



FARLIM GROUP (MALAYSIA) BHD

Registration No: 198201002529 (82275-A)

發林集團(馬)有限公司

Annual Report
2020





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Ninth Annual General Meeting of the Company will be conducted virtually on Meeting Platform at the Broadcast Venue located at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 June 2021 at 11.00 a.m. for the following purposes:-

Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2020 and the Reports of the Directors and the Auditors thereon.

*Please refer to
Explanatory Note A*

2. To approve the payment of Directors' Fees of RM136,800.00 and benefits totalling RM450,000.00 for the period from 1 July 2021 until the conclusion of the Fortieth Annual General Meeting,

**ORDINARY
RESOLUTION 1**
*(Please refer to
Explanatory Note B)*

3. To re-elect the following Directors who retire pursuant to Clause 106 of the Company's Constitution :-

3.1 Tan Sri Dato' Seri Lim Gait Tong

**ORDINARY
RESOLUTION 2**

3.2 Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther

**ORDINARY
RESOLUTION 3**

4. To re-appoint Baker Tilly Monteiro Heng PLT as Auditors and to authorise the Directors to fix their remuneration.

**ORDINARY
RESOLUTION 4**

Special Business

5. To consider and, if thought fit, pass with or without modifications the following resolution as an Ordinary Resolution:-

"**THAT**, subject always to the Companies Act 2016, the Constitution of the Company and approvals of the relevant governmental and/or regulatory authorities, approval be and is hereby given for the Directors to exercise, pursuant to Section 76 of the Companies Act 2016, the power to allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company and that such approval shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**ORDINARY
RESOLUTION 5**
*(Please refer to
Explanatory Note C)*

6. To consider and, if thought fit, pass with or without modifications the following resolutions as Ordinary Resolutions:-

"**THAT** Mr. Koay Say Loke Andrew who has served the Board for a cumulative term of more than nine years from 22 June 2010 to 21 June 2021 be and is hereby retained as an Independent Director of the Company until the conclusion of the next Annual General Meeting."

**ORDINARY
RESOLUTION 6**
*(Please refer to
Explanatory Note D)*

"**THAT** Encik Khairilnuar Bin Abdul Rahman who has served the Board for a cumulative term of more than nine years from 18 August 2011 to 17 June 2021 be and is hereby retained as an Independent Director of the Company until the conclusion of the next Annual General Meeting."

**ORDINARY
RESOLUTION 7**
*(Please refer to
Explanatory Note E)*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Other business

7. To transact any other business of which due notice or requisition shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

By Order of the Board

Kwong Yook Faan
(MAICSA 7031263)
(SSM PC No. 202008000927)
Company Secretary

25 May 2021

Notes:

A member shall be entitled to appoint any person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at the Meeting. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

A member may appoint one (1) proxy or more proxies in relation to the Meeting and where a member appoints more than one (1) proxy as aforesaid, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

Where a member is an exempt authorized nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.

If the member is a corporation, the proxy form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

The form of proxy or instrument appointing a proxy duly completed and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Registered Office situated at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

For the purposes of determining whether a depositor shall be regarded as a member entitled to attend, speak and vote at this Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue pursuant to Paragraph 7.16(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad a Record of Depositors as at 10 June 2021 and a depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the said Record of Depositors.

Details and instructions in addition to the above on participation at the Meeting are set out in the Administrative Guide.

Explanatory Notes:

A This item of the Agenda is meant for discussion only and is not to be put as a motion for voting as the provision of Section 340(1)(a) of the Companies Act 2016 does not require approval of the shareholders for the Audited Financial Statements.

B Ordinary Resolution 1 – Directors' Fees and benefits

Pursuant to Section 230(1) of the Companies Act 2016, 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.

The Directors' Fees of RM136,800.00 and benefits totalling RM450,000.00 to the Directors from 1 July 2021 until the conclusion of the Fortieth Annual General Meeting are arrived at basing on that approved by the shareholders at the Thirty-Eighth Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

C Ordinary Resolution 5 – Resolution pursuant to Section 76 of the Companies Act 2016

The Ordinary Resolution 5 proposed under item 5 of the agenda is a renewal of the general mandate given to the Directors of the Company by the shareholders at the Thirty-Eighth Annual General Meeting to allot shares. As at the date of this Notice, no new shares in the Company were allotted pursuant to the said general mandate which will lapse at the conclusion of the forthcoming Thirty-Ninth Annual General Meeting.

The said proposed Ordinary Resolution 5, if passed, will give the Directors of the Company, from the date of the above General Meeting, power to allot shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This approval will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.

The purpose of seeking the said general mandate is to dispense with the need from the date of this Annual General Meeting to the next Annual General Meeting to seek shareholders' approval for allotment of shares as working capital and/or otherwise as and when such need arises. Such general mandate, if given, will save the Company from any delay and cost in convening further general meetings for such purpose.

D Ordinary Resolutions 6 – Retention of Independent Director

Mr. Koay Say Loke Andrew who was appointed as Director of the Company on 22 June 2010 had on 21 June 2021 served as Independent Director for more than nine years.

The Board of Directors has accepted the recommendation by the Nomination Committee of the Company that in view of Mr. Koay Say Loke Andrew's performance as an Independent Director being satisfactory over the years basing on its annual evaluation, Mr. Koay Say Loke Andrew be retained with the following justifications as an Independent Director of the Company:-

1. Mr. Koay Say Loke Andrew displayed independent views without undue influence from others;
2. He possessed confidence and took firm stance in his expression of views on matters dealt with;
3. He is in possession of knowledge with independent views as a professional; and
4. He is the sole Member of the Board who is a lawyer and Accountant.

The proposed Resolution 6 is to seek shareholders' approval and, if passed, will enable Mr. Koay Say Loke Andrew to be retained as an Independent Director of the Company pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance.

E Ordinary Resolutions 7 – Retention of Independent Director

Encik Khairilnuar Bin Abdul Rahman who was appointed as a Director on August 18, 2011 and who will have served the Company for more than nine years on June 17, 2021 was recommended by the Nomination Committee and accepted by the Board of Directors for his retention as an Independent Director with the following justifications:-

1. Encik Khairilnuar Bin Abdul Rahman discharged his duties conscientiously as an Independent Director;
2. He is free from undue influence in expression of his views; and
3. He has wide experience in serving as an Independent Director with independent views.

The proposed Resolution 7 is to seek shareholders' approval and, if passed, will enable Encik Khairilnuar Bin Abdul Rahman to be retained as an Independent Director of the Company pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance.

ADMINISTRATIVE GUIDE FOR THE THIRTY-NINTH ANNUAL GENERAL MEETING

Meeting Platform	: https://web.lumiagm.com/
Day and Date	: Thursday, 24 June 2021
Time	: 11.00am
Broadcast Venue	: No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan
Mode of Communication	: 1. Shareholders may pose questions during live streaming at https://web.lumiagm.com/ ; 2. Shareholders may submit questions in advance on the Annual General Meeting (AGM) resolutions and Annual Report 2020 commencing from 25 May, 2021 and in any event no later than 10.30 a.m., Wednesday, 16 June 2021 via Boardroom's website at https://boardroomlimited.my using the same user ID and password provided in Step 2 below, and select "SUBMIT QUESTION" to pose questions ("Pre-AGM Questions"); 3. Email questions to kwongyf@farlim.com.my prior to the AGM.

Dear Shareholders,

As a precautionary measure amid the COVID-19 outbreak, the Company's forthcoming Thirty-Ninth AGM will be conducted virtually on the above Meeting Platform, as the safety of our members, Directors, staff and other stakeholders who will attend the AGM is of paramount importance to us.

In line with the Malaysian Code on Corporate Governance Practice 12.3, by conducting a virtual meeting, this would facilitate greater shareholder participation as it facilitates electronic voting and remote shareholders' participation.

With the Remote Participation and Electronic Voting ("**RPEV**") facilities, you may exercise your right as a member of the Company to participate remotely (including posing questions to the Board of Directors and/or Management of the Company) and vote via electronic voting at the virtual AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the virtual AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when our virtual AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the AGM is maintained. The quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

Broadcast Venue

The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the AGM.

Shareholders/proxies/corporate representatives **ARE NOT ALLOWED to be physically present** nor will they be admitted at the Broadcast Venue on the day of the AGM.

Entitlement to Participate in the Virtual AGM

In respect of deposited securities, only members whose names appear on the Record of Depositors as at **10 June 2021** shall be eligible to participate and vote at the virtual AGM or appoint proxy(ies)/corporate representatives to participate and vote on his/her/their behalf.

Lodgement of Proxy Form

1. Shareholders are encouraged to go online, participate, and vote at the AGM using RPEV facilities. Shareholders who are unable to join the virtual AGM are encouraged to appoint the Chairman of the Meeting or their proxy to vote on their behalf.
2. If you wish to attend the virtual AGM yourself, please do not submit any Proxy Form. You will not be allowed to attend the virtual AGM together with a proxy appointed by you.
3. The original Proxy Form can be deposited **at the Company's Registered Office situated at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia** or by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal, not later than 48 hours before the AGM (i.e. **latest by Tuesday, 22 June 2021 at 11.00 a.m.**) which is free and available to all individual shareholders. For further information, kindly refer to the "Electronic Lodgement of Form of Proxy" below:

ADMINISTRATIVE GUIDE FOR THE THIRTY-NINTH ANNUAL GENERAL MEETING (CONT'D)

Step 1 Register Online with Boardroom Smart Investor Online Portal (for first-time registration only)

(Note: If you have already signed up with Boardroom Smart Investor Online Portal, you are not required to register again. You may proceed to Step 2 on e-Proxy Lodgement.)

- (a) Access website <https://boardroomlimited.my>.
- (b) Click <<Login>> and click <<Register>> to sign up as a user.
- (c) Complete the registration and upload a softcopy of your MyKAD/Identification Card (front and back) or Passport in JPEG, PNG or PDF format.
- (d) Please enter a valid email address and wait for Boardroom's email verification.
- (e) Your registration will be verified and approved within one (1) business day and an email notification will be provided.


Step 2 e-Proxy Lodgement

- (a) Access website <https://boardroomlimited.my>.
- (b) Login with your User ID and Password given above.
- (c) Go to “E-PROXY LODGEMENT” and browse the Meeting List for “**FARLIM GROUP (MALAYSIA) BHD (39th) ANNUAL GENERAL MEETING**” and click “**APPLY**”.
- (d) Read the terms & conditions and confirm the Declaration.
- (e) Enter your CDS Account Number and indicate the number of securities.
- (f) Appoint your proxy(ies) or the Chairman of the AGM and enter the required particulars for your proxy(ies).
- (g) Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your votes.
- (h) Review and confirm your proxy(ies) appointment.
- (i) Click submit

Revocation of Proxy

If you have submitted your Proxy Form prior to the AGM and subsequently decide to appoint another person or wish to participate in the virtual AGM by yourself, please write to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy(ies) at least 48 hours before the AGM. On revocation, your proxy(ies) will not be allowed to participate in the virtual AGM. In such an event, you should advise your proxy(ies) accordingly.

Poll Voting (For Virtual AGM)

1. The voting will be conducted by the poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Boardroom Share Registrars Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and Tricor Business Services Sdn Bhd as Scrutineers to verify the poll results.
2. During the virtual AGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules.
3. For the purposes of the virtual AGM, the remote participation and e-Voting will be carried out via the following voting devices:
 - (a) Personal smart mobile phones;
 - (b) Tablets; or
 - (c) Laptops.
4. There are two (2) methods for members and proxies who wish to use their personal voting device to vote as follows:
 - (a) Launch Lumi Apps by scanning the QR Code provided in the email notification; or
 - (b) Using website URL <https://web.lumiagm.com>.
5. Members and proxies can login immediately after registering their attendance, but polling will only be opened after the announcement of the poll voting session open by the Chairman and until such time when the Chairman announces the closure of the poll.
6. Once voting has been opened, the polling icon  will appear with the resolutions and your voting choices.
 - To vote simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.
 - To change your vote, simply select another voting direction.
 - If you wish to cancel your vote, please press “Cancel”.

ADMINISTRATIVE GUIDE FOR THE THIRTY-NINTH ANNUAL GENERAL MEETING (CONT'D)

7. The Scrutineers will verify the poll result reports upon closing of the poll voting session by the Chairman. Scrutineers will pass the poll results to the Chairman thereafter and the Chairman will declare whether the resolution put to vote was successfully carried or not.

Remote Participation and Electronic Voting ("RPEV")

1. Please note that the RPEV facilities are available to:
 - (i) Individual member;
 - (ii) Corporate shareholder;
 - (iii) Authorised Nominee; and
 - (iv) Exempt Authorised Nominee
2. If you choose to participate in the virtual AGM, you will be able to view a live webcast of the AGM proceedings, pose questions to the Board, and submit your votes in real-time whilst the meeting is in progress.
3. Kindly follow the steps below on how to request for login ID and password.

Step 1 – Register Online with Boardroom Smart Investor Online Portal (for first-time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Online Portal, you are not required to register again. You may proceed to Step 2. Submit a request for Remote Participation user ID and password.]

- (a) Access website <https://boardroomlimited.my>.
- (b) Click <<Login>> and click <<Register>> to sign up as a user.
- (c) Complete registration and upload softcopy of MyKAD (front and back) or Passport in JPEG, PNG or PDF format.
- (d) Please enter a valid email address and wait for Boardroom's email verification.
- (e) Your registration will be verified and approved within one (1) business day and an email notification will be provided.

Step 2 – Submit Request for Remote Participation User ID and Password

[Note: The registration for remote access will be opened on 25 May 2021.]

Individual Members

- Login to <https://boardroomlimited.my> using your user ID and password above.
- Select "**VIRTUAL MEETING**" from the main menu and select the correct Corporate Event "**FARLIM GROUP (MALAYSIA) BHD (39th) ANNUAL GENERAL MEETING**".
- Read and agree to the terms & conditions.
- Enter your CDS Account and thereafter submit your request.

Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee

- Write to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
 - Please provide a copy of the Corporate Representative's MyKad (Front and Back) or Passport in JPEG, PNG or PDF format as well as his/her email address.
- (a) You will receive a notification from the Boardroom that your request has been received and is being verified.
 - (b) Upon system verification against the **General Meeting Record of Depositors as at 10 June 2021**, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
 - (c) You will also receive your remote access user ID and password along with the email from Boardroom if your registration is approved.
 - (d) Please note that the closing time to submit your request is by **Tuesday, 22 June 2021 at 11.00 a.m.** (48 hours before the AGM).

ADMINISTRATIVE GUIDE FOR THE THIRTY-NINTH ANNUAL GENERAL MEETING (CONT'D)

Step 3 – Login to Virtual Meeting Portal

[Please note that the quality of the connectivity to Virtual Meeting Portal for live webcast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

- (a) The Virtual Meeting Portal will be open for login starting one (1) hour before the commencement of the AGM at **10.00 a.m. on 24 June 2021.**
- (b) Follow the steps given to you in the email along with your remote access user ID and password to login to the Virtual Meeting Portal. (Refer to Step 2(c) above).
- (c) The steps will also guide you on how to view the live webcast, ask questions and vote.
- (d) The live webcast will end and the Messaging window will be disabled upon announcement by the Chairman on the closure of the virtual AGM.

Live Webcast, Question and Voting at the Virtual EGM

The Login User Guide for participation, posing questions and voting at the AGM, will be emailed to you together with your remote access user ID and password once your registration has been approved.

The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by shareholders which are related to the resolution to be tabled at the AGM.

[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition. All questions and messages will be presented with the full name and identity of the participant raising the question.]

- (i) If you would like to view the live webcast, select the broadcast icon.
- (ii) If you would like to ask a question during the EGM, select the messaging icon.
- (iii) Type your message within the chatbox, once completed click the send button.

Shareholders may proceed to cast votes on the proposed resolution to be tabled at the AGM, after the Chairman has opened the poll voting session on the resolution. Shareholders are reminded to cast their votes before the poll is closed.

No Recording or Photography

No recording or photography of the virtual AGM proceedings is allowed without the prior written permission of the Company.

No Distribution of Door Gifts, Food and Beverage

Shareholders/proxies who turn up at the Broadcast Venue will not be distributed with door gifts, food and beverage.

Enquiry

Please email to the Company's Poll Administrator, Boardroom Share Registrars Sdn Bhd at bsr.helpdesk@boardroomlimited.com or call the helpdesk number at 03-7890 4700 if you have queries pertaining to the RPEV prior to the virtual AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF THE THIRTY-NINTH ANNUAL GENERAL MEETING

Pursuant to Appendix 8A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Directors who retire pursuant to Clause 106 of the Company's Constitution seeking re-election at the Thirty-Ninth Annual General Meeting:-

Tan Sri Dato' Seri Lim Gait Tong
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther

Further details of the above Directors who are standing for re-election are set out on Page 16 and Page 17 of this Annual Report.

