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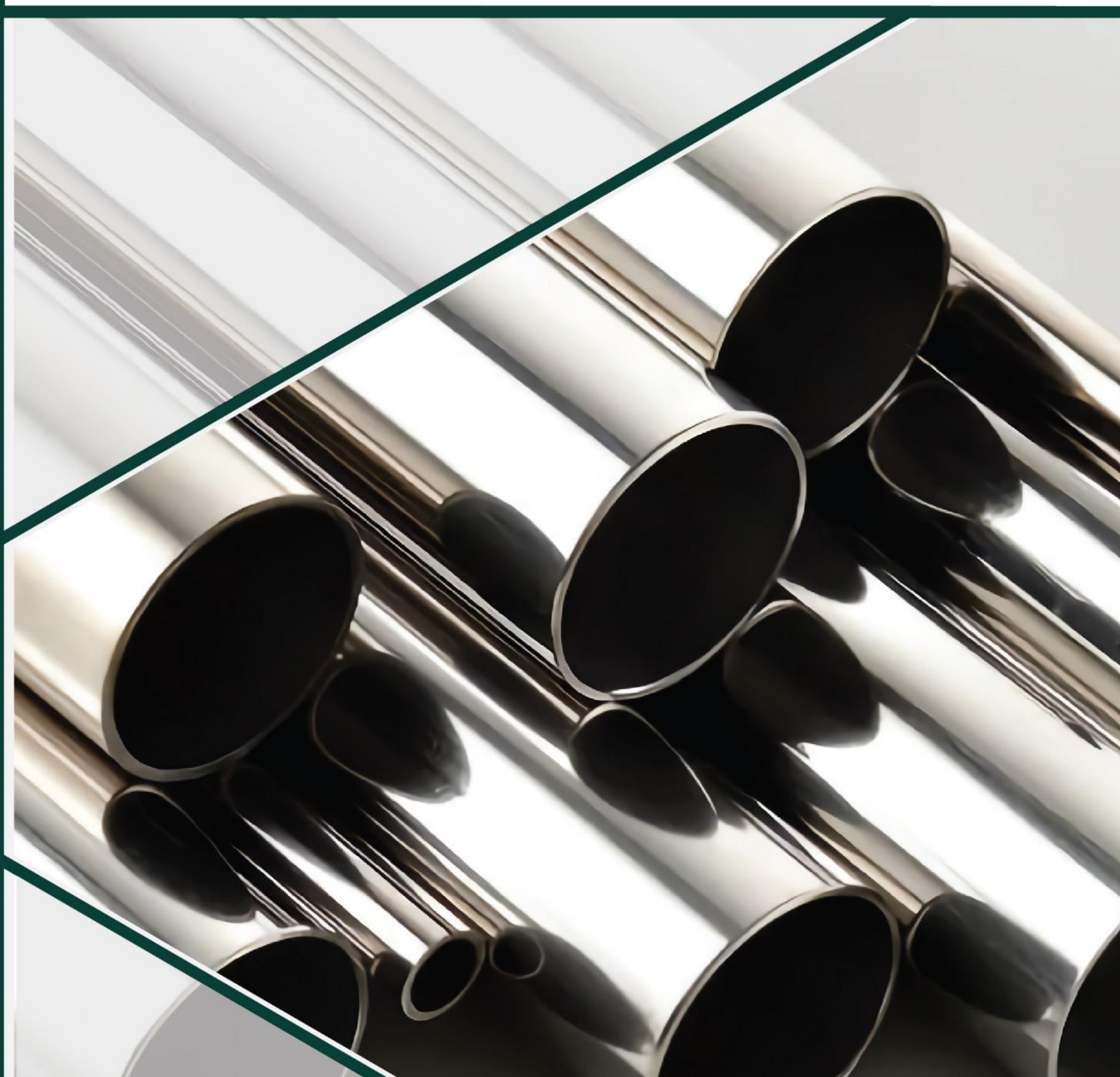
K. SENG SENG CORPORATION BERHAD

Company No.: 198501000983 (133427-W)



ANNUAL REPORT 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Seng Kar @ Koh Hai Sew
Chairman/Managing Director
(Demised on 23/03/2019)

Koh Seng Lee
Managing Director
(Re-designated on 21/05/2019)

Tsen Ket Shung @ Kon Shung
Executive Director

Lim Pang Kiam
Independent Non-Executive Director
(Appointed on 01/01/2020)

Lim Ho Kin
Senior Independent Non-Executive Director

Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff
Independent Non-Executive Director

Yap Siok Teng
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Lim Pang Kiam
(Appointed on 26/02/2020)
Members
Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff
Lim Ho Kin
Yap Siok Teng
(Re-designated on 26/02/2020)

REMUNERATION COMMITTEE

Chairman
Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff
Members
Yap Siok Teng
Lim Ho Kin
Lim Pang Kiam
(Appointed on 26/02/2020)

NOMINATION COMMITTEE

Chairman
Lim Pang Kiam
(Appointed on 26/02/2020)
Members
Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff
Yap Siok Teng
Lim Ho Kin
(Re-designated on 26/02/2020)

COMPANY SECRETARIES

Lim Seck Wah
(MAICSA No.: 0799845)
(PC SSM 202008000054)
M. Chandrasegaran A/L S. Murugasu
(MAICSA No.: 0781031)
(PC SSM 202008002193)

REGISTERED OFFICE

Level 15-2,
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd (187984 H)
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

PRINCIPAL BANKERS

Citibank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad

SOLICITORS

Teh Cheng Aik & Co

AUDITORS

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia
Website: www.bakertilly.my
Tel : 03-2297 1000
Fax : 03-2282 9980

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
STOCK CODE: 5192

WEBSITE

www.kssc.com.my

CORPORATE STRUCTURE

誠成集團
K. SENG SENG CORPORATION BERHAD
Registration No: 198501000983 (133427-W)

100%	**K. Seng Seng Industries Sdn Bhd (KSSI)** 199901015238 (490138-K)
100%	**PTM Stainless Steel Industry Sdn Bhd (PTM)** 199201013439 (244942-P)
100%	**Three & Three Hardware Sdn Bhd (TTH)** 199501023130 (352333-P)
100%	**K Seng Seng Parts Sdn Bhd (KSSP)** 200601002494 (722242-P)
100%	**KSG Engineering Sdn Bhd (KSG)** 201001038536 (922460-A)
↳ 100%	**K.Seng Seng Manufacturing Sdn Bhd (KSSM)** 200701033513 (791541-W)
75%	**Koseng Sdn Bhd (KS)** 201101042486 (970606-A)
50%	**EIE Asian Holding Sdn Bhd (EIE)** 200201001863 (569526-P)

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATING ACTIVITIES

The Group is primarily engaged in the manufacturing and processing of secondary stainless steel and stainless steel related products, trading of industrial hardware including marine hardware and consumables; engineering works, fabrication and installation of glove dipping line and trading of glove dipping line parts. The Holding Company is principally engaged in investment holding related activities.

The key business segment of the Group are as follows:

Stainless steel products	-	Manufacture and sales of stainless-steel tubes and pipes, and processing of stainless steel sheets products;
Marine hardware & consumable	-	Trading of marine hardware includes, amongst others, PP and PE ropes, stainless steel bars, stainless steel fasteners, GI wire, wire ropes and wire netting, nylon trammel and PE nets, copper tubes, chain, brass stern gland and propellers, square boat and shank spikes, packing and asbestos sheets, stainless steel electrode and rigging hardware such as zincked block, pulley, pin shaft, hooks and chain block;
Industrial Hardware	-	Trading of industrial hardware including, amongst others, bronze shaft, brass tubes, other steel industrial fasteners such as HT, MS and GI bolts and nuts, screws, washers and shackles, ductile iron pipe and fittings such as flange, valves, tapers, hose clips and clamps, industrial hoses such as spring hose, PVC hose, black rubber suction and water hose and PVC reinforced air hose, alloy chain, stainless steel wire mesh, colour cotton rag, rubber conveyor belt, industrial wipes, safety absorbent and fibre ceramic blanket.
Engineering Works	-	Includes the manufacturing and installation of on-line chlorination nitrile glove dipping lines and rubber glove dipping lines, trading of dipping lines parts and consumable including, amongst others, conveyor chain and conveyor chain parts, former holder set, worm gear and motor, and engineering services including machining, cutting, dismantle and cleaning of conveyor chain.

VISION AND MISSION

The vision and mission of the Group are disclosed in the Sustainability Statement of this Annual Report.

REVIEW OF OPERATING ACTIVITIES OF EACH BUSINESS SEGMENT OF THE GROUP

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
12 months ended 31/12/2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenues from external customers	35,655	30,145	32,427	8,537	106,764
Reportable segment gross profit.	2,832	8,294	6,818	1,201	19,145
12 months ended 31/12/2019					
Revenues from external customers	35,951	29,011	29,288	13,222	107,472
Reportable segment gross profit	3,986	6,707	6,141	596	17,429

The Group revenue for the financial year 2019 had increased marginally by 0.7% from RM106.76 million in 2018 to RM107.47 million. Revenue from the Stainless Steel segment in 2019 was comparable to that in 2018. While Marine Hardware & Consumable and Other Industrial Hardware experienced a slight dip, it has been mitigated by higher revenue derived from Engineering Works segment due to the completion of the fabrication and installation of Gloves Dipping Line in the current year. However, despite the higher revenue from Engineering Works, the reportable segment gross profit declined from 14.1% to 4.5%

	12 months ended		
	31/12/2018	**31/12/2019**	**Change**
	RM'000	**RM'000**	**%**
Revenue	106,764	107,472	0.66
Operating Profit	**2,249**	**514**	**(77.15)**
Profit/(Loss) Before Tax	1,184	(764)	NM
Profit/(Loss) After Tax	**1,036**	**(1,936)**	**NM**
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	1,018	(2,017)	NM

NM - Not Meaningful

REVIEW OF OPERATING ACTIVITIES OF EACH BUSINESS SEGMENT OF THE GROUP (continued)

The Group profit before tax for the year had decreased from RM1.18 million in the corresponding preceding year to a loss of RM0.76 million. This was mainly attributable to an impairment loss in trade receivables of RM1.52 million. In addition, the reduced profit margin from the Engineering Works segment also contributed the poorer result.

Similarly, Group profit after tax decreased from RM1.04 million to and loss of RM1.94 million, mainly attributable to deferred tax assets of RM0.60 million not recognised and a reversal of deferred tax assets amounting to RM0.70 million recognised in prior years.

MANUFACTURE OF STAINLESS STEEL PRODUCTS

The Management takes heed on the safety and health of the employees by adhering to regulations under Section 24 of the Occupational Safety and Health Act 1994 and recommended actions from our internal audit. The workers are subject to relevant on job training and safety awareness. We hold certification in compliance to ISO9001:2015 which relates to possessing excellent quality management systems that meet international standards.

PROSPECT OF OUR GROUP

The perennial foreign labour shortage has continued to affect the cost of doing business and erodes the margin of the Group. Despite the challenging environment, management is committed to improve efficiency by reducing reliance on physical manpower, through embracing technology and adopting automation processes. By doing so, we aim to generate higher returns for our shareholders.

With a strengthened management team possessing vast experience in the industry, we are confident to continue to enhance the Group marketing strategy through expansion of our business segments. The Group will also look into synergistic business opportunities including but not limited to joint-ventures and acquisitions.

FUTURE OUTLOOK

The uncertainty brought about by geopolitical risks and a re-escalation of trade tensions between China and the USA, continues from 2018. These two factors have already threatened the prospect of a recession in 2020. However, the global pandemic caused by the COVID-19 outbreak has all but confirmed the possibility of a recession. The IMF in April 2020 has projected a contraction of 3% in the global economy. (source: www.imf.org)

In an effort to stem the pandemic, the Government imposed a nationwide Movement Control Order which has caused great disruption to economic activities in Malaysia. While the controls have been relaxed somewhat, the road to recovery to pre COVID-19 days will be slow. In addition, Bank Negara Malaysia (“BNM”) has reduced the overnight policy rates to 2.0% after lowering it four times in May 2019, January 2020, March 2020 and May 2020 to cushion the economic impact on businesses and households and support the improvement in economic activities. The Government has also announced an Economic Stimulus Package totalling RM260 billion to mitigate the impact of COVID-19 on the well-being of the people, businesses and economy.

The above local and global economic outlook will provide a challenging platform for our existing businesses in all divisions which focus mainly on the domestic market. The Group will continue to be relentless in undertaking prudent measures to improve efficiencies on manufacturing costs, procurement strategies, sales and working capital management.

DIVIDENDS

The Group has adopted a Dividend Policy of 40% of its Distributable Profit and has been distributing dividends since listing. The challenging business environment ahead means that it is imperative that the Group conserves cash for working capital requirement. The Group will not be distributing dividends for the financial year ending 31 December 2019.

DIRECTORS' PROFILE

KOH SENG KAR @ KOH HAI SEW
Male, Chairman / Managing Director (Aged 76, Malaysian)
(Demised on 23 March 2019)

Mr. Koh Seng Kar @ Koh Hai Sew was the Company's Chairman and Managing Director. He was appointed to our Board on 15 January 1985. He brought with him more than thirty years of experience in the trading of steel industrial fasteners, marine hardware and consumables, and industrial hardware as well as the manufacturing and processing of secondary stainless steel products. As our Managing Director and the founder of our Company, he had been instrumental in the development, growth and success of our Group.

Under his leadership and guidance, we have grown from a small marine hardware and consumable trading company to a one-stop supply centre for secondary stainless steel products. He was responsible for the overall operations of our Group with emphasis on strategic business planning and development.

He did not hold any directorship in any other public listed company.

KOH SENG LEE
Male, Managing Director (Aged 58, Malaysian)
(Re-designated on 21 May 2019)

Mr. Koh Seng Lee was appointed to the Board on 26 May 1986. Subsequently he was re-designated to an Executive Director and Deputy Managing Director of KSSC on 24 March 2010 and 26 March 2010 respectively. He was re-designated to Managing Director on 21 May 2019 following the demise of Mr. Koh Seng Kar @ Koh Hai Sew. He is not a member of any Board Committee.

He brings with him more than thirty years of experience in the trading of steel industrial fasteners, marine hardware and consumables, industrial hardware as well as the manufacturing and processing of secondary stainless steel products. As Managing Director, his overall management and supervision has contributed significantly to the development, growth and success of our Group. He is currently responsible for the overall operations of the Group, overseeing day-to-day manufacturing, processing and trading operations as well as the sales and marketing activities of the Group.

He does not hold any directorship in any other public listed company.

DIRECTORS' PROFILE (continued)

TSEN KET SHUNG @ KON SHUNG
Male, Executive Director (Aged 49, Malaysian)

Mr. Tsen Ket Shung is the Company's Executive Director. He was appointed to the Board on 19 June 2009. He is a Chartered Accountant, a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountant (FCCA).

He does not hold any directorship in any other public listed company.

LIM PANG KIAM
Male, Independent Non- Executive Director (Aged 56, Malaysian)
(Appointed on 1 January 2020)

Mr. Lim Pang Kiam was appointed to the Board as an Independent Non-Executive Director on 1 January 2020. He was also appointed as Chairman of the Audit and Risk Management Committee and Nomination Committee on 26 February 2020. He was appointed as a member of the Remuneration Committee on 26 February 2020.

He obtained a Bachelor of Science (Honours) in Housing, Building and Planning and a Master of Science in Planning from Universiti Sains Malaysia in 1988 and 1989 respectively. He is a Certified Financial Planner, a title by the Financial Planning Association of Malaysia which he has held since 2002. He is also a Credit Risk Management Specialist whereby he was awarded the designation as a Certified Risk Professional from the Bank Administration Institute for Certification in USA in 2003. He has been a member of the Council of the Asian Institute of Chartered Bankers (formerly known as Institute of Bankers Malaysia) since 1999. He is a fellow member of the Chartered Institute of Management Accountants ("CIMA") and the Institute of Corporate Director Malaysia ("ICDM").

He is also a member of the MIA, the Chartered Global Management Accountant ("CGMA") and the ASEAN Chartered Professional Accountants ("ASEAN CPA"). He has been in the banking industry for over 15 years holding various senior positions which include banking operation, commercial and corporate banking and investment banking. He left the industry in 2004 to become a business owner and held several executive and non-executive directorships in public and private enterprises in Malaysia.

He currently sits on the Board of Inta Bina Group Berhad, Engtex Group Berhad and SDS Group Berhad as an Independent Non-Executive Director.

LIM HO KIN
Male, Senior Independent Non-Executive Director (Aged 74, Malaysian)

Mr. Lim Ho Kin has been an Associate Member of The Chartered Institute of Bankers, London. He began his career at Bank Negara Malaysia in 1965 and served till 1978. Thereafter, he joined a commercial bank, and had held senior positions handling various areas of the bank's operations. He retired from the bank in 2001 as an Assistant General Manager. Later, he was engaged by Elken Sdn. Bhd. as Assistant Vice President and Head of Group Internal Audit on contract until April 2011.

He was appointed as an Independent Non-Executive Director of KSSC on 24 March 2010. He serves as a member of Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. He is the Senior Independent Non-Executive Director.

He does not hold any directorship in any other public listed company.

TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF
Male, Independent Non-Executive Director (Aged 79, Malaysian)

Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff was appointed to our Board on 24 March 2010. He is a member in both Audit and Risk Management Committee and Nomination Committee, and the Chairman of the Remuneration Committee.

He has more than thirty years of experience working with the Royal Malaysian Customs Department ("RMCD") where he held various positions within the Department. He last held the position of Senior Assistant Director in RMCD prior to his retirement in 1996.

He does not hold any directorship in any other public listed company.

YAP SIOK TENG
Female, Independent Non-Executive Director (Aged 60, Malaysian)

Mdm. Yap Siok Teng is a Fellow of the Association of Chartered Certified Accountant (FCCA), a member of MIA and Chartered Tax Institute of Malaysia. Presently, she is a practicing accountant in Yap & Associates. She is also an audit partner in Cheong Lim & Associates.

She was appointed to the Board on 24 March 2010. She is the member to Audit and Risk Management Committee, Remuneration and Nomination Committees. She brings with her more than thirty years of working experience in the field of audit, accountancy, general management and corporate advisory.

She does not hold any directorship in any other public listed company.

DIRECTORS' PROFILE (continued)

Other Information:

1. **Family Relationship with any Director and/or Substantial Shareholder**

   Save for Mr. Koh Seng Lee, who is the brother to the late Chairman/Managing Director and Major Shareholder, Mr. Koh Seng Kar @ Koh Hai Sew, none of the Directors have any family relationship with any Director and/or Substantial Shareholder of the Company.

2. **Directors' Shareholdings**

   Details of the Directors' shareholdings in the Company are provided in the Analysis of Shareholdings Section in this Annual Report.

3. **Conflict of Interest with the Group**

   None of the Directors of the Company have any conflict of interest with the Group.

4. **Convictions for Offences**

   None of the Directors of the Company have been convicted of any offences within the past five years. There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

5. **Number of Board Meeting Attended**

   Details of the Board meeting attendance of each director are disclosed in the Corporate Governance Overview Statement in the Annual Report.

KEY SENIOR MANAGEMENT PROFILE

1. **KOH SENG KAR @ KOH HAI SEW**
   Male, Chairman / Managing Director (Aged 76, Malaysian)
   (Demised on 23 March 2019)

   Please refer to his Director's Profile appearing in Page 8 of the Annual Report 2019.

2. **KOH SENG LEE**
   Male, Managing Director (Aged 58, Malaysian)
   (Re-designated on 21 May 2019)

   Please refer to his Director's Profile appearing in Page 8 of the Annual Report 2019.

3. **TSEN KET SHUNG @ KON SHUNG**
   Male, Executive Director (Aged 49, Malaysian)

   Please refer to his Director's Profile appearing in Page 9 of the Annual Report 2019.

4. **KOH WEE KHENG**
   Male, Chief Operating Officer (Aged 39, Singaporean)

   Mr. Koh Wee Kheng joined the Company on 1 November 2019 as Chief Operating Officer. He graduated from Nanyang Technological University, Singapore in 2004 with a Bachelor of Accountancy. He is a Chartered Accountant of Singapore ("CA Singapore"), a member of the Institute of Singapore Chartered Accountants ("ISCA") and ASEAN Certified Public Accountant ("ASEAN CPA").

   He has more than fifteen years of experience in the fields of accounting, banking and operational management. He is responsible for developing strategic business goals and assist the Managing Director in the day-to-day operations.

   He does not hold any directorship in any other public listed company.

   He holds 75,000 shares in KSSC.

KEY SENIOR MANAGEMENT PROFILE (continued)

5. TAN LIAN CHOON
Female, Group Accountant (Aged 41, Malaysian)

Ms. Tan Lian Choon is the Company's Group Accountant. She is a Chartered Accountant, a member of the MIA and FCCA. She joined our Group in 2002 and was promoted to Group Accountant in 2009. She is currently responsible for the accounting, finance and reporting functions of our Group.

She does not hold any directorship in any other public listed company.

She holds 56,700 shares in KSSC.

6. HIEW CHEE HAW
Male, Sales Manager (Aged 45, Malaysian)

Mr. Hiew Chee Haw is the Sales Manager of Three & Three Hardware Sdn. Bhd, a subsidiary of the Company. He graduated in 2001 with a Bachelor in Finance with Second Class Honours. He has more than ten years of experience in the industry.

He does not hold any directorship in any other public listed company.

7. CHIA AI PENG
Male, Director (Aged 49, Malaysian)

Mr. Chia Ai Peng is a Director of Koseng Sdn. Bhd., a subsidiary of the Company. He has more than ten years of experience in the trading of steel industrial fasteners, marine hardware, consumables and industrial hardware. He oversees the subsidiary's day-to-day trading operations, sales activities as well as business planning and development.

He does not hold any directorship in any other public listed company.

8. LEE WENG CHUN, MAX
Male, Operations Manager (Aged 45, Malaysian)

Mr. Lee Weng Chun is the Operations Manager of PTM Stainless Steel Industry Sdn. Bhd., a subsidiary of the Company. He graduated in 1998 from the University of Northumbria, United Kingdom with a degree in Electrical and Electronic Engineering. He joined the Group in 2007 as a Production Engineer before subsequently being promoted to his current position. He is currently responsible for the overall manufacturing and production operations of the subsidiary.

He does not hold any directorship in any other public listed company.

KEY SENIOR MANAGEMENT PROFILE (continued)

Other Information:

1. **Family Relationship with any Director and/or Substantial Shareholder**

   Mr. Koh Seng Lee is the brother of the late Chairman/Managing Director, Mr. Koh Seng Kar @ Koh Hai Sew.

   Mr. Koh Wee Kheng is the son-in-law of the late Mr. Koh Seng Kar @ Koh Hai Sew.

   Save for the above, there is no family relationship between the Directors/Key Senior Management with any Director and/or Substantial Shareholders of the Company.

2. **Conflict of Interest with the Group**

   None of the other Directors/Key Senior Management of the Company have any conflict of interest with the Group.

