERHAD
199501040269 (369472-P)
Incorporated in Malaysia

# FORM OF PROXY

| No. of Ordinary Shares held |
|---|
| |

(Before completing the form please refer to the notes below)

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-Seventh Annual General Meeting ("**AGM**") of the Company to be held at 11th Floor, Ipoh Tower, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan on Monday, 29 May 2023 at 9.00 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 Ir Sam Tuck Wah | | |
| 4. Re-election of Ms Ding Zhe Xin | | |
| 5. Re-appointment of Auditors | | |
| 6. Authorise Mr Chin Kok Tong to continue in office as independent non-executive Director | | |

(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 AGM. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

Dated this ________ day of __________________ 2023

________________________________
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.

b. This 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. This instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 1, Jalan Lasam, 30350 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 23 May 2023 will be entitled to attend and vote at the meeting.

f. Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the AGM will be put to vote by way of poll.

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AFFIX
STAMP
HERE

The Company Secretary
**DKLS INDUSTRIES BERHAD**
[Registration No.: 199501040269 (369472-P)]
No. 1, Jalan Lasam
30350 Ipoh, Perak Darul Ridzuan

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