2. Details of attendance of Directors at Board Meetings held during the financial year ended 31 December 2020:-

Names of Directors	No. of Meetings	
	Held	Attended/ Meetings applicable
1. Tan Sri Dato' Seri Lim Gait Tong	6	6/6
2. Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	6	6/6
3. Mr. Lim Chu Dick	6	6/6
4. Mr. Koay Say Loke Andrew	6	6/6
5. Encik Khairilnuar Bin Abdul Rahman	6	5/6
6. Miss Adlina Hasni Binti Zainol Abidin	6	6/6

3. The venue, date and time of the Thirty-Ninth Annual General Meeting:-

No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 June 2021 at 11.00 a.m

4. The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad as set out in the relevant proposed Resolution stated in the Notice of the Thirty-Ninth Annual General Meeting of the Company. Such mandate to be sought is a renewal for issue of securities as and when the need arises. However, no issue of securities had been effected since the Thirty-Eighth Annual General Meeting and as such, no proceeds had been received.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Seri Lim Gait Tong (Chairman)
Datuk Seri Haji Mohamed Iqbal Bin
Kuppa Pitchai Rawther (Deputy Chairman)
Lim Chu Dick

Koay Say Loke Andrew
Khairilnuar Bin Abdul Rahman
Adlina Hasni Binti Zainol Abidin

AUDIT COMMITTEE

Koay Say Loke Andrew (Chairman)
Khairilnuar Bin Abdul Rahman
Adlina Hasni Binti Zainol Abidin

NOMINATION COMMITTEE

Khairilnuar Bin Abdul Rahman (Chairman)
Koay Say Loke Andrew
Adlina Hasni Binti Zainol Abidin

REMUNERATION COMMITTEE

Adlina Hasni Binti Zainol Abidin (Chairman)
Koay Say Loke Andrew
Khairilnuar Bin Abdul Rahman

RISK MANAGEMENT COMMITTEE

Koay Say Loke Andrew (Chairman)
Khairilnuar Bin Abdul Rahman
Adlina Hasni Binti Zainol Abidin
Lim Chu Dick

SECRETARY

Kwong Yook Faan (MAICSA 7031263)
(SSM PC No. 202008000927)

REGISTERED OFFICE

No. 2-8 Bangunan Farlim
Jalan PJS 10/32
Taman Sri Subang
46150 Petaling Jaya
Selangor Darul Ehsan
T: (03) 5635 5533
F: (03) 5635 0301

SHARE REGISTRARS

Boardroom Share Registrars Sdn. Bhd.
(Registration Number: 199601006647 (378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
T: (03) 7890 4700
F: (03) 7890 4670

AUDITORS

Baker Tilly Monteiro Heng PLT
(Registration Number: 201906000600)
(LLP 0019411-LCA) & AF0117
Chartered Accountants
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
T: (03) 2297 1000
F: (03) 2282 9980

PRINCIPAL BANKERS

Public Bank Berhad
RHB Bank Berhad
Bank of China (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.farlim.com.my

CORPORATE STRUCTURE

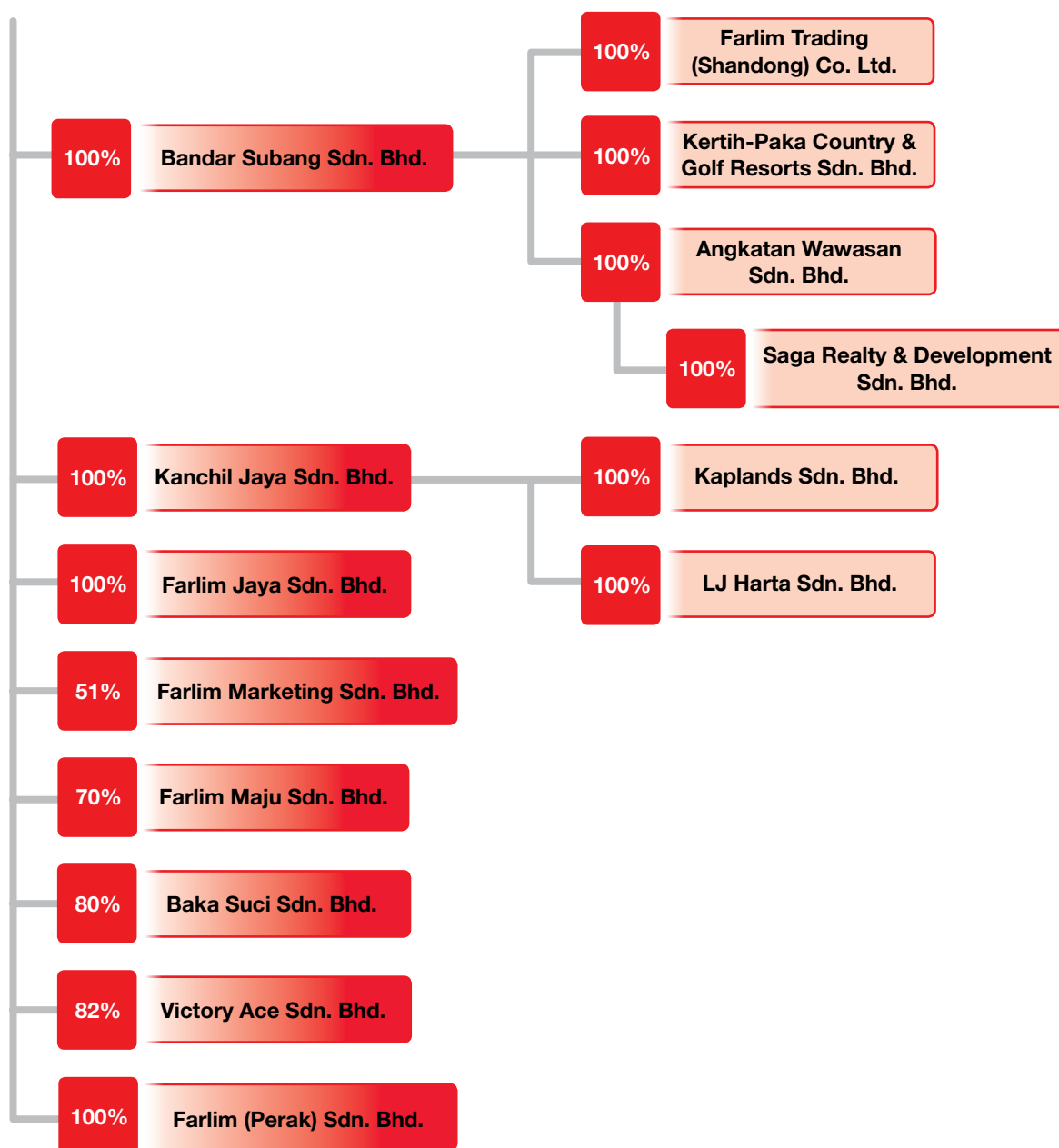
AS AT 23 APRIL 2021



FARLIM GROUP (MALAYSIA) BHD

Registration No: 198201002529 (82275-A)

發林集團(馬)有限公司



FINANCIAL HIGHLIGHTS

REVENUE

	2020	2019	2018	2017 (Restated)	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	28,240	10,838	10,133	26,554	41,894
(Loss)/Profit Before Tax	(4,987)	(6,522)	(730)	10,791	18,610
(Loss)/Profit After Tax	(5,032)	(6,621)	(744)	7,653	13,833
Weighted Average Number of Shares In Issue ('000 shares)	153,206	166,893	168,391	168,391	168,391
Gross (Loss)/Earnings Per Share (sen)	(3.26)	(3.91)	(0.43)	6.41	11.05
Net (Loss)/Earnings After MI Per Share (sen)	(3.30)	(3.98)	(0.41)	4.65	7.44

BALANCE SHEETS

	2020	2019	2018	2017 (Restated)	2016 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000
Paid-up Capital	169,042	169,042	169,042	169,042	140,326
Shareholders' Funds	155,401	161,531	171,189	171,877	166,870
Net Tangible Assets	152,431	158,561	168,219	168,907	163,900
Net Tangible Assets Per Share (RM)	1.00	1.01	1.00	1.00	0.97
Net Assets Per Share (RM)	1.02	1.03	1.02	1.02	0.99

BOARD OF DIRECTORS



**TAN SRI DATO' SERI
LIM GAIT TONG**
(Chairman)



**DATUK SERI HAJI MOHAMED IQBAL
BIN KUPPA PITCHAI RAWTHER**
(Deputy Chairman)



MR. LIM CHU DICK



MR. KOAY SAY LOKE ANDREW



**ENCIK KHAIRILANUAR
BIN ABDUL RAHMAN**



**MISS ADLINA HASNI
BINTI ZAINOL ABIDIN**

EXECUTIVE COMMITTEE



**DATUK SERI HAJI
MOHAMED IQBAL
BIN KUPPA PITCHAI RAWTHER**



**TAN SRI DATO' SERI
LIM GAIT TONG**
(Chairman)



MR. LIM CHU DICK

AUDIT COMMITTEE



**ENCIK KHAIRILANUAR
BIN ABDUL RAHMAN**



MR. KOAY SAY LOKE ANDREW
(Chairman)



**MISS ADLINA HASNI
BINTI ZAINOL ABIDIN**

MANAGEMENT COMMITTEE



MADAM OOI POH TIN
(Chairman)



MR. CHENG CHEANG TECK



MR. LIM HOCK ENG



MR. KWONG YOOK FAAN

PROFILE OF DIRECTORS



TAN SRI DATO' SERI LIM GAIT TONG

Aged 78, Malaysian, Male

*Executive and Non-Independent,
Also as Chief Executive and a person of the Key Senior Management*

which were then among the biggest private sector efforts in Penang.

Thereafter, from 1969 to 1975, he completed the Taman Evergreen and Taman Goodwood projects in Old Klang Road, Kuala Lumpur. He was instrumental to the development of Taman Cheras Utama project in Cheras, Kuala Lumpur and Taman KKB Utama project in Kuala Kubu Bharu through an affiliated company, Perumahan Farlim Sdn Bhd. He initiated the development of Bandar Baru Ayer Itam, which is the biggest private sector development in Penang. In recognition of his achievement in the construction/property sectors and contribution to the society, he was conferred the Grand Fellowship Award by the British Graduates Association Malaysia. Currently, he is the Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd.

He joined Farlim Group (Malaysia) Bhd. as a first Director on 12 March 1982. He is the Chairman of the Executive Committee comprising Members of the Board. He holds 12,000 shares and has deemed interest in 72,685,480 shares through Farlim Holding Sdn. Bhd., the holding company, in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. except the following:--

- | | | |
|--------------------------|---|---------------|
| 1. Baka Suci Sdn. Bhd. | - | 10,002 shares |
| 2. Victory Ace Sdn. Bhd. | - | 2 shares |

He does not hold any Directorship in other public companies.

He is the father of Mr. Lim Chu Dick, Executive Director of Farlim Group (Malaysia) Bhd. and Director and Shareholder of its holding company Farlim Holding Sdn. Bhd., spouse of Puan Sri Datin Seri Chin Chew Lin, Director and Shareholder of the said holding company and father of Miss Judy Lim Chu Dee and father-in-law of Mr. Wong Hon Weng, Director and Executive Director respectively of the said holding company. Save as above, he has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2020. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year. He attended all of the six Board Meetings held during the financial year ended 31 December 2020. He is not among the Independent Directors who make up one-third of the total number of Directors.

He started his business career as a contractor with his father's construction business at the age of 15 and subsequently commenced his own construction company, Lim Gait Tong Construction, as a sole proprietorship in 1959. In 1962, he was awarded the Society Anonyme Des Etains De Kinta ("SEK") Mining Relocation Contract for 200 units of houses, the Kampar railway station and the Kampar market. In 1964, following a massive landslide, he rebuilt a sizable portion of the Ringlelet and Brinchang townships in Cameron Highlands. In the same year, he obtained his JKR Class C Status which permitted him to tender for jobs throughout the Federation.

From 1964 to 1968, he undertook various projects under Lim Gait Tong Construction and his family's development company. He was involved extensively in meeting the construction requirements of Island and Peninsular Group of Companies in Penang. He was the main contractor for the Island Park and Jesselton Heights housing projects,

PROFILE OF DIRECTORS (CONT'D)

DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER

Aged 77, Malaysian, Male

Executive and Non-Independent

He obtained a Certificate in Education from the University of Birmingham in 1964. Subsequently, he obtained his Bachelor of Economics Degree (Honours) and a Masters Degree in Business Administration in 1971 and 1973 respectively, both from the University of Malaya. He then furthered his studies and obtained the International Management Teacher's Programme certificate from the joint programme organised by the Harvard Graduate School of Business Administration and the Centre D'Enseignement Superior Des Affairs, Paris, France in 1978.

Currently, he is a Fellow of the Chartered Institute of Bankers, London, and a Fellow Executive of the Malaysian Institute of Management.

He started his career with the Ministry of Education from 1965 to 1969. During this period, he also served as the National Education Officer of the National Union of Teaching Professionals. In 1971, he joined Malaysian International Merchant Bank Berhad as Corporate Finance Officer during which he pioneered leasing and produced a research volume on "Leasing in Malaysia" before leaving in 1974. In 1974 when the University of Malaya implemented the policy of using Bahasa Malaysia for tertiary education, he responded to a call from the University and joined the Faculty of Economics and Administration as a lecturer. Among his many achievements include being awarded the Sir Frederick Gallahan Memorial Award by the Australian-Malaysian Association of Australia in 1976 in recognition of his entrepreneurial management in Malaysia. Also, a team led by him to promote entrepreneurial management in Malaysia won the Malaysian Young Managers Competition in 1997 and subsequently, the Asian Young Managers Competition in the same year. When Bank Negara Malaysia set up the Institute of Bankers in 1979, he took up the appointment as Executive Director. He relinquished the position in 1985 and has since been involved in the private sector, including his current commitments to Farlim Group (Malaysia) Bhd. He also served on the Council of the Malaysian Institute of Management ("MIM") from 1984 to 1991 and concurrently held the positions of MIM's Vice-Chairman and Chairman of its Management Committee from 1989 to 1991. He has also served as an Adviser to the Peace and Happiness through Prosperity Institute in Japan from 1984 to 1990 and Japan's Foundation for Asian Management Development from 1989 to 1992. Currently, he is the Deputy Chairman and Group Executive Director of Farlim Group (Malaysia) Bhd.

He joined Farlim Group (Malaysia) Bhd. as a Director on 4 May 1982. He sits on the Executive Committee comprising Members of the Board and is the Chairman of Employees' Share Option Scheme Committee of the Company. He holds 12,000 shares in Farlim Group

(Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholder of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2020. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all of the six Board Meetings held during the financial year ended 31 December 2020. He is not among the Independent Directors who make up one-third of the total number of Directors.



PROFILE OF DIRECTORS (CONT'D)



LIM CHU DICK

Aged 37, Malaysian, Male

Executive and Non-Independent

Executive Committee, Risk Management Committee and Employees' Share Option Scheme Committee of the Company. He does not hold any Directorship in other public companies. He has deemed interest in 72,685,480 shares through Farlim Holding Sdn. Bhd., the holding company, in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. except Farlim Marketing Sdn. Bhd. with 245,000 shares.

He represented Malaysia as a panelist at the 1st "Young Observers Roundtable discussion" at the BOAO FORUM FOR ASIA 2014.

He is the son of Tan Sri Dato' Seri Lim Gait Tong, Chairman, Chief Executive and Managing Director of Farlim Group (Malaysia) Bhd. who is also Director and Shareholder of its holding company Farlim Holding Sdn. Bhd., son of Puan Sri Datin Seri Chin Chew Lin, Director and Shareholder of Farlim Holding Sdn. Bhd. and brother of Miss Judy Lim Chu Dee and brother-in-law of Mr. Wong Hon Weng, Director and Executive Director respectively of Farlim Holding Sdn. Bhd. Save as above, he has no family relationship with Directors and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2020. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all of the six Board Meetings held during the financial year ended 31 December 2020. He is not among the Independent Directors who make up one-third of the total number of Directors.

He was appointed as a Director of Saga Realty & Development Sdn Bhd, an indirect subsidiary of Farlim Group (Malaysia) Bhd. on 29 September 2009 and as an assistant to the Chairman & Chief Executive of Farlim Group (Malaysia) Bhd.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 22 June 2010. He sits on the

PROFILE OF DIRECTORS (CONT'D)

KOAY SAY LOKE ANDREW

Aged 55, Malaysian, Male

Non-Executive and Independent

He is an advocate and solicitor by profession. He graduated from Monash University, Australia with a Bachelor of Economics Degree, majoring in Accounting and a Bachelor of Law Degree in 1987.