3. **Convictions for Offences**

   None of the Directors/Key Senior Management of the Company have been convicted of any offences within the past five (5) years. There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

5-YEAR FINANCIAL HIGHLIGHTS

QUARTERLY PERFORMANCE

2019	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	21,714	27,759	27,252	30,747	107,472
Profit/(Loss) Before Taxation (RM'000)	(763)	474	749	(1,224)	(764)
Net Profit/(Loss) (RM'000)	(712)	328	721	(2,273)	(1,936)
Net Earnings/(Losses) Per Share (Sen)	(0.77)	0.35	0.69	(2.40)	(2.10)
Net Dividend Per Share (Sen)	-	-	-	-	-

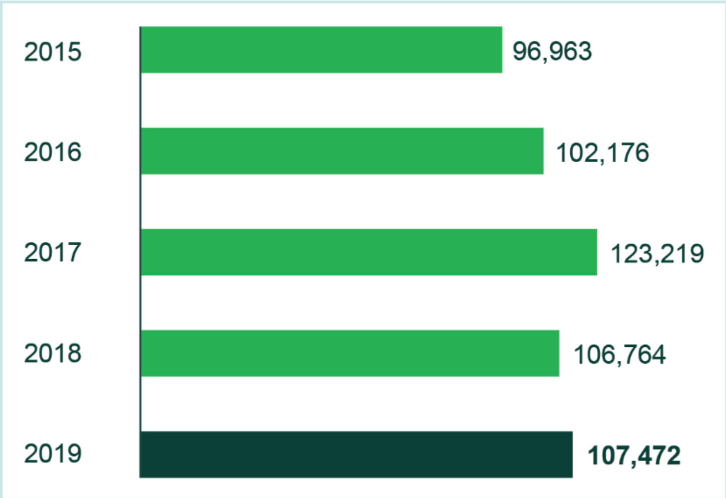
2018	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	25,174	23,701	31,201	26,688	106,764
Profit Before Taxation (RM'000)	428	668	12	76	1,184
Net Profit/(Loss) (RM'000)	317	476	359	(116)	1,036
Net Earnings/(Losses) Per Share (Sen)	0.24	0.47	0.46	(0.11)	1.06
Net Dividend Per Share (Sen)	-	-	-	0.50	0.50

5-YEAR FINANCIAL HIGHLIGHTS

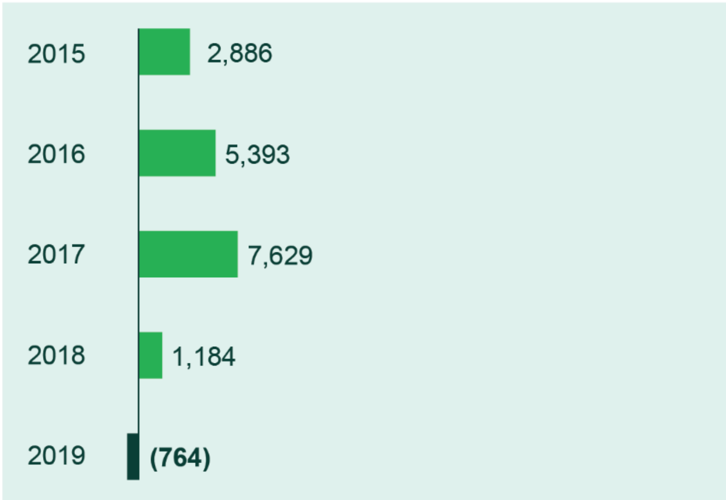
	2015	2016	2017	2018	2019
Sales Revenue (RM'000)	96,963	102,176	123,219	106,764	107,472
Profit/(Loss) Before Taxation (RM'000)	2,886	5,393	7,629	1,184	(764)
Net Profit/(Loss) (RM'000)	2,174	4,040	5,696	1,036	(1,936)
Net Earnings/(Losses) Per Share (Sen)	1.97	3.97	5.70	1.06	(2.10)
Net Dividend Per Share (Sen)	0.80	1.50	2.00	0.50	0.00
Net Assets Per Share (RM)	0.78	0.81	0.85	0.84	0.82

5-YEAR FINANCIAL HIGHLIGHTS (continued)

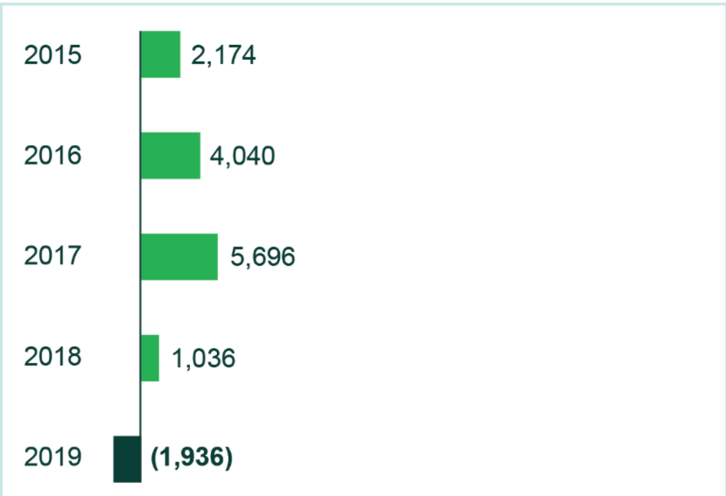
SALES REVENUE (RM'000)



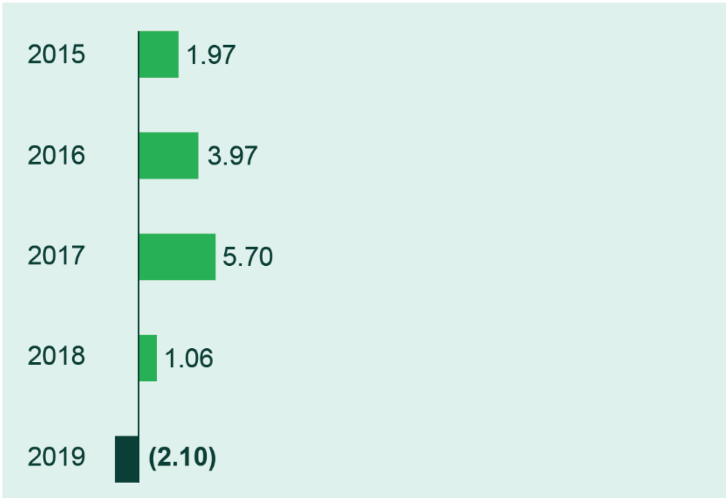
PROFIT/(LOSS) BEFORE TAXATION (RM'000)



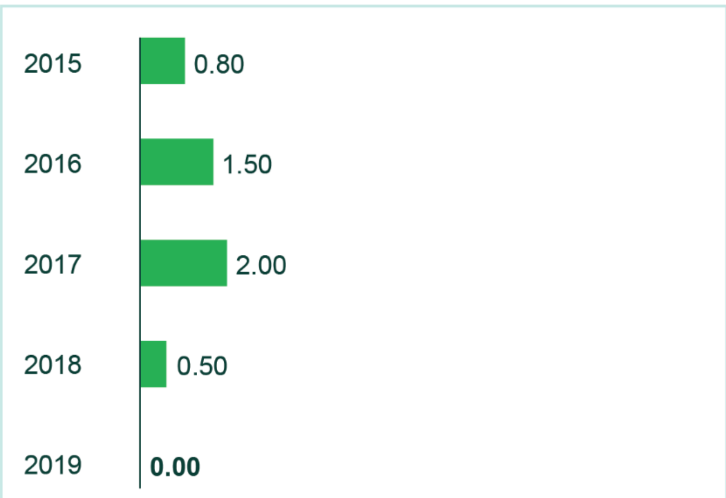
NET PROFIT/(LOSS) (RM'000)



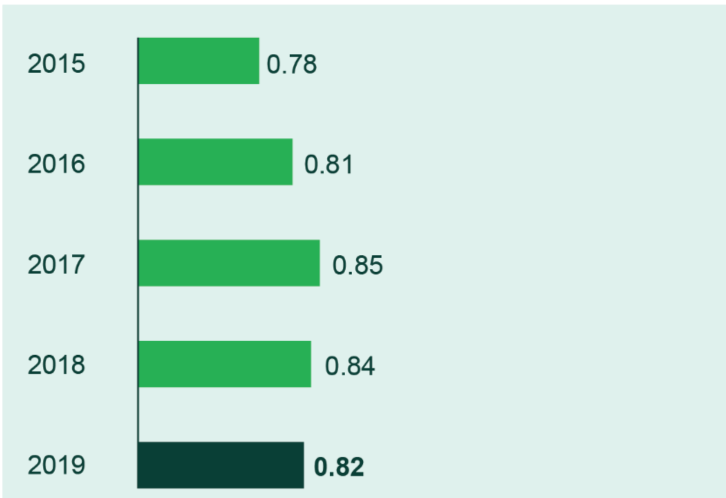
NET EARNINGS/(LOSSES) PER SHARE (Sen)



NET DIVIDEND PER SHARE (Sen)



NET ASSETS PER SHARE (RM)



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of **K. SENG SENG CORPORATION BERHAD** ("the Company") recognises the importance of practicing and maintaining good corporate governance in managing and directing the board matters and business conduct throughout the Company and its subsidiaries ("the Group") to ensure sustainable long-term growth and enhancement of shareholders' value and financial performance.

The Board believes that good corporate governance practices are pivotal towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interests of other stakeholders. Hence, the Board is fully dedicated to continuously appraise the Group's corporate governance practices and procedures to ensure that the principles and recommendations in corporate governance are applied and adhered to in the best interests of the stakeholders.

This statement sets out the manner in which the Group has applied the three (3) principles prescribed in the Malaysian Code on Corporate Governance issued on 26 April 2017 ("MCCG 2017") and the extent to which it has complied with the MCCG :-

Principle A: Board Leadership and Effectiveness;
Principle B: Effective Audit and Risk Management; and
Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Corporate Governance Overview Statement should be read together with the Company's Corporate Governance Report for the financial year ended 31 December 2019, which is available on Bursa Malaysia Securities Berhad's website at http://www.bursamalaysia.com. The Corporate Governance Report has disclosed to what extent the Company has applied the Practices set out in the Malaysian Code on Corporate Governance.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

1.1 The Board takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance. The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realizing long-term shareholders' values.

The Board has assumed the following principal responsibilities in discharging its fiduciary duties:

(i) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;

(ii) Overseeing the conduct of the Group's businesses and evaluating whether or not its businesses are being properly managed;

(iii) Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;

(iv) Ensuring that all candidates appointed to Senior Management positions are of sufficient calibre, including the orderly succession of Senior Management personnel;

(v) Reviewing the adequacy and integrity of the Group's internal control and management information systems;

(vi) Carrying out periodic review of the Group's financial performance and operating results and major capital commitments; and

(vii) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Group.

To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:-

(a) Audit and Risk Management Committee ("ARMC")

(b) Nomination Committee ("NC")

(c) Remuneration Committee ("RC")

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. (continued)

1.1 All committees have written terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company and the Group.

1.2 The Managing Director leads the Board and is responsible for the effective performance of the Board. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.

The roles of the Managing Director as well as terms of reference of the committees are spelt out in detail in the Board Charter which is made available for reference at the Company's website at www.kssc.com.my. The Board Charter was reviewed and adopted.

1.3 The Board has delegated to the Managing Director, the authority and responsibility for implementing of the Board policies, strategies and decisions adopted by the Board. The Managing Director takes on primary responsibility to spearhead and manage the overall business activities of the various business divisions of the Group. The Managing Director is assisted by senior key management and heads of each division in implementing and running the Group's day-to-day business operations.

The Company has a clear distinction and separation of roles between the Chairman and the Managing Director, with clear division of responsibilities. The office of Chairman is left vacant since the demise of the late Chairman/Managing Director on 23 March 2019. The Managing Director has temporarily assumed both roles but with separate and clear authority.

The presence of the Independent Directors fulfills a pivotal role of corporate accountability. They provide unbiased and independent advice, alternative viewpoints, challenge perceptions and judgment as appropriate to take account of the interest of the Group, shareholders, employees and any party with whom the Group conducts business.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. (continued)

1.4 The Board is supported by qualified and competent named Company Secretaries who facilitate overall compliance with the Companies Act 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and other laws and regulations. The secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company Secretaries carry out the following tasks:

(a) Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting, Extraordinary General Meeting and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;

(b) Ensure that the quarterly financial results, audited financial statements, annual reports, circulars and all relevant announcements are announced to Bursa Malaysia Securities Berhad on a timely basis;

(c) Ensure that deliberations at the meetings are well captured and minuted;

(d) Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;

(e) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best pratices;

(f) Remind the Directors and principal officers to refrain from dealings in the Company's securities during the closed period;

(g) Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents;

(h) Assist the Managing Director to organise and co-ordinate in all the Board Committee, Board and General meetings;

(i) Attend all the Board Committee, Board and General meetings;

(j) To upkeep and update the statutory records;

(k) To liaise with Internal and External Auditors to furnish them with the statutory records for audit purposes; and

(l) As the advisor to the Board and compliance officer of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. (continued)

1.5 The Board meets on a quarterly basis, with additional meetings convened as and when necessary.

The Board has a pre-scheduled quarter Board Meeting at the conclusion of each and every quarterly Board Meeting.

During the financial year ended 31 December 2019, six (6) Board Meetings were held. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

The Board recognises that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

The Executive Director and/or other relevant Board members will furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making. In addition, the Board members are updated on the Company's activities and its operations on a regular basis.

External advisors are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. (continued)

1.5 All proceedings at the Board meetings are properly recorded in the minutes of meetings by the Company Secretary, circulated in a timely manner and duly signed by the Chairman of the meetings.

The Board also resolved and approved the Company's matters through circular resolutions during the financial year.

Every Director has unrestricted access to the advice and services of the Company Secretaries as and when required to enable them to discharge their duties effectively.

There is a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity to take independent professional advice at the Group's expense, where necessary in furtherance of their duties.

2.0 There is demarcation of responsibilities between the Board, Board Committees and Management. There is clarity in the authority of the Board, its Committees and Individual Directors.

The Board is guided by the Board Charter which sets out the principles governing the Board of Directors of the Company and adopt the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, Board Committees, Individual Directors and managements; and issues and decisions reserved for the Board.

The Board will periodically review the Board Charter and make any changes whenever necessary. The Board Charter is published on the Company's corporate website at www.kssc.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

I. Board Responsibilities (continued)

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

3.1 The Board has formalised a Code of Ethics and Conduct that set out the basic principles to guide all the directors, employees and its subsidiaries and associate companies. The Board shall observe and adhere to the Company's Code of Ethics and Conduct as guidance regarding ethical and behavioral considerations or actions in discharging their duties and responsibilities.

The Board will periodically review the Code of Ethics and Conduct to ensure it remains relevant and appropriate. The details of the Code of Ethics and Conduct are available for reference at the Company's website at www.kssc.com.my. The Code of Ethics and Conduct was reviewed and adopted.

3.2 The Board has put in place an avenue for employees and stakeholders to report genuine concerns about unethical behavior, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. All cases shall be independently investigated and appropriate actions taken where required.

The details of the whistle-blowing policy are available for reference at the Company's website at www.kssc.com.my. The whistle-blowing policy was reviewed and adopted.

3.3 The Board shall endeavour to implement sustainability strategies which yield environmental, economic and social benefits to all its various stakeholder and the communities in which it operate to ensure long-term viability and sustainability of the Company's business.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

4.1 The Board consists of six (6) members; comprising one (1) Managing Director, one (1) Executive Director, one (1) Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the MMLR of Bursa Malaysia Securities Berhad.

At least half of the board comprises of the Independent Directors which is in compliance with the MCCG 2017.

The Group is led by an experienced Board, many of whom have vast knowledge of the business. Currently, the Board is led by the Managing Director, Mr. Koh Seng Lee and one (1) Executive Director. The four (4) Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls and provide unbiased and independent views to safeguard the interest of the shareholders. Together with the Executive Director who has in-depth knowledge of the business, the Board constitutes of individuals who are committed to business coupled with integrity and professionalism in all its activities.

The Board considers that the current size of the Board is adequate and facilitates effective decision- making. The Board shall continue to review the Board composition as and when the need arise.

The NC has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (continued)

4.2 The Board noted the MCCG 2017 recommends that the tenure of an independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such Director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director.

Presently, the Independent Non-Executive Directors, Mr. Lim Ho Kin, Mdm. Yap Siok Teng and Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff whose tenure have exceeded cumulative term of nine (9) years.

Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, who has served on the Board as an Independent Non-Executive Director of the Company to be retained as Independent Non-Executive Director of the Company was deliberated at the NC Meeting held on 26 February 2020. The NC members were satisfied that Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff continues to maintain his independence despite his long service extended to the Company and recommend to the Board to seek for shareholders' approval for his continuity in office at the forthcoming Thirty-Fifth Annual General Meeting ("35th AGM").

The Board believes that although Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, has served more than nine years on the Board, he remains unbiased, objective and independent in expressing his opinions and in participating in decision making of the Board. The length of his service on the Board has not in any way interfered with his objectivity and independent judgement in carrying out his role as member of the Board and Committees. Accordingly, the Board is making a recommendation to shareholders for approval at the forthcoming 35th AGM of the Company that Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff to remain as Independent Non-Executive Director.

Mdm. Yap Siok Teng and Mr. Lim Ho Kin who shall retire by rotation, have expressed their intention not to seek for re-election. They shall retire upon conclusion of the 35th AGM.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (continued)

4.3 The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the independent directors are capable to exercise independent judgment and act in the best interests of the Group. They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making. Each Director has a continuing responsibility to determine whether he/she has a potential or actual conflict of interest in relation to any material transactions.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters where they have interest in. The Board, via the NC and guided by the Corporate Governance Guide–Towards Boardroom Excellence has developed the criteria to assess independence and formalised the current independence assessment practice. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments by all Directors were summarised and discussed at the NC meeting which were then reported to the Board at the Board Meeting held thereafter. Each independent director abstained from deliberation on his own assessment. The NC was satisfied that the Independent Directors continue to uphold their independence and integrity.

4.4 The Board appoints its members through a formal and transparent selection process, which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (continued)

4.4 There was an appointment of Director at the beginning of year 2020.

The appointment process was summarised as follows:

(i) The candidate was identified and recommended by the management;

(ii) In evaluating the suitability of candidates to the Board, the NC considers, inter-alia, the required mix of skills, expertise, experience, time commitment and contribution of the candidates can bring to the Board. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence will be considered;

(iii) Recommendation to be made by NC to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and

(iv) Decision to be made by the Board on the proposed new appointment including appointment to the various Board committees.

The appointment of new board members and senior management will be guided by the skills, competencies, knowledge, experience, commitment and integrity of the candidate.

4.5 The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce gender diversity policy. Though there is no formal gender diversity policy, the Board currently has one female Director and one female Key Senior Management which the Board is of the view, is in line with the gender diversity recommended by MCCG 2017.

The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender and race.

The Group gives an equal opportunity to all its employees and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (continued)

4.6 The Constitution of the Company provides that all Directors of the Company are subject to retirement. At least one third (1/3) of the Directors for the time being, or the number nearest from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates. Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election.

The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of Annual General Meeting.

The NC is also responsible for recommending to the Board those Directors who are eligible to stand for re-election/re-appointment based on the reviews of their performance and their contribution to the Board through their skills, experience, qualities and ability to act in the best interests of the Company in decision making.

The NC assessed and was satisfied and made recommendations to the Board for re-election/re-appointments with regards to the following:

(i) The re-election of the director, Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, who is due to retirement but shall be eligible for re-election pursuant to Article 83 of the Company's Constitution at the forthcoming 35th AGM;

(ii) The re-election of the director, Mr. Lim Pang Kiam, who is due to retirement but shall be eligible for re-election pursuant to Article 90 of the Company's Constitution at the forthcoming 35th AGM;

(iii) The re-election of Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff, whose tenure of service as an Independent Non-Executive Director has exceeded cumulative term of nine (9) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging his role and functions as an independent Director.

The profiles of these Directors are set out on pages 8 to 11 of the Annual Report.

Mr. Lim Pang Kiam was appointed in the beginning of year 2020.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (continued)

4.7 All directors of the Company do not hold more than five directorships under paragraph 15.06 of the MMLR.

The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major investments, appointment of Directors are discussed and decided by the Board.

The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with Article 128 of the Constitution of the Company, a signed and approved resolution by a majority of the Directors present in Malaysia and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

During the financial year ended 31 December 2019, the Board held six (6) meetings and the details of each Director's attendance are set out below:

Name of Directors and Designation	Number of Meetings attended
KOH SENG KAR @ KOH HAI SEW (Chairman, Managing Director) (Demised on 23 March 2019)	**1/1**
KOH SENG LEE (Managing Director)	**6/6**
TSEN KET SHUNG @ KON SHUNG (Executive Director)	**6/6**
LIM HO KIN (Senior Independent Non-Executive Director)	**6/6**
YAP SIOK TENG (Independent Non-Executive Director)	**6/6**
TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF (Independent Non-Executive Director)	**6/6**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (continued)

4.8 All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast of various issues facing the changing business environment within which the Group operates. Directors are also encouraged to evaluate their own training needs on a continuous basis and recommend to the Board for the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board by actively participate in Board deliberation and effectively discharge their duties.

During the financial year under review, the Directors had participated in the following training programmes: -

Name of Directors	Date	Training attended
KOH SENG KAR @ KOH HAI SEW (Demised on 23 March 2019)	20 March 2019	Corporate Liability MACC Act 2009 (Amended in 2018)
KOH SENG LEE	20 March 2019	Corporate Liability MACC Act 2009 (Amended in 2018)
TSEN KET SHUNG @ KON SHUNG	20 March 2019	Corporate Liability MACC Act 2009 (Amended in 2018)
	18 & 19 December 2019	Budget 2020 : Latest updates and Huge Tax Saving for your 2019 & 2020 Tax Filing
LIM HO KIN	20 March 2019	Corporate Liability MACC Act 2009 (Amended in 2018)
TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF	20 March 2019	Corporate Liability MACC Act 2009 (Amended in 2018)
YAP SIOK TENG	17 January 2019	Special Voluntary Disclosure Programme – 5 Things Accountants Shall do for Tax Payers
	22 January 2019	Latest on Employers' Tax Obligations in 2019
	20 March 2019	Corporate Liability MACC Act 2009 (Amended in 2018)
	24 October 2019	2020 Budget Seminar

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

The Company conducts an annual assessment to evaluate the effectiveness of the board and the Board Committees as well as the performance of each individual Director through the NC.

The NC of the Company comprises exclusively Independent Non-Executive Directors and its composition are as follows:

- Mr. Lim Pang Kiam (Chairman, Independent Non-Executive Director) (Appointed on 26 February 2020)
- Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff (Member, Independent Non-Executive Director)
- Mdm. Yap Siok Teng (Member, Independent Non-Executive Director)
- Mr. Lim Ho Kin (Member, Senior Independent Non-Executive Director) (Re-designated on 26 February 2020)

The NC held four (4) meetings during the financial year ended 31 December 2019. The details of the terms of reference of NC are available for reference at the Company's website at www.kssc.com.my.

The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluations are guided by the Corporate Governance Guide–Towards Boardroom Excellence. The ARMC and the RC each carried out its evaluation with the view to maximize the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments were summarised and discussed at the NC meeting which were then reported to the Board at the Board Meeting held thereafter. The NC evaluated all the above Assessment Forms at the NC Meeting held on 26 February 2020 and was satisfied with the performance of the Board and Board Committees as well as the performance of individual Directors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors. (continued)

During the financial year under review, the NC carried out the following assessments and was satisfied with the results of the assessments:

(i) reviewed and assessed the structure, size, required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole and the Board Committees;

(ii) reviewed and assessed the contribution of each individual Director based on criteria, responsibilities, strength, time commitment and ability to act in the best interests of the Company in decision making;

(iii) reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Constitution of the Company;

(iv) reviewed and recommended to the Board for re-appointment of Directors who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and to seek shareholders‘ approval at the forthcoming Annual General Meetings;

(v) reviewed the term of office and performance of the ARMC and each of its members to determine whether the ARMC and its members have carried out their duties in accordance with their terms of reference;

(vi) assessed the independence of each of the existing Independent Directors with each Director abstaining from deliberation on his own assessment; and

(vii) review the Terms of Reference of NC.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration

6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives. The remuneration policies and decisions are made through a transparent and independent process.

6.1 The RC of the Company comprises all Independent Non-Executive Directors and its composition is as follows:

- Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff (Chairman, Independent Non-Executive Director)
- Mdm. Yap Siok Teng (Member, Independent Non-Executive Director)
- Mr. Lim Ho Kin (Member, Senior Independent Non-Executive Director)
- Mr. Lim Pang Kiam (Member, Independent Non-Executive Director) (Appointed on 26 February 2020)

The RC held one (1) meeting during the financial year to carry out its function as stated within the terms of reference. The details of the terms of reference of RC are available for reference at the Company's website at www.kssc.com.my.

6.2 The primary function of the RC is to set up and review the policy of remuneration framework and recommend to the Board the remuneration packages of all the Directors according to the skills, level of responsibilities, experience and performance of the Directors.

The remuneration of Directors is to determine at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The RC reviews the Board remuneration policy and terms of conditions of service of each Director annually taking into consideration market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group.

The RC is also responsible to review the remuneration packages of the Executive Director and senior management of the Company and thereafter recommend to the Board for their consideration. Non-Executive Directors are paid by way of fixed monthly fees and a meeting allowance for each meeting attended. Each individual Director is not allowed to participate in discussion of his/her own remuneration.

The Board will then recommend the Directors' fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act 2016.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

7.1 The details of the Directors' remuneration received in financial year ended 31 December 2019 are set out as below:-

	Salaries & Bonuses (RM)	Fees (RM)	Other emoluments (RM)	Benefits-in-kind (RM)
Company				
Executive Directors	1,263,263	-	164,087	49,250
Non-Executive Directors	-	168,600	21,000	-
Total	1,263,263	168,600	185,087	49,250
Group				
Executive Directors	1,263,263	-	164,087	49,250
Non-Executive Directors	-	168,600	21,000	-
Total	1,263,263	168,600	185,087	49,250

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance. (continued)

7.2 Directors' remunerations are broadly categorised into the following band:

	Company		Group	
	Numbers of Directors		Number of Directors	
Range of Remuneration	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	-	-	-	-
RM50,001 to RM100,000	-	3	-	3
RM100,001 to RM200,000	1	-	1	-
RM200,001 to RM300,000	-	-	-	-
RM300,001 to RM400,000	-	-	-	-
RM400,001 to RM500,000	1	-	1	-
RM500,001 to RM600,000	-	-	-	-
RM600,001 to RM700,000	-	-	-	-
RM700,001 to RM800,000	-	-	-	-
RM800,001 to RM900,000	1	-	1	-

7.3 Aggregate remuneration of Key Senior Management categorised into appropriate components are as follows:

	Company		Group	
	Numbers of Senior Management		Number of Senior Management	
Range of Remuneration	Executive	Non-Executive	Executive	Non-Executive
RM100,000 to RM150,000	2	-	2	-
RM150,001 to RM200,000	1	-	1	-
RM200,001 to RM250,000	1	-	1	-
RM250,001 to RM300,000	1	-	1	-
RM300,001 to RM350,000	1	-	1	-
RM350,001 to RM400,000	-	-	-	-

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

8.0 There is an effective and independent audit committee. The Board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information.

8.1 Mdm. Yap Siok Teng, an Independent Non-Executive Director is the Chairman of the ARMC but was re-designated to ARMC member on 26 Feb 2020.

The composition of ARMC is as follows:

1. Mr. Lim Pang Kiam (Independent Non-Executive Director) - Chairman (Appointed on 26 February 2020)
2. Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff (Independent Non-Executive Director) - Member
3. Mr. Lim Ho Kin (Senior Independent Non-Executive Director) - Member
4. Mdm. Yap Siok Teng (Independent Non-Executive Director) - Member (Re-designated on 26 February 2020)

The details of the terms of reference of the ARMC are available for reference at the Company's website at www.kssc.com.my.

Details of the activities carried out by the ARMC in 2019 are set out in the ARMC Report in the Annual Report.

8.2 The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the ARMC to oversee the Group's financial reporting processes and the quality of its financial reporting.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

I. Audit and Risk Management Committee (continued)

8.0 There is an effective and independent audit committee. The Board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. (continued)

8.3 The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act 2016 and the Listing Requirements of the Bursa Securities have been applied.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates where applicable.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligations to present a balanced and comprehensive assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this Annual Report.

8.4 An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the Listing Requirements. The Board through its ARMC, reviews and reports to the Board any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and any general meeting convened to consider such matters.

Further details of these transactions are set out in the Recurrent Related Party Transactions Circular to Shareholders dated 30 June 2020.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

I. Audit and Risk Management Committee (continued)

8.0 There is an effective and independent audit committee. The Board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. (continued)

8.5 The ARMC assesses the suitability and independence of the External Auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.

The External Auditors, in supporting their independence, will provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors have provided such declaration in their annual audit plan presented to the ARMC of the Company during the financial year.

The External Auditors of the Company fulfill an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Company and the Group.

The External Auditors are to bring to the attention of the Board of Directors, the ARMC and Company management any significant deficiencies noted in the Group's financial reporting system, internal controls and preparation of financial statements in accordance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia in the course of their audit.

The External Auditors of the Company are invited to attend meetings with the ARMC to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the ARMC will also have private sessions with the External Auditors without the presence of the management to enable exchange of views on issues requiring attention.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

I. Audit and Risk Management Committee (continued)

8.0 There is an effective and independent audit committee. The Board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. (continued)

8.5 During the financial year, the amount of audit fee and non-audit fee paid and payable to the External Auditors of the Company during the financial year ended 31 December 2019 were as follows: -

	Group (RM'000)	Company (RM'000)
Audit Fees	214	70
Non-audit Fees	5	5
Total:	**219**	**75**

The non-audit fees were paid to External Auditors for the review of statement on risk management and internal control.

In considering the nature and scope of non-audit fees, the ARMC was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

The ARMC and the Board are satisfied with the performance, competence and independence of the External Auditors and the Board had recommended their re-appointment to the shareholders' approval at the forthcoming 35th Annual General Meeting.

The key features underlying the relationship of the ARMC with External Auditors are included in the Audit Committee's terms of reference as detailed in ARMC section of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

II. Risk Management and Internal Control Framework

9.0 Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

9.1 The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

9.2 The Chairman of the ARMC heads the Committee, and is assisted by the key management team of the respective division. The primary responsibility and purpose of the ARMC is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The ARMC reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group's Business Unit.

The key features of the Audit and Risk Management Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on page 49 to 52 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

II. Risk Management and Internal Control Framework (continued)

10.0 Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

The internal audit function is to outsourced to a professional firm who reports directly to the ARMC.

The Statement on Risk Management and Internal Control furnished on page 49 to 52 of the Annual Report provides an overview on the state of internal controls within the Group, in an effort to manage risk.

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures of material information relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board has formalized pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the MMLR of Bursa Malaysia Securities Berhad, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

The release of material information will be made publicly via Bursa Malaysia Securities Berhad. Members of the public can also obtain the full financial results and the Company's announcements from the Bursa Malaysia Securities Berhad's website.

The Company's website at www.kssc.com.my is regularly updated and provides relevant information on the Company which is accessible to the public to make informed investment decision.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

11.0 There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders.

In addition to shareholders participation at general meetings, the Board also encourages other channel of communication with shareholders. For this purpose, Shareholders and other stakeholders may convey their concerns relating to the Company to the Senior Independent Non-Executive Director, Mr. Lim Ho Kin at the contact details set out in the Corporate Information section of this Annual Report.

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving its shareholders as clear and comprehensive information of the Company's financial performance, major developments and position as possible. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results and corporate website.

II. Conduct of General Meetings

12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings.

12.1 The Annual General Meeting is the principal forum for dialogue and interaction with shareholders.

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both the individual and institutional investors on all aspects relevant to the Company at the Annual General Meeting. It is also a requirement for the Company to send the Notice of the Annual General Meeting and related circular to its shareholders at least twenty one (21) days before the meeting. At the Annual General Meeting, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general to seek more information. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the Annual General Meeting.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (continued)

II. Conduct of General Meetings (continued)

12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings. (continued)

12.2 All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board make announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2019, the Company has applied the principles and recommendations of the corporate governance set out in MCCG 2017, where necessary and appropriate.

The Board is required to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable prudent judgement and estimates, adopted to include new and revised MFRSs where applicable, in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2019. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

This Corporate Governance Overview Statement is made at the Board of Directors' Meeting held on 24 June 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. COMPOSITION

The Committee comprises of the following four (4) members of the Board, who are all Independent Non-Executive Directors:

Chairman	:	MR. LIM PANG KIAM (Member of the Malaysian Institute of Accountants) (Appointed on 26 February 2020)	Independent Non-Executive Director
Members	:	MR. LIM HO KIN	Senior Independent Non-Executive Director
	:	TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF	Independent Non-Executive Director
	:	MDM. YAP SIOK TENG (Re-designated on 26 February 2020)	Independent Non-Executive Director

2. MEETINGS

There were six (6) ARMC meetings held during the financial year 2019. The details of attendance of Committee members are as follows: -

Name of Committee Members	Designation	Attendance
MDM. YAP SIOK TENG	Chairperson	6/6
MR. LIM HO KIN	Member	6/6
TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF	Member	6/6

In addition to the ARMC members, the Head of Finance, the Head of Departments, the Internal Auditors and Company Secretaries shall attend the meetings as invitees. Representatives of the External Auditors shall attend the meeting where matters relating to the audit of the statutory accounts are to be discussed and to present the Audited Financial Statements at the specific meeting. Other Board members, Senior Management and Employees may attend the meeting upon the invitation of the ARMC Chairman. The ARMC shall meet with the External Auditors without the presence of the Executive Directors and the Management at least once a year. The External Auditors are free to express any issue of concern to the ARMC.

The Company Secretaries shall be the secretary of the ARMC. Notice of meeting and supporting documents are to be circulated to the ARMC members at least seven (7) days prior to the meeting so as to provide the ARMC members with relevant and timely information for effective discussions during the meeting. The ARMC Chairman shall report on each meeting to the Board.

Any resolution in writing signed by all the members of the ARMC shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly convened and held and may consist of several documents in the like form, each signed by one or more members of the ARMC.

The ARMC members have undergone relevant trainings during the financial year to be apprised of regulatory changes as well as to stay abreast with contemporary issues that may affect the Group. Details of the ARMC members' trainings are spelt out in the Company's Corporate Governance Statement in this Annual Report.

3. ROLE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC has been entrusted by the Board with the following responsibilities that encompass overseeing the financial reporting process and the audit processes:

- to review the Group's quarterly financial statements;
- to assess the Group's risks profile and to mete it out with the appropriate internal audit plan and internal control system;
- to receive risks reports and update reports from the Risk Officers and respective Heads of Division;
- to review the independence of the Group's internal and external auditors and the processes adopted by the auditors;
- to review the Recurrent Related Party Transactions to ensure they are not detrimental to the minority; and
- to review the Company's compliance of accounting system.

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL YEAR

In line with the Terms of Reference of the ARMC, the following activities were carried out by the ARMC during the financial year ended 31 December 2019 in discharging its functions and duties:-

Financial Performance & Reporting

- Reviewed the unaudited quarterly financial announcements and annual financial statements of the Group prior to submission to the Board of Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 2016, Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable Listing Requirements of Bursa Malaysia Securities Berhad.

- Reported to the Board on any significant audit issues and concerns discussed during the ARMC meetings which have significant impact of the Group from time to time, for consideration and deliberation by the Board.

- Reviewed the ARMC Report and Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report of the Company.

- The dates of the ARMC meeting during the financial year to deliberate on financial reporting matters are detailed below:

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL YEAR (continued)

Financial Performance & Reporting (continued)

Date of meetings	Financial Reporting Statements Reviewed
26 February 2019	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2018.
1 April 2019	Audited Financial Statements for the financial year ended 31 December 2018, Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control for the Board's approval and disclosure in the Company's Annual Report 2018.
21 May 2019	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the First quarter ended 31 March 2019.
28 August 2019	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Second quarter ended 30 June 2019.
26 September 2019	Discussion on matters raised by the Internal Auditors.
20 November 2019	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Third quarter ended 30 September 2019.
26 February 2020	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2019.

External Auditors

- Discussed and reviewed the External Auditors' Audit Planning Memorandum for the financial year ended 31 December 2019 outlining their auditors' responsibilities, engagement team, background of the group, business highlights, materiality, audit risk assessment, significant risks and areas of audit focus, consideration of fraud, internal control plan and involvement of internal auditors, involvement of component auditors, timetable, engagement quality control, independence policies and procedures and audit fees.
- Deliberated on the External Auditors' report at its meeting with regard to the relevant disclosures in the annual audited financial statement for financial year ended 31 December 2019.
- Reviewed the External Auditors' findings arising from audits, particularly comments and response in management letters in order to be satisfied that appropriate action is being taken.
- Discussed and reviewed with the External Auditors the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.
- Dialogue session with the External Auditors, without the presence of the Executive Directors and management.

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL YEAR (continued)

External Auditors (continued)

- Reviewed and evaluated the performance and effectiveness and Independence of the External Auditors. The ARMC assessed the integrity, capability, professionalism and work ethics of the External Auditors. The ARMC was satisfied with the External Auditor's performance and therefore, the ARMC recommended to the Board, the re-appointment of the external auditors at the Annual General Meeting.
- The ARMC had numerous meetings with the External Auditors during the financial year ended 31 December 2019, i.e. 26 February 2019, 1 April 2019, 20 November 2019 and 26 February 2020 respectively, to discuss audit matters.

Internal Audit

- Reviewed the scope of work and audit plans for the Group prepared by the Internal Auditors.
- Reviewed the Internal Audit Report for the financial year ended 31 December 2019 from Internal Auditors and assessed the internal audits' findings, recommendations together with the Management's comments.
- Reviewed and assessed Internal Auditors based on staff strength, resources, professional integrity, independence, familiarity with Group's operation as well as reputation and recommended to the Board the re-appointment of Internal Auditors.
- Reviewed the adequacy and performance of Internal Audit function and its comprehensiveness of the coverage of activities within the Group.
- The ARMC had numerous meetings with the Internal Auditors during the financial year ended 31 December 2019, i.e. 26 February 2019, 26 September 2019, 20 November 2019 and 26 February 2020 respectively, to discuss internal audit matters.

Related Party Transactions ("RPT") and Conflict of Interest

All Board members will disclose if they have any RPT transaction during the quarter at every quarterly Board meeting.

At each quarterly meeting, the ARMC reviewed the Related Party Transactions ("RPT") and Conflict of Interest ("COI") situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of management integrity.

The ARMC reviewed and determined whether the RPT and COI situation presented by the Management is fair, reasonable and on normal commercial terms and in the best interest of the Company prior to the Company entering into such transaction.

It is the duty of ARMC to review the RPT and Recurrent RPT ("RRPT"), if there are fair, reasonable and on normal commercial terms and in the best interest of the Company prior to the Company entering into such transaction. All RRPT must be at arm's length transaction.

The ARMC must ensure:

(a) Adequate oversight over the controls on the identification of the interested parties and identification of the RPT and possible COI situations; and

(b) Assess and address the reasonableness of the RPT and COI situation to ensure that interested parties do not abuse their powers to gain unfair advantages.

During the financial year under review, there were no RPT and COI situation reported.

4. **SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL YEAR (continued)**

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to Messrs Moore Malaysia, a professional firm which provides advisory services. The Internal Auditors engaged with various Heads of Division to conduct the enterprise risk management, to meet the risk appetites with the internal control and control plan. The Internal Auditors regularly review and appraise the effectiveness of the internal control system, governance and risk management within the Company and the Group.

The Internal Auditors report directly to the ARMC and they are given full access to all the documents relating to the Company and the Group's governance, financial statements and operational assessments.

It is recognised that the internal audit function is important in assisting the ARMC to execute its oversight function and discharge its duties and responsibilities by performing independent reviews to ensure adequacy and effectiveness of the internal control and risk management systems established by the Group.

The internal audit report issued for the financial year was deliberated by the ARMC and recommendations were duly acted upon by the Management.

The internal audit plan covers review of the adequacy of financial and operational controls, compliance with laws and regulations and risk monitoring activities.

The primary responsibility of the internal audit function is to assist the Board and the ARMC in reviewing and assessing whether the management systems of internal control procedures are effective and provide recommendations to strengthen these internal control procedures so as to foster a strong management control environment.

The Internal Auditors have organized their work in accordance to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

The Internal Auditors conducted the risk management profile to map out the proposed action plan to address those high priority risks. Thereafter, the Internal Auditors would recommend and present the internal audit plan is presented to the ARMC for approval annually before commencement of the internal audit work. During the quarterly meetings following the presentation of the internal audit report, the ARMC review the progress and coverage of the internal audit plan to ensure that the audit direction remains relevant and is in line with the expectations of the ARMC.

Prior to the presentation of reports and findings to the ARMC, comments from the Management were obtained and incorporated into the internal audit findings and report.

The internal audit report also covered the follow-up by the Management on the implementation of recommendations in their earlier reports.

The details of the internal audit functions during the period under review is stated in the Statement on Risk Management and Internal Control of this Annual Report.

The total cost incurred for the internal audit function of the Group for the financial year ended 31 December 2019 was RM40,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") stipulates that a listed issuer must ensure that its board of directors makes a statement ("Risk Management and Internal Control Statement" or "Statement") about the state of risk management internal control of the listed issuer as a group. Accordingly, the Board of Directors (the "Board") is pleased to provide the Internal Control Statement, which outlines the nature and scope of the risk management and internal control system in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2019 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. For the purpose of disclosure, this Statement takes into consideration the "Statement on Risk Management and Internal Controls - Guidelines for Directors of Listed Issuers", a publication of Bursa which provides guidance to boards of directors on the issuance of the Internal Control Statement.

The Board acknowledges its overall responsibility for the Group's system of risk management and internal control to safeguard shareholders' investment and the Group's assets as well as reviewing its adequacy and integrity. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with Practice 1.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). Accordingly, the Board is aware that its principal responsibilities, as outlined in the Guidance of the MCCG 2017, include, inter-alia, the following:

- ensure there is sound framework for internal control & risk management.
- understanding and identifying principal risks of the business and ensuring the implementation of appropriate controls and mitigation measures;
- sets the risk appetite, within which the management is expected to operate; and
- reviewing the adequacy and integrity of the management information and internal controls system of the Company.

The Group has in place a risk management process to identify and evaluate significant risks, comprising strategic, financial and operational risks as well as a system of internal control to mitigate such risks. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against any material misstatement, financial loss or fraudulent practice.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(continued)

Risk Management Process

The Board recognises the importance of risk management to safeguard shareholders' investment and the Group's assets. Accordingly, it has deployed a process to identify and evaluate significant business risks faced by the Group with a view to manage them during the financial year under review and up to the date of approval of this statement. Management is entrusted to identify such risks for onward reporting to the Board so that remedial measures may be taken to mitigate the risks as appropriate. For each risk identified, the risk management process includes assessing the likelihood of its occurrence and the impact thereof. The significant risks faced by the Group, including action plans to mitigate risks within acceptable levels, are reported by Management to the Board yearly.

The Board also had established an Enterprise Risk Management framework to identify, evaluate, control, report and monitor significant risks faced by the Group. Such a framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management. The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and nonfinancial metrics, to assess the likelihood of risks occurring and the impact thereof should the risks crystallise. Internal controls deployed by Management are linked to, and mitigate, the business risks identified.

Internal Control System

The Group has an established organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. Key duties are segregated amongst different personnel for major operational functions such as sales and collections, procurement and payment, production, financial management and reporting, capital expenditure management and investments. A process of hierarchical reporting is established which provides for a documented and auditable trail of accountability.

The system of internal control entails, inter-alia, the proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management (collectively, the "Management"), with specified limits of authority, in running the main operating functions of the Group. In this respect, Management essentially comprises personnel with many years of "hands-on" experience who are in a position to identify and manage business risks relevant to the Group and design appropriate internal controls to manage these risks.

Management also holds various management and operations discussion to discuss matters of concern in relation to the day-to-day activities, ageing of inventory and receivables and strategic marketing plan.

Internal Audit Function

The Group's internal audit function is outsourced to Messrs Moore Stephens Associate PLT, an independent professional firm, which adopts the International Professional Practices Framework ("IPPF") in carrying out internal audit assignments on the Group. The IPPF includes, inter-alia, the attribute and performance standards for internal auditing promulgated by the Institute of Internal Auditors, a global professional body for internal auditors. The internal audit function, which reports directly to the Audit Committee, assists the Board in assessing the adequacy and integrity of the internal control system established by Management based on an agreed scope of work as outlined in an Internal Audit Plan tabled to, and approved by the Audit Committee. There is no restriction placed upon the scope of the Internal Audit function's work and the internal auditor is allowed full, free and unrestricted access to the records and relevant personnel of the Group.

Internal Audit Function (continued)

During the financial year under review, the Audit Committee reviewed the work of the internal audit function, its observations and recommendations to ensure that it obtained the necessary level of assurance with respect to the adequacy and operating effectiveness of internal controls. The internal audit function reviewed the Group's system of internal controls and reported its observations, including Management's response and action plans thereof, directly to the Audit Committee. The internal audit function also followed up and reported to the Audit Committee the status of implementation by Management on the recommendations highlighted in its internal audit reports.

During the financial year under review, the internal audit function covered the following key processes of the Group to assess the adequacy and operating effectiveness of internal controls to address the business risks therein:

- Record to Report Process; and
- IT General Controls

The outsourced internal audit function is headed by Mr. Dennis Chong, a Chartered Member of Institute of Internal Audit (CMIIA), Malaysia. For all internal audit performed during the financial year 2019, and average of 2 internal auditors were deployed and supervised by a manager.

The costs incurred for the internal audit function for the financial year 2019 amounted to approximately RM40,000.

Assurance by the Managing Director and Executive Director, Finance on the adequacy and effectiveness of the risk management and internal control system

The Board has received assurance from the Managing Director and the Executive Director – Finance that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

Board's comments on the adequacy and effectiveness of the Group's risk management and internal control system

The Board, through its Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control systems, and that relevant actions have been or are being taken, as the case may be, to remedy internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the internal auditors directly to the Audit Committee.

The Board is of the view that there have been no weaknesses in the system of internal control that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2019. Management of the Group continues to take measures to strengthen the internal control environment from time to time based on recommendations of the internal audit function as well as the external auditors.

For the purpose of this Statement on Risk Management and Internal Control Statement, the associate of the Group has not been taken into account. The Group's interests in this associate are served through representation on the Board of the associate as well as through the review of management financial statements.

This statement is issued in accordance with a resolution of the Board dated 24 June 2020.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problem disclosed in the annual report will, in fact, remedy the problems.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE EXERCISE

During the financial year, there were no proceeds raised by the Company from any corporate exercise.

2. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE OR MAJOR SHAREHOLDERS' INTEREST

There were no contracts relating to loan and material contracts of the Company and its subsidiaries involving the Directors and major shareholders interests during the financial year or since the end of the previous financial year.

3. AUDIT AND NON-AUDIT SERVICES

The amount of audit and non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year ended 31 December 2019 by the external auditors or a firm or corporation affiliated to the auditors' firm were as follow:

	Group (RM'000)	Company (RM'000)
Audit Fees	214	70
Non-audit Fees	5	5
Total:	**219**	**75**

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

The details of the recurrent related party transactions are disclosed under Note 24 of the financial statements in this Annual Report.

The names of the related parties involved and their relationship with the Company are detailed in Section 2.2.1 of the Circular to Shareholders dated 30 June 2020.

SUSTAINABILITY STATEMENT

1.0 About this Sustainability Report

This Sustainability Report is published by K. Seng Seng Corporation Berhad ("KSSC") for the financial year ended 31st December 2019. All financial amounts stated in the statement are denominated in Ringgit Malaysia (RM) unless otherwise stated.

2.0 Sustainability Statement

Vision

KSSC aims to be the leading regional strategic metals distribution hub, catering to needs of engineering, fabrication and manufacturing industries.

Mission

Our mission statements

- Keeping in mind a win-win situation to all parties associated with our group through business integrity.
- Seek continuous improvement and innovation.
- Superior quality assured.
- Compliance with applicable statutory and regulatory requirements.

3.0 Scope of Period and Scope of Work

3.1 Scope of Period

The scope of our Sustainability Statement covers the period from 1 January 2019 to 31 December 2019. The policies and strategies discussed throughout this Statement are engaged by KSSC.

3.2 Scope of Work

KSSC is adopting 2019 as the base year for tracking the progress of Sustainability Key Performance Indicators ("KPI"). The report will focus on the subsidiary, PTM Stainless Steel Sdn Bhd ("PTM").

SUSTAINABILITY STATEMENT (continued)

4.0 Performance Highlights

4.1 Financial Highlights

The 5-year Financial Highlights of the company are presented in the Financial Highlights Section of page 15 in this Annual Report.

4.2 Operating Segments

The main operating segments of the company are described in the Management Discussion & Analysis Section page 4 in this Annual Report.

5.0 About K. Seng Seng Corporation Berhad

5.1 Our Business Operations

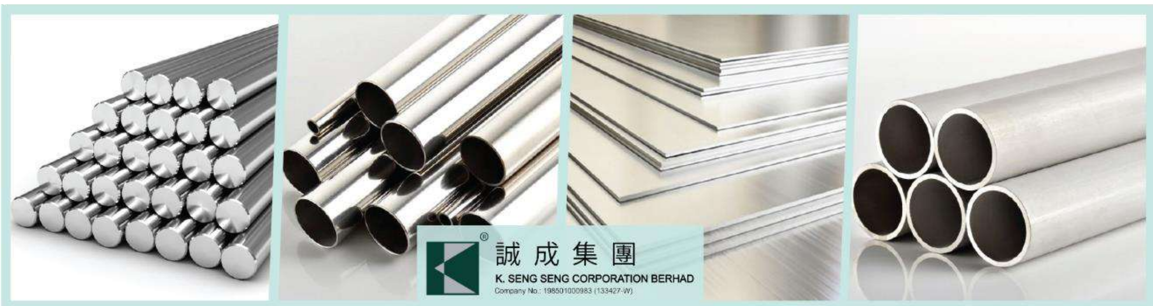
KSSC was incorporated in Malaysia under the Companies Act on 15 January 1985 as a private limited company under the name of Vinylon Industries Sdn Bhd. On 20 June 1985, we changed our name to K. Seng Seng Sdn Bhd and on 16 June 1999, we changed our name to K. Seng Seng Corporation Sdn Bhd. We were subsequently converted into a public company on 15 July 2009.