He subsequently obtained a Master in Law Degree from Monash University in 1994. Upon obtaining his Bachelor Degree, he worked with an accounting firm, Nelson Parkhill BDO in Australia and became an Associate Member of the Institute of Chartered Accountants, Australia in 1991.

He advanced to become a Fellow Member of the Institute of Chartered Accountants, Australia in 2002. He was enrolled as a Barrister and Solicitor of the Supreme Court of Victoria, Australia and the Federal Court of Australia in 1988 and has been a member of the Law Institute of Victoria, Australia since 1991.

Upon his return to Malaysia, he was enrolled as an Advocate and Solicitor of the High Court of Malaya in 1995. He is now practising as a partner of Koay & Co. in Penang.

He was appointed as a Director of Penang Commercial & Industrial Development Berhad, a public company, on 16 August 2000. He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 22 June 2010. He is the Chairman of Audit Committee and Risk Management Committee. He sits on the Nomination Committee of Directors, Remuneration Committee of Directors and Employees' Share Option Scheme Committee of the Company. He holds 2,400 shares in Farlim Group (Malaysia) Bhd. He does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. He does not hold any Directorship in other public companies. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement

on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2020. He has no convictions for offences within the five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He attended all of the six Board Meetings held during the financial year ended 31 December 2020. He is among the Independent Directors who make up one-third of the total number of Directors.



PROFILE OF DIRECTORS (CONT'D)



KHAIRILANUAR BIN ABDUL RAHMAN

Aged 55, Malaysian, Male

Non-Executive and Independent

He has been an Independent and Non-Executive Director of Muar Ban Lee Group Berhad since 30 June 2009 and an Independent and Non-Executive Director and Audit Committee Member of Unimech Group Berhad since 1 October 2013.

He served as an Independent and Non-Executive Director of UDS Capital Bhd from 30 November 2003 to 16 February 2009. He also served as an Independent and Non-Executive Director of Denko Industrial Corp. Bhd. from 11 June 2004 to 1 October 2005.

He was a Committee Member of UMNO Youth, Kepala Batas Division since 2001 to 2008.

He was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 18 August 2011. He is the Chairman of Nomination Committee of Directors. He sits on the Audit Committee, Remuneration Committee of Directors, Risk Management Committee and Employees' Share Option Scheme Committee of the Company. He does not hold any shares in Farlim Group (Malaysia) Bhd. and its subsidiaries. He does not hold any Directorship in other public companies other than that disclosed above. He does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

He does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2020. He has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He graduated from the Institute of Technology Mara in 1988. He started his career by managing a petrol kiosk from 1989 to 1993.

He has been an Executive Chairman of Infinity Prospect Sdn Bhd since 1993 and was also an Independent and Non-Executive Director of Pensonic Holdings Berhad from February 2002 to 19 September 2011.

He attended five out of the six Board Meetings held during the financial year ended 31 December 2020. He is among the Independent Directors who make up one-third of the total number of Directors.

PROFILE OF DIRECTORS (CONT'D)

ADLINA HASNI BINTI ZAINOL ABIDIN

Aged 55, Malaysian, Female

Non-Executive and Independent

She is an Advocate and Solicitor. She obtained her Bachelor of Science in Business Administration degree in 1987 from the University of Denver, Colorado, United States of America. She started her career as a Corporate Banking Officer in 1988 with Ban Hin Lee Bank, (now known as CIMB Bank Berhad), Penang. Thereafter, in 1991 she pursued her law degree at the University of Wales, Aberystwyth, United Kingdom and obtained her LLB (Hons) in 1993. She was subsequently admitted as a Barrister-at-Law of the Honourable Society of Gray's Inn, London in 1994.

Upon being admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1995, she served as a Legal Assistant with Messrs Chin Eng & Co. She has been a Partner with the legal firm of Messrs Chin Eng Adlina since 1997 until present. She is currently registered with the Malaysia Mediation Centre as one of the Panel of Mediators.

She is also a member of the Institute of Corporate Directors Malaysia which is a professional institution dedicated to enhancing the professionalism and effectiveness of corporate directors in Malaysia.

She was appointed to the Board of Directors of Farlim Group (Malaysia) Bhd. on 23 April 2015. She is the Chairman of Remuneration Committee of Directors. She sits on the Audit Committee, Nomination Committee of Directors, Risk Management Committee and Employees' Share Option Scheme Committee of the Company. She holds 38,000 shares in Farlim Group (Malaysia) Bhd. She does not hold any shares in the subsidiaries of Farlim Group (Malaysia) Bhd. She does not hold any Directorship in other public companies. She does not have any family relationship with any Director and major/substantial shareholders of Farlim Group (Malaysia) Bhd.

She is also a member of the Institute of Corporate Directors Malaysia which is a professional institution dedicated to enhancing the professionalism and effectiveness of corporate directors in Malaysia.

She does not have any conflict of interest with the Company other than that, if any, set out in the Statement on Additional Compliance Information and/or the Financial Statements for the year ended 31 December 2020. She has no convictions for offences within the past five years other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She attended all of the six Board Meetings held during the financial year ended 31 December 2020. She is among the Independent Directors who make up one-third of the total number of Directors.



CHAIRMAN'S STATEMENT



“

I am pleased to present, on behalf of the Board of Directors, the Annual Report and Financial Statements of Farlim Group (Malaysia) Bhd. and its group of companies for the financial year ended 31 December 2020.

”

CHAIRMAN'S STATEMENT (CONT'D)

The global economy in the year 2020 was in a state of depression. The outbreak of Covid-19 pandemic had brought about catastrophic impact on mankind. Tens of millions of people were infected with Covid-19 and millions of lives were lost across the continents. Total lockdown was imposed not only in the affected areas within the countries but also internationally via restrictions on inter-country travel. Economic activities were brought to a halt as a result of the lockdowns to curb the spread of the contagious disease. Global economy had contracted substantially in the year 2020.

Malaysia was not spared from the adverse effect brought by the Covid-19 pandemic. The introduction of various Movement Control Orders by the government greatly impacted negatively business activities in the country. Numerous business entities which were unable to maintain sustainability during this difficult period had closed down. The government in an effort to assist entrepreneurs in keeping them afloat had formulated various economic measures for implementation apart from offering financial aid. Certain industries, however, such as glove and sanitization product manufacturers managed to weather this economic storm and achieve asset value enhancement amidst the overall adversity of domestic economic environment. The contraction of Malaysian GDP of 5.6% in 2020 was unprecedented.

FINANCIAL PERFORMANCE

In the year under review, the Group registered a loss before tax of RM5 million against the loss before tax of RM6.5 million for the previous year. The turnover for the year 2020 was RM28.2 million against RM10.8 million in the financial year ended 31 December 2019.

DIVIDEND

The Board of Directors does not recommend payment of any dividend in respect of the financial year ended 31 December 2020.

OVERVIEW OF THE GROUP'S OPERATIONS

In the year under review, the Group had continued working towards development of affordable and quality homes in projects while providing amenities and commercial or other products to serve the community in development projects via construction of low/medium cost residential units to cater for the needs of the lower/middle income group.

The Group had in the year 2020 continued its plan to enhance its land banks and source new projects as a strategy for improvement of profitability of the Group's operations.

PROSPECTS

Notwithstanding that the Covid-19 pandemic has given rise to an adverse economic landscape in the Malaysian economy, the success of vaccine trials against Covid-19 and rollout of vaccination programmes in major economies have brought hope for a turnaround of the depressed economy in Malaysia. The safe arrival of Covid-19 vaccine and formulation of inoculation programmes by the government have generated positive sentiment in the Malaysian economic climate.

The above developments will reinforce the belief that Malaysia will be on the track towards a safe, perhaps slow, journey to economic recovery in 2021 and beyond.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to accord my appreciation to the management and staff of Farlim Group (Malaysia) Bhd. and its group of companies for their hard work and contribution to the Group in the year under review.

I wish also to express my gratitude to my fellow Directors for their commitment during the year towards achievement of our corporate objectives.

Finally, I would like, on behalf of the Group, to thank our valued shareholders, customers and business associates and the authorities for their support rendered to the Group during the year 2020.

Tan Sri Dato' Seri Lim Gait Tong
Chairman

PENYATA PENERUS

Saya, bagi pihak Lembaga Pengarah, dengan sukacita mempersembahkan Laporan Tahunan dan Penyata Kewangan untuk Farlim Group (Malaysia) Bhd. serta kumpulan syarikat-syarikat bagi tahun kewangan berakhir 31 Disember 2020.

Pada tahun 2020, ekonomi antarabangsa berada dalam keadaan merudum. Wabak pandemik Covid-19 yang melanda dunia merupakan malapetaka yang dahsyat. Berpuluh juta orang dijangkiti virus tersebut dan ramai yang kehilangan nyawa di seluruh pelusuk dunia. Sekatan menyeluruh dikenakan untuk membendung penyebaran penyakit berjangkit ini, bukan sahaja di kawasan terjejas malah di sekitar dunia menerusi pelbagai sekatan terhadap pergerakan antara negara. Justeru itu, aktiviti-aktiviti ekonomi turut terpaksa dihentikan dan ekonomi antarabangsa banyak menguncup.

Malaysia tidak terlepas daripada kesan-kesan negatif pandemik Covid-19. Pengenalan pelbagai perintah kawalan pergerakan oleh pihak kerajaan telah membawa impak negatif yang ketara terhadap aktiviti-aktiviti perniagaan. Banyak entiti perniagaan yang tidak berdaya untuk mengekalkan kelestarian pada masa yang sukar ini terpaksa tutup. Pihak kerajaan telah mengimplimentasikan pelbagai langkah ekonomi di samping menawarkan bantuan kewangan dalam usaha untuk membantu para usahawan terus bertahan. Namun demikian, industri-industri tertentu seperti pengilang sarung tangan dan produk sanitasi berupaya untuk mengharungi ribut ekonomi ini dan mencapai peningkatan nilai aset walaupun dengan persekitaran ekonomi domestik yang secara keseluruhannya lembap. Penguncupan Keluaran Dalam Negara Kasar (KDNK) sebanyak 5.6% pada 2020 tidak pernah berlaku sebelum ini.

PRESTASI KEWANGAN

Pada tahun yang ditinjau, Kumpulan merakamkan kerugian sebelum cukai sebanyak RM5 juta berbanding dengan kerugian sebelum cukai sebanyak RM6.5 juta pada tahun sebelumnya. Perolehan bagi tahun 2020 adalah RM28.2 juta berbanding dengan RM10.8 juta pada tahun kewangan berakhir 31 Disember 2019.

DIVIDEN

Lembaga Pengarah tidak mengesyorkan sebarang bayaran dividen bagi tahun kewangan berakhir 31 Disember 2020.

TINJAUAN OPERASI KUMPULAN

Semasa tahun yang ditinjau, Kumpulan telah meneruskan usaha-usaha projek pembangunan kediaman mampu-milik dan berkualiti serta menawarkan kemudahan dan komersial atau produk lain yang dapat memanfaatkan komuniti dalam projek-projek pembangunan kediaman kos rendah/serdhana untuk memenuhi keperluan golongan berpendapatan rendah/serdhana.

Pada tahun 2020, Kumpulan telah meneruskan pelan untuk menambahbaikkan sumber tanah serta memperkenalkan projek-projek baru sebagai strategi untuk menjana keuntungan bagi operasi Kumpulan.

PROSPEK-PROSPEK

Walaupun pandemik Covid-19 telah membentuk landskap ekonomi yang mencabar di Malaysia, namun kejayaan ujian vaksin dan pelancaran program-program vaksinasi di ekonomi-ekonomi utama memberikan harapan bahawa ekonomi di Malaysia akan bertambah baik. Ketibaan vaksin Covid-19 dengan selamat berserta formulasi program-program inokulasi oleh kerajaan telah menjana sentimen positif dalam suasana ekonomi negara.

Kesemua ini akan memperkukuhkan kepercayaan bahawa Malaysia bakal mengalami perjalanan yang selamat, walaupun mungkin lambat, ke arah pemulihan ekonomi pada tahun 2021 dan seterusnya.

PENGHARGAAN

Saya, bagi pihak Lembaga Pengarah, ingin mengucapkan terima kasih kepada pihak pengurusan dan kakitangan Farlim Group (Malaysia) Bhd. serta kumpulan syarikat-syarikat atas kerja keras dan sumbangan mereka pada tahun yang ditinjau.

Saya juga ingin melafazkan penghargaan kepada para Pengarah atas komitmen mereka sepanjang tahun ke arah mencapai objektif-objektif korporat.

Akhir sekali, saya, bagi pihak Kumpulan, turut berterima kasih kepada para pemegang saham, pelanggan dan rakan perniagaan serta pihak-pihak berkuasa berkenaan atas sokongan mereka pada tahun 2020.

Tan Sri Dato' Seri Lim Gait Tong
Pengerusi

主席献词

我很高兴代表董事会，提呈发林集团（马）有限公司及属下截至2020年12月31日的常年报告和财务结册。

2020年的全球经济乃处于萧条的状态。新冠病毒大流行性传染的爆发已给人类带来了灾难性的祸害。数以千万计跨洲的人受到新冠病毒的感染，而因新冠病毒丧命的人达百万计。全面封城不但在受影响国家实施，且亦以通过跨国入境禁令进行。经济活动因全面封城皆停顿，以抑制新冠病毒之传播。全球经济于2020年大幅度萎缩。

马来西亚在新冠病毒大流行性传染的爆发中，亦不能幸免受到其负面影响。政府实施各项行管令对国内经济活动起了极大的负面效应。许多在这艰难时期不能持续运作的企业已倒闭。政府为了致力协助企业生存，除了提供财务资助，亦制定和实施各种经济措施。然而，一些工业领域如手套和卫生用品制造业，在国内经济逆境环境下，却能应对这经济风暴并取得资产价值提升。马来西亚在2020年的5.6% 国民生产总值萎缩率，乃是前所未有的。

财务表现

本集团在过去一年蒙受税前亏损为五百万令吉，而前一年的税前亏损为六百五十万令吉。本集团在2020年取得两千八百二十万令吉的营业额，而截至2019年12月31日财政年度的营业额为一千零八十万令吉。

股息

董事会建议在截至2020年12月31日的财政年度不派发股息。

集团营运总观

在过去一年，本集团继续在发展项目中致

力于兴建负担得起的优质房屋，同时通过发展中低价住宅单位提供设施和商业或其他建设服务社群，以迎合中低收入人士的需求。

本集团在2020年继续推行其提升土地储备和寻觅新项目计划的策略，以提高本集团的营运盈利。

前景

虽然新冠病毒大流行性传染的爆发已对马来西亚的经济产生逆面形势，新冠病毒疫苗的研发试验成功和主要经济体疫苗接种计划的推出，已为马来西亚的经济萧条带来转机之希望。新冠病毒疫苗安全抵达马来西亚以及政府疫苗接种计划之制定和实施，已对国内的经济气候带来正面的效应。

上述的趋势，将增强我们对马来西亚将在2021年和未来纳入安全，或许是缓慢，的经济复苏轨道之信念。

鸣谢

我谨代表董事会，对发林集团（马）有限公司及其属下公司的管理层和员工在2020年勤奋工作和对集团作出贡献表示谢意。

我亦感谢公司董事在这一年里为实现本公司的目标作出承担。

最后，我代表本集团，对我们的股东，客户和商业伙伴以及有关当局在2020年对本集团的支持表示感激。

丹斯里拿督斯里林玉唐
董事主席兼总裁

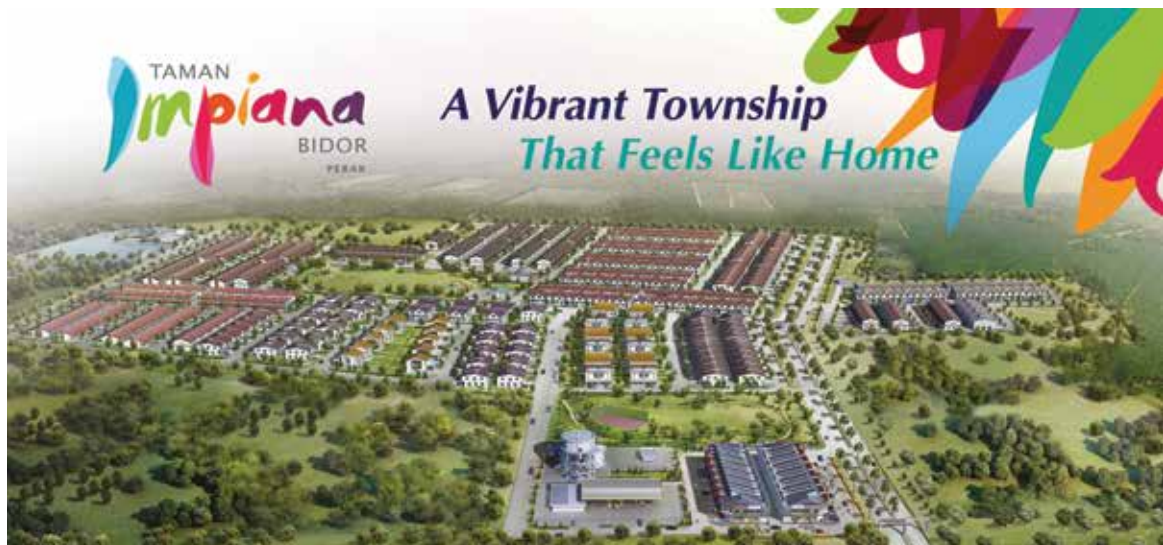
MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE

1. OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Company Profile

- The Group is principally involved in property development, investment holding, marketing and distribution of building materials. Besides the property development in Penang, our Group also have developments in Selangor and Perak.
- The main thrust of the Group's activities is the development of a new township known as Bandar Baru Ayer Itam in Penang island. The township is located in a targeted growth area, 4.8 km from Georgetown. It represents the single largest development undertaken by a private sector developer in Penang island, covering 356 acres and comprising more than 13,000 residential and commercial units. Bandar Baru Ayer Itam has been transformed into a fully integrated township which comprise of commercial centre offering various services like hypermarket, banks, pharmacies, clinics, restaurants, post office, petrol kiosk, kindergartens, police station and many others. The development in the Bandar Baru Ayer Itam township is expected to be fully completed by 2025.
- The acquisition of 92.74 acres of land in Bidor, Perak marked the Group's maiden venture into the state of Perak. We pride ourselves in our endeavor to provide quality and affordable housing to help raise home ownerships in Perak.