We are an investment holding company. Our Group is principally involved in the following core activities:

- Manufacturing secondary stainless-steel products, namely welded stainless-steel tubes and pipes, stainless steel industrial fasteners, rigging accessories and components;
- Processing of secondary stainless steel flat and long products, namely stainless-steel sheets, stainless steel round bars and stainless-steel angles bars;
- Trading of industrial hardware including marine hardware and consumables;
- Engineering works, fabrication and;
- Installation of glove dipping line and parts.

Our primary subsidiary that deals in the manufacturing of our stainless-steel products is PTM Stainless Steel Sdn Bhd ("PTM"). PTM is a wholly-owned subsidiary of K. Seng Seng Corporation Bhd. PTM was incorporated in Malaysia on 20 July 1992 under the Companies Act as a private limited company under the name of Malindo Pharmaceutical Sdn Bhd. Its present name was assumed on April 2018.

PTM is principally involved in the manufacturing of stainless-steel tubes and pipes, and processing of secondary stainless-steel flat products.



5.2 Stakeholder Engagement

We appreciate all our stakeholders and value their input at every stage of our business. This is why engagement with each individual stakeholder is important to us. Through stakeholder engagement we are able to understand how our business affects our stakeholders and how they can influence our business. It helps us stay informed and this in turn improves our decision making as it pertains to delivering optimal value to our stakeholders and ensures continuity of our success.

We adopt different strategies and methods of engagement for each unique stakeholder that maximises efficiency of engagement with each stakeholder group.

Stakeholders	Mode of engagement	Frequency of engagement	Sustainability material matters	Sustainability issues of concern
Shareholders & Investors	- Annual General Meeting - Announcements on Bursa Malaysia - Press releases - Financial statements - Annual report	- Annually - Quarterly	- Industry environment - Profitability - Dividend - Return on Investment - Financial performance - Share performance - Ethics & integrity - Corporate governance and transparency	- Growth trajectory - Acquisitions and expansion - Market diversification - Risk management - Corporate governance - EES indicators - Sustainability performance and tracking - Reporting standards
Customers	- Face to face interaction - Customer feedback - Customer buy-off - Marketing promotions - Engagement surveys - Customer audits	- Weekly - Monthly - Half yearly - Annually - As needed	- Customer satisfaction & brand reputation	- Product quality - Pricing - Quality and workmanship - Product safety - Goods delivery/logistics - Manufacturing capacity - Customer visit and survey - Customer service and experience - Equitable business operations
Employees	- Management meeting - Employee performance appraisals - Training programme - Employees feedback	- Weekly - Monthly - Half yearly - Annually - As needed	- Learning and development - Occupational Safety & Health - Employee welfare - Talent retention - Skilled labour	- Job security - Remuneration and benefits - Career development and training opportunities - Workplace health and safety - Labour and human rights - Work-life balance

Stakeholders	Mode of engagement	Frequency of engagement	Sustainability material matters	Sustainability issues of concern
Suppliers	- Supplier audit and evaluation - Supplier visit/ interviews - Supplier appraisal/ pre-evaluation - Face to face interaction - Legal compliance	- Monthly - Half yearly - Annually - As needed	- Quality of trading materials - Timely delivery of goods logistics - Raw material availability	- Legal compliance - Payment schedule - Pricing of services - Product quality and inventory supply commitment - Agreeable contracts - Maintaining partnerships
Government & Regulators	- Regulatory requirement - On-going interaction - Formal and informal meetings - Government programmes and initiatives	- Periodically	- Compliance	- Manufacturing issues and policies - Compliance to applicable laws - Security issues - Waste Management - Public nuisance issues - Labour practices - Environmental issues - Occupational Safety & Health - Economic, environmental and social impacts
Local communities	- Donations and financial aid - Contribution to environment & social enhancement - Sustainability related programmes	- As needed	- Community development	- Social and environmental issues in relation to business operation - Support towards community development - Job creation for local community - Undertaking business in a responsible manner

5.3 Operating with Integrity

KSSC operates with adherence with the laws, rules and regulations established by the governing bodies of Malaysia. We encourage our employees to continuously uphold the highest standards of integrity and accountability. We also ensure that all our employees adhere to the established policies, procedures, laws and regulations.

The Group is in the process of establishing Anti-Corruption policies to be implemented into the company's code of conduct. We have implemented policies regarding matters such as Whistleblowing and Investor Relations and Shareholder Communication. These policies can be viewed in detail on our website's Corporate Overview section and Investor Relations section.

KSSC has also set in place a Code of Ethics and Conduct that outlines the ethical principles for all our Directors and employees to follow. The Code of Ethics and Conduct distinguishes the types of practices that are acceptable and non-acceptable in the company and the consequences for non-compliance.

All suppliers and contractors are made aware of the Code of Ethics & Conduct Policy through our website and must follow these policies as our business partners. Suppliers are expected to operate based on the standards of behaviour that promote a fair, honest and ethical business environment.

In 2019, KSSC encountered no cases of ethics violations or illegal activity that compromises the integrity of the company.

Anti-Corruption

KSSC believes that effective corporate practices are essential to the transparent and successful operation of a company. We are committed to maintaining the highest standards in regards to corporate governance, ethics and compliance.

In accordance with the corporate liability set out in Section 17A of the amended Malaysian Anti-Corruption Commission Act 2009, KSSC is in the midst of setting up an Anti-Corruption and Anti-Bribery Management System and will implement the relevant anti-bribery related policies and procedures in due course.

We have implemented a whistle-blowing policy that provides internal and external parties a proper way to report misconduct, corruption or any illegal acts with the assurance of confidentiality and without fear of retaliation. Our policies are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

Risk Management

KSSC has an effective and independent Audit and Risk Management committee for the purpose of reviewing and reporting any potential risks to the Board. The responsibilities of this committee include reviewing the company's quarterly financial statements, assessing the company's risks profile and to resolve them with the appropriate measures, receiving and reviewing risk reports from Risk Officers and Heads of Divisions, and reviewing the independence of the company's internal and external auditors and processes adopted by the auditors.

All findings are communicated to the Board for review to which it is then up to the Board to approve management frameworks and policies and oversee the strategic risk management of the company.

6.0 Sustainability at K. Seng Seng Corporation Berhad

6.1 Governance Structure

The Board of KSSC has overall responsibility for the Group, refer to Annual Report page 3 for KSSC Corporate Structure.

The group does not currently have a formal structure sustainability committee.

6.2 Sustainability Strategic Framework

The Group has a Sustainability Policy in place that supports our commitment towards an equilibrium being at forefront of the industry as well as meeting commercial expectation of our stakeholders. Our Sustainability Policy is structured around the three pillars of sustainability which are Economic, Environmental and Social ("EES").

Each of the policies outlined in the Sustainability Policy can be categorized under each of three pillars of sustainability. These policies include:

Economic

- Compliance of highest ethical standards by suppliers;
- Uphold business excellence and continuity;
- On-going development of clients for long-term partnerships; and
- Compliance to better practices under the Malaysian Code of Corporate Governance.

Environmental

- Compliance to environmental and occupational safety and health regulations;
- "Green" principles in procurement and manufacturing practices;
- Management and disposal of waste in a responsible manner.

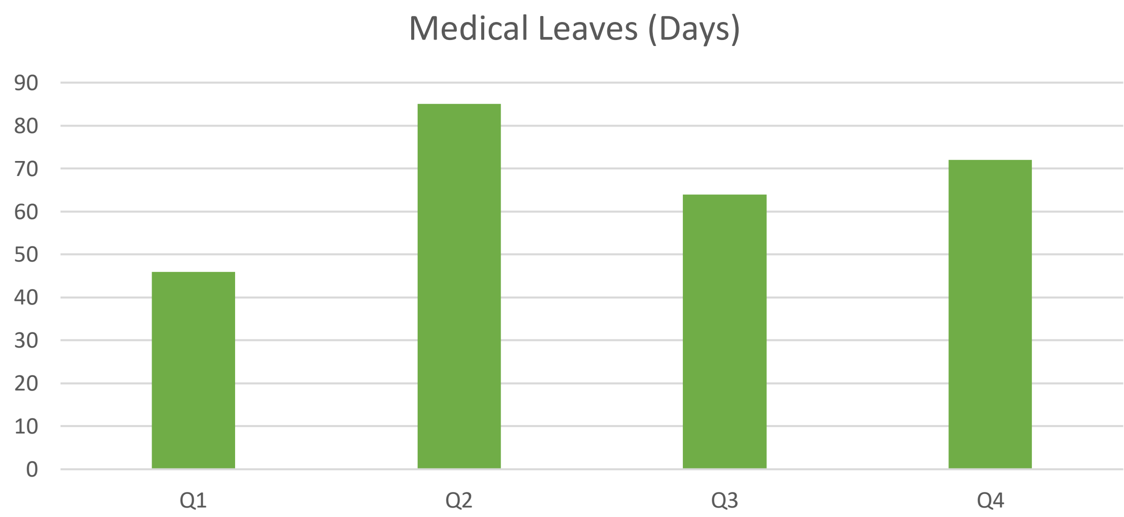
Social

- Commitment to ensure a safe and healthy working environment;
- Fair and just treatment of employees;
- Training and development of employees;
- Contributions towards local authorities and communities.

7.0 Contributing to a Better Society

7.1 Safety and Health

In 2019, PTM incurred 267 days and 2,136 hours of productivity lost due to medical leaves taken because of illness and minor injuries inclusive of rest days and hospitalization. We have set up health and safety measures in place that ensure our employees practice good health and safety as to prevent serious workplace accidents and injuries. KSSC will strive to ensure that the health and well-being of our employees are always monitored.



Workplace Accidents

In 2019, PTM had no major cases of OHS incidences. This is due largely to our health measures that ensures the health and safety of all employees working at our manufacturing plant through procedures that help to create a safe working environment and educate employees on proper measures to take and routines to practice while at work. The safety of our employees are our top priority and we encourage all employees to practice and observe good safety habits.

We have these practices set up with the goal of reducing occupational health and safety risks in mind. These practices include establishing Safety Operating Procedures ("SOP") for all work activity, ensuring compliance with Environment, Health and Safety ("EHS") requirements and regulations, establishing a Safety and Health Committee, conducting periodic safety training for employees and periodic reviews of occupational health and safety policies.

SUSTAINABILITY STATEMENT (continued)

7.2 Human Capital and Development

7.2.1 Training and Development

We value the personal growth and development of our employees. We are committed to providing opportunities for the enhancement of their skills and knowledge within this industry. All employees are encouraged to expand their knowledge and foster personal growth and development by taking on new roles and responsibilities so they may continue to succeed in their career.

Training is essential for our employees to improve their competencies, work quality and delivery output. Training required will be suggested or identified through the training needs analysis incorporated into the employee performance evaluation process. We provide our employees with internal training, external training as well as on-the-job training.

Examples of training provided to employees throughout the financial year are:

Training Title	Date	Hours	Department Involved	Training Type
Malaysia Anti-Corruption Commission Amendment Act 2018 (“MACCA 2018”)	March 2019	8	Directors & Management	External
Basic Fire Fighting Training & Emergency Response Plan and Preparedness Training	March 2019	8	Manufacturing	External
E-Commerce Training	August 2019	16	E-Commerce	External
Certified Environment Professional in Scheduled Waste Management	September 2019	40	Maintenance	External
Budget 2020: Income tax, RPGT & SST latest update and comprehensive tax planning	December 2019	16	Directors & Accounts	External
Latest Update for HR Labour Law Act, EPF & SOCSO	December 2019	16	HR & Accounts	External


7.2.2 Diversity and Inclusion

The Group is committed to promoting a diverse work environment. We hire on a basis of an employee's skills and motivation for success. All employees are presented the same opportunities to work and advance within their chosen career regardless of race, age or gender.

In helping promote diversity within our company, our ratio between local and foreign employees are mostly equal in proportion. We continue to attract both local and foreign talent at our company.

Employees by nationality

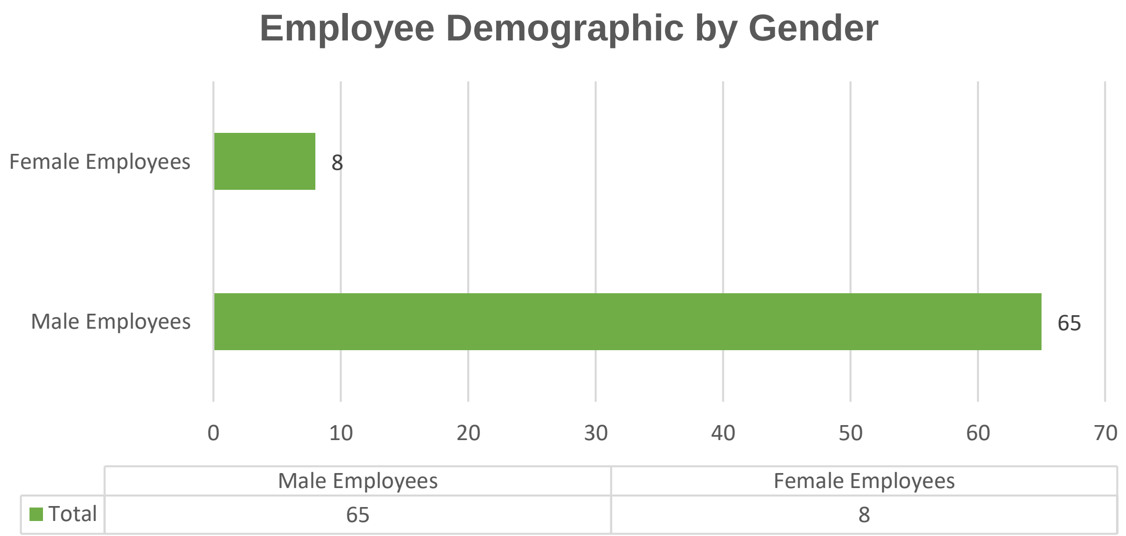
The diversity of our employees comprises of both local and foreign employees. We have a small gap between the number of local and foreign employees and they are about equal in terms of proportion. We will strive to provide more opportunities for growth and training as well as promote more employment opportunities to local employees.

Employee Demographic by Nationality

SUSTAINABILITY STATEMENT (continued)

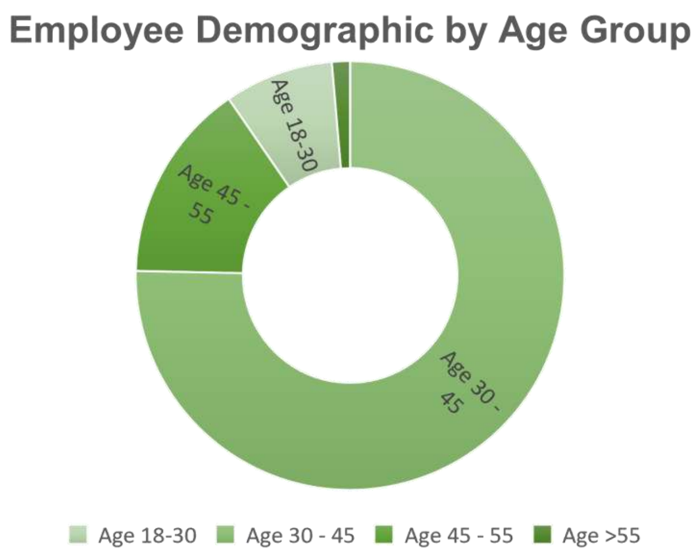
Employees by gender

We promote employee engagement in order to bring forth their full potential and enable them to have a fulfilling career. We strive for inclusivity and encourage balanced participation for female employees in our company.



Employees by age

Despite the majority of our workforce being in the 30 – 45 age group, we do not discriminate or favour employees based on their age. Employees in the age group of 18 – 30 and 45 – 55 represent 23% of the workforce while those above the age of 55 represent the smallest percentage. We believe in hiring and retention based on merit and skill. Our current employee demographic by age are as follows:



7.2.3 Fair Employment Practices

Equal Employment Opportunity

KSSC strives in being an employer that provides equal opportunities regardless of age, religious belief, gender, and disability. We believe in providing and encouraging equal employment opportunities and are committed to applying this to all areas of our business.

Adherence to Minimum Wage

We observe the minimum wage guideline as outlined by the government as well as any subsequent amendments made or announced.

Prohibition of Discrimination and Harassment

We have set prohibitions on discrimination and harassment in our policy, rules, regulations and work ethics. Disciplinary action will be taken against employees found guilty of misconduct and may be subject to dismissal. Thankfully, there were no cases of discrimination or harassment in the workplace for the whole of 2019.

Prevention of Child Labour

We adhere to the Children and Young Persons (Employment) (Amendment) Act 2010. We have a strict recruitment policy against employing minors, i.e. persons below the age of 18 years old. This is in line with the policies of international labour organizations.

Employee Welfare

We appreciate and value the contributions of all our employees and continue to attract new talents by providing a supportive working environment as well as opportunities for development. We provide an integrated welfare system and treats all of our employees equally.

Benefits and Compensation

In an effort to promote work-life integration, we provide employees with benefits such as travel allowances, subsidies for medical benefits, Group Personal Accidents insurance, communications expenses, uniform and personal protective appliances, application of residence permits for current employees, festive gifts and events. We believe that it is our duty as a company to ensure employee satisfaction and work-life balance are prioritized.

7.3 Customer Privacy

KSSC recognises the importance of privacy and data security as part of our commitment to our customers.

We have implemented privacy and data protection policies with regards to the collection, usage, processing and disclosure of personal data. These policies are in compliance to the Personal Data Protection Act 2010 (“PDPA”). Under these policies, KSSC can collect customer personal data with their consent and be kept confidential. KSSC may use or disclose customer data for the purpose of contacting or communicating with customers, analysing the data for customer relationship management and for market research based on customer profiles and trends. Customers are also allowed to withdraw consent and request the removal of their personal data at any time.

In 2019, there were no complaints about loss of customer data received by KSSC. In addition, there were no reports of non-compliance with laws or regulations pertaining to customer privacy and data protection.

7.4 Our Supply Chain/Procurement

7.4.1 Raw Materials and Component Procurement

KSSC believes in supporting local businesses and contributing to the local economy. We believe that this will improve the sustainability of the local economy as it encourages growth and quality improvement of products available in the market.

Our main raw materials used are stainless steel coils which are converted into our various steel products such as pipes and tubing. We purchase about 59% of our coils locally from vendors and suppliers while about 41% are purchased overseas. We plan to expand our business to local suppliers and include them in our efforts to source more of our materials locally and contributing to the local market.

Raw Materials	Local (%)	Overseas (%)	Total (%)
Steel coil	59	41	**100**

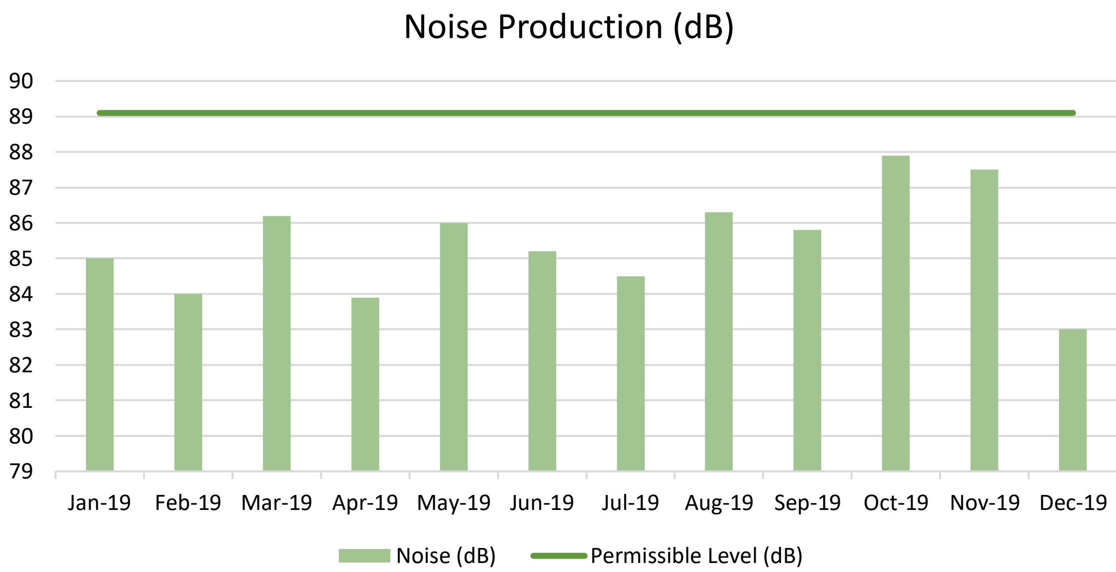
8.0 Minimising Environment Harm

8.1 Environmental Compliance

Noise Monitoring

Noise is an unavoidable consequence of manufacturing operations. KSSC strives to reduce noise pollution or the impact that arises from noise pollution. To achieve this, we have started some initiatives such as ensuring machinery has noise reducing specifications and conducting audiometry tests for machine operators to monitor employee's risk of detrimental noise exposure.

We also carry out monthly noise monitoring at our manufacturing plant in order to ensure we are in compliance with DOE noise production requirements for the manufacturing industry. We are pleased to report that noise production for all months of operation in 2019 have stayed well below the permissible level of 89.1 dB set by the DOE.



Dust Monitoring

The main cause of dust production by our operations arises from the polishing of our stainless-steel products before they are inspected and packed. In order to reduce the amount of dust discharged, we utilise dust collectors and mandate our workers to wear masks at all times during work. The dust collector collects approximately 80kg to 100kg of dust per month. We also conduct periodic monitoring and recording of the amount of dust produced as a result of our operations on a monthly basis in order to ensure we comply with DOE regulations.

We are pleased to report that there were no cases of non-compliances, fines, penalties or warnings issued by the DOE pertaining to air pollution for the whole of 2019.

8.2 Energy and Carbon Emissions

Carbon Emissions

Carbon emissions are derived from the amount of energy and resources used for all human activity such as electricity, water and fuel. Carbon emissions produced as a result of our operations is unavoidable. KSSC is committed to reducing our carbon footprint to ensure a more sustainable future not just for our business but for the overall environment. We have taken the initiative to record the total emissions produced during our hours of operation for the whole of 2019.

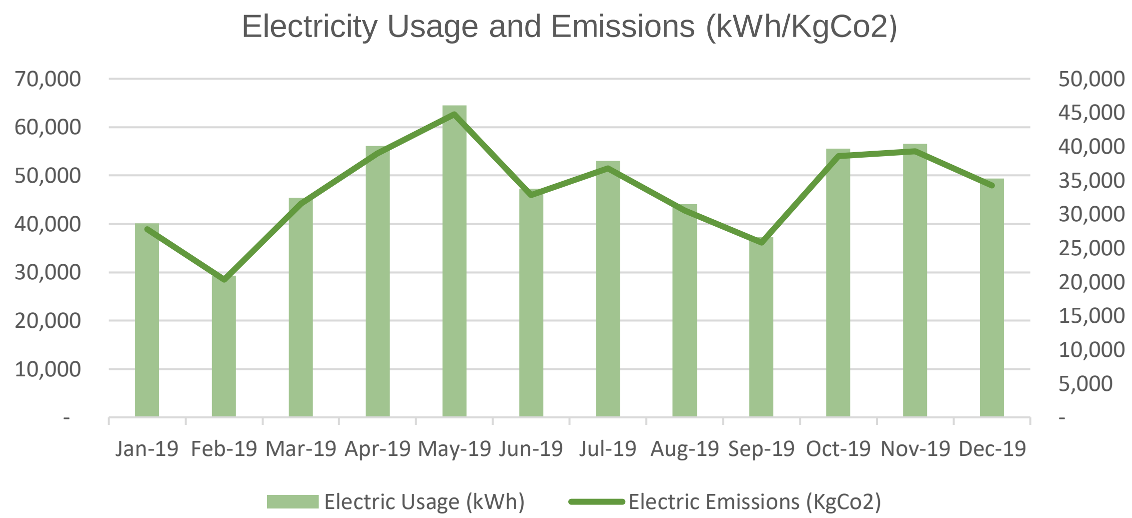
In order to calculate the emissions for each energy and resource consumption, we utilized the model for calculating carbon emissions provided by Green Tech Malaysia on their website. This model calculates the emissions of electricity, water and fuel usage respectively and also gives the total amount of carbon emissions produced from the consumption of all three energy sources.