The Group's current township development, known as Taman Impiana Bidor, is a seven-phased mixed development project and it is a well-connected township in Bidor, Perak. The development of Taman Impiana Bidor will be a sustainable long term project for the Group.



Artist impression of Taman Impiana Bidor, Perak.

- Over the years, the Group has been conferred three awards i.e. the Prime Minister's 1990 Quality Award, the 1992 Malaysian Institute of Planners "Excellence in Urban Planning" Award and Champion for the 2011 Jabatan Kerja Raya Contractors Excellence Award.

MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

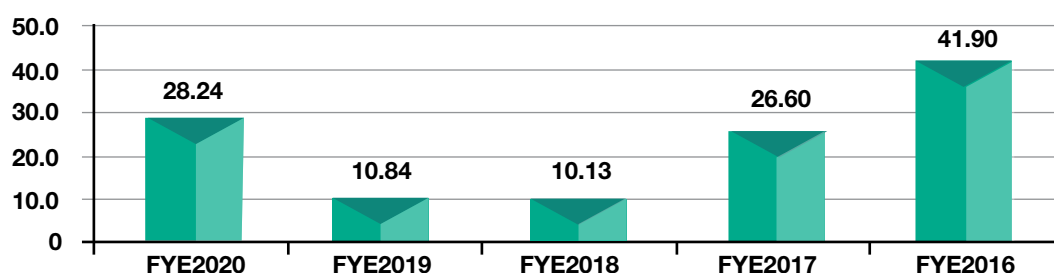
Highlights of Group Financial Information

Financial

Particulars	Year 2020	Year 2019	Year 2018	Year 2017	Year 2016
Revenue (RM'000)	28,240	10,838	10,133	26,554	41,894
(Loss)/Profit before tax (RM'000)	(4,987)	(6,522)	(730)	10,791	18,610
Finance costs (RM'000)	-	2	38	22	22
Net (loss)/profit (RM'000)	(5,032)	(6,621)	(744)	7,653	13,833
Shareholders' equity (RM'000)	155,401	161,531	171,189	171,877	166,870
Total assets (RM'000)	167,860	172,974	184,587	186,337	183,516
Borrowings (RM'000)	-	-	83	389	540
Total Liabilities (RM'000)	11,765	10,770	11,578	12,583	14,592
Debt/Equity (%)	7.57	6.67	6.76	7.32	8.74
(Loss)/Earnings per share (Sen)	(3.30)	(3.98)	(0.41)	4.65	7.44
Net assets per share (RM)	1.02	1.03	1.02	1.02	0.99
Dividend per share (Sen)	-	-	-	-	1.67

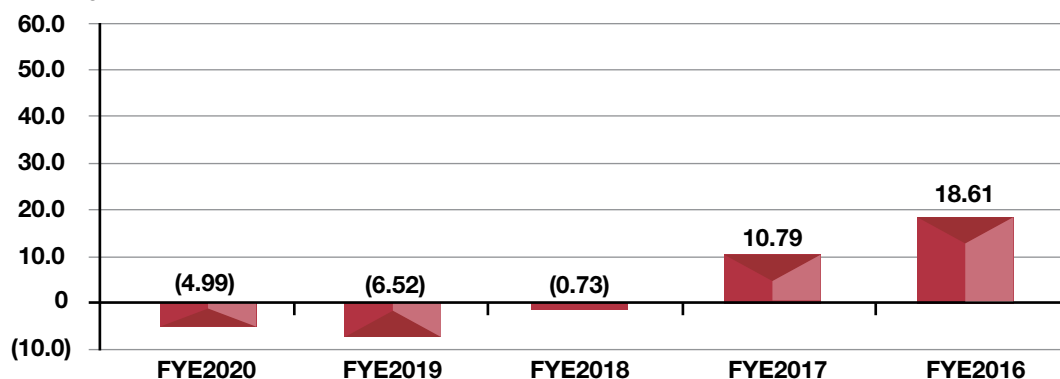
Revenue

RM 'Million



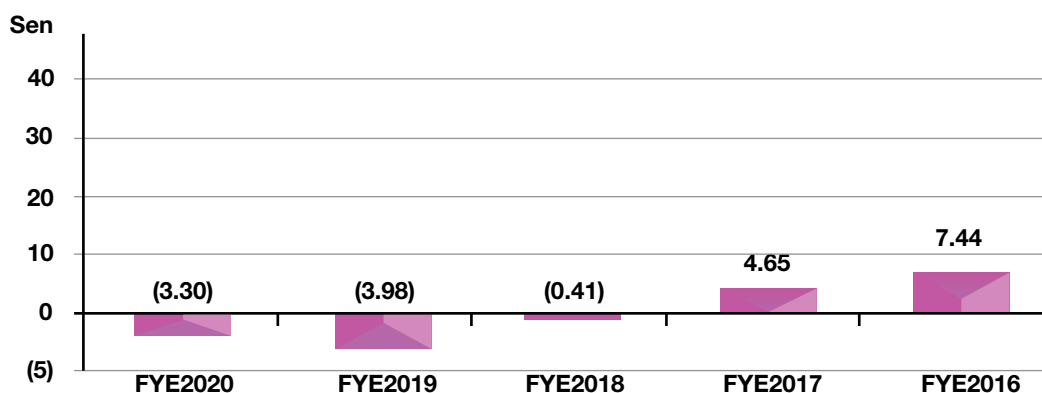
(Loss)/Profit Before Tax

RM 'Million



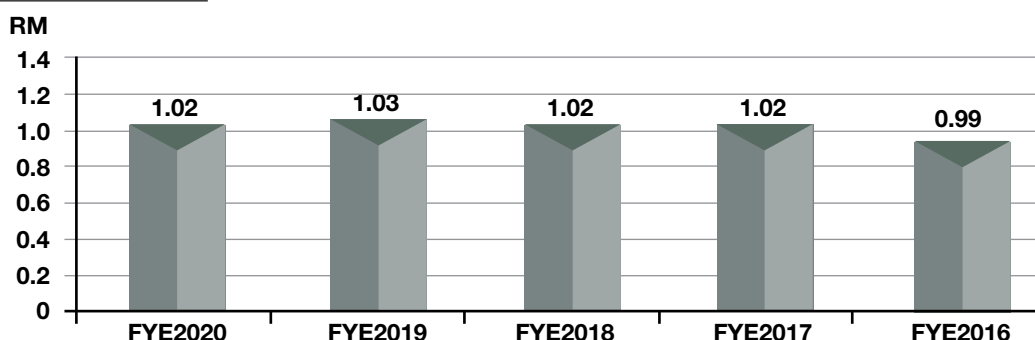
MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

(Loss)/Earnings Per Share



Loss per share for the financial year 2020 is calculated based on weighted average number of ordinary shares of 153,206,173 after taking into account treasury shares.

Net Assets Per Share



Share performance

	Year 2020	Year 2019	Year 2018	Year 2017	Year 2016
Year High (RM)	0.360	0.400	0.520	0.640	0.585
Year Low (RM)	0.165	0.320	0.340	0.475	0.460
Year close (RM)	0.295	0.335	0.375	0.500	0.510
Market capitalization (RM'000) (as at financial year end)	45,143	52,450	63,147	84,196	85,880

(Source: klse.i3investor.com)

The net assets per share and market capitalisation for the financial year 2020 is computed based on the reduced ordinary shares of 153,025,613 after deducting the 15,365,700 treasury shares of the Company.

2. REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

a) Significant changes in performance, financial position and liquidity

(i) Revenue

The Group's revenue for the financial year 2020 of RM28.240 million increased by 160.56% as compared to the revenue of RM10.838 million for the previous financial year. The increase in revenue of RM17.402 million was mainly attributable to the property segment from the sale of the Company's completed stock and completion of the Company's Phase 1 residential project in Bidor, Perak as well as the progress billings of the residential project of a subsidiary company in Bukit Cherakah, Shah Alam, Selangor.

MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

The Group's property segment contributed RM27.128 million equivalent to 96.06% of the Group's total revenue of RM28.240 million. The balance of the revenue was attributable to the trading segment from the supply of building materials to in-house contractors.

(ii) **Profit Before Tax and Expenses**

The Group's loss before taxation for financial year 2020 of RM4.987 million represented a 23.54% decrease as compared to the loss before tax of RM6.522 million for the previous financial year. In line with the increase in revenue, the decrease in loss before taxation was largely due to the sale of the Company's completed stocks which was of higher profit margin and the completion of the Company's Phase 1 residential project in Bidor, Perak.



Phase 1, Single Storey Medium Cost Terrace, Taman Impiana Bidor, Perak. (Certificate of Completion and Compliance obtained)

In view of the challenges affecting the property industry as a result of the Covid-19 pandemic, the Group has embarked on some cost cutting initiatives which resulted in the Group's operating and administrative expenses decreased by RM0.885 million to RM10.653 million during the year representing a 7.67% decrease as compared to the operating and administrative expenses of RM11.538 million in the previous financial year.

(iii) **Assets**

Investment in subsidiary

In the financial year 2020, the Company has subscribed for a total of 493,640 redeemable preference shares in a wholly owned subsidiary for a total consideration of RM493,640.

Inventories

The Group's non-current inventories of RM52.600 million was entirely attributable to the land held for development and development expenditure incurred for the development projects which are in the pipeline.

Included in the Group's current inventories of RM33.716 million were land held for development and development expenditure incurred of RM20.559 million representing 60.98% of the Group's current inventories for projects that have already commenced construction works and are planned or expected to be launched in 2021. There were also inventories of completed properties of RM11.313 million equivalent to 33.55% of the Group's current inventories.

MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

Trade Receivables

Trade receivables increased by RM2.882 million to RM5.927 million during the financial year representing a 94.00% increase as compared to trade receivables of RM3.045 million in previous financial year. This was primarily due to the year end billings for the Group's residential project in Bidor, Perak and the residential project in Bukit Cherakah, Shah Alam Selangor which had been collected in early 2021.

Other Investments

The Group's other investments decreased by RM17.485 million to RM 45.375 million during the current financial year, representing a 27.81% decrease as compared to other investments of RM62.860 million in the previous financial year. This was primarily due to the realisation of the other investments for working capital purposes.

Cash & Bank Balances

The Group's cash and bank balances decreased by RM2.594 million to RM 6.599 million in the current financial year, representing a 28.22% decrease as compared to cash and bank balances of RM9.193 million in the previous financial year. The Group's cash and bank balances comprises substantially of cash held under the Housing Development Accounts of the residential project in Bidor, Perak and the residential project in Bukit Cherakah, Shah Alam, Selangor.

The Group has always maintained sufficient cash and bank balances to cater for current and future financial commitments.

(iv) Liabilities

Trade and Other Payables

The Group's trade and other payables increased by 17.23% from RM5.513 million in the previous financial year to RM6.463 million in the current financial year. The trade and other payables mainly comprises of the construction works payable of RM3.230 million and retention sum payable of RM1.819 million for the Group's existing residential project in Bidor, Perak and the residential project in Bukit Cherakah, Shah Alam, Selangor. There were also some accrual of administrative expenses amounting to RM0.439 million for the financial year 2020.

(v) Capital Structure and Capital Resources

The Group has no borrowings as at the financial year 2020. The Group has sufficient internal working capital to maintain a sound financial position that will enable the execution of the Group's strategic objective in creating value over the coming years.

3. REVIEW OF OPERATING ACTIVITIES

Taman Impiana Bidor, Perak

- In line with the Group's vision to help Malaysians own their dream homes, the Group had delivered vacant possession to the house owners of Phase 1 of the Taman Impiana Bidor project in Perak comprising of 80 units of single storey medium cost terrace houses and 22 units double storey affordable terrace houses.
- In the financial year 2020, the Group launched Phase 2A and Phase 3A of the Taman Impiana Bidor project comprising of a total of 80 units of single storey medium cost terrace houses. With strategic marketing efforts, the Group achieved overwhelming response recording 100% sales for the Phase 2A and Phase 3A project in the financial year 2020.

MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)



Phase 2A and 3A, Single Storey Medium Cost Terrace, Taman Impiana Bidor, Perak. (Road work in progress)

- During the financial year 2020, the construction work for Phase 5A comprising of 15 units of 2-storey shophouse has been completed and application to the relevant authorities for the issuance of Certificate of Completion and Compliance is in progress.



Phase 5A, Double Storey Shophouse, Taman Impiana Bidor, Perak. (Awaiting issuance of Certificate of Completion and Compliance)

U10 Subang Impian, Shah Alam, Selangor

Located at Bukit Cherakah, Shah Alam, the low density U10 Subang Impian residential project offers a total of 20 units of 2-storey terrace houses and 12 units of 3-storey terrace houses were launched in the 3rd quarter of 2019. The U10 Subang Impian is a guarded development designed to provide residents comfortable living and modern lifestyle.

In the financial year 2020, the construction works has been completed and application to the relevant authorities for the issuance of Certificate of Completion and Compliance is in progress.



2-storey terrace houses, U10 Subang Impian, Bukit Cherakah, Selangor. (Awaiting issuance of Certificate of Completion and Compliance)

MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)



3-storey terrace houses, U10 Subang Impian, Bukit Cherakah, Selangor. (Awaiting issuance of Certificate of Completion and Compliance)

Property Developments In The Pipeline

- The Group has geared up the development of Phase 3B and 3C of the Taman Impiana Bidor project comprising a total of 99 units of single storey affordable terrace houses which are targeted to be launched in 2nd and 3rd quarter 2021 respectively. Construction works are scheduled to commence upon obtaining approval from the relevant authorities.
- Within the Group's existing Bandar Baru Air Itam (BBAI) township in Penang, there are several pockets of development land where planning permission has been obtained in 2019 for the development of landed properties which are expected to be launched in 2nd quarter 2021. Our well developed and matured township at BBAI would help to sustain the demand for landed properties.

Meanwhile, planning permission and building plan for the development of 48 units condominium in Bandar Baru Air Itam, Penang has also been obtained.

- A wholly-owned subsidiary of the Group has obtained building plan for approval to develop 23 units of double storey terrace houses in Saujana Impian, Kajang, Selangor. Barring any unforeseen economy turmoil, the project is expected to be launched in 3rd quarter 2021 and construction works are scheduled to commence upon obtaining approval from the relevant authorities.
- The Group is actively following up with the relevant authorities for the development approvals in respect of the proposed housing development on its 96.8 acres of land in Mukim Teja, Daerah Kampar, Perak.

4. ANTICIPATED OR KNOWN RISKS

Our Group anticipated that the year ahead will continue to be challenging for the local property market due to the continued softening of economic momentum resulted from the Covid-19 pandemic. As such, the Group recognized that risk management forms an important part of the Group's integral process of achieving our business objectives.

Key risks for the Group and the Group's risk management approach are provided in the Statement of Risk Management and Internal Control in this annual report.

MANAGEMENT DISCUSSION & ANALYSIS DISCLOSURE (CONT'D)

5. FORWARD LOOKING STATEMENT

The Group anticipates that business conditions will likely remain challenging in the financial year 2021 with uncertainties continuing to cloud local economy and the property sector is not spared.

For the financial year 2021, the Group pivot its focus to further address the housing needs of Malaysians and to continue developing quality and affordable houses.

Meanwhile, the Group endeavors to be cautious and be innovative in our marketing strategies to incorporate more digital marketing initiatives and virtual marketing events to enable more potential purchasers to gain access to our projects virtually.

Moving forward, the Group would continue to be prudent in our financial management as a key to ride through the financial year 2021 as sustainability would be a priority and at the same time continue to look out for potential growth and compelling land bank opportunities for future expansion.

6. DIVIDEND POLICY

No dividend was paid in the year 2020 as the Board of Directors did not recommend the payment of any dividends in respect of the financial year ended 31 December 2019. The Board of Directors does not recommend the payment of any dividends in respect of the financial year ended 31 December 2020.

The Group does not have a specific dividend payout policy. However, the Board of Directors may decide to declare dividend in the future after taking into consideration the following factors:

- the Group's financial performance for the year in which the dividend is to be paid;
- the Group's cash flow and gearing position;
- the Group's capital expenditure and other investment plans;
- restriction of payment of dividends that may be imposed on the Group by any of its financing arrangements and current and prospective debt service requirements; and
- such factors as the Board of Directors deems appropriate.

AUDIT COMMITTEE REPORT

1. THE AUDIT COMMITTEE

The Audit Committee comprises three members of the Board, all of whom are Non-Executive Independent Directors.

The members during the financial year ended 31 December 2020 and as at the date of this Annual Report are as follows:-

Mr. Koay Say Loke Andrew - *Chairman*
Non-Executive Independent Director

Encik Khairilnuar Bin Abdul Rahman
Non-Executive Independent Director

Miss Adlina Hasni Binti Zainol Abidin
Non-Executive Independent Director

The Secretary to the Audit Committee is as follows:

Mr. Kwong Yook Faan
Company Secretary

2. MEETINGS AND ATTENDANCE

The Audit Committee meets periodically to carry out its functions and duties in accordance with its terms of reference. The Audit Committee held a total of four meetings during the financial year ended 31 December 2020, with details of attendance at each meeting as follows:

Names of Committee Members	No. of Meetings	
	Held*	Attended
Mr. Koay Say Loke Andrew	4	4/4
Encik Khairilnuar Bin Abdul Rahman	4	3/4
Miss Adlina Hasni Binti Zainol Abidin	4	4/4

* On 25 February 2020, 25 June 2020, 26 August 2020 and 27 November 2020

3. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2020, the Audit Committee discharged its functions and duties accordingly. The main areas of work undertaken by the Audit Committee were as follows:-

- Reviewed the quarterly financial results of the Company and made recommendations to the Board of Directors for approval prior to release of the results to Bursa Malaysia Securities Berhad;
- Reviewed the annual audited financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval prior to presentation to the shareholders at Annual General Meeting;
- Reviewed the Internal Audit Plan for 2020-2022;
- Reviewed with the External Auditors, the Audit Plan;
- Reviewed with the External Auditors, the Audit Review Memorandum;
- Reviewed with the Internal Auditors, the Internal Audit Report;
- Reviewed the renewal of internal audit services for recommendation to the Board of Directors;

AUDIT COMMITTEE REPORT (CONT'D)

3. SUMMARY OF THE WORK OF THE AUDIT COMMITTEE (cont'd)

- (h) Assessed the suitability, objectivity and independence of External Auditors pursuant to Practice 8.3 of Malaysian Code on Corporate Governance; and
- (i) Reviewed the Audit Committee Report and such other documents required pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. SUMMARY OF THE WORK OF INTERNAL AUDIT FUNCTION

The Audit Committee was assisted by the Internal Auditors who undertook the audit and compliance functions of the Group in line with the Internal Audit Plan.

Internal Audit focused on determining whether the controls provided reasonable assurance of effective and efficient operations as to reliability and integrity of financial data and reports, and compliance with laws, regulations and contracts.

The Internal Audit Plan covered the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of compliance with the internal control systems which comprised key components of control environment, risk management and assessment process, operational control activities, information and communication systems and monitoring practices.

During the financial year, the outsourced internal audit firm IA Essential Sdn. Bhd. had conducted and reported to the Audit Committee its work carried out on the following:

- i. Subang Impiana Development (Phase 3A & 3B);
- ii. Human Resource and Information Technology General Control; and
- iii. Sales & Marketing and Progress Payment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of the Company, in provision of a summary of the corporate governance practices of the Company during the financial year ended 31 December 2020 with reference to the following three Principles pursuant to Practice Note 9 Part 1 Paragraph 3.1A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, is pleased to set out hereunder the relevant information in relation thereto:-

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

Set out hereunder are, inter alia, details of Board Policies approved by the Board for implementation.

As to the three Principles referred to above, appropriate action has been taken accordingly for adherence thereto as follows:

Principle 1 - Board leadership and effectiveness

The Board of Directors is primarily responsible for proper and good corporate governance of the Company and as such, leadership and effectiveness of the Board are critical and crucial in discharge of its duties and responsibilities in relation thereto.

1. Size, composition, gender and nomination as set out in the Board Charter of the Company

The size of the Board is stipulated in the Constitution of the Company. The size of the Board is determined based on the credential, knowledge and experience needed for effective functioning of the Board as well as the regulator's requirements on independent directors.

Appointment of the Board and Senior Management is based on objective criteria and with due regard to diversity of skills, experience, age, cultural background and gender. In identifying candidates for appointment of Directors, the Board will consider the recommendations from existing Members, Management or Major Shareholders or utilise external sources to identify suitably qualified candidates.

The Board acknowledges the importance of gender diversity in its composition. In its selection of Board members, the Board provides equal opportunity to all candidates who meet its selection criteria.

All new Directors appointed to the Board shall undertake a formal induction program coordinated by the Nomination Committee.

2. Roles and responsibilities of the Board as set out in the Board Charter of the Company

All Directors should objectively discharge their duties and responsibilities at all times in the interests of the Group and should keep abreast of their responsibilities as Directors and of the conduct, business activities and development of the Group.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group, the Board should, among others:

- promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- review, challenge and decide on Management's proposals for the Group, and monitor their implementation;
- ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- supervise and assess Management's performance to determine whether the Group's business is being properly managed;
- ensure that there is a sound framework for internal controls and risk management;
- understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

- assess and set the risk appetite within which Management should operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensure that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of the Board and Senior Management;
- ensure that the Group has in place procedures to enable effective communication with stakeholders; and
- ensure the integrity of the Group's financial and non-financial reporting.

3. Position descriptions of the Board Members as set out in the Board Charter of the Company

3.1 Chairman & Chief Executive and Deputy Chairman & Executive Director

The primary roles of the Chairman & Chief Executive and Deputy Chairman & Executive Director are:

- To provide leadership to the Board and effective communication of the Group's vision, philosophy and business strategy to stakeholders;
- To develop and recommend to the Board the long-term strategy and vision of the Group and the critical performance targets;
- To develop and recommend to the Board the annual business plans and budgets that support the Group's long-term strategy;
- Ensure that the Group has an effective Management team and structure, Management development program and succession plan;
- To set the Board meeting's agenda and ensure that Board Members receive complete and accurate information in a timely manner;
- To lead Board meetings and discussions;
- To encourage active participation of all Board Members and to allow dissenting views to be freely expressed;
- To liaise with the Company Secretary on the agenda for Board meetings;
- To manage the interface between Board and Management;
- To ensure that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board;
- To lead the Board in establishing and monitoring good corporate governance practices in the Group; and
- To chair general meetings of shareholders and serve as a focal point for stakeholders' communication and engagement on Group's performance issues.

3.2 Executive Directors

The key responsibilities of the Executive Directors are:

- To ensure that Board decisions and strategic directions are implemented and responded to;
- To provide directions to Management in the implementation of short and long-term business plans;
- To develop, maintain and recommend to the Board the risk management action plans that support the Group's long-term strategy;
- To keep Board fully informed of all important aspects of the Group's operations and to ensure that sufficient information is distributed to Board Members; and
- To ensure that day-to-day business affairs of the Group are effectively managed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

3.3 Independent Directors

The primary responsibility of Independent Directors is to ensure effective check and balance in the Board by:

- Bringing independent and objective judgement to the Board;
- Mitigating risk of any possible conflict of interest and undue influence in the Board; and
- Constructively challenging and contributing to the development of business strategy and direction of the Group.

Independent Director of the Board must fulfil the provisions and definition of Independent Director of the Listing Requirements at all times and must declare their independence to the Board annually.

When Board intends to retain its Independent Director beyond nine years, it would justify and seek shareholders' approval in the AGM. However, if the Board continues to retain its Independent Director after the twelfth year, the Board would seek shareholders' approval through a two-tier voting process in the AGM.

4. Conflict of interests as set out in the Board Charter of the Company

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflict of interests with the Group's interest.

Should there be actual, potential or perceived conflict of interests between the Group and Board Members or person connected with the Board Members such as spouse, other family members, or a related company, the interested Board Member shall make full disclosure in bona fide and act honestly in the best interests of the Group and shall not participate in deliberations and shall abstain himself/herself from casting his/her vote in any matter arising thereof.

5. Company Secretary as set out in the Board Charter of the Company

The Company Secretary plays an important role in good governance by helping the Board and its Committees function effectively and in accordance with their terms of reference and best practices.

The roles and responsibilities of the Company Secretary include, but not limited to the following:

- Manage all Board's and Board Committees' meeting logistics;
- Attend and record minutes of all Board's and Board Committees' meetings and facilitate Board communications;
- Advise the Board and Board Committees on their roles and responsibilities;
- Facilitate the orientation of new Directors and assist in Director training and development;
- Advise the Board on corporate disclosures and compliance with securities regulations, listing requirements and companies act;
- Manage processes pertaining to annual shareholder meeting;
- Monitor corporate governance developments and assist the Board in applying governance practices to meet the compliance needs and stakeholders' expectations; and
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

In order to carry out his function effectively, Company Secretary should possess the knowledge and experience covering the knowledge in company and securities law, finance, governance, company secretaryship and listing requirements and undertake continuous professional development.

6. Matters and decisions reserved for the Board as set out in the Board Charter of the Company

In order to ensure that the direction and control of the Group is within the Board's hands firmly, the following list of matters shall be reserved to the Board for decision:

- Corporate exercise;
- Business strategy and sustainability issues;
- Contracts, transaction, investment and divestment exceeding 5% of total assets;
- Performance review, remuneration, succession and appointment of Directors and key senior executives;
- Shareholders' communication and matters; and
- Board Policies and governance matters.

These matters reserved shall be communicated to all Directors, Company Secretary, Internal Auditors, External Auditors and the Senior Executives. Management shall familiarise and observe the matters reserved to the Board. Management shall not make decision within those matters and must undertake to provide adequate, timely and quality information to the Board for making its decision.

7. Meetings and minutes as set out in the Board Charter of the Company

Board meetings are held at least once in every three (3) months. The agenda for each meeting is dictated by the needs of the Board and would be communicated in the notice of meeting.

Additional Board meeting can be convened at the request of any Director by giving all Directors seven days' notice in writing. A meeting may, with the consent of all Directors, be convened with shorter notice.

All Board Members shall attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the Listing Requirements. Heads of the respective division units and relevant Management personnel may be invited to attend the Board meetings as and when the need arises. Non-Executive Directors may hold meeting in the absence of Management on a periodic basis.

Personal attendance of Board Members at meetings is preferred. But, the Board and Board Committees may hold meetings at two or more venues using technology that gives all members of the Board or the Board Committees a reasonable opportunity to participate in the meeting. On the other hand, Board may also pass its resolution by way of circular.

To facilitate robust Board discussions, the Company Secretary should ensure that Directors are provided with sufficient information and time to prepare for Board meetings. The meeting materials should be circulated at least five (5) business days in advance of the Board meeting. In case where the subject matter/agenda item is price sensitive or otherwise confidential or in a state of flux, the materials/report/papers will be presented at the meeting. All Board Members should ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

8. Access of information and resources as set out in the Board Charter of the Company

All Board Members shall have full and unrestricted access to:

- Complete, adequate and timely information of the Group;
- The resources required to perform their duties; and
- Subject to Board's approval, engage independent professional or obtain advices at the expense of the Group.

Management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by Management is insufficient, the Board may make further enquiries, to which the Management responsible shall respond accordingly.

9. Relationship between Board and Management as set out in the Board Charter of the Company

Except for matter relating to operation of Board Committees or duties of the Company Secretary, the ordinary course of communications between the Independent and Non-Executive Directors and the Senior Management should be through Chairman & Chief Executive, Deputy Chairman & Executive Director or other Executive Directors.

10. Performance appraisal as set out in the Board Charter of the Company

Regular reviews of Directors' effectiveness and performance are important for Board improvement. The Board shall review and evaluate each Director's performance, its own performance and the performance of its Committees at least once a year. When assessing its performance, the Board shall also evaluate its performance vis-à-vis the provisions in this Board Charter. The Board shall disclose how the assessment is carried out and its outcome.

All Board related performance appraised shall be administered and conducted by the Nomination Committee who shall then report back to the Board. Based on the result of appraisal, the Nomination Committee should assist the Board to undertake assessment of the training needs of each Board Member and recommend the appropriate educational/ training programmes to the respective Board Members to equip themselves with the relevant knowledge.

11. Continuing Education Program and training as set out in the Board Charter of the Company

All Board Members are expected to undertake continuing professional education to enable them to discharge their duties effectively. Members of the Audit Committee and Risk Management Committee should undertake continuous professional development in accounting and auditing standards, practices and rules.

Management, Company Secretary, Internal and External Auditors would brief the Board on changes in the legislative, regulatory or industry framework which impact the Group. However, such briefings are not a substitute for the Director trainings for seeking continuous knowledge of the changes in the market regulations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

12. Remuneration as set out in the Board Charter of the Company

The Remuneration Committee is delegated with the responsibility by the Board to recommend to the Board the remuneration packages of the Executive Directors and Non-Executive Directors and Senior Management in all its forms, drawing from outside advice as appropriate.

The Remuneration Committee shall implement the remuneration policies and procedures defined by the Board and review and recommend any matters relating to the remuneration of the Board and Senior Management to the Board.

Current status of Board composition and meetings

The Board of Directors of the Company currently comprises six members, of whom three are Executive and three Non-Executive and Independent Directors including a female.

The Board composition has taken into account adequate mix of skills, independence and diversity including diversity of gender, ethnicity and age of the Members who are well-equipped with relevant knowledge and/or experience for contribution towards achievement of objectives of the Company. The Board is headed by the Chairman who is also the Managing Director and Chief Executive. To alleviate the risk where the roles of Chairman, Managing Director and Chief Executive are combined, adequate number of Independent Directors has been maintained and maintenance of three Independent Directors exceeding one-third in number is in compliance with the requirements of Bursa Malaysia Securities Berhad in relation to one-third Independent Directors.

The Board comprises Members of strong background on the basis of, in addition to the mix referred to above, their character, integrity and time who bring value to Board deliberations.

Six Board Meetings were held during the financial year ended 31 December 2020. Details of attendance of each Director in respect of the meetings held are set out in the "Statement accompanying notice of annual general meeting" of this Annual Report. Additional Board Meetings will, as and when the need arises, be convened to consider and deliberate on issues requiring attention and/or decision of the Board. As revealed in the said Statement accompanying notice of annual general meeting, all except one of the Director had attended all Board Meetings and complied with the minimum 50% attendance requirement in respect of Board Meetings pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Education programmes for Directors

Orientation and relevant education programmes are arranged where applicable for new recruits to the Board as an integral element of the process of appointing new Directors.