Electricity Usage

Electricity is an important resource to us as manufacturers of stainless steel products. Electricity powers many of the machines needed in our plants for producing our high-quality stainless steel products. However, we also recognize that to achieve long term sustainability, we have to practice sustainable electricity usage. For this reason, we strive to conserve our electricity usage to ensure it will not lead to over usage. We encourage staff to practice energy saving initiatives such as shutting off machinery when not in use and monitoring energy consumption daily.

Electricity Emissions

Electricity emissions are derived from the amount of electricity consumed during our operations and the amount of carbon emissions is produced proportional to electricity usage. The values were calculated using the model provided by Green Tech Malaysia for calculating carbon emissions produced from electricity consumption.



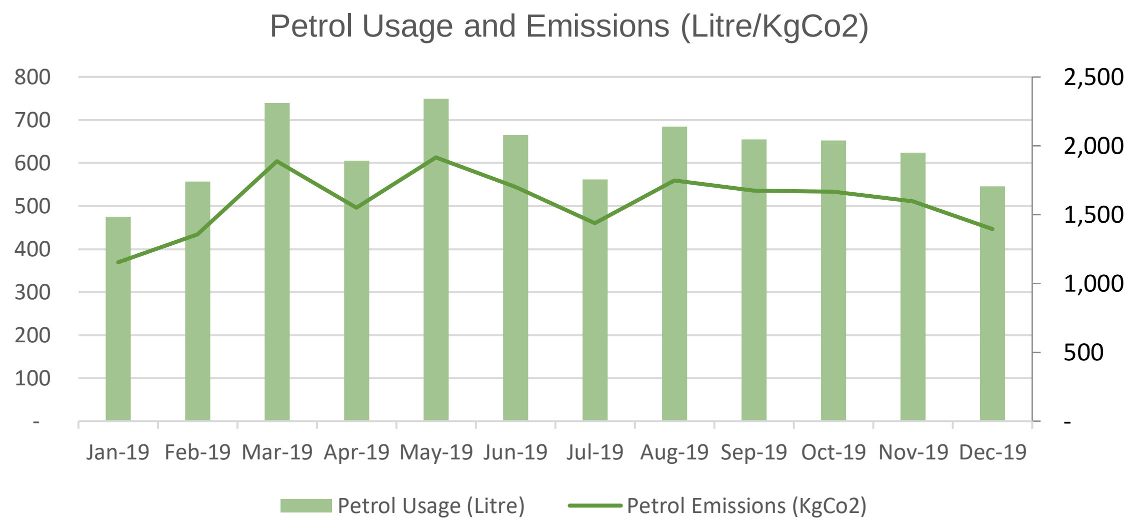
(Carbon Calculator, 2016)

Fuel Usage

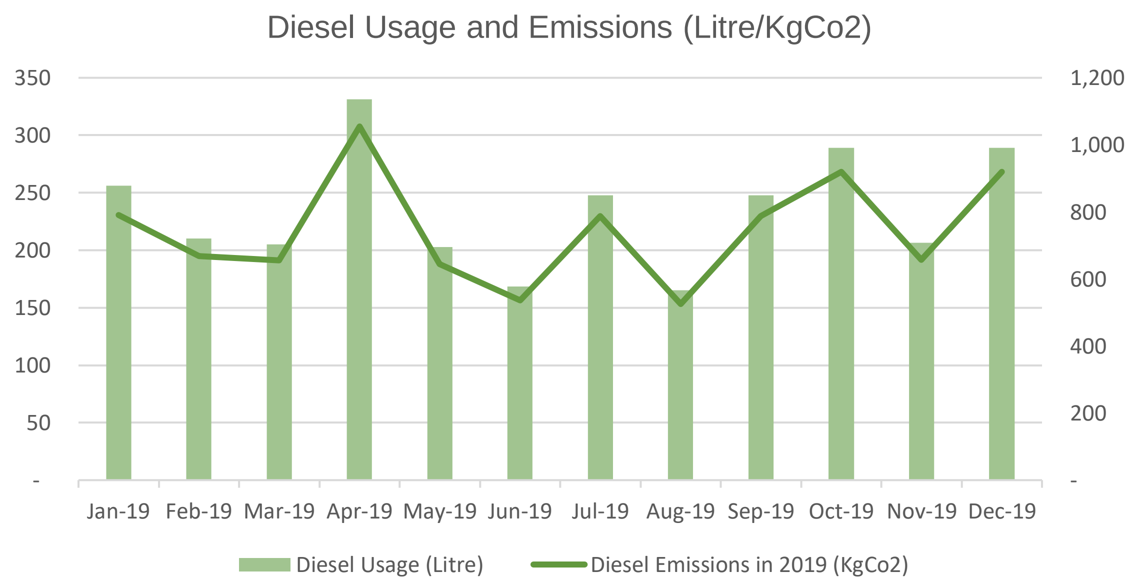
As a manufacturing company, we utilize fuel for both production purposes as well as for our transport vehicles. Petrol is utilized for most of our company vehicles while diesel is also used in our vehicles but also in the machines at our manufacturing plant. Our fuel usage is recorded and monitored by the finance department.

Fuel Emissions

Fuel emissions are derived from petrol and diesel usage respectively. The emissions are produced from the amount of fuel consumed by company vehicles as well as during manufacturing operations. These values were also derived using the model provided by Green Tech Malaysia for calculating fuel usage for petrol and diesel respectively.



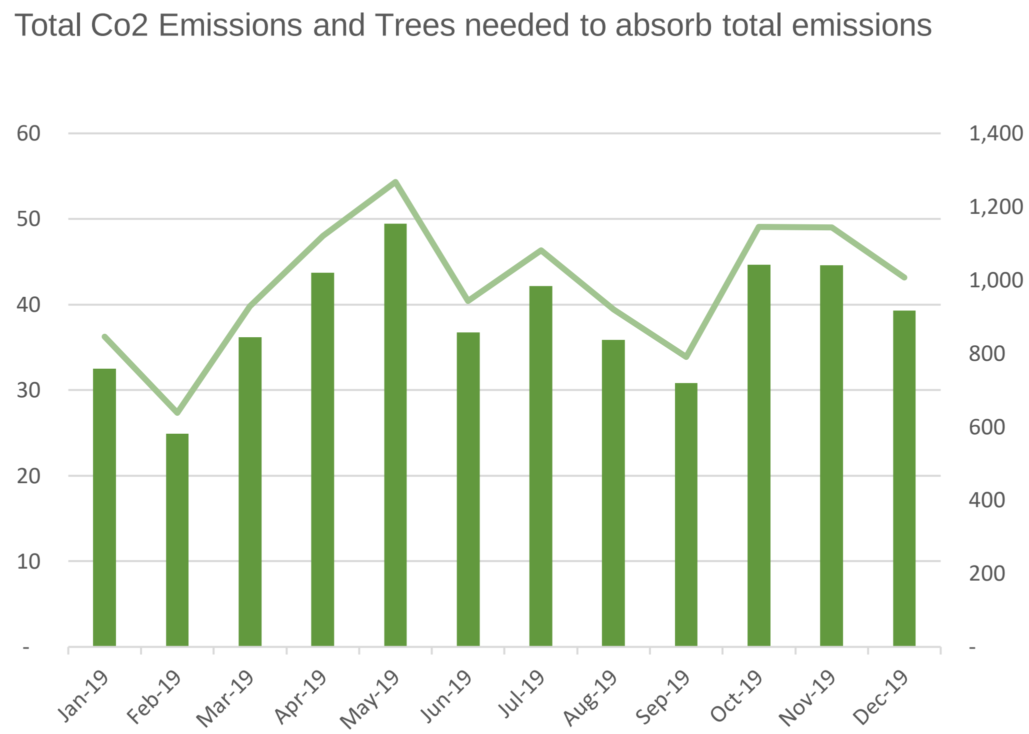
(Carbon Calculator, 2016)



(Carbon Calculator, 2016)

Total Carbon Emissions

The total emissions recorded were derived from three main sources of energy consumption, mainly electricity, water and fuel including both petrol and diesel. The total is then calculated using the method used by the Malaysian Green Technology Corporation. This method consists of taking the total carbon emissions produced and calculating the number of trees that need to be planted in order to absorb the total emissions. This is because trees are known to absorb carbon dioxide and this helps reduce carbon emissions as a result. Using this method, we are able to better assess the impact of our carbon emissions, set a benchmark goal for reducing overall emissions and come up with strategies to reach this goal within the coming years.



	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Total Co2 Emissions (KgCo2)	33	25	36	44	49	37	42	36	31	45	45	39
Number of Trees to be planted	846	638	928	1,121	1,268	942	1,081	920	791	1,145	1,144	1,007

Total Co2 Emissions (KgCo2)　Number of Trees to be planted

(Carbon Calculator, 2016)

References

Carbon Calculator. (2016, April 8). Retrieved December 23, 2019, from https://www.greentechmalaysia.my/carboncalculator/.

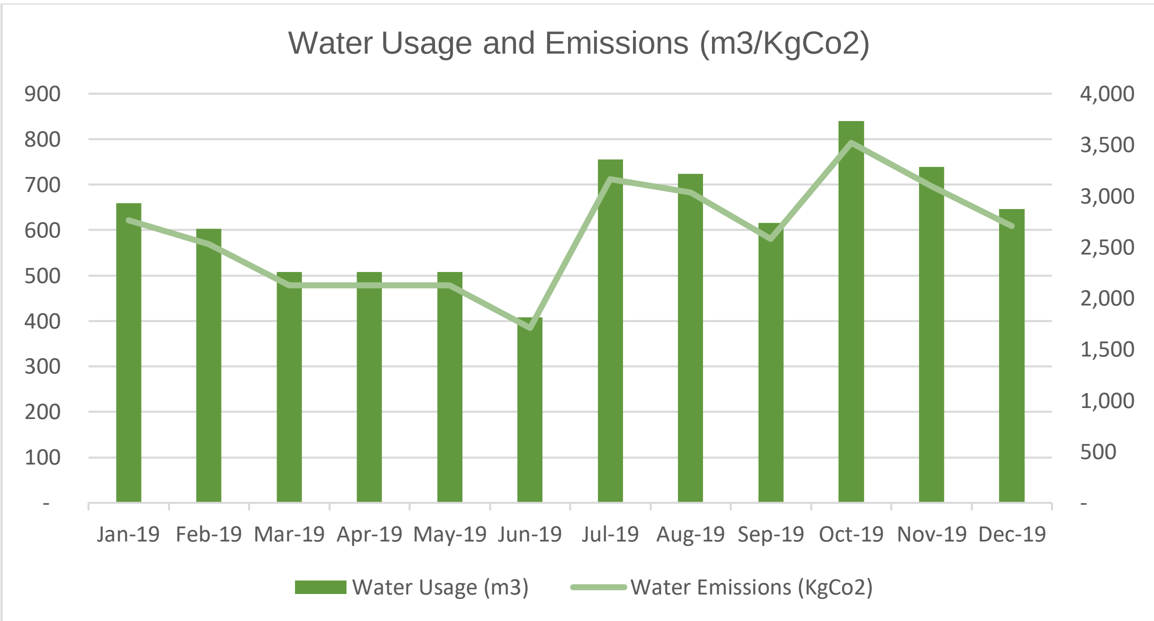
8.3 Water and Waste

Water Usage

Similar to electricity, water is another resource used in our manufacturing operations. As a valuable resource, we monitor our water usage so that we may come up with ways we can use our water conservatively and avoid over usage. Water usage is also recorded in order for us to see how much water is used monthly during plant operating hours.

Water Emissions

Water emissions is derived from the emissions produced by the usage of water during our manufacturing plant operations. The usage is calculated into emissions using the model provided by Green Tech Malaysia for calculating water emissions.



(Carbon Calculator, 2016)

References

Carbon Calculator. (2016, April 8). Retrieved December 23, 2019, from https://www.greentechmalaysia.my/carboncalculator/.

Waste Production

Waste generated from manufacturing operations is common in this industry. The most common types of waste produced by our operations are rags contaminated by spent hydraulic and gear oil. We consistently strive to improve waste management in our manufacturing plant, we have also made efforts and tasked our Safety Department to manage, reduce and monitor our waste production.

KSSC has a waste management plan in place that complies with the legal requirements of DOE. Waste generated during manufacturing operations is collected by contractors that are licensed by DOE to be disposed ethically twice a year. This way we ensure that waste production does not become an issue and reduces the environmental impact of our operations. KSSC is also subject to periodic assessments by the Department of Environment ("DOE") which ensures that we conduct business in an environmentally friendly and responsible manner.

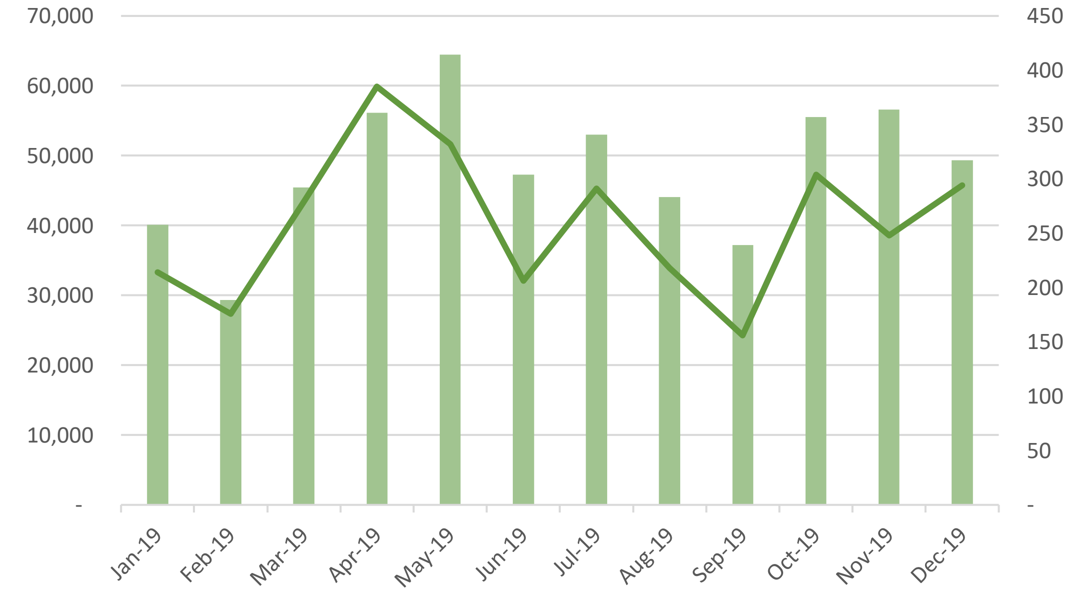
In 2019, KSSC did not encounter any cases of non-compliance nor incur any fines, penalties or warnings issued by the DOE pertaining to waste management.

9.0 Delivering Sustainable Product

In our manufacturing division, the amount of energy used in our production is as important as the products themselves. We pay close attention to ensure that energy consumption is proportional to our product output. Here we illustrate how the amount of electricity used in our production runs parallel to our product output, and it shows that our energy consumption is proportionate to our output.

Production Output

Steel Production output (mT) and Electricity Usage (kWh)



	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Electric Usage (kWh)	40,076	29,302	45,438	56,163	64,481	47,277	52,997	44,050	37,183	55,548	56,573	49,345
Stainlees Steel Production Output (mT)	214	176	279	385	332	206	291	218	156	304	248	294

Electric Usage (kWh) Stainlees Steel Production Output (mT)

9.1 Sustainability led Business

Waste Management

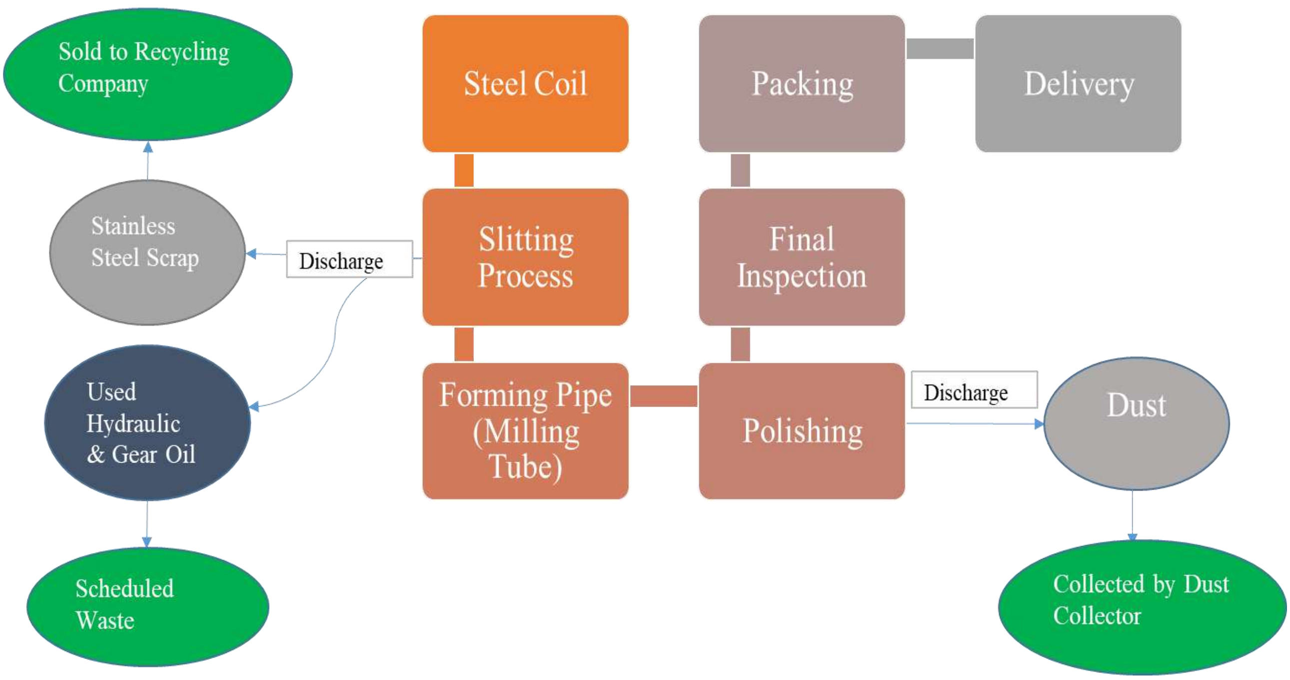
Steel plays a vital role for building infrastructure of our growing cities such as piping for water systems and for constructing new buildings to ensure they are structurally sound and able to last for decades.

As a leader within this industry, we believe that sustainable development must meet the needs of the present without compromising the ability of future generations to meet their own needs. We recognize the importance of reducing our global footprint through improving manufacturing processes, new technology and development as well as expanding recycling initiatives.

We also recognise our responsibility extends to the communities we help sustain, whether directly or indirectly. Motivated and skilled employees are key to a sustainable future for our industry and we support them with a variety of initiatives and programmes. This will ensure that employees are prepared to face any new challenge or adapt to new developments within the industry.

As we are a business involved in the manufacturing of stainless steel products, we are always focused on improving the sustainability of our products. Based on research by the World Steel Association, stainless steel is 100% recyclable without loss of its inherent material qualities and is the most recycled material in the world. The recycling rate of stainless steel also makes it a very sustainable material. Stainless steel scrap left over can be converted into high value steel through proper conversion processes and methods.

We strive to produce our products through processes that promote long term sustainability for our business. Material waste such as stainless steel scrap generated from slitting or shearing is sold to recycling companies. Non-reusable waste such as hydraulic and gear oil are disposed through scheduled waste collection.



References

RECYCLING. (2020). Retrieved May 12, 2020, from https://www.worldsteel.org/steel-by-topic/sustainability/materiality-assessment/recycling.html

SUSTAINABILITY STATEMENT (continued)

Product Certification

Our subsidiary, PTM Stainless Steel Industry Sdn. Bhd. holds certification in compliance with **ISO 9001:2015** which relates to possessing excellent quality management systems that meet international standards. We have continued to deliver quality products that meet the standards of our customers and regulatory requirements.


SGS
PTM Stainless Steel Industry Sdn. Bhd.
ISO 9001:2015
Trading and Manufacturing of Stainless Steel Coil, Sheet, Pipe and Tube


SGS
PTM Stainless Steel Industry Sdn. Bhd.
ISO 9001:2015
Trading and Manufacturing of Stainless Steel Coil, Sheet, Pipe and Tube

Product Certification License

As a company that strives for quality products, we possess a product certification license awarded by SIRIM QAS International Sdn Bhd for our stainless-steel tubing. This certification is in compliance under **ASTM A 554 – 2013** which meets the international specification for welded stainless-steel mechanical tubing.

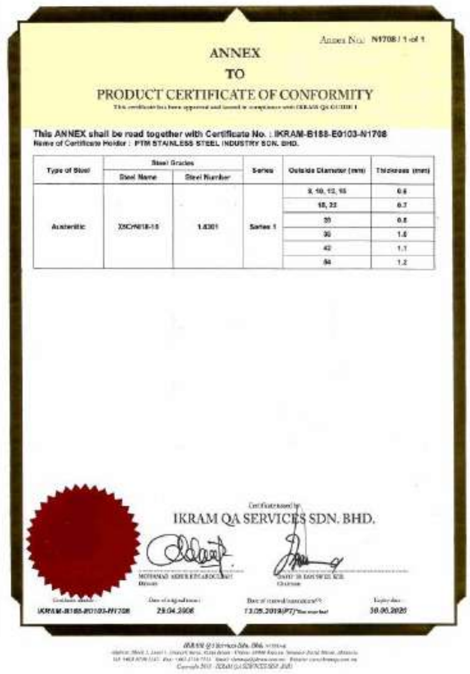

LESEN PENSIJILAN BARANGAN
Product Certification Licence
PTM STAINLESS STEEL INDUSTRY SDN. BHD.
LOT 3707, JALAN 7/8
TAMAN INDUSTRI SELESA JAYA
43300 BALAKONG
SELANGOR, MALAYSIA
WELDED STAINLESS STEEL MECHANICAL TUBING
ASTM A 554 - 2013


SCHEDULE
PTM STAINLESS STEEL INDUSTRY SDN. BHD.

SUSTAINABILITY STATEMENT (continued)

Product Certification Conformity

Our welded stainless-steel tubes have been approved and certified by IKRAM for quality assurance in compliance with **MS 1998:2007** and **BS EN 10312:2002** product standards.



Labelling and information relating to products and services

As a socially responsible and sustainable company, KSSC ensures that all labelling information about the product conforms with the guidelines as set by governing bodies and are informative to our customers. Products are also labelled with the SIRIM seal that specifies the product meets the international specifications under **ASTM A 554 – 2013** as approved by SIRIM.

Our products are packaged with special care in order to prevent rush, abrasion and scratching. Product packaging have labels specifying product grade, dimensions, thickness and net weight.

Samples of product labelling and packaging:

10.0 Social Investment

KSSC is committed to staying engaged with the local community. As an organization, we believe that contributions to the overall community help strengthen our relations with them while also improving the community itself.

KSSC is committed to expanding our engagement and contributions to the local community in order to build towards a more sustainable future for the community.

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and its associate are disclosed in Notes 11 and 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
(Loss)/Profit for the financial year, net of tax	(1,935,984)	379,119
Attributable to:		
Owners of the Company	(2,017,056)	379,119
Non-controlling interest	81,072	-
	(1,935,984)	379,119

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 0.5 sen per share on 96,000,000 ordinary shares amounting to RM480,000 on 12 June 2019 in respect of the financial year ended 31 December 2018 as reported in the directors' report of that financial year.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company 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 as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; 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 and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Koh Seng Lee *	
Tsen Ket Shung @ Kon Shung *	
Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff	
Lim Ho Kin	
Yap Siok Teng	
Lim Pang Kiam	(Appointed on 1 January 2020)
Koh Seng Kar @ Koh Hai Sew *	(Deceased on 23 March 2019)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chia Ai Peng	
Koh Wee Kheng	(Appointed on 7 January 2020)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, 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:

Interests in the Company

	Number of Ordinary Shares			
	At 1 January 2019	Bought	Sold	At 31 December 2019
Direct interests:				
Koh Seng Kar @ Koh Hai Sew	36,960,000	-	-	36,960,000
Koh Seng Lee	15,840,000	600,000	-	16,440,000
Tsen Ket Shung @ Kon Shung	714,400	-	(350,000)	364,400
Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff	100,000	-	-	100,000
Lim Ho Kin	60,000	-	-	60,000
Yap Siok Teng	50,000	-	-	50,000

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Koh Seng Kar @ Koh Hai Sew is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 28 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 6 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....

KOH SENG LEE
Director

....