Training attended by Directors

The Board views continual learning and training as an integral part of the Directors' development. The Board encourages where necessary its Directors to attend relevant seminars, workshops and conferences for update and enhancement of their skills and knowledge to enable them to carry out their roles effectively as Directors in discharging their responsibilities and duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

The Directors who attended seminars or programmes during the financial year ended 31 December 2020 and/or thereafter, and the relevant details are as follows:-

Date	Seminar/Programme	Attended By
9 March 2020	ICDM Power Talk #9 - Adequate Procedures : The Director's Response to Individual Liability	Miss Adlina Hasni Binti Zainol Abidin
21 April 2020	ICDM Power Talk #10 - The Path to the Next Normal : So What Now for Leadership?	Miss Adlina Hasni Binti Zainol Abidin
14 August 2020	ICDM Power Talk #11 - Preparing the Board for a Post-COVID World by Diana David	Miss Adlina Hasni Binti Zainol Abidin
2 November 2020	FIDE Forum Webinar : Climate Action : The Board's Leadership in Greening the Financial Sector	Miss Adlina Hasni Binti Zainol Abidin
18 November 2020	ICDM Post-Budget Power Talk - Prosperity, Recovery, Resilience	Miss Adlina Hasni Binti Zainol Abidin
18 November 2020	Webinar Series : Role of Company Secretaries and Directors In Anti-Money Laundering Compliance	Encik Khairilnuar Bin Abdul Rahman
26 November 2020	SC ESG Shariah-Compliant Screening for Securities: Industry Briefing	Miss Adlina Hasni Binti Zainol Abidin
7 December 2020	ICDM Power Talk Global Series : The Regenerative Business of the Future	Miss Adlina Hasni Binti Zainol Abidin
8 December 2020	ICDM Power Talk Global Series : Digital Leadership and Communication During Turbulent Times	Miss Adlina Hasni Binti Zainol Abidin
9 December 2020	ICDM Power Talk Global Series : The Modern Board Architecture	Miss Adlina Hasni Binti Zainol Abidin
10 December 2020	ICDM : On Board : The Insider's Guide to Surviving Life in the Boardroom	Miss Adlina Hasni Binti Zainol Abidin
11 December 2020	ICDM Power Talk Global Series : Vision 2020 - The Pandemic Digital Tipping Point and What to Expect in 2021	Miss Adlina Hasni Binti Zainol Abidin
4 February 2021	MIA Webinar Series : Section 17A, MACC (Amendment) Act 2018 and Adequate Procedures	Mr. Koay Say Loke Andrew
8 February 2021	MIA Webinar Series : Key Compliance Issues on Annual Returns, Accounts, Audit and AGM	Mr. Koay Say Loke Andrew
5 March 2021	MAICSA Webinar Series : Termination Without Violating the Law	Mr. Koay Say Loke Andrew

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

13. Board Committees as set out in the Board Charter of the Company

The Board may from time to time establish appropriate Board Committees to assist them in the discharge of their responsibilities. However, Board Committees do not make decision on behalf of the Board but to review matters under its purview and make recommendations to the Board for its consideration and decision making.

The Board shall establish the following Committees and define their respective terms of reference:

- Executive Committee;
- Audit Committee;
- Risk Management Committee;
- Nomination Committee; and
- Remuneration Committee.

The role, function, performance and membership of each Committee will be reviewed on an annual basis as part of the Board's appraisal process. The Board may require members of Committees be rotated on and off their Committees taking into account the needs of the Committees, legislative requirements, skill sets and the experience of the individual Directors.

The respective Chairmen of the Board Committees shall provide meaningful response to questions addressed to them during general meetings.

Details of existing Board Committees:

Executive Committee

The prime function of the Executive Committee is to assist the Board in, inter alia, developing strategic direction of the Group for Board's consideration, ensuring implementation of Board decisions and provision of directions to management in the implementation of short and long-term business plans.

The Executive Committee currently comprises three Members as follows:-

Tan Sri Dato' Seri Lim Gait Tong - Chairman;
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther; and
Mr. Lim Chu Dick.

The matters delegated by the Board to the Executive Committee for execution are the following:-

1. Deliberation on draft quarterly financial results and draft annual financial statements prior to submission to the Audit Committee for review and presentation to the Board of Directors for approval;
2. Review of periodic statements of profit and loss;
3. Approval of donations and social contributions;
4. Review of status of plan approval for project implementation and follow-up actions;
5. Deliberation on project work progress for adherence to schedule to ensure achievement of projections;
6. Periodic review of projections and achievements for appropriate action, if the need arises;
7. Sourcing of new land and/or projects;
8. Deliberation on the draft terms and conditions for acquisition of new land and/or projects;
9. Submission of draft sale and purchase agreements on acquisition of land and/or projects to the Board of Directors for approval and thereafter execution;
10. Deliberation on feasibility study and project economics of new projects;
11. Decision-making on projects and products to be launched and timing;
12. Approval of selling price of products for launching;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

13. Formulation of marketing strategy and plans for projects and products to be launched;
14. Review of sale status of products launched and revision, if need be, of marketing strategy;
15. Deliberation and approval of award to contractors for projects launched;
16. Deliberation on proposed construction and sales budget and review;
17. Deliberation on budgeted cashflow;
18. Discussion on estimated tax payable for the year of assessment;
19. Recommendation to the Board of Directors for approval of proposal for investments in fund with financial institutions;
20. Receiving reports from Management Committee on status update on, inter alia, project plan approval and progress at site, profit & loss, sale of products, budgeted cashflow and matters, if any, requiring decision; and
21. Such other matters not listed above requiring deliberation and decision-making delegated by the Board of Directors.

Names of Committee Members	No. of Meetings	
	Held*	Attended
Tan Sri Dato' Seri Lim Gait Tong	4	4/4
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	4	4/4
Mr. Lim Chu Dick	4	4/4

* On 18 February 2020, 19 May 2020, 19 August 2020 and 19 November 2020

Audit Committee

Details of composition, meetings and summary of work of the Audit Committee and related matters are set out separately in the Annual Report.

Risk Management Committee

The principal objective of the Committee is to assist the Board in ensuring effective functioning of the risk management framework within the Group and to provide oversight, direction and counsel to the risk management process and to advise the Board on risk related issues and recommend strategies, policies and risk tolerance for approval of the Board.

The Risk Management Committee was set-up on 25 May 2017 comprising currently four Members, three of whom are Non-Executive and Independent Directors, as follows:-

Mr. Koay Say Loke Andrew - Chairman
- Non-Executive Independent Director

Encik Khairilnuar Bin Abdul Rahman
- Non-Executive Independent Director

Miss Adlina Hasni Binti Zainol Abidin
- Non-Executive Independent Director

Mr. Lim Chu Dick
- Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

The duties, responsibilities and functions of the Risk Management Committee are as appended hereunder:-

(a) Risk Management:

1. Reviews and recommends appropriate risk management strategies, policies and risk tolerances in line with the Group's business objectives for approval of the Board;
2. Ensures the implementation of the risk management framework and reviews the adequacy and integrity thereof in identifying, assessing and managing risk and in establishing the Group's risk appetite;
3. Discusses with management on action taken to improve the risk management framework based on the risk identified in the risk management reports;
4. Reviews the adequacy of the scope, functions, competency and resources of risk management of the Group and ensures that it has the necessary authority to carry out its work;
5. Considers and evaluates other matters as deemed appropriate by the Committee and/or as authorised by the Board; and
6. All recommendations and findings of the Committee shall be submitted to the Board for approval and notation.

(b) Sustainability Reporting

1. Oversees the management of principal business risks and significant or material economic, environmental and social factors;
2. Ensures resources and processes are in place to enable the organisation to achieve its sustainability commitments and targets; and
3. Reviews statement on additional compliance information relating to management of sustainability matters of the Group in Annual Report.

The Risk Management Committee had held four meetings during the financial year ended 31 December 2020, details of attendance of which are as follows:-

Names of Committee Members	No. of Meetings	
	Held*	Attended
Mr. Koay Say Loke Andrew	4	4/4
Encik Khairilnuar Bin Abdul Rahman	4	3/4
Miss Adlina Hasni Binti Zainol Abidin	4	4/4
Mr. Lim Chu Dick	4	4/4

* On 25 February 2020, 25 June 2020, 26 August 2020 and 27 November 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

Nomination Committee

The Nomination Committee which was set-up on 18 May 2002 comprising three Members, all of whom are Non-Executive and Independent Directors, is responsible for, inter alia, carrying out review and making recommendations on appropriate and adequate mix of skills, independence and diversity including diversity of gender, ethnicity and age of the Members of the Board with the required expertise and experience as well as appropriate balance of Executive and Non-Executive Directors (including Independent Non-Executives).

The composition of the Nomination Committee as of the date of this Annual Report is as follows:

Encik Khairilnuar Bin Abdul Rahman - Chairman
- Non-Executive Independent Director

Mr. Koay Say Loke Andrew
- Non-Executive Independent Director

Miss Adlina Hasni Binti Zainol Abidin
- Non-Executive Independent Director

The Nomination Committee chaired by an Independent Director appointed on 25 August 2011 is to, inter alia,:-

- (a) recommend to the Board candidates for directorships to be filled by the shareholders or the Board;
- (b) consider candidates for directorships proposed by the Chief Executive and/or by any other senior executive or any Director or shareholder;
- (c) recommend to the Board Directors to sit on Board Committees;
- (d) assess the effectiveness of the Board and Board Committees including their size and composition, and contributions of each individual Director; and
- (e) review and recommend to the Board the required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.

The criteria to be used in the recruitment process and annual assessment of Directors, assessment and recommendation to the Board candidature of Directors, appointment of Directors to Board Committees, nomination and election process of Board Members, establishment of policy for boardroom diversity including gender diversity and measures are among the issues dealt with by the Nomination Committee as set out in the statement about its activities below:-

STATEMENT ABOUT THE ACTIVITIES OF THE NOMINATION COMMITTEE IN THE DISCHARGE OF ITS DUTIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Nomination Committee had held one meeting during the financial year ended 31 December 2020, details of attendance of which are as follows:-

Names of Committee Members	No. of Meetings	
	Held*	Attended
Encik Khairilnuar Bin Abdul Rahman	1	1/1
Mr. Koay Say Loke Andrew	1	1/1
Miss Adlina Hasni Binti Zainol Abidin	1	1/1

* On 25 February 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

The Nomination Committee of Directors had carried out its activities in discharge of its duties for the year and wishes to state, pursuant to Paragraph 15.08A(3) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following:-

How the requirements set out in Paragraph 2.20A of LR are met:

The requirements stated in the above Paragraph are that each of the Company's Directors, Chief Executive or Chief Financial Officer has the character, experience, integrity, competence and time to effectively discharge his or her role as a Director, Chief Executive or Chief Financial Officer.

All of the Directors including the Chief Executive of the Company are persons of good character, having adequate relevant experience with integrity and competence in related fields as evidenced in their respective profiles.

They have devoted their time as required to effectively discharge their roles as Directors and/or Chief Executive who had during the year attended most of the related meetings held.

Such statement pursuant to the said Paragraph 15.08A(3) must also contain the following information:-

- (a) *the policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity, diversity in ethnicity and age) required to meet the needs of the listed issuer;*

The policy of the Company on Board composition has taken into account adequate mix of the skills, independence and diversity including diversity of gender, ethnicity and age of the Members of the Board required to serve the needs of the Company.

Adequate mix of skills of Directors of the Company are reflected in their respective profiles while three out of six Directors are independent.

The requirements of diversity of gender, ethnicity and age are satisfied by composition of the Board of Directors of the Company who are of varied gender, ethnicity and age.

Additional female candidates, if they are suitable, may be considered for future appointment in line with the government policy.

- (b) *the board nomination and election process of directors and criteria used by the Nomination Committee in the selection process; and*

Nomination and election of Members of the Board shall undergo a process of identification and evaluation of the candidates concerned.

The process of nomination and election referred to above may be summarised as follows:-

1. Identification of skills and other requisite qualities required to meet the needs of Board composition;
2. Sourcing of candidates;
3. Evaluation of candidates on the basis of the criteria used by the Nomination Committee including that in relation to diversity of gender, ethnicity and age;
4. Selection of suitable candidates; and
5. Recommendation of candidates to the Board for appointment.

The criteria used by the Nomination Committee in the selection process shall be that of the needs of the Company taking into account, in particular, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to character, experience, integrity, competence and time of the candidates as well as the policy on diversity of gender, ethnicity and age referred to above.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 1 - Board leadership and effectiveness (cont'd)

- (c) *the assessment undertaken by the Nomination Committee in respect of the board, committees and individual directors together with the criteria used for such assessment.*

The assessment undertaken by the Nomination Committee is via evaluation in writing in respect of the Board, its Committees and individual Directors taking into consideration the criteria referred to above as set out in the assessment forms in relation thereto.

The assessment findings revealed that the Board, its Committees and individual Directors have met the criteria used and satisfied the requirements.

As to review of succession plans of the Board and training programmes for the Board, the matter will be dealt with by the Nomination Committee accordingly.

Remuneration Committee

The Remuneration Committee was appointed on 18 May 2002 comprising three Members, all of whom are Non-Executive and Independent Directors.

The composition of the Remuneration Committee as of the date of this Annual Report is as follows:

Miss Adlina Hasni Binti Zainol Abidin - Chairman
- Non-Executive Independent Director

Mr. Koay Say Loke Andrew
- Non-Executive Independent Director

Encik Khairilnuar Bin Abdul Rahman
- Non-Executive Independent Director

The Remuneration Committee is responsible for:-

- (a) determining and developing the remuneration policy and procedures for Executive Directors;
- (b) recommending to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice where necessary;
- (c) assisting the Board in ensuring that the remuneration of Directors which shall be aligned with the business strategy and long-term objectives of the Company reflects the responsibility, expertise and commitment of the Directors concerned and complexity of activities carried out, and determining the policy for and scope of service agreements for Executive Directors, termination payments and compensation commitments; and
- (d) recommending to the Board the seeking of services of such advisers or consultants as is necessary to fulfil its responsibilities.

Directors do not participate in decisions on their own remuneration packages.

The Remuneration Committee had not held any meeting but had dealt with matters requiring action via Circular Decision during the financial year ended 31 December 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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Principle 2 - Effective audit and risk management

To preserve and enhance the effectiveness of audit on the financial affairs and results of financial performance of the Group, the Board of Directors has taken appropriate action to enable proper evaluation of the External Auditors in the discharge of their duties.

An Audit Committee Policy has been adopted by the Company on evaluation of External Auditors as set out in the Board Policies as follows:

1. Objective

The objective of this policy is to define the considerations for assessing the suitability and independence of the Group's External Auditors.

2. Appointment Criteria for External Auditors

Before selecting the External Auditors for the Group and deciding their fees, the Audit Committee shall assess the suitability and independence of the External Auditors based on the following factors:

- i. Registration with the Audit Oversight Board;
- ii. Quality and allocation of the individuals assigned to perform the audit;
- iii. Experience in auditing financial statements of public companies and similar industry;
- iv. Past and on-going legal cases against the firms;
- v. Reprimand records, if any by authorities and their findings on the firms;
- vi. Independence and confidentiality philosophy, policies and procedures of the firms;
- vii. Present engagement with the Group for non-audit services, if any; and
- viii. Audit fee charged by the External Auditors and its impact on their independence.

3. Performance Evaluation of External Auditors

Annually, the Audit Committee shall evaluate the External Auditors' work based on their:

- i. Ability in meeting deadlines in the course of their audit;
- ii. Adequacy and appropriateness of the audit scope, planning, materiality, sampling and work methods;
- iii. Competency and communication skills of the engagement team members; and
- iv. Clarity of presentations and quality of reports produced.

4. Tenure of Service

Subject to the result of the annual evaluation conducted by the Audit Committee, the External Auditors would be recommended to the Board and included in an ordinary resolution for approval by shareholders for re-appointment. Audit partner in-charge shall be rotated at least once every five (5) years or as determined by the regulatory requirements in order to ensure the objectivity and independence of audit.

5. Appointment for Non-Audit Work

Independence of External Auditors can be impaired by provision of non-audit services to the Group. Therefore, in order to ensure the objectivity of auditing of the External Auditors, the circumstances in which the Group may use the External Auditors for non-audit services shall be evaluated by the Audit Committee before recommending any non-audit service engagements to the Board for approval.

Principally, the Group shall not engage External Auditors for provision of non-audit services that might be perceived to be materially in conflict with their role or potentially could influence their audit objective and independence. Nonetheless, when External Auditors are engaged for non-audit services, the Audit Committee must assess the extent of controls and arrangements that are put in place by the External Auditors to safeguard the integrity, objectivity and independence of the statutory audit processes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 2 - Effective audit and risk management (cont'd)

In addition, the Company is concerned over the risk which the Group may be exposed in its operations and has therefore formulated a risk management policy as set out in the Board Policies for implementation which is appended hereunder:-

Group Risk Management Policy:

1. Objective

The risk management objective of the Group is to promote greater appreciation and awareness of risks; and proactive identification and management of risks among the staff members in order to continuously strengthen the Group's risk management competency.

2. Board's Responsibilities

The primary responsibility of the Board in risk management is to assess and set the risk appetite within which Management should operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

3. Risk Appetite

Risk appetite is defined as the amount of risk that the Group is willing to accept in pursuit of its value creation process. When determining the risk appetite of the Group, the Board would consider its business priority and timing as well as the financial position and resources of the Group.

4. Risk Management Committee ("RMC")

The Board establishes a RMC to assist them in assessing and overseeing the adequacy and effectiveness of risk management framework and policies in the Group. The composition of the Risk Committee shall comprise majority of Independent Directors.