TSEN KET SHUNG @ KON SHUNG
Director

Date: 24 June 2020

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	5	107,471,623	106,764,004	3,690,300	4,611,100
Cost of sales		(90,041,681)	(87,618,557)	-	-
Gross profit		**17,429,942**	**19,145,447**	**3,690,300**	**4,611,100**
Other income		42,773	144,268	185,000	-
Selling and distribution costs		(3,087,529)	(2,813,880)	(161,220)	(130,252)
Administrative costs		(9,865,509)	(10,547,381)	(2,834,787)	(3,381,126)
Net impairment losses on financial assets		(1,499,774)	(1,294,351)	-	-
Other costs		(2,505,942)	(2,384,969)	(560,637)	(409,742)
		(16,958,754)	(17,040,581)	(3,556,644)	(3,921,120)
Operating profit		**513,961**	**2,249,134**	**318,656**	**689,980**
Finance income		201,709	311,341	479,908	749,481
Finance costs		(1,647,775)	(1,647,179)	(268,433)	(366,251)
Share of results of an associate, net of tax		167,945	270,845	-	-
(Loss)/Profit before tax	6	**(764,160)**	**1,184,141**	**530,131**	**1,073,210**
Income tax expense	8	(1,171,824)	(148,403)	(151,012)	(111,476)
(Loss)/Profit net of tax, representing total comprehensive (loss)/income for the financial year		**(1,935,984)**	**1,035,738**	**379,119**	**961,734**
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(2,017,056)	1,017,814	379,119	961,734
Non-controlling interest		81,072	17,924	-	-
		(1,935,984)	**1,035,738**	**379,119**	**961,734**
(Loss)/Earnings per share (sen):					
Basic	9	(2.10)	1.06		
Diluted	9	(2.10)	1.06		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	12,742,006	12,475,776	6,260,228	6,343,566
Investments in subsidiaries	11	-	-	33,010,002	33,010,002
Investment in an associate	12	4,747,244	4,579,299	820,000	820,000
Trade receivables	15	386,822	-	-	-
Deferred tax assets	13	686,332	1,144,109	-	-
Total non-current assets		**18,562,404**	**18,199,184**	**40,090,230**	**40,173,568**
Current assets					
Inventories	14	58,137,184	52,401,263	-	-
Trade receivables	15	36,056,923	38,858,879	-	-
Other receivables, deposits and prepayments	16	1,638,749	2,673,624	175,366	230,309
Amount due from subsidiaries	17	-	-	17,020,751	17,112,398
Current tax assets		782,774	2,043,585	213,777	192,906
Deposits, cash and bank balances	18	8,608,865	10,166,400	1,036,158	3,335,857
Total current assets		**105,224,495**	**106,143,751**	**18,446,052**	**20,871,470**
TOTAL ASSETS		**123,786,899**	**124,342,935**	**58,536,282**	**61,045,038**

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Parent					
Share capital	19	48,514,639	48,514,639	48,514,639	48,514,639
Retained earnings		28,843,819	31,155,875	144,687	245,568
		77,358,458	79,670,514	48,659,326	48,760,207
Non-controlling interest		1,295,396	1,214,324	-	-
TOTAL EQUITY		**78,653,854**	**80,884,838**	**48,659,326**	**48,760,207**
Non-current liabilities					
Borrowings	20	2,533,597	2,115,673	-	-
Deferred tax liabilities	13	137,511	132,919	137,511	132,919
Total non-current liabilities		2,671,108	2,248,592	137,511	132,919
Current liabilities					
Trade payables	21	13,320,586	4,311,363	-	-
Other payables and accruals	22	4,877,249	5,233,834	1,137,487	1,571,773
Downpayment from customers		125,836	586,024	-	-
Borrowings	20	24,102,271	31,075,619	-	-
Amount due to subsidiaries	17	-	-	8,601,958	10,580,139
Current tax liabilities		35,995	2,665	-	-
Total current liabilities		42,461,937	41,209,505	9,739,445	12,151,912
TOTAL LIABILITIES		**45,133,045**	**43,458,097**	**9,876,956**	**12,284,831**
TOTAL EQUITY AND LIABILITIES		**123,786,899**	**124,342,935**	**58,536,282**	**61,045,038**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		<-- Attributable to Owners of the Parent -->			Non-	
	Note	Share capital RM	Retained earnings RM	Total RM	controlling interest RM	Total equity RM
Group						
At 1 January 2018		48,514,639	32,058,061	80,572,700	1,196,400	81,769,100
Profit net of tax, representing total comprehensive income for the financial year		-	1,017,814	1,017,814	17,924	1,035,738
Transactions with owners						
Dividend on ordinary shares	23	-	(1,920,000)	(1,920,000)	-	(1,920,000)
At 31 December 2018		48,514,639	31,155,875	79,670,514	1,214,324	80,884,838

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

		< ---Attributable to Owners of the Parent --->			Non-	
		Share	Retained		controlling	Total
		Capital	Earnings	Total	Interest	Equity
	Note	**RM**	**RM**	**RM**	**RM**	**RM**
Group						
At 1 January 2019		48,514,639	31,155,875	79,670,514	1,214,324	80,884,838
(Loss)/Profit net of tax, representing total comprehensive (loss)/income for the financial year		-	(2,017,056)	(2,017,056)	81,072	(1,935,984)
Transactions with owners						
Adjustment on fair value of consideration of subsidiary		-	185,000	185,000	-	185,000
Dividend on ordinary shares	23	-	(480,000)	(480,000)	-	(480,000)
At 31 December 2019		48,514,639	28,843,819	77,358,458	1,295,396	78,653,854

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RM	Retained earnings RM	Total equity RM
Company				
At 1 January 2018		48,514,639	1,203,834	49,718,473
Profit net of tax, representing total comprehensive income for the financial year		-	961,734	961,734
Transactions with owners				
Dividend on ordinary shares	23	-	(1,920,000)	(1,920,000)
At 31 December 2018/ 1 January 2019		48,514,639	245,568	48,760,207
Profit net of tax, representing total comprehensive income for the financial year		-	379,119	379,119
Transactions with owners				
Dividend on ordinary shares	23	-	(480,000)	(480,000)
At 31 December 2019		48,514,639	144,687	48,659,326

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(764,160)	1,184,141	530,131	1,073,210
Adjustments for:					
Depreciation of property, plant and equipment		2,330,654	1,829,807	177,797	146,895
Written off on property, plant and equipment		5,381	-	61	-
Gain on disposal of property, plant and equipment		(20,366)	(78,197)	-	-
Bad debts written off		84,400	14,625	84,400	-
Impairment loss on trade receivables		1,522,153	1,333,843	-	-
Reversal of impairment loss on trade receivables		(22,379)	(39,492)	-	-
Interest expense		1,647,775	1,647,179	268,433	366,251
Dividend income		-	-	(300,000)	(660,000)
Interest income		(201,709)	(311,341)	(479,908)	(749,481)
Share of results of an associate		(167,945)	(270,845)	-	-
Unrealised gain on foreign exchange		(22,604)	(66,061)	-	-
Operating profit before changes in working capital		4,391,200	5,243,659	280,914	176,875
<u>Changes in working capital:</u>					
Inventories		(5,735,921)	(8,160,304)	-	-
Trade and other receivables		1,857,297	5,250,875	467,938	(2,184,963)
Trade and other payables		8,377,450	(620,264)	(434,286)	16,706
Net cash generated from/ (used in) operations, carried forward		8,890,026	1,713,966	314,566	(1,991,382)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities (Continued)					
Net cash generated from/ (used in) operations, brought forward		8,890,026	1,713,966	314,566	(1,991,382)
Dividend received		-	-	300,000	660,000
Interest received		201,709	311,341	479,908	749,481
Income tax paid		(1,438,724)	(2,176,909)	(225,000)	(415,103)
Income tax refunded		2,023,410	485,018	57,709	161,533
Net cash from/(used in) operating activities		9,676,421	333,416	927,183	(835,471)
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(598,903)	(1,315,918)	(94,520)	(17,864)
Proceeds from disposal of property, plant and equipment		32,450	78,200	-	-
Disposal of investment in a subsidiary		-	-	-	500,000
Placement of deposits with a licensed bank		(1,042,638)	(435,443)	(15,753)	(435,443)
(Advances to)/Repayment from subsidiaries		-	-	(405,748)	9,598,038
Interest paid		-	-	(268,433)	(366,251)
Net cash (used in)/from investing activities		(1,609,091)	(1,673,161)	(784,454)	9,278,480
Cash flows from financing activities	(a),(b)				
Net (repayments to)/Proceeds from bankers' acceptances		(7,511,823)	2,015,508	-	-
Payment of lease liabilities/ finance lease liabilities		(1,059,047)	(859,850)	-	-
Repayment to subsidiaries		-	-	(1,978,181)	(8,350,804)
Dividend paid		(480,000)	(1,920,000)	(480,000)	(1,920,000)
Interest paid		(1,616,633)	(1,659,484)	-	-
Net cash used in financing activities		(10,667,503)	(2,423,826)	(2,458,181)	(10,270,804)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Net decrease in cash and cash equivalents		(2,600,173)	(3,763,571)	(2,315,452)	(1,827,795)
Cash and cash equivalents at beginning of the financial year		9,730,957	13,494,528	2,900,414	4,728,209
Cash and cash equivalents at end of the financial year	18	7,130,784	9,730,957	584,962	2,900,414

(a) Reconciliation of liabilities arising from financing activities

Group	1 January 2019 RM Restated	Cash flows RM	Non-cash Acquisition RM	31 December 2019 RM
Bankers' acceptances	30,099,639	(7,511,823)	-	22,587,816
Lease liabilities	4,720,924	(1,059,047)	386,175	4,048,052
	34,820,563	(8,570,870)	386,175	26,635,868

	1 January	Cash	← Non-cash →		31 December
	2018	flows	Acquisition	Others	2018
Group	RM	RM	RM	RM	RM
Bankers' acceptances	28,081,438	2,015,508	-	2,693	30,099,639
Finance lease liabilities	2,259,251	(859,850)	1,692,252	-	3,091,653
	30,340,689	1,155,658	1,692,252	2,693	33,191,292

(b) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM1,804,659.

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

K. Seng Seng Corporation Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Company is located at Lot 3707, Jalan 7/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and its associate are disclosed in Notes 11 and 12. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 June 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") and explanation of change in accounting policy

(a) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRS</u>

MFRS 16	Leases

2. **BASIS OF PREPARATION (CONTINUED)**

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") and explanation of change in accounting policy (Continued)

(a) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year (Continued):

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

New IC Int

IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease.*

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") and explanation of change in accounting policy (Continued)

(a) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

MFRS 16 Leases (Continued)

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year;
- separated the total amount of cash paid into a principal portion and interest (presented within financing activities) in the statements of cash flows for the current financial year.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") and explanation of change in accounting policy (Continued)

(a) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

MFRS 16 Leases (Continued)

Impact of the adoption of MFRS 16 (Continued)

(i) Classification and measurement (Continued)

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at either:

(a) their carrying amount as if MFRS 16 had been applied sine the commencement date, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application. The Group and the Company applied this approach to its largest property leases; or
(b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all other leases.

The Group and the Company also applied the following practical expedients wherein they:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
(c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") and explanation of change in accounting policy (Continued)

(a) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

MFRS 16 Leases (Continued)

Impact of the adoption of MFRS 16 (Continued)

(ii) Short-term lease and low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new. The Group and the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The effects of adoption of MFRS 16 as at 1 January 2019 are as follows:

	Adjustments	Group Increase/ (Decrease) RM
Non-current asset		
Property, plant and equipment		
- Right-of-use assets		4,328,596
- Plant and machinery		(2,077,480)
- Motor vehicles		(621,845)
	(i)	1,629,271
Non-current liabilities		
Borrowings		
- Lease liabilities		3,348,371
- Finance lease liabilities		(2,115,673)
	(i)	1,232,698
Current liabilities		
Borrowings		
- Lease liabilities		1,372,553
- Finance lease liabilities		(975,980)
	(i)	396,573
Total liabilities		1,629,271

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 January 2019 is 4.28%.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") and explanation of change in accounting policy (Continued)

(a) Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

MFRS 16 Leases (Continued)

Impact of the adoption of MFRS 16 (Continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as of 31 December 2018, as follows:

	Group RM
Assets	
Operating lease commitments as at 31 December 2018	-
Weighted average incremental borrowing rate as at 1 January 2019	-
Discounted operating lease commitments as at 1 January 2019	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	1,629,271
Commitments relating to lease previously classified as finance leases	3,091,653
Lease liabilities as at 1 January 2019	4,720,924

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs and amendments/Improvements to MFRSs that have been issued, but yet to be effective

(a) The Group and the Company have not adopted the following new MFRSs, and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*

* *Earlier application is permitted, including in financial statements not authorized for issue at 28 May 2020*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs and amendments/Improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRSs and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs and amendments/Improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRSs and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued *Interest Rate Benchmark Reform* (Amendments to MFRS 9, MFRS and MFRS 7).

The *Interest Rate Benchmark Reform* amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80 – 125% range during the period of uncertainty arising from the reform.

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRSs and amendments/Improvements to MFRSs that have been issued, but yet to be effective (Continued)

(b) The Group and the Company plan to adopt the above applicable new MFRSs and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

2.4 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 Group's and the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2. BASIS OF PREPARATION (CONTINUED)

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associates used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(a) Subsidiaries and business combination (Continued)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following: (Continued)

- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(e) Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b).

3.2 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.3 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue and other income (Continued)

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect 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.

(a) Sale of goods and services

(i) Sales of goods

The Group manufactures and trades a range of stainless steel products and all kind of industrial hardware. Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term ranges from 30 to 180 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

(ii) Revenue from services

Revenue from services is recognised as and when services are rendered.

(b) Rental income

Rental income is recognised on an accrual basis and time proportionate basis over the lease term.

(c) Interest income

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

(d) Dividend income

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

(e) Management fee

Management fee is recognised as and when services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year in which the employees have rendered their services to the Group and to the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national contribution plan. Such contributions are recognised as an expense in profit or loss in the financial year in which the employees render their services.

3.5 Borrowing costs

Borrowing cost are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

Borrowing costs that are 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.

3.6 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the financial year, and any adjustment to tax payable in respect of previous financial years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Income tax (Continued)

(b) Deferred tax (Continued)

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses, unabsorbed capital allowances and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses, unabsorbed capital allowances and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period 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 there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Income tax (Continued)

(c) Sales and services tax

Revenues, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.7 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, and any other direct attributable costs but excluded internal profits.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	50 years
Electrical installation	10 years
Plant and machinery and factory equipment	5-10 years
Electrical equipment, furniture and fittings, and office equipment	5-10 years
Motor vehicles	5-10 years
Computers	2 years
Renovation	2 years

The residual value, useful life and depreciation method are reviewed at each reporting period and adjusted as appropriate.

(d) Derecognition

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

3.8 Leases

(a) Definition of lease

Accounting policies applied from 1 January 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leases (Continued)

(b) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets and lease liabilities as separate lines in Note 10 and Note 20 to the financial statements.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leases (Continued)

(b) Lessee accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

Lease liability (Continued)

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leases (Continued)

(b) Lessee accounting (Continued)

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group and the Company do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(c) Lessor accounting

Accounting policies applied from 1 January 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 2.2, then it classifies the sub-lease as an operating lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leases (Continued)

(c) Lessor accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category which the Group and the Company classify their debt instruments as follows:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(i) Financial assets (Continued)

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) 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 in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial instruments (Continued)

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) 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; 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.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented 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.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counterparty is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 120 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

(a) Impairment of financial assets (Continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of assets (Continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other non-financial assets or cash-generating units ("CGUs").

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the assets in prior years. 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.

3.11 Current versus non-current classification

The Group classifies assets and liabilities in statements of financial position as current and non-current. An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in a normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the financial year; or
- a cash or a cash equivalent which is not restricted from being exchanged or used to settle a liability for at least twelve months after the financial year.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in a normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the financial year; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the financial year.

The Group classifies all other liabilities as non-current.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value as follows:

- Raw materials, consumables, packing materials and trading goods: purchase costs including costs incurred in bringing the inventories to their present location and condition on a weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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

3.13 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.14 Share capital

Ordinary shares

Ordinary shares are equity instruments and classified as equity. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Transaction costs that are directly attributable to the issuance of ordinary shares are deducted against equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.15 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 liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares, which comprise warrants granted to shareholders.

3.17 Operating segments

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 manager report directly to the Board of Directors of the Company who periodically 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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.18 Fair value measurement

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

4.1 Inventories (Note 14)

Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged inventories and quantity level of inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by the Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the latest selling price or replacement cost, nature of the inventories and other relevant factors such as supply and demand of the identified inventories. Possible changes in these estimates could result in revisions to the valuation of inventories.

4.2 Impairment of financial assets (Note 15)

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The assessment of the correlation between historical observed default rates, forward looking estimates and expected credit loss is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of financial assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's financial assets are disclosed in Note 26(a).

5. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue from contract customers:				
Sale of goods and services	107,453,623	106,746,004	-	-
Revenue from other sources:				
Dividend income from subsidiaries	-	-	300,000	660,000
Management fee	-	-	2,441,100	3,001,900
Lease income on building	18,000	18,000	949,200	949,200
	107,471,623	106,764,004	3,690,300	4,611,100

5. REVENUE (CONTINUED)

(a) Disaggregation of revenue

The Group and the Company report the following major segments: stainless steel products, marine hardware and consumable, other industrial hardware, and engineering works in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure of disaggregation of revenue, it disaggregates revenue into primary geographical markets and timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

	Stainless steel products RM	Marine hardware and consumable RM	Other industrial hardware RM	Engineering works RM	Total RM
Group					
2019					
Primary geographical markets:					
Asia	34,181,097	29,010,947	29,270,271	13,221,445	105,683,760
Europe	1,769,863	-	-	-	1,769,863
	35,950,960	29,010,947	29,270,271	13,221,445	107,453,623
Timing of revenue recognition:					
At a point in time	35,950,960	29,010,947	29,270,271	13,221,445	107,453,623
2018					
Primary geographical markets:					
Asia	34,312,600	30,144,789	32,408,686	8,537,072	105,403,147
Europe	1,342,857	-	-	-	1,342,857
	35,655,457	30,144,789	32,408,686	8,537,072	106,746,004
Timing of revenue recognition:					
At a point in time	35,655,457	30,144,789	32,408,686	8,537,072	106,746,004

6. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- Statutory audit				
- Current year	214,000	167,000	70,000	63,000
- Prior year	-	(1,000)	-	-
- Other services	5,000	5,000	5,000	5,000
Bad debts written off	84,400	14,625	84,400	-
Depreciation of property, plant and equipment	2,330,654	1,829,807	177,797	146,895
Employee benefits expense (including key management personnel)				
- Salaries, allowance and bonus	11,549,590	11,910,436	2,317,051	2,791,705
- Defined contribution plans	1,042,552	1,146,563	239,113	311,832
- Other employee benefits	447,646	460,343	35,562	44,090
Impairment losses on financial assets				
- Impairment loss on trade receivables	1,522,153	1,333,843	-	-
- Reversal of impairment loss on trade receivables	(22,379)	(39,492)	-	-
Interest expense in respect of:				
- Bankers' acceptances	1,377,009	1,433,816	-	-
- Bank overdraft	36,487	21,737	-	-
- Lease liabilities/Finance lease liabilities	234,279	191,626	-	-
- Subsidiary	-	-	268,433	366,251
Written off on property, plant and equipment	5,381	-	61	-
Rental expense on				
- Buildings	-	771,020	-	-
- Motor vehicles	-	14,569	-	30,000
Expense relating to short-term lease	511,333	-	-	-

6. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Loss/(Gain) on foreign exchange				
- Realised	30,536	6,169	-	-
- Unrealised	(22,604)	(66,061)	-	-
Gain on disposal of property, plant and equipment	(20,366)	(78,197)	-	-
Interest income				
- Deposits with licensed banks	(86,680)	(266,259)	(42,287)	(119,494)
- Associate	(115,029)	(45,082)	-	-
- Subsidiaries	-	-	(437,621)	(629,987)

7. DIRECTORS' REMUNERATION

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Executive:				
- Other emoluments	1,275,758	1,985,791	1,275,758	1,985,791
- Defined contribution plan	151,592	236,742	151,592	236,742
Total executive directors' remuneration	1,427,350	2,222,533	1,427,350	2,222,533
Non-executive:				
- Fees	168,600	163,200	168,600	163,200
- Other emoluments	21,000	10,500	21,000	10,500
Total non-executive directors' remuneration	189,600	173,700	189,600	173,700
Total directors' remuneration	1,616,950	2,396,233	1,616,950	2,396,233

The estimated monetary value of benefits-in-kind received and receivable by directors of the Company from the Group and the Company amounted to RM49,250 (2018: RM51,150).

8. INCOME TAX EXPENSE

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Current financial year	797,565	914,344	156,360	137,128
Over-provision in prior financial year	(88,110)	(380,489)	(9,940)	(29,792)
	709,455	533,855	146,420	107,336
Deferred tax (Note 13):				
Origination and reversal of temporary differences	536,192	(578,439)	5,310	5,915
(Over)/Under-provision in prior financial year	(73,823)	192,987	(718)	(1,775)
	462,369	(385,452)	4,592	4,140
Income tax expense recognised in profit or loss	1,171,824	148,403	151,012	111,476

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

8. INCOME TAX EXPENSE (CONTINUED)

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	(764,160)	1,184,141	530,131	1,073,210
Tax at Malaysian statutory income tax rate of 24% (2018: 24%)	(183,398)	284,194	127,231	257,570
Share of results of an associate	-	(65,003)	-	-
Tax effects arising from:				
Non-taxable income	-	-	(44,400)	(158,400)
Non-deductible expenses	213,717	116,714	78,839	43,873
Deferred tax assets not recognised	602,344	-	-	-
Reversal of deferred tax assets recognised in prior financial years	701,094	-	-	-
(Over)/Under-provision in prior financial year				
- current tax	(88,110)	(380,489)	(9,940)	(29,792)
- deferred tax	(73,823)	192,987	(718)	(1,775)
Income tax expense recognised in profit or loss	1,171,824	148,403	151,012	111,476

The Group has estimated tax losses carry-forward of RM4,953,996 (2018: RM2,741,088), capital allowances carry-forward of RM1,993,058 (2018: RM1,409,850) and reinvestment allowances carry-forward of RM1,321,721 (2018: RM1,021,913) which are available for set-off against future taxable profits, subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

9. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share of the Group is calculated by dividing the Group's (loss)/profit for the financial year attributable to ordinary equity holders of the Company of RM2,017,056 (2018: RM1,017,814) by the weighted average number of ordinary shares in issue during the financial year of 96,000,000 (2018: 96,000,000) ordinary shares.