5. Management's Responsibilities

The responsibilities of Management with respect to risk management are:

- i. To implement effective risk management framework;
- ii. To monitor and manage risk in accordance with the Group's overall risk appetite;
- iii. To identify changes in material or emerging risks and promptly bring these risks to the attention of the Board;
- iv. To promote risk awareness among the employees of the Group;
- v. To educate the heads of departments and line managers of their collective assurance responsibilities to the Board;
- vi. To present and brief the Board and RMC of the Group's risk profile and register;
- vii. To assess, update and present the risk status, Management action and result of the risk profile to the Board;
- viii. To integrate risk management process to standard operating procedures and performance appraisal; and
- ix. To assure the Board and RMC that the Group's risk management and internal control systems are operating adequately and effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 2 - Effective audit and risk management (cont'd)

6. Risk Assurance

Executive Directors and key senior executives should provide assurance to the Board that risk management processes of the Group are working effectively and all key risks are being managed to an acceptable level.

In order to supplement the consideration of the Board on the assurance provided by Executive Directors and key senior executives, the Internal Auditors shall evaluate and provide its objective and independent views on the state of risk management and internal controls to the Board periodically.

7. Disclosure

The annual report and financial statements of the Group shall include such meaningful information necessary to assist shareholders' understanding of the main features of the Group's risk management processes and systems of internal control.

The Board shall, in its disclosure include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place to mitigate or manage those risks. In addition, the Board shall state if the risk management framework adopted by the Group is based on an internationally recognised risk management framework.

The Board shall also disclose whether it has conducted an annual review and periodic testing of the Group's internal control and risk management framework and the insights it has gained from the review as well as changes made to its internal control and risk management framework arising from the review.

Where information is commercially sensitive and may give rise to competitive risk, it is acceptable for the Board to disclose its risk information in general term.

Details of the risk management activities carried out by the Risk Management Committee and its duties, responsibilities and functions are set out in Principle 1 above.

Principle 3 - Integrity in corporate reporting and meaningful relationship with stakeholders

Corporate reporting integrity is another issue which deserves attention and appropriate action of the Board of Directors.

The Board has in this aspect arrived at a corporate code of conduct and ethics as set out in the Board Policies for adherence thereto including adherence in relation to corporate reporting as follows:-

Corporate Code of Conduct and Ethics:

1. Objective

The objectives of the Group's Code of Conduct and Ethics (this "Code") are:

- i. To set the tone and standards for the ethical conducts in the Group;
- ii. To communicate and provide guidance to stakeholders on the ethical behaviors and values expected from the Group and management; and
- iii. To measure and monitor management performance against the provisions in this Code.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 3 - Integrity in corporate reporting and meaningful relationship with stakeholders (cont'd)

2. Principles

We are responsible to:

- i. Our Buyers, by offering them well-built properties that preserve its long-term value;
- ii. Our Contractors, business associates and partners who adhere to the universal principles of code of ethics, to make a fair profit;
- iii. Our Employees, by creating safe, healthy and secured working environments, acknowledging their dignity and merit, and providing fair remuneration and career;
- iv. Our Communities, by embracing social equity and diversity, complying with regulatory requirements and supporting good causes and charities;
- v. Our Environment, by preserving and protecting the environment and natural resources to ensure sustainability;
- vi. Our Shareholders, by acting in their best interest without abusing our knowledge of confidential information in share trading and engaging in conflict of interest transactions; and
- vii. All Stakeholders, by not tolerating with any form of corruption and bribe, assisting in money laundering and abusing power to gain improper gains and advantage.

3. Board's Responsibilities

The Board shall ensure that the objectives of this Code are met by:

- a. Setting a role model in practicing the provisions in this Code;
- b. Committing and ensuring the implementation of appropriate internal control systems, corruption preventive framework and anti-bribery guidelines to support, promote and strengthen the awareness and compliance with this Code;
- c. Implementing whistle blowing reporting channel to facilitate communication and feedbacks;
- d. Integrating the philosophy of this Code into the Group's decision, practices and procedures; and
- e. Monitoring management performance against the principles of this Code.

4. Management's Responsibilities

Management shall:

- i. Observe and promote the principles of this Code;
- ii. Ensure that their actions and interaction with all stakeholders are consistent with the spirit of this Code; and
- iii. Communicate this Code to all staff members and stakeholders periodically and enforce this Code in the Group.

5. Reporting of Non-Observance

Stakeholder who knows of or suspects a violation of this Code is encouraged to report the incident to farlim@whistleblower.com.my or post to PO Box #911, L2- 08, Level 2, Cheras Leisure Mall, Jalan Manis 6, Taman Segar, 56100 Kuala Lumpur in accordance to the Group whistleblowing policy and procedure.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 3 - Integrity in corporate reporting and meaningful relationship with stakeholders (cont'd)

6. Publication of Corporate Code of Conducts and Ethics

This Corporate Code of Conduct and Ethics is approved by the Board for publication on the Group's corporate website.

As to engagement and communication with stakeholders, it involves a vital relationship which the Board of Directors would wish to be meaningful.

The Board of Directors has included in its Board Charter as a policy the relevant matter as set out hereunder for implementation.

Communication with Stakeholders :

Ongoing engagement and communication with stakeholders build trust and understanding between the Group and its stakeholders. It provides stakeholders a better appreciation of the Group's objectives and the quality of its Management. This in turn will assist stakeholders in evaluating the Group and facilitate shareholders to determine how their votes should be exercised. From the Group's perspective, communication with stakeholders provides an avenue for invaluable feedback that can be used to understand stakeholders' expectations and to develop business strategies.

The principles governing the Board's stakeholders communication initiatives are as follows:

- The Chairman & Chief Executive or Deputy Chairman & Executive Director or in their absence any other Board Members authorized by Chairman & Chief Executive and Deputy Chairman & Executive Director will be the spokesperson of the Board;
- The Board will leverage its corporate website to report its financial results and material developments to the Exchange, its shareholders and other stakeholders in an open, timely and comprehensive manner;
- The Board will proactively address reports and rumors to avoid unnecessary speculation in its securities;
- The Board will give reasonable access to analysts and media to form their opinion about the Group, but will not seek to influence those opinions. Also, the Board will not give information to the analysts and media that is not available to the general public; and
- The Board will meet with its stakeholders through appropriate platform and channel to inform and obtain feedback from stakeholders.

Appended below are the modes and opportunities of direct and physical interaction between the Board of Directors and shareholders of the Company currently adopted by the Company in communication and maintenance of continual vital relationship with shareholders:-

Shareholder participation at general meetings and other communications

The Board has taken reasonable steps whenever possible to encourage shareholder participation at general meetings including but not restricting to provision of good facilities at a hotel as the venue of general meetings where the attendees are served with refreshments in addition to provision of additional hard copies of Annual Reports at the said meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Principle 3 - Integrity in corporate reporting and meaningful relationship with stakeholders (cont'd)

Issuance of notice of general meetings and Annual Reports to shareholders which has been effected earlier than the minimum notice period required is another link between the Company and shareholders where the shareholders have access to all relevant information to enable them to exercise their rights and interact with the Board of Directors.

Ease of communication between the shareholders and the Company via its website is also available.

The above summary sets out how the three Principles pursuant to Practice Note 9 Part 1 Paragraph 3.1A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad are adhered to via adoption of the relevant Board Policies and implementation of appropriate measures.

Date: March 25, 2021

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) of Farlim Group (Malaysia) Bhd. is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2020. The disclosure in this Statement is presented pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

In accordance with the Malaysian Code of Corporate Governance, the Board is responsible for the Group’s risk management and internal control systems; formulating appropriate policies on risk management and internal control; and adopting measures to ensure that these systems are functioning effectively; and forming part of the Group’s corporate culture.

The Board acknowledges its responsibility for reviewing the adequacy and integrity of the Group’s risk management and internal control systems; identifying the principal risks to the Group; and establishing an appropriate control environment and framework to manage risks. The Board has laid down the following processes to obtain the relevant key information in deriving its comfort on the state of internal control and risk management of the Group:

- The establishment of risk management policy and Risk Management Committee (“RMC”) in overseeing the risk management of the Group;
- Periodic review with representatives from the Management Committee on the identified risks and status of management action plan;
- Periodic review of financial information covering financial performance and quarterly financial results;
- Review the integrity of the financial results and audited financial statements in consultation with the Audit Committee, management and external auditors; and
- Audit findings and reports on the review of systems of internal control provided by the Internal Auditors and the status of management’s implementation of the audit recommendations.

RISK MANAGEMENT

The Board had defined its risk management policy and established a RMC in overseeing the risk management framework of the Group. The risk management framework adopted by the RMC is based on the general principles of the international risk management framework. This risk management framework consists of risk identification, impact assessment, profiling matrix as well as the management action plans.

Presently, the RMC comprises of four (4) members with the majority being Independent Non-Executive Directors. During the financial year 2020, the RMC had conducted 4 quarterly meetings to deliberate on the significant and high-risk factors identified and reported by the Management Committee as well as the mitigation plan and status of management implementation of these plans.

In addition to the above risk management oversight process, the following operational meetings were conducted to monitor, manage and ensure that risks are adequately managed:

(i) Consultants’ and Contractors’ Meeting

The Management Committee together with the Project Committee conduct fortnightly meetings with the Group’s consultants and contractors to monitor the site progress and to identify significant matters encountered in the course of construction of the Group’s projects. Areas of concern, risks identified and actions taken in ensuring the achievement of the various project schedules will be summarized and reported to the Executive Committee (“EXCO”), which comprises of all executive Board members for further deliberation and decision.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

(ii) Marketing & Credit Meeting

Fortnightly meetings are conducted to monitor progress of property sales and collection, market prospect, marketing strategies and end-financing arrangements for the Group's development projects. Appropriate measures are undertaken as part of operational risk mitigation process.

(iii) Accounts & Finance Meeting

Fortnightly meetings are conducted to review and ensure that proper accounting practices are established and are enforced in order to keep the Group in compliance with the statutory requirements, accounting standards and latest applicable rules and regulations. Potential compliance risk will be discussed and appropriate advice will be sought from professional consultants, if necessary, to mitigate the compliance risk exposure of the Group.

In addition, the comparison of budgeted and actual profit and cash flow for various projects are also reviewed.

(iv) Management Meeting

The Management Committee conducts monthly management meetings with the Heads of Departments to review the operational matters and identify potential risks covering the personnel & administration matters, the financial and operational performance, update of the property market prospects, the status and progress of various projects and the action plans designed and implemented to address risks faced by the Group.

(v) EXCO Meeting

The EXCO is briefed by the Management Committee with an update on the Group's operations. Management reports are made available to the EXCO covering financial performance and key business operations of the Group. Actual performance is closely monitored against budget to identify and address significant variances and actions taken where necessary.

All significant matters deliberated at the Management, Consultants and Contractors Meetings are further summarized and reported at the EXCO meetings. During these meetings, project performance status is scrutinized and additional measures, actions and directions are decided by the EXCO, if required in order to manage any possible and potential risks effectively.

Key Risk in 2020

The property market continues to experience weak demand during the financial year. This unfavourable market condition was further worsened by the outbreak of Covid-19 pandemic, making the market risk more challenging for the business of the Group.

With the swift and prudent management approach by the management team, the Group has adjusted its strategies to cope with the weak property market sentiments. These strategies are applied in the areas of cost rationalisation, products offering and marketing and sales promotions in consideration of the Group's risk appetite in affordable home and landed property segment. Some of these strategies include:

- Revising the design, pricing and costing of the products to meet new market appetite;
- Shifting and targeting prospects from less affected group in the current market condition such as civil servants;
- Providing "Virtual Tour" option reaching out to more potential purchasers to view and experience the new house developed by the Group ;
- Blending the traditional print-based marketing interactions with digital marketing in creating greater visibility to buyers; and
- Continual tightening of overhead costs and defer capital expenditures to enhance the operational and cost efficiency of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

As a result of effective deployment of these strategies, the Group has managed to record RM28.240 million in turnover for the financial year 2020, representing an increase of 160% in turnover as compared to the financial year ended 2019 despite the challenging market condition.

INTERNAL CONTROLS

In addition to the risk management process, the Board derives its comfort on the state of internal control and risk management in the Group through the following processes, information and review mechanisms:

- i) The organisational structure with well-defined lines of responsibility, process of hierarchical reporting and delegation of authorities within the senior management and the heads of departments;
- ii) Financial and operation authority approval limits are defined for operating unit levels;
- iii) Documented standard operating guidelines and procedures for operation departments. These guidelines and procedures are subject to review and update by the operational units and management regularly;
- iv) Job descriptions are established providing understanding to employees of their scope of work and responsibilities;
- v) External legal review services are sought when needed to ensure that contractual risks are appropriately addressed and managed before entering into material contracts or agreements;
- vi) Use of financial forecast as a benchmark for periodic monitoring;
- vii) The Audit Committee review with the management on the Group's financial results as well as reviews of internal control observations and status of management action plan by the External and Internal Auditors;
- viii) Insurance programme covering public liability insurance, fire and flood insurance, burglary insurance, group hospitalisation and surgical coverage insurance, money policy insurance, fidelity guarantee insurance and group personal accident to protect the assets and/or interests of the Group; and
- ix) Implementation of Covid-19 health and safety preventive and detective standard operating procedures in accordance with the authorities' requirements. These include the use of Mysejahtera application, social distancing, sanitisation, temperature reading and compulsory wearing of face masks in workplace and public area.

During the financial year, the Group has adopted and implemented its Corruption Prevention Policy and Framework ("CPPF") in conjunction with the introduction of corporate liability provision under Section 17A of the MACC Act 2009. This framework encompasses Policy Matters and Communication, Whistleblowing, On-Boarding Screening Process, Training and Awareness, Risk Assessment and Internal Control, and Review, Monitoring and Audit. Within each of these areas, the responsibilities of the Board and management are further defined on prevention of bribery, handling reports of bribery or suspected bribery, putting in place mitigation measures, conducting continuous monitoring, reviews and training.

The Group has also implemented an Anti-Bribery Guidelines providing guidance to staff members, employees and business associates in taking appropriate measures and steps to prevent association with bribery activities.

In addition, the Board has also reviewed and updated its existing Board Charter, Code of Conducts and Whistleblowing Policy in order to streamline with the CPPF. These policies are posted on Company's website at www.farlim.com.my for public reference.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by an internal audit consulting firm. The internal audit consulting firm reports directly to the Audit Committee in respect of its function in accordance with the approved internal audit plan. All audit findings arising therefrom are reported to the Audit Committee on a quarterly basis.

Apart from periodic review of the adequacy, efficiency and effectiveness of the internal control systems and procedures, the internal auditor also monitors the Group's compliance with policies and procedures. The internal audit reports are issued for the purpose of highlighting significant findings and deficiency requiring management's attention and improvement. Follow-up review would subsequently be conducted to ensure that appropriate corrective action plans are implemented.

The cost incurred for the internal audit function for the financial year ended 31 December 2020 was RM73,042 (2019 : RM72,427)

BOARD ASSURANCE AND LIMITATION

The Board assures that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group and has also received assurance from the Chairman and Chief Executive that, to the best of his knowledge, the Group's risk management and internal control systems are adequate and effective, in all material respects.

It shall be noted that due to the limitation inherent in any systems of internal control and risk management, such systems are designed to manage and mitigate the risk within tolerable levels rather than eliminating each and every possible risk faced by the Group. Therefore, these systems by their very nature can only reduce and provide reasonable but not absolute assurance against the possibility of occurrence of any material error, misstatement, fraud or loss.

Overall, the Board is of the view that the current system of risk management and internal control are in place and functioning adequately and satisfactorily. There were no significant weaknesses in the systems of risk management and internal control that would have a material impact on the operations of the Group for the financial year under review. Nevertheless, the Board and the management will continue to take necessary measures to strengthen and improve its internal control environment and risk management.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with the Audit and Assurance Practice Guide 3 ("AAPG3"): Guidance for Auditors on Engagements to Report on the Statements on Risk Management and Internal Control included in the Annual Report.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board and management in reviewing the adequacy and integrity of the risk management and effectiveness of the systems of risk management and internal control systems of the Group.

STATEMENT ON ADDITIONAL COMPLIANCE INFORMATION

AS AT 23 APRIL 2021

1.0 Directors' Remuneration for the financial year ended 31 December 2020

The details of remuneration of Directors for the year ended 31 December 2020 are as follows:-

Directors	Company (RM)						Total (RM)
Executive Directors	Salaries	Bonuses	EPF	Benefit-in-kind	Allowance	Other Emoluments	
Tan Sri Dato' Seri Lim Gait Tong	525,000	10,938	32,215	28,000	–	–	596,153
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	300,000	6,250	–	–	–	–	306,250
Lim Chu Dick	240,000	5,000	29,450	17,400	–	–	291,850
Total	1,065,000	22,188	61,665	45,400	–	–	1,194,253

Directors	Group (RM)						Total (RM)
Executive Directors	Salaries	Bonuses	EPF	Benefit-in-kind	Allowance	Other Emoluments	
Tan Sri Dato' Seri Lim Gait Tong	525,000	10,938	32,215	28,000	–	–	596,153
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	300,000	6,250	–	28,000	–	–	334,250
Lim Chu Dick	240,000	5,000	29,450	17,400	–	–	291,850
Total	1,065,000	22,188*	61,665	73,400*	–	–	1,222,253

* Benefits comprising bonuses, benefit-in-kind and allowance totaling RM95,588.00

Directors	Company (RM)				Total (RM)
Non-Executive Directors	Fees	Benefit-in-kind	Meeting Allowance	Other Emoluments	
Koay Say Loke Andrew	45,600	–	–	–	45,600
Khairilnauar Bin Abdul Rahman	45,600	–	–	–	45,600
Adlina Hasni Binti Zainol Abidin	45,600	–	–	–	45,600
Total	136,800	–	–	–	136,800

2.0 Utilisation of Proceeds

There are no proceeds raised/utilized by the Company from corporate proposals during the financial year.

STATEMENT ON ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

AS AT 23 APRIL 2021

3.0 The amount of audit and non-audit fees incurred for services rendered to the Company and the Group for the financial year by the Company's auditors, or a firm or company affiliated to the auditors' firm:-

	Audit Fees (RM)	Non-Audit Fees (RM)*
Company	99,500	22,800
Group	174,400	48,150

* Non-audit fees were mainly in respect of taxation fees, review of Statement on Risk Management and Internal Control and review of other information presented with the financial report.

4.0 Material Contracts

There are no material contracts subsisting since the end of the previous financial year ended 31 December 2019 and as at the end of current financial year on 31 December 2020 involving Directors and Major Shareholders' interests.

5.0 Recurrent Related Party Transactions

	Company (RM)
Interest income received from:	
- Bandar Subang Sdn. Bhd.	148,366
- Ria Bahagia Sdn. Bhd.	76
Rental of premises received from:	
- Farlim Marketing Sdn. Bhd.	3,120
Accounting fees received from:	
- Farlim Jaya Sdn. Bhd.	9,000
Investment of RPS in:	
- Farlim (Perak) Sdn. Bhd.	493,640

SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

As part of Farlim Group (Malaysia) Bhd's ("Farlim") sustainability journey, the Group has continued its annual publication of Sustainability Report in view of providing an overview of our Economic, Environment and Social (EES) initiatives throughout the reporting period. The Group aims to continuously address and manage sustainability issues material to its stakeholders through these measures.

Our Reporting Approach

This sustainability report for the reporting year of 2020 is prepared based on the General Reporting Initiative (GRI) Standards, which was established to provide a common platform for organisations across the globe to disclose on their respective sustainability framework. In addition, the report covers all three elements of EES, and is drafted in alignment with the Sustainability Reporting requirements of Bursa Malaysia Securities Berhad (Bursa).

The content of the report is presented based on the reporting principles defined by the GRI Standards, which includes:

- Stakeholder Inclusiveness: capturing our stakeholders' expectations and concerns;
- Sustainability Context: presenting our performance in the wider context of sustainability;
- Materiality: identifying and prioritising the key sustainability issues that our Group encounters;
- Completeness: reporting all sustainability topics that are relevant to our Group, which may influence our stakeholders.

This report is prepared in reference to the GRI Standards Core Option and contains disclosures on the following material topics:

- GRI 201: Economic Performance 2016
- GRI 202: Market Presence 2016
- GRI 205: Anti-Corruption 2016
- GRI 302: Energy 2016
- GRI 307: Environmental Compliance 2016
- GRI 401: Employment 2016
- GRI 403: Occupational Health and Safety 2016
- GRI 404: Training and Education 2016
- GRI 417: Marketing and Labelling 2016
- GRI 418: Customer Privacy 2016

The abovementioned material topics are key in guiding Farlim's sustainability initiatives and steering the Group's approach in preparing a purposeful and targeted sustainability report for 2020.

Reporting Period

This report covers key activities and performance from January 1, 2020 to December 31, 2020 (unless indicated otherwise). Thus, the information and data presented will fall within the stated period and 2018 remains as the baseline year, which serves as the benchmark for comparison and progress measurement on the disclosed sustainability information and performance data.

Scope and Boundaries

The scope of this report covers all areas of business owned and operated by Farlim.

Sustainability across Supply Chain

Sustainability is embedded across Farlim's practices throughout its supply chain, as the Group is committed to actively engage its suppliers in achieving a common sustainability objective. This approach has led us to embarking on more initiatives and engaging with a wider group of stakeholders.

Membership and Association

- Real Estate and Housing Developers' Association Malaysia
- Federation of Public Listed Companies Berhad
- Malaysia-Japan Economic Association

Feedback

All feedback and queries can be directed to: farlimsustain@farlim.com.my

SUSTAINABILITY STATEMENT (CONT'D)

RISK MANAGEMENT COMMITTEE CHAIRMAN'S STATEMENT

"We are committed than ever to ensure that Farlim continues to strive for excellence in undertaking and expanding our efforts in sustainability. We understand the challenges and impact of our operations as we tackle to address sustainability issues while navigating through a 'new normal' led by the on-going Covid-19 pandemic. While this is and will always be a journey of learning and adapting, Farlim is ready to embark on this passage in fulfilling our role as a responsible business organisation."

We recognise the impending sustainability impact that will soon change the way we work. Therefore, taking actions to be ready for the challenges that lies ahead is key for the Group's sustainability. We have experienced first-hand on how the Covid-19 pandemic outbreak has significantly changed the market and the way we operate. We also realised the need to be constantly ready to adapt and improve the way we conduct ourselves as an organisation to ensure our sustainability in the long run.

Hence, it is with great pleasure that we present Farlim's Sustainability Report for the year 2020. Within this report, we have presented an overview of our initiatives, objectives and achievements in building and strengthening sustainability during the year. Moving forward, we will continue the efforts in assessing our practices for improvement and exploring on other avenues to advance our sustainability performance.

As this report marks our third year of sustainability reporting, we believe that our journey in achieving our sustainability goals has created certain tractions and led to a wider realisation of the importance of sustainability within the Group. Our sustainability journey is essential for us to identify and take full advantage of relevant opportunities that emerge, as well as to address sustainability risks upfront while we continue to serve our corporate responsibility.

Our Sustainability Governance

Farlim will always ascertain that compliance is a top priority in the way we operate, in order to achieve both financial goals and EES aspirations. It is within the culture of the Group that we actively advocate high standard of good governance with the focus on transparency, integrity and accountability in all our business conducts. With that, the Group is guided by guidelines such as the Malaysian Code of Corporate Governance 2017 (MCCG 2017) which strengthen our efforts to achieve such high level of governance. In line with our approach from last year, the Risk Management Committee continues to play an oversight role in monitoring and leading our sustainability approach and reporting for the current reporting period. As we advance further in our sustainability journey, the next step is to form a Sustainability Working Group within the next reporting period. This working group will be tasked to not only oversee and lead our initiatives, but also to assist in adopting and delivering the sustainability practices across the Group.

Economic

Farlim has been continuously working towards maintaining a balance between the economic performance and sustainability direction of the Group. We have embedded within our principles that business will always be conducted ethically and in full compliance with all

regulatory requirements in order to meet the expectations of our stakeholders. With the objective of contributing to our communities, our efforts on developing affordable housing projects have been gradually advancing. This is part of our objective of making positive contributions to the local economy while we grow further as an organisation.

Environment

With considerations on the nature of our operations, we acknowledge that the impact of our operational activities to the environment is inevitable. Hence, we constantly work towards reducing and mitigating any negative impact towards the environment. Initiatives in reference to the best practices within our industry are consistently adapted, implemented and monitored to ensure that they effectively contribute to alleviating our adverse environmental footprint. Through our persistent measures, we are proud to have recorded zero cases of environmental non-compliance in 2020. Similarly, we have continued with our energy monitoring efforts which have driven the adoption and improvement of our energy conservation initiatives. We hope to continue in developing our environmental agenda as a regular practice that surpasses beyond compliance in the years to come.

Social

Farlim recognises profoundly the key role that employees play in propelling and sustaining our organisation's success. In complementing this principle, the Group has continued improving our ways in providing our employees with the best platform for career and personal development, alongside a safe and healthy working environment. Besides, we also believe that our business growth should be in parallel with our efforts in contributing back to the local communities where we have a presence. It is our responsibility as a property developer to provide the necessary support and assistance to our community stakeholders within our means.

To Our Future

Our efforts in embedding sustainability into our business have led us to reassessing our current operations and reviewing its performance from an alternative perspective. This is a journey that the Group commits to undertake, even as we endure through the impact of the Covid-19 pandemic. While the effects of the Covid-19 pandemic would potentially continue to impact our business in the future, the Group is vigilant and positive that our values and commitments will aid us through them with success. As we venture through a 'new normal' in 2021, we trust that you will find this Sustainability Report relevant and informative. We also welcome any feedback on this report as well as on how we can improve and develop our organisation further in our sustainability journey.

Koay Say Loke Andrew

Chairman of Risk Management Committee

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is fundamental to Farlim in understanding which stakeholders might be impacted and the extent of the impact on them arising from the activities and decision undertaken by Farlim. More importantly, having a systematic stakeholder engagement process provides a platform for the Group to engage with its stakeholders on material sustainability issues, thereby creating an ecosystem of support and change. Through this exercise, the Group is also able to manage potential risks that might arise by taking proactive steps in addressing material concerns of the stakeholders. This will contribute towards ensuring the sustainable performance of the organisation in the long run.

Farlim has demonstrated its commitment in fulfilling its responsibility to the stakeholders as part of its stakeholder engagements in 2020. The exercise provided a refreshed approach for Farlim in collating feedback from its diverse stakeholders on their perspectives about the Group's sustainability matters.

In which, the table below summarises the results from the engagements with our stakeholders, which are derived from in-house workshops held to define the content and direct the development of the report.

Stakeholder Group	Mode of Engagement	Frequency of Engagement	Concerns
Shareholders / Investors	<ul style="list-style-type: none"> Annual General Meeting Annual Report and Audited Accounts Quarterly Financial Report Extraordinary General Meeting Announcement on Bursa Malaysia and Corporate Website 	<ul style="list-style-type: none"> Annually Annually Quarterly As and when needed As and when needed 	<ul style="list-style-type: none"> Economic Performance Changes in directors and shareholdings Anti-corruption measures
Employees	<ul style="list-style-type: none"> Departmental and Management Meetings Annual performance appraisal Events and Birthdays / Festive Celebrations Briefing and training 	<ul style="list-style-type: none"> Weekly, Bi-monthly, Monthly Annually Periodically As and when needed 	<ul style="list-style-type: none"> Occupational Health and Safety Training and Education Employment Remuneration Practices
Customers	<ul style="list-style-type: none"> Feedback channels such as emails, phone calls, walk-in Website and social media Product Launches and Roadshows 	<ul style="list-style-type: none"> As and when needed As and when needed As and when needed 	<ul style="list-style-type: none"> Customer privacy Marketing and Labelling
Government / Regulators	<ul style="list-style-type: none"> Income Tax Filing Annual Return Progress Report to Housing Ministry Bursa Announcements 	<ul style="list-style-type: none"> Annually Annually Quarterly Quarterly and as and when needed 	<ul style="list-style-type: none"> Socio Economic Compliance Anti-corruption measures
Suppliers / Contractors	<ul style="list-style-type: none"> Site Visits Workmanship, Progress and Quality Assessment Meetings 	<ul style="list-style-type: none"> Daily, Bi-monthly, and as and when needed Bi-monthly 	<ul style="list-style-type: none"> Sustainable Supply Chain Occupational Health and Safety
Local Communities	<ul style="list-style-type: none"> Charitable Contributions 	<ul style="list-style-type: none"> As and when needed 	<ul style="list-style-type: none"> Social Impact

Table 1: Stakeholder Engagement Table for 2020

SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY ASSESSMENT

For the reporting period, the Group performed a general review on the Materiality Matrix by taking into consideration the development on each key sustainability matter from the perspectives of stakeholders' concern and impact to Farlim's operations. The exercise is to ensure that the key sustainability matters as identified remain relevant to Farlim, alongside to consider the inclusion of any additional disclosures that may be of a priority during the current year.

With this exercise, an additional sustainability matter, i.e. Anti-Corruption was identified as key and included within this year's matrix. Hence, there are a total of 10 sustainability matters identified, with a breakdown of 14 sustainability disclosures as showcased in the diagram (matrix) and table below.

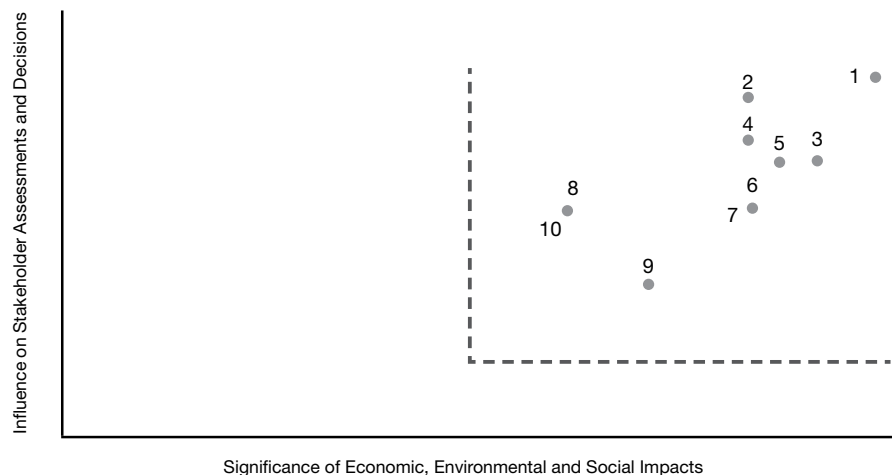


Figure 1: Farlim's Materiality Matrix

Ranking	Aspect	Index	Specific Disclosures
1	Economic Performance	201-1	Direct economic value generated and distributed
		201-3	Defined benefit plan obligations and other retirement plans
2	Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
3	Anti-corruption	205-1	Operations assessed for risks related to corruption
		205-2	Communication and training about anti-corruption policies and procedures
4	Employment	401-1	New employee hires and employee turnover
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
5	Training and Education	404-1	Average hours of training per year per employee
6	Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of consumer data
7	Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage
8	Energy	302-1	Energy consumption within the organisation
9	Environment Compliance	307-1	Non-compliance with environmental laws and regulations
10	Marketing & Labelling	417-2	Incidents of non-compliance concerning product and service information and labelling
		417-3	Incidents of non-compliance concerning marketing communications

The aforementioned disclosures were reviewed and approved by Farlim's Board of Directors accordingly. Within the following sections of this report, our practices and performance within the selected material sustainability topics of Farlim will be disclosed further.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

ECONOMIC PERFORMANCE

Why It Matters

Farlim upholds its position in the market as a reliable property developer that builds and supplies affordable and high-quality properties for both residential and commercial segment. In line with our nation's goal in providing Malaysians with affordable housing, Farlim has been delivering such projects to the public and with its key affordable housing project currently in progress in Bidor, Perak. Other potential developments in the Group's pipeline, include the development of apartments, landed properties, medium cost housing and affordable houses across Penang, Perak and Selangor. In addition, we also take into consideration that such investments may improve the social economic status of the local communities. Thus, viable performance in our business not only provides us with financial gain, but also facilitates us to contribute back to our local economy.

At Farlim, care and consideration are always placed on our employees. The Group emphasises that employees are provided with fair and adequate benefit plan obligations and other retirement plans. This is to ensure that employees who are the key driving force of our business are well taken care of in line with their continuous support for the Group.

How We Approach It

Direct economic value generated and distributed

Farlim's business conducts and activities are primarily guided by its objective to sustain an economic growth and maximise all positive contributions to its stakeholders. Our projects are always aimed at delivering good quality homes and timely completion in order to meet expectations of purchasers and sustain efficiency in our operations.

This objective is fully supported by our Project and Implementation Department, which rigorously monitors and expertly manages all developments from the aspect of cost, time and quality. Besides, the department also works closely with the relevant local authorities in order to ensure strict compliance on relevant regulations for all of the Group's development projects.

On the other hand, our Sales and Marketing Department is constantly developing new strategies to expand our outreach to a wider market for strategic business development. The department also assists our purchasers in expediting the process of loan approval and negotiating for attractive financing packages with financial institutions. All these efforts are in place to simplify the process of home ownership for our purchasers.

In complementing the above measures, the Group also depends on the effectiveness of its internal control system and procedures. Such systems and processes are reviewed on a quarterly basis by the appointed auditors. Results from any operational and financial related reviews are presented to the Audit Committee and Board of Directors for their evaluation and deliberation. Actions are then undertaken to address any weaknesses or concerns that may have been highlighted by such observations.

Employees' benefit plan obligations and other retirement plans

The Group has continued with its provision of general contribution plans that are aligned with the national requirements for employees. It is part of our commitment and belief that the established plans will provide adequate