The diluted (loss)/earnings per share is equivalent to the basic (loss)/earnings per share as the Company does not have any dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Electrical installation RM	Plant and machinery and factory equipment RM	Machine under construction RM	Electrical equipment, furniture and fittings and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Right-of-use assets RM	Total RM
Group											
Cost											
At 1 January 2018	1,981,721	6,333,121	113,153	14,252,315	-	778,204	4,257,426	593,321	443,435	-	28,752,696
Additions	-	-	95,643	2,045,636	583,855	55,911	165,068	55,157	6,900	-	3,008,170
Disposals	-	-	-	(143,000)	-	-	(199,676)	-	-	-	(342,676)
At 1 January 2019											
- As previously reported	1,981,721	6,333,121	208,796	16,154,951	583,855	834,115	4,222,818	648,478	450,335	-	31,418,190
- Effect of adoption of MFRS 16	-	-	-	(2,632,562)	-	-	(2,240,207)	-	-	6,502,040	1,629,271
Adjusted balance at 1 January 2019	1,981,721	6,333,121	208,796	13,522,389	583,855	834,115	1,982,611	648,478	450,335	6,502,040	33,047,461
Additions	-	-	-	348,444	80,314	54,860	-	77,625	37,660	386,175	985,078
Disposals	-	-	-	(44,100)	-	(25,000)	(78,220)	-	-	-	(147,320)
Written off	-	-	(113,151)	(37,012)	(4,313)	(594,096)	-	(516,045)	(430,763)	-	(1,695,380)
Reclassification	-	-	-	700,147	-	-	-	-	-	(700,147)	-
Transfer	-	-	-	187,008	(304,782)	-	-	-	-	117,774	-
At 31 December 2019	1,981,721	6,333,121	95,645	14,676,876	355,074	269,879	1,904,391	210,058	57,232	6,305,842	32,189,839

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Buildings RM	Electrical installation RM	Plant and machinery and factory equipment RM	Machine under construction RM	Electrical equipment, furniture and fittings and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Right-of-use assets RM	Total RM
Group											
Accumulated depreciation											
At 1 January 2018	-	1,870,482	113,122	10,690,949	-	681,100	3,085,783	576,763	437,081	-	17,455,280
Additions	-	126,662	13,031	1,067,582	-	43,549	527,548	43,719	7,716	-	1,829,807
Disposals	-	-	-	(142,999)	-		(199,674)	-	-	-	(342,673)
At 1 January 2019											
- As previously reported	-	1,997,144	126,153	11,615,532	-	724,649	3,413,657	620,482	444,797	-	18,942,414
- Effect of adoption of MFRS 16	-	-	-	(555,082)	-	-	(1,618,362)	-	-	2,173,444	-
Adjusted balance at 1 January 2019	-	1,997,144	126,153	11,060,450	-	724,649	1,795,295	620,482	444,797	2,173,444	18,942,414
Charge for the financial year	-	126,662	13,030	840,509	-	52,891	74,896	66,356	20,210	1,136,100	2,330,654
Disposals	-	-	-	(32,018)	-	(24,999)	(78,219)	-	-	-	(135,236)
Written off	-	-	(113,122)	(36,920)	-	(593,539)	-	(515,673)	(430,745)	-	(1,689,999)
Reclassification	-	-	-	196,586	-	-	-	-	-	(196,586)	-
At 31 December 2019	-	2,123,806	26,061	12,028,607	-	159,002	1,791,972	171,165	34,262	3,112,958	19,447,833
Net carrying amount											
At 1 January 2019 (Adjusted)	1,981,721	4,335,977	82,643	2,461,939	583,855	109,466	187,316	27,996	5,538	4,328,596	14,105,047
At 31 December 2019	1,981,721	4,209,315	69,584	2,648,269	355,074	110,877	112,419	38,893	22,970	3,192,884	12,742,006

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Buildings RM	Electrical installation RM	Plant and machinery and factory equipment RM	Electrical equipment, furniture and fittings and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Total RM
Company									
Cost									
At 1 January 2018	1,981,721	6,333,121	29,810	255,400	129,392	4,680	23,247	405,889	9,163,260
Additions	-	-	-	-	13,852	-	4,012	-	17,864
At 31 December 2018/ 1 January 2019	1,981,721	6,333,121	29,810	255,400	143,244	4,680	27,259	405,889	9,181,124
Additions	-	-	-	-	18,231	-	48,839	27,450	94,520
Written off	-	-	(29,810)	-	(110,184)	-	(8,800)	(393,217)	(542,011)
At 31 December 2019	1,981,721	6,333,121	-	255,400	51,291	4,680	67,298	40,122	8,733,633
Accumulated depreciation									
At 1 January 2018	-	1,870,482	29,806	255,398	114,758	1,871	18,810	399,538	2,690,663
Charge for the financial year	-	126,662	-	-	6,526	936	6,435	6,336	146,895
At 31 December 2018/ 1 January 2019	-	1,997,144	29,806	255,398	121,284	2,807	25,245	405,874	2,837,558
Charge for the financial year	-	126,662	-	-	10,051	936	26,423	13,725	177,797
Written off	-	-	(29,806)	-	(110,145)	-	(8,797)	(393,202)	(541,950)
At 31 December 2019	-	2,123,806	-	255,398	21,190	3,743	42,871	26,397	2,473,405

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM	Buildings RM	Electrical installation RM	Plant and machinery and factory equipment RM	Electrical equipment, furniture and fittings and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Total RM
Net carrying amount									
At 31 December 2018	1,981,721	4,335,977	4	2	21,960	1,873	2,014	15	6,343,566
At 31 December 2019	1,981,721	4,209,315	-	2	30,101	937	24,427	13,725	6,260,228

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM985,078 (2018: RM3,008,170) and RM94,520 (2018: RM17,864) which are satisfied as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash payments	598,903	1,315,918	94,520	17,864
Lease/Finance lease arrangement	386,175	1,692,252	-	-
	985,078	3,008,170	94,520	17,864

(a) Assets held under finance leases

In the previous financial year, the carrying amount of asset under finance lease arrangement are as follows:

	Group 2018 RM
Plant and machinery	2,077,480
Motor vehicles	621,845
	2,699,325

(b) Assets pledged as security

The Group's and the Company's property, plant and equipment which are pledged as security for borrowings of the Group as mentioned in Note 20 are as follows:

	Group/Company	
	2019 RM	2018 RM
Freehold land	1,981,721	1,981,721
Buildings	4,209,315	4,335,977
	6,191,036	6,317,698

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Right-of-use assets

	Factory Buildings RM	Plant and machinery RM	Motor vehicles RM	Total RM
Group				
Cost				
At 1 January 2019				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 16	1,629,271	2,632,562	2,240,207	6,502,040
Adjusted balance at 1 January 2019	1,629,271	2,632,562	2,240,207	6,502,040
Additions	-	129,000	257,175	386,175
Reclassification	-	(700,147)	-	(700,147)
Transfer	-	117,774	-	117,774
At 31 December 2019	1,629,271	2,179,189	2,497,382	6,305,842
Accumulated depreciation				
At 1 January 2019				
- As previously reported	-	-	-	-
- Effect of adoption of MFRS 16	-	555,082	1,618,362	2,173,444
Adjusted balance at 1 January 2019	-	555,082	1,618,362	2,173,444
Charge for the financial year	457,638	332,534	345,928	1,136,100
Reclassification	-	(196,586)	-	(196,586)
At 31 December 2019	457,638	691,030	1,964,290	3,112,958
Net carrying amount				
Adjusted balance at 1 January 2019	1,629,271	2,077,480	621,845	4,328,596
At 31 December 2019	1,171,633	1,488,159	533,092	3,192,884

The Group leases several assets including factory buildings, plant and machinery, and motor vehicles.

The Group leases plant and machinery and motor vehicle with lease term of 3 to 7 years, and have options to purchase the assets at the end of the contract term.

11. INVESTMENTS IN SUBSIDIARIES

	Note	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost:			
At 1 January		33,010,002	33,510,002
Disposal	(a)	-	(500,000)
At 31 December		33,010,002	33,010,002

Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Ownership Interest 2019	Ownership Interest 2018
K. Seng Seng Industries Sdn. Bhd.	Sales of stainless steel industrial fasteners, rigging accessories and components, and trading of industrial hardware	Malaysia	100%	100%
Three & Three Hardware Sdn. Bhd.	Processing of secondary stainless steel long products and trading of industrial hardware	Malaysia	100%	100%
PTM Stainless Steel Industry Sdn. Bhd.	Manufacturing of stainless steel tubes and pipes, and processing of secondary stainless steel flat products	Malaysia	100%	100%
K. Seng Seng Parts Sdn. Bhd.	Hiring of motor vehicles	Malaysia	100%	100%
KSG Engineering Sdn. Bhd.	Engineering works, fabrication and installation of rubber glove dipping line and trading of all kinds of bearings, motor, speed reducer, sprocket gear, belting pulley, coupling and others	Malaysia	100%	100%

11. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (Continued):

Name of Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Ownership Interest 2019	Ownership Interest 2018
Koseng Sdn. Bhd. ^	Trading of all kinds of industrial and marine hardware and consumables; sale and marketing of stainless steel products namely industrial fasteners, rigging accessories and components, flat and long products, tubes and pipes and supply of construction materials, machineries and machinery related parts.	Malaysia	75%	75%
Subsidiary of KSG Engineering Sdn. Bhd.				
K. Seng Seng Manufacturing Sdn. Bhd.	Manufacturing of stainless steel industrial fasteners, conveyor chain, rigging accessories and components	Malaysia	100%	100%

^ *Audited by auditor other than Baker Tilly Monteiro Heng PLT.*

(a) In the previous financial year, the Company disposed its entire 100% equity interest comprising 500,000 ordinary shares in K. Seng Seng Manufacturing Sdn. Bhd. to the Company's wholly-owned subsidiary, KSG Engineering Sdn. Bhd., for a total cash consideration of RM500,000.

11. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) The subsidiary of the Group that has material non-controlling interests ("NCI") is as follows:

	Koseng Sdn. Bhd. RM
2019	
NCI proportion of ownership interest and voting interest	25%
Carrying amount of NCI ("RM")	1,295,396
Profit allocated to NCI ("RM")	81,072
2018	
NCI proportion of ownership interest and voting interest	25%
Carrying amount of NCI ("RM")	1,214,323
Profit allocated to NCI ("RM")	17,924

(c) The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiary that has material NCI are as follows:

	Koseng Sdn. Bhd. RM
Summarised statement of financial position	
As at 31 December 2019	
Non-current assets	1,176,022
Current assets	22,012,572
Non-current liabilties	(528,096)
Current liabilities	(17,478,913)
Net assets	5,181,585
Summarised statement of comprehensive income	
Financial year ended 31 December 2019	
Revenue	21,995,665
Profit for the financial year	324,288
Total comprehensive income	324,288
Summarised cash flow information	
Financial year ended 31 December 2019	
Cash flows used in operating activities	(1,586,201)
Cash flows used in investing activities	(1,087,848)
Cash flows generated from financing activities	1,806,469
Net decrease in cash and cash equivalents	(867,580)

11. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiary that has material NCI are as follows (Continued):

	Koseng Sdn. Bhd. RM
Summarised statement of financial position	
As at 31 December 2018	
Non-current assets	510,494
Current assets	20,474,255
Non-current liabilties	(153,929)
Current liabilities	(15,973,523)
Net assets	4,857,297
Summarised statement of comprehensive income	
Financial year ended 31 December 2018	
Revenue	23,130,534
Profit for the financial year	71,694
Total comprehensive income	71,694
Summarised cash flow information	
Financial year ended 31 December 2018	
Cash flows generated from operating activities	695,248
Cash flows used in investing activities	(58,327)
Cash flows generated from financing activities	591,378
Net increase in cash and cash equivalents	1,228,299

12. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted shares, at cost	820,000	820,000	820,000	820,000
Share of post-acquisition reserves	3,927,244	3,759,299	-	-
	4,747,244	4,579,299	820,000	820,000

12. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Details of the associate is as follows:

Name of Company	Nature of the relationship	Principal Place of Business/ Country of Incorporation	Ownership Interest 2019	Ownership Interest 2018
EIE Asian Holding Sdn. Bhd. ^	Investment holding	Malaysia	50%	50%
Held by EIE Asian Holding Sdn. Bhd.:				
EIE Industrial Products Sdn. Bhd. ^	Retailers of and dealers in hardware used in industries, quarries and mines	Malaysia	100%	100%
EIE Pulp & Speciality Sdn. Bhd. ^	General trading and dealing in pulps and paper	Malaysia	71%	71%

^ *Audited by auditor other than Baker Tilly Monteiro Heng PLT.*

(a) The summarised financial information of the Group's associate is as follows:

	2019 RM	2018 RM
Assets and liabilities		
Non-current assets	450,693	440,224
Current assets	17,407,597	18,116,265
Non-current liabilities	(336,739)	(651,759)
Current liabilities	(7,831,677)	(8,552,794)
Net assets	9,689,874	9,351,936
Non-controlling interests	195,388	193,339
Results		
Revenue	18,081,903	19,742,558
Profit for the financial year/Total comprehensive income	337,938	546,686
Profit for the financial year/Total comprehensive income attributable to owners of an associate	335,889	541,690

12. INVESTMENT IN AN ASSOCIATE (CONTINUED)

(b) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

	2019 RM	2018 RM
Group's share of net assets	4,747,244	4,579,299
Share of results of the Group for the financial year ended 31 December		
Share of results of the Group	167,945	270,845

13. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax relates to the following:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Group				
Deferred tax assets				
At 1 January	1,144,109	760,594	-	-
Recognised in profit or loss	(457,777)	383,515	-	-
At 31 December	686,332	1,144,109	-	-
Deferred tax liabilities				
At 1 January	(132,919)	(134,859)	(132,919)	(128,779)
Recognised in profit or loss	(4,592)	1,940	(4,592)	(4,140)
At 31 December	(137,511)	(132,919)	(137,511)	(132,919)

This is in respect of estimated deferred tax assets and liabilities arising from temporary differences as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets				
Unabsorbed capital allowances	265,283	338,364	-	-
Unutilised tax losses	98,572	657,861	-	-
Unutilised reinvestment allowances	317,213	245,259	-	-
Difference between the carrying amounts of property, plant and equipment and their tax base	5,264	(97,375)	-	-
	686,332	1,144,109	-	-

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

This is in respect of estimated deferred tax assets and liabilities arising from temporary differences as follows (Continued):

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deferred tax liabilities				
Difference between the carrying amounts of property, plant and equipment and their tax base	(137,511)	(132,919)	(137,511)	(132,919)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the temporary differences:

	Group	
	2019	2018
	RM	RM
Unabsorbed capital allowances	887,713	-
Unutilised tax losses	4,543,279	-
	5,430,992	-

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 11 of the Financial 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

The unutilised tax losses available for offset against future taxable profits of the Group which will expire in the following financial years:

	Group
	2019
	RM
Year of assessments	
2025	2,741,088
2026	1,802,191
	4,543,279

14. INVENTORIES

	Group 2019 RM	Group 2018 RM
At cost		
Raw materials	7,164,315	3,476,629
Work-in-progress	3,461,046	1,035,038
Finished goods	4,864,909	5,514,822
Consumables	976,668	811,533
Packing materials	95,742	97,577
Trading goods	41,574,504	41,465,664
	58,137,184	52,401,263

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM88,945,515 (2018: RM86,804,999).

15. TRADE RECEIVABLES

	Note	Group 2019 RM	Group 2018 RM
Non-current:			
External parties	(a)	386,822	-
Current:			
External parties	(b)	39,452,593	38,268,951
Related party	(b)	331,327	2,914,739
		39,783,920	41,183,690
Less: Impairment losses for trade receivables	(b)	(3,726,997)	(2,324,811)
Total trade receivables (current)		36,056,923	38,858,879
Total trade receivables (non-current and current)		36,443,745	38,858,879

(a) These amounts are non-interest bearing and repayable through 36 instalments up to year 2020.

(b) Included in the trade receivables of the Group is an amount of RM331,327 (2018: RM2,914,739) due from a related party who is a subsidiary of an associate.

The Group's normal credit term ranges from 30 to 180 days (2018: 30 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

15. TRADE RECEIVABLES (CONTINUED)

(c) Receivables that are impaired

The Group has trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

Trade receivables that are individually determined to be credit impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

		Group	
		2019	**2018**
	Note	**RM**	**RM**
At 1 January		2,324,811	1,030,460
Charge for the financial year			
- individually assessed	6	1,522,153	1,333,843
Reversal of impairment losses	6	(22,379)	(39,492)
Written off		(97,588)	-
At 31 December		**3,726,997**	**2,324,811**

The information about the credit exposures are disclosed in Note 26(a).

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Other receivables	177,917	490,302	1,500	85,900
GST refundable	116,121	949,995	5,513	5,513
Refundable deposits	356,165	288,659	23,770	19,770
Downpayment to supplier	382,188	600	-	-
Prepayments	606,358	944,068	144,583	119,126
	1,638,749	2,673,624	175,366	230,309

17. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Note	Company 2019 RM	2018 RM
Amounts due from subsidiaries			
Trade	(a)	4,536,421	5,033,816
Non-trade	(b)	12,484,330	12,078,582
		17,020,751	17,112,398
Amounts due to subsidiaries			
Non-trade	(c)	(8,601,958)	(10,580,139)

(a) The credit terms range from 30 days to 90 days. These amounts which are neither past due nor impaired, are creditworthy debtors with good payment records with the Company.

(b) These amounts are unsecured, interest free and are repayable on demand in cash except for an amount of RM4,419,853 (2018: RM11,018,582) which bear interest at rates ranging from 8.15% to 9.90% (2018: 8.85% to 9.85%) per annum.

(c) These amounts are non-trade in nature, unsecured, interest free and repayable on demand in cash.

18. DEPOSITS, CASH AND BANK BALANCES

	Group 2019 RM	2018 RM	Company 2019 RM	2018 RM
Deposits placed with licensed banks (Islamic)	451,196	4,494,172	451,196	2,966,141
Deposits placed with licensed banks	1,539,223	-	-	-
Cash and bank balances (Islamic)	1,934,564	475,352	-	-
Cash and bank balances	4,683,882	5,196,876	584,962	369,716
	8,608,865	10,166,400	1,036,158	3,335,857
Less: Non-short term deposits placed with licensed banks	(1,478,081)	(435,443)	(451,196)	(435,443)
	7,130,784	9,730,957	584,962	2,900,414

18. DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The interest rate and maturity period of deposits are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest rate per annum (%)	2.88% to 4.10%	2.95% to 3.60%	3.6%	2.95% to 3.60%
Maturity period	30 days to 12 months	30 days	12 months	30 days to 12 months

19. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
Issued and fully paid:				
At 1 January/31 December	96,000,000	96,000,000	48,514,639	48,514,639

Effective from 31 January 2017, the Companies Act 2016 abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

20. BORROWINGS

	Note	2019 RM	2018 RM
Non-current			
Lease liabilities/Finance lease liabilities	(b)	2,533,597	2,115,673
Current			
Bankers' acceptances (Islamic)	(a)	5,703,813	16,536,716
Bankers' acceptances	(a)	16,884,003	13,562,923
Lease liabilities/Finance lease liabilities	(b)	1,514,455	975,980
		24,102,271	31,075,619
Total borrowings:			
Bankers' acceptances (Islamic)	(a)	5,703,813	16,536,716
Bankers' acceptances	(a)	16,884,003	13,562,923
Lease liabilities/Finance lease liabilities	(b)	4,048,052	3,091,653
		26,635,868	33,191,292

(a) Banker's acceptances

The bankers' acceptances of the Group are secured and supported as follows:

(i) legal charge over the freehold land and buildings of the Company; and
(ii) corporate guarantee by the Company:

The bankers' acceptances bear interest at rates as follows:

	Group 2019	2018
	Interest rate per annum (%)	
Bankers' acceptances (Islamic)	3.45% to 4.07%	3.78% to 4.07%
Bankers' acceptances	3.30% to 4.02%	3.60% to 4.72%

20. BORROWINGS

(b) Lease liabilities/Finance lease liabilities

Certain equipment and vehicles of the Group as disclosed in Note 10 are pledged for leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of lease term.

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Minimum lease payments:		
Not later than one year	1,701,612	1,145,198
Later than one year and not later than 5 years	2,700,809	2,303,785
Later than 5 years	20,656	22,311
	4,423,077	3,471,294
Less: Future finance charges	(375,025)	(379,641)
Present value of minimum lease payments	4,048,052	3,091,653
Present value of minimum lease payments:		
Not later than one year	1,514,455	975,980
Later than one year and not later than 5 years	2,513,578	2,094,258
Later than 5 years	20,019	21,415
	4,048,052	3,091,653
Less: Amount due within 12 months	(1,514,455)	(975,980)
Amount due after 12 months	2,533,597	2,115,673

The lease liabilities/finance lease liabilities of the Group bear interest at rates ranging from 3.47% - 7.27% (2018: 3.57% - 7.27%) per annum.

21. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 120 days (2018: 30 to 120 days).

For explanations on the Group's and the Company's liquidity risk management process, refer to Note 26(b).

22. OTHER PAYABLES AND ACCRUALS

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Deposits	50,600	5,306	50,600	50,600
Other payables	1,418,848	1,499,107	299,677	457,870
Accruals	3,407,801	3,729,421	787,210	1,063,303
	4,877,249	5,233,834	1,137,487	1,571,773

Included in other payables of the Group and of the Company is an amount of RM4,762 (2018: RM4,762) and RM13 (2018: RM13) respectively due to certain directors of the Group. These amounts are non-trade in nature, unsecured, interest free and repayable on demand in cash.

23. DIVIDENDS

	Group/Company 2019 RM	Group/Company 2018 RM
Final single-tier dividend of 2 sen per share in respect of financial year ended 31 December 2017, paid on 28 May 2018	-	1,920,000
First and final single-tier dividend of 0.5 sen per share in respect of financial year ended 31 December 2018, paid on 12 June 2019	480,000	-
	480,000	1,920,000

24. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Subsidiaries;
(ii) Associate;
(iii) Entity in which major directors have substantial financial interests; and
(iv) Key management personnel of the Group's, comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

24. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group 2019 RM	Group 2018 RM
Subsidiary of associate		
Purchase of goods	-	5,408
Sales of goods	(3,361,007)	(4,487,836)
Interest receivable	(115,029)	(45,082)

	Company 2019 RM	Company 2018 RM
Subsidiaries		
Dividend received	(300,000)	(660,000)
Interest receivable	(437,621)	(629,987)
Management fee	(2,441,100)	(3,001,900)
Rental of premises	(931,200)	(931,200)
Hiring charges of motor vehicles	(35,935)	(30,000)
Interest charges	268,433	366,251

Significant outstanding balances with related parties at the end of the reporting period are disclosed in Notes 15, 16, 17, 21 and 22.

(c) Compensation of key management personnel

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Short-term employee benefits	2,634,004	3,377,569	1,736,023	2,398,470
Post-employment employee benefits	246,484	335,382	167,996	252,582
Benefits-in-kind	73,816	74,250	53,716	54,150
	2,954,304	3,787,201	1,957,735	2,705,202

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial positions by the category of financial instruments to which they are assigned:

	Carrying amount RM	Amortised cost RM
Group		
2019		
Financial assets		
Trade receivables	36,443,745	36,443,745
Other receivables and refundable deposits	534,082	534,082
Deposits, cash and bank balances	8,608,865	8,608,865
	45,586,692	45,586,692
Financial liabilities		
Trade payables	13,320,586	13,320,586
Other payables and accruals	4,877,249	4,877,249
Borrowings	26,635,868	26,635,868
	44,833,703	44,833,703
Group		
2018		
Financial assets		
Trade receivables	38,858,879	38,858,879
Other receivables and refundable deposits	778,961	778,961
Deposits, cash and bank balances	10,166,400	10,166,400
	49,804,240	49,804,240
Financial liabilities		
Trade payables	4,311,363	4,311,363
Other payables and accruals	5,233,834	5,233,834
Borrowings	33,191,292	33,191,292
	42,736,489	42,736,489

25. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

The following table analyses the financial instruments in the statements of financial positions by the category of financial instruments to which they are assigned (Continued):

	Carrying amount RM	Amortised cost RM
Company		
2019		
Financial assets		
Other receivables and refundable deposits	25,270	25,270
Amounts due from subsidiaries	17,020,751	17,020,751
Deposits, cash and bank balances	1,036,158	1,036,158
	18,082,179	18,082,179
Financial liabilities		
Other payables and accruals	1,137,487	1,137,487
Amounts due to subsidiaries	8,601,958	8,601,958
	9,739,445	9,739,445
Company		
2018		
Financial assets		
Other receivables and refundable deposits	105,670	105,670
Amounts due from subsidiaries	17,112,398	17,112,398
Deposits, cash and bank balances	3,335,857	3,335,857
	20,553,925	20,553,925
Financial liabilities		
Other payables and accruals	1,571,773	1,571,773
Amounts due to subsidiaries	10,580,139	10,580,139
	12,151,912	12,151,912

(b) Fair value of financial instruments

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:

(i) Cash and bank balances, trade and other receivables, trade and other payables

The carrying amounts are reasonable approximation of fair values due to short-term nature of these financial instruments.

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments (Continued)

(ii) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to short-term nature of these borrowings.

The fair value of long-term finance lease liabilities is estimated using discounted cash flow analysis, based on current lending rate for similar types of lease arrangements.

	2018	
	Carrying Amount RM	Fair Value RM
Group		
Financial liability		
Finance lease liabilities *	3,091,653	3,122,643

* Comparative information under MFRS 117 *Leases*. Further information on leases are disclosed in Note 20(b).

(c) Fair value measurements

Analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements (Continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments carried at fair value			
		Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
2018					
Financial liability					
Finance lease liabilities *	3,091,653	-	3,122,643	-	3,122,643

* Comparative information under MFRS 117 *Leases*. Further information on leases are disclosed in Note 20(b).

The disclosure of the fair value of lease liabilities under MFRS 16 is not required.

During the financial year ended 31 December 2018, there have been no transfers between Level 1 and Level 2 fair value measurements.

26. FINANCIAL RISK MANAGEMENT

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group determines the credit risk concentration by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2019		2018	
	RM	%	RM	%
By country:				
Malaysia	38,546,448	96	39,977,676	97
Republic of Indonesia	13,730	^	299,661	1
United Kingdom	702,175	2	557,024	1
Republic of Singapore	734,761	2	312,976	1
Other countries	173,628	^	36,353	^
	40,170,742	100	41,183,690	100

^ *Representing amount below 1%*

The Group does not have any significant exposure to any individual customer at the reporting date.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The Group applies the simplified approach to providing impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's trade receivables using provision matrix are as follows:

	Trade receivables				
Group	**Current**	**> 30 days past due**	**> 60 days past due**	**> 90 days past due**	**Total**
At 31 December 2019					
Expected credit loss rate	0%	0%	0%	0% - 12%	0% - 12%
Gross carrying amount at default	31,978,336	904,876	341,160	3,219,373	36,443,745
Impairment losses	-	-	-	16,868	16,868
At 31 December 2018					
Expected credit loss rate	0%	0%	0%	0% - 13%	0% - 13%
Gross carrying amount at default	33,943,850	384,581	273,444	4,257,004	38,858,879
Impairment losses	-	-	-	175,027	175,027

The significant changes in gross carrying amount of trade receivables do not contribute to changes in the impairment losses during the financial year.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Other receivables and other financial assets

For other receivables and other financial assets (including deposits, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

A significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment for other receivables and other financial assets.

Refer to Note 3.10(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantees contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of certain banking facilities granted to certain. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM22,178,604 (2018: RM30,414,595) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 26(b). As at the reporting date, there was no allowance for impairment as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arise principally from trade and other payables and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's and the Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintains sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

The Group manages its cash flow requirements of purchases in its operating activities mainly through bankers' acceptances which are drawndown to finance the import of goods.

26. FINANCIAL RISK MANAGEMENT CONTINUED)

(b) Liquidity risk (Continued)

Maturity analysis
The maturity profile of the Group's and of the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations:

		Contractual cash flows				
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 2 years RM	Between 2 and 5 years RM	More than 5 years RM	Total RM
2019						
Group						
Financial Liabilities						
Trade payables	13,320,586	13,320,586	-	-	-	13,320,586
Other payables and accruals	4,877,249	4,877,249	-	-	-	4,877,249
Bankers' acceptances (Islamic)	5,703,813	5,751,738	-	-	-	5,751,738
Bankers' acceptances	16,884,003	16,884,003	-	-	-	16,884,003
Lease liabilities	4,048,052	1,701,612	2,700,809	20,656	-	4,423,077
	44,833,703	42,535,188	2,700,809	20,656	-	45,256,653
Company						
Financial Liabilities						
Other payables and accruals	1,137,487	1,137,487	-	-	-	1,137,487
Amount due to subsidiaries	8,601,958	8,601,958	-	-	-	8,601,958
Financial guarantee *	-	22,178,604	-	-	-	22,178,604
	9,739,445	31,918,049	-	-	-	31,918,049

* The Company has given corporate guarantee to banks on behalf of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee is equivalent to the amount of the banking facilities being utilised by the said subsidiaries. As at 31 December 2019, approximately RM22,178,604 of the banking facilities were utilised by the said subsidiaries.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

Maturity analysis

The maturity profile of the Group's and of the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations (Continued):

		Contractual cash flows				
	Carrying amount RM	**On demand or within 1 year RM**	**Between 1 and 2 years RM**	**Between 2 and 5 years RM**	**More than 5 years RM**	**Total RM**
2018						
Group						
Financial Liabilities						
Trade payables	4,311,363	4,311,363	-	-	-	4,311,363
Other payables and accruals	5,233,834	5,233,834	-	-	-	5,233,834
Bankers' acceptances (Islamic)	16,536,716	16,692,282	-	-	-	16,692,282
Bankers' acceptances	13,562,923	13,562,923	-	-	-	13,562,923
Finance lease liabilities	3,091,653	1,145,198	897,069	1,406,716	22,311	3,471,294
	42,736,489	40,945,600	897,069	1,406,716	22,311	43,271,696
Company						
Financial Liabilities						
Other payables and accruals	1,571,773	1,571,773	-	-	-	1,571,773
Amount due to subsidiaries	10,580,139	10,580,139	-	-	-	10,580,139
Financial guarantee *	-	30,414,595	-	-	-	30,414,595
	12,151,912	42,566,507	-	-	-	42,566,507

* The Company has given corporate guarantee to banks on behalf of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee is equivalent to the amount of the banking facilities being utilised by the said subsidiaries. As at 31 December 2018, approximately RM30,414,595 of the banking facilities were utilised by the said subsidiaries.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its borrowings.

Borrowings at floating rate amounting to RM22,587,816 (2018: RM30,099,639) expose the Group's to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM4,048,052 (2018: RM3,091,653) expose the Group's to fair value interest rate risk. The Group manages its interest rate risk exposure by maintaining a mix of fixed and floating rate borrowings.

Sensitivity analysis for interest rate risk
If the interest rate had been 50 (2018: 50) basis points higher/lower and all other variables were held constant, the Group's (loss)/profits net of tax ended 31 December 2019 would increase/decrease by RM85,834 (2018: RM114,379) as a result of exposure to floating rate borrowings.

(d) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of Group entities, primarily RM. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB").

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD and SGD) amounting to RM74,215 and RM418,856 (2018: RM5,983 and RM438,496) respectively for the Group.

Financial assets/(liabilities) denominated in USD, SGD and RMB are as follows:

	Group	
	2019	**2018**
	RM	**RM**
USD		
Trade receivables	702,175	1,007,348
Cash and bank balances	74,215	5,983
Trade payables	(71,982)	(382,853)
	704,408	630,478
SGD		
Trade receivables	734,761	312,975
Cash and bank balances	418,856	438,496
	1,153,617	751,471
RMB		
Trade receivables	173,628	-
Trade payables	(1,082,879)	(1,086,125)
	(909,251)	(1,086,125)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, SGD and RMB exchange rate against the functional currency of the Group, with all other variables held constant.

		Group	
		2019	**2018**
		RM	**RM**
USD/RM	- strengthened 5% (2018: 5%)	27,658	24,030
	- weakened 5% (2018: 5%)	(27,658)	(24,030)
SGD/RM	- strengthened 5% (2018: 5%)	48,864	33,818
	- weakened 5% (2018: 5%)	(48,864)	(33,818)
RMB/RM	- strengthened 5% (2018: 5%)	(34,552)	(41,273)
	- weakened 5% (2018: 5%)	34,552	41,273

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No change were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is calculated as total debts (excluding bankers' acceptance) divided by total capital plus total debt. The Group monitors and maintains a prudent level of gearing ratio to optimise shareholders' value and to ensure compliance with covenants under debt agreements, if any. Total debts include lease liabilities. Total capital comprises total equity of the Group.

	Group	
	2019	**2018**
Total debts (RM)	4,048,052	3,091,653
Total equity (RM)	78,653,854	80,884,838
Total equity and debts (RM)	82,701,906	83,976,491
Gearing ratio %	5%	4%

The Group and certain subsidiaries are required to comply with certain loan-to-value ratio, consolidated net worth, consolidated borrowings to consolidated net worth ratio and interest coverage ratio in respect of the banking facilities. The subsidiaries have complied with the capital requirements at the end of the financial year.

The Group is not subject to any externally imposed capital requirements.

28. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Group and the Company will also be taking appropriate and timely measures.

29. SEGMENT INFORMATION

For management purposes, the Group is organised into operating units reportable operating segments as follows:

(i) Stainless steel products
(ii) Marine hardware and consumable
(iii) Other industrial hardware
(iv) Investment holding
(v) Engineering works

Management monitors the operating revenue of its operating units separately for the purpose of making decisions about resource allocation and performance assessment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment results, assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment results, assets and liabilities. All results, assets and liabilities are managed on a group basis.

29. SEGMENT INFORMATION (CONTINUED)

	Stainless steel products RM	Marine hardware and consumable RM	Other industrial hardware RM	Investment holding RM	Engineering works RM	Elimination RM	Total RM
2019							
Revenue							
External revenue	35,950,960	29,010,947	29,270,271	18,000	13,221,445	-	107,471,623
Inter-segment revenue	1,042,637	1,848,259	20,853,087	-	908,148	(24,652,131)	-
Total segment revenue	36,993,597	30,859,206	50,123,358	18,000	14,129,593	(24,652,131)	107,471,623
Gross profit	3,985,482	6,706,883	6,123,321	18,000	596,256	-	17,429,942
2018							
Revenue							
External revenue	35,655,457	30,144,789	32,408,686	18,000	8,537,072	-	106,764,004
Inter-segment revenue	391,760	1,303,564	33,050,765	-	125,415	(34,871,504)	-
Total segment revenue	36,047,217	31,448,353	65,459,451	18,000	8,662,487	(34,871,504)	106,764,004
Gross profit	2,832,471	8,293,963	6,800,484	18,000	1,200,529	-	19,145,447

29. SEGMENT INFORMATION (CONTINUED)

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:

	2019 RM	2018 RM
Malaysia	99,175,123	102,076,952
Thailand	26,130	35,245
Republic of Indonesia	1,582,409	797,475
United Kingdom	1,769,964	1,342,857
Republic of Singapore	4,242,557	2,046,216
Republic of China	-	388,455
Brunei	675,440	76,804
	107,471,623	106,764,004

All non-current assets (other than financial instruments and deferred tax assets) of the Group are located in Malaysia.

Information about major customer

There is no single customer with revenue equal or more than 10% of the Group revenue.

STATEMENT BY DIRECTORS

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

We, **KOH SENG LEE** and **TSEN KET SHUNG @ KON SHUNG**, being two of the directors of K. SENG SENG CORPORATION BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 88 to 170 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
KOH SENG LEE
Director

....
TSEN KET SHUNG @ KON SHUNG
Director

Kuala Lumpur

Date: 24 June 2020

STATUTORY DECLARATION

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

I, **KOH WEE KHENG**, being the officer primarily responsible for the financial management of K. SENG SENG CORPORATION BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 88 to 170 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Oaths and Declarations Act (Cap. 211).

....
KOH WEE KHENG

Subscribed and solemnly declared by the abovenamed at Republic of Singapore on 24 June 2020.

Before me,

....
LIM CHEE KIANG
(N2019/0494)
Notary Public

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K. Seng Seng Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 88 to 170.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with the 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 are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Group

Inventories (Note 14 to the financial statements)

As at 31 December 2019, the Group's inventories amounted to RM58.1 million. We focused on this area because certain inventories of the Group are slow moving inventories. The review of saleability and valuation of these inventories at lower of cost and net realisable value by the Group are major source of estimation uncertainty.

Our response:

Our audit procedures included, among others:
- observing year end physical inventory count and evaluating the design and implementation of controls during the count;
- checking subsequent sales, supplier's quotations and evaluating the management's assessment on estimated net realisable value on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost.

Trade receivables (Note 15 to the financial statements)

As at 31 December 2019, the Group's trade receivables amounted to RM36.4 million. We focused on this area because the directors made judgements over assumptions about risk of default and expected loss rate. In making these assumptions, the Group selected inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:

Our audit procedures included, among others:
- understanding the design and controls associated with monitoring of outstanding receivables;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of collection related reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting period.

Company

We have determined that there were no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

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 the 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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 (Continued)

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA & AF 0117)
Chartered Accountants

Andrew Choong Tuck Kuan
No.03264/04/2021 J
Chartered Accountant

Kuala Lumpur

Date: 24 June 2020

LIST OF PROPERTIES
HELD BY THE GROUP AS AT 31 DECEMBER 2019

Registered Owner(s)	Location	Description/ Existing Use	Tenure of Land	Land Area/Built-up Area	Issuance date of Certificate of Fitness	Net book value as at 31 December 2019 (RM'000)
KSSC	Lot 3707, Jalan 7/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan	Double storey office cum factory/ Administration and Trading Office and Manufacturing and Processing Plant	Freehold	14,796 square metres/7,580 square metres	10 September 2003	5,863
KSSC	102 and 102A, Jalan Keris Taman Sri Tebrau, 80050 Johor Bahru, Johor Darul Takzim	Double storey shophouses/For rental income purposes	Freehold	163.509 square metre/237.832 square metres	9 January 1977	57

K. SENG SENG CORPORATION BERHAD
(Registration No. 198501000983 (133427 W))
(Incorporated in Malaysia)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fifth ("35th") Annual General Meeting ("AGM") of the members of the Company will be held at Hang Tuah Room, Level 3, Philea Mines Beach Resort City, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor on Wednesday, 22 July 2020 at 10.00 a.m. for the following purposes :-

AGENDA
AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Directors' and Auditors' Reports thereon. — **Please refer to Note A.**

2. To approve the payment of Directors' fees and benefits totalling RM189,600 for the financial year ended 31 December 2019. — **Ordinary Resolution 1**

3. To re-elect Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff retires in accordance with Article 83 of the Constitution of the Company and being eligible, has offered himself for re-election. — **Ordinary Resolution 2**

4. To re-elect Lim Pang Kiam retires in accordance with Article 90 of the Constitution of the Company and being eligible, has offered himself for re-election. — **Ordinary Resolution 3**

5. To appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 4**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolutions: -

6. **RETENTION OF INDEPENDENT DIRECTOR**

"THAT subject to the passing of Ordinary Resolution 2, to retain Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff who has served the Board for more than nine (9) years as Independent Non-Executive Director of the Company." — **Ordinary Resolution 5**

7. **AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** **Ordinary Resolution 6**

"THAT subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 20% of the total number of issued shares of the Company at the time of submission to the authority and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 7**

"THAT the Company and/or its subsidiaries ('the Group') be and is/are hereby authorised to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group ('Related Parties') as specified in Section 2.2.1 of the Circular to Shareholders dated 30 June 2020 ('Circular'), provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Group's day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
(iv) not detrimental to the minority shareholders.

('Recurrent Related Party Transactions ("RRPT") Mandate');

AND THAT the RRPT Mandate, unless revoked or varied by the Company in general meeting, shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

AND FURTHER RESOLVED THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the RRPT Mandate."

9. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

By order of the Board

LIM SECK WAH (MAICSA 0799845) (PC SSM 202008000054)
M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031) (PC SSM 202008002193)
Company Secretaries

Dated this: 30 June 2020
Kuala Lumpur

Notes:

A This Agenda is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders. As such this item on the Agenda is not put forward for voting.

1. Mdm. Yap Siok Teng and Mr. Lim Ho Kin whom are due for retirement in accordance with Article 83 of the Constitution of the Company and being eligible to be re-elected, do not wish to seek for re-election.

2. For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 14 July 2020. Only a depositor whose name appears on the Record of Depositors as at 14 July 2020 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.

3. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy. A proxy may but need not be a member of the Company.

4. Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. A member who is an exempt authorized nominee is entitled to appoint multiple proxies for each omnibus account it holds.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.

7. The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

8. **Explanatory Notes:**

Ordinary Resolution 1 on Directors' Fees and Benefits

Section 230(1) of the Companies Act 2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the 35th Annual General Meeting on the Directors' fees and benefits for 2019.

The proposed Directors' benefits payable comprises of travelling, meeting allowance and other benefits such as directors' and officers' liability insurance.

Ordinary Resolution 5 on Retention of Independent Director

The Board of Directors has vide the Nomination Committee conducted an assessment of independence of Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff who has served as Independent Non-Executive Director for a cumulative term of more than nine (9) years and recommended him to continue to act as Independent Non-Executive Director based on the following justifications:

Justifications: -

(a) He has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Securities and is therefore able to give independent opinion to the Board;

(b) Being Director for more than nine years has enabled him to contribute positively during deliberations/discussions at meetings as he is familiar with the operations of the Company and possess tremendous insight and knowledge of the Company's operations;

(c) He has contributed sufficient time and exercised due diligence during his tenure as Independent Director;

(d) He has discharged his professional duty in good faith and also in the best interest of the Company and shareholders;

(e) He has vigilantly safeguarded the interests of the minority shareholders of the Company;

(f) He has the calibre, qualifications, experience and personal qualities to challenge management in an effective and constructive manner;

(g) He has never compromised on his independent judgement;

(h) He has provided objective views on the performance of the Executive Director and Management in meeting the agreed goals and objectives; and

(i) He has ensured that there were effective checks and balances in Board proceedings.

Ordinary Resolution 6 pursuant to Sections 75 and 76 of Companies Act 2016 ("the Act")

The proposed Ordinary Resolution 6 seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 75 and 76 of the Act. Bursa Securities had vide its letter dated 16 April 2020, allowed a listed corporation to seek higher general mandate under paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities from the existing 10% to not more than 20% of the total number of issued share capital of the Company ("20% General Mandate") for such purposes as the Directors of the Company consider would be in the interest of the Company.

This 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

This 20% General Mandate, if passed, will provide flexibility for the Company and empower the Board to allot and issue new shares speedily in the Company up to an amount not exceeding in total 20% of the total number of issued shares of the Company to meet its funding requirements for working capital, operational expenditure and for the purpose of the strategic development of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued under the provision of the general mandate granted to the Directors at the Thirty-Fourth Annual General Meeting held on 21 May 2019, which will lapse at the conclusion of the Thirty-Fifth Annual General Meeting. Hence, no proceeds were raised therefrom.

Ordinary Resolution 7 on Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

This resolution is primarily to give flexibility to the Board of Directors to enter into recurrent related party transactions of revenue or trading nature with the Directors/Major Shareholders or persons connected with the Directors/Major Shareholders ("Renewal RRPT Mandate").

Further information of Renewal RRPT Mandate is contained in the Circular to Shareholders dated 30 June 2020.

NOTICE OF ANNUAL GENERAL MEETING (continued)

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election at this Annual General Meeting can be found on pages 9 and 10 of Profile of the Board of Directors in the Company's Annual Report 2019.

Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff and Lim Pang Kiam, both directors are retiring in accordance with Articles 83 and 90 respectively of the Constitution of the Company and eligible for re-election at the forthcoming 35th AGM.

Both Mdm. Yap Siok Teng and Mr. Lim Ho Kin who have served the Board for more than 10 years shall retire at the conclusion of the 35th AGM.

ANALYSIS OF SHAREHOLDINGS

AS AT 15 JUNE 2020

Number of Shares Issued	:	96,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote Per Ordinary Share
No. of shareholders	:	1,139

DISTRIBUTION OF SHAREHOLDINGS AS AT 15 JUNE 2020

Category	No. of Shareholders	No. of Shares	Percentage (%)
Less than 100	5	100	0.00%
100 - 1,000	173	84,300	0.09%
1,001 - 10,000	491	3,267,900	3.40%
10,001 - 100,000	404	14,512,200	15.12%
100,001 - less than 5% of issued shares	64	24,674,300	25.70%
5% and above of issued shares	2	53,461,200	55.69%
Total	**1,139**	**96,000,000**	**100.00%**

LIST OF SUBSTANTIAL SHAREHOLDINGS AS AT 15 JUNE 2020

No.	Names	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Koh Seng Kar @ Koh Hai Sew (Demised on 23 March 2019)	36,960,000	38.50	-	-
2.	Koh Seng Lee	16,501,200	17.19	-	-

DIRECTORS' INTERESTS IN SHARES AS AT 15 JUNE 2020

No.	Names	Direct No. of Shares	%	Indirect No. of Shares	%
1.	Koh Seng Kar @ Koh Hai Sew (Demised on 23 March 2019)	36,960,000	38.50	-	-
2.	Koh Seng Lee	16,501,200	17.19	-	-
3.	Tsen Ket Shung @ Kon Shung	364,400	0.38	-	-
4.	Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff	100,000	0.10	-	-
5.	Lim Ho Kin	60,000	0.06	-	-
6.	Yap Siok Teng	50,000	0.05	-	-
7.	Lim Pang Kiam (Appointed on 01/01/2020)	-	-	-	-

ANALYSIS OF SHAREHOLDINGS (continued)
AS AT 15 JUNE 2020

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 15 JUNE 2020

No.	Names	No. of Shares held	Percentage (%)
1.	KOH SENG KAR @ KOH HAI SEW (Demised on 23 March 2019)	36,960,000	38.50
2.	KOH SENG LEE	16,501,200	17.19
3.	NI HSIN RESOURCES BERHAD	2,253,000	2.35
4.	YAP POH LEAN	1,173,700	1.22
5.	M & A NOMINEE (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN CHOON HWA	1,154,000	1.20
6.	CITIGROUP NOMINEES (ASING) SDN BHD - EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	1,021,800	1.06
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHING HONG TAT	1,019,400	1.06
8.	BALAKRISNEN A/L SUBBAN	1,000,000	1.04
9.	GUO YONGJIN	836,700	0.87
10.	CHAN KEE SENG	800,000	0.83
11.	BONG HON LIONG	750,000	0.78
12.	LIM BOON TICK	721,000	0.75
13.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TEO KER-WEI (MARGIN)	710,000	0.74
14.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR YOONG SIN KUEN (MY1568)	633,600	0.66
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SOO YOKE MUN (7003846)	582,000	0.61
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM JIAN HOO	569,000	0.59
17.	WONG SOOK LAI	550,000	0.57
18.	WANG TSUN SIANG	503,000	0.52

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 15 JUNE 2020

No.	Names	No. of Shares held	Percentage (%)
19.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD - MAYBANK KIM ENG SECURITIES PTE LTD FOR LOW KOK TIONG	500,000	0.52
20.	LIM KIM SUAN	418,000	0.44
21.	LIFE ENTERPRISE SDN BHD	408,300	0.43
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN CHOON TEE (E-BMM)	400,000	0.42
23.	TAN KAR PIN	374,600	0.39
24.	TSEN KET SHUNG @ KON SHUNG	364,400	0.38
25.	TONG FONG REALTY SDN. BERHAD	328,900	0.34
26.	INNOSIN SDN. BHD.	328,000	0.34
27.	SOPHIE LEE	300,000	0.31
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAILAMI A/P PALANIANDY	300,000	0.31
29.	FONG NYOK YOON	293,000	0.31
30.	AZAM DEVELOPER & CONSTRUCTION SDN BHD	260,000	0.27
	TOTAL	72,013,600	75.01

K. SENG SENG CORPORATION BERHAD
(Registration No. 198501000983 (133427 W))
(Incorporated in Malaysia)

No. of Ordinary Shares Held

FORM OF PROXY

(Before completing this form please refer to the notes below)

I/We ______________________________________ I.C No./Co. No./CDS No.: ______________________________
(Full name in block letters)
of ____
(Full address)
with email address ______________________________ mobile phone no. ________________________________
being a member/members of **K. SENG SENG CORPORATION BERHAD** hereby appoint the following person(s):-

Name of Proxy, NRIC No. & Address	**No. of shares to be represented by proxy**
1. ______________________________	______________
2. ______________________________	______________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at Hang Tuah Room, Level 3, Philea Mines Beach Resort City, Jalan Dulang, Mines Resort City, 43300 Seri Kembangan, Selangor on Wednesday, 22 July 2020 at 10.00 a.m.. My/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS RELATING TO: -		**FIRST PROXY**		**SECOND PROXY**	
		For	**Against**	**For**	**Against**
ORDINARY RESOLUTION					
1.	Approval of payment of Directors' Fees and benefits totalling RM189,600 for the financial year ended 31 December 2019.				
2.	Re-election of Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff as a Director retiring under the Constitution of the Company.				
3.	Re-election of Lim Pang Kiam as a Director retiring under the Constitution of the Company.				
4.	Re-appointment of Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.				
	SPECIAL BUSINESS				
5.	Retention of Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff as an Independent Non-Executive Director.				
6.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.				
7.	Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.				

(Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion). The first named proxy shall be entitled to vote on a show of hands on my/our behalf.

Dated this ___ day of ______ 2020

……………………………………………………
Signature of Shareholder(s)/Common Seal

Notes: -

1. For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 14 July 2020. Only a depositor whose name appears on the Record of Depositors as at 14 July 2020 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy. A proxy may but need not be a member of the Company.

3. Where a member is an authorised nominee as defined under the Security Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. A member who is an exempt authorized nominee is entitled to appoint multiple proxies for each omnibus account it holds.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.

6. The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

AFFIX
STAMP

THE COMPANY SECRETARY
K. SENG SENG CORPORATION BERHAD
(Registration No. 198501000983 (133427-W))
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

REQUEST FORM FOR PRINTED COPY OF K. SENG SENG CORPORATION BERHAD ANNUAL REPORT 2019 AND CIRCULAR TO SHAREHOLDERS ON RRPT

To: K. Seng Seng Corporation Berhad
c/o Mega Corporate Services Sdn. Bhd.
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

Please find below my complete particulars for the delivery of a printed copy of KSSC Annual Report 2019:

Particulars of Shareholder

Name:

Identity Card No./Passport No./Company No.:

CDS Account No.:

Mailing Address:

Telephone No.:

Date:

Signature of Shareholder:

Name:

誠成集團
K. SENG SENG CORPORATION BERHAD
Company No.: 198501000983 (133427-W)

CONTACT INFO

Lot 3707, Jalan 7/5, Taman Industri Selesa Jaya,
43300 Balakong, Selangor, Malaysia.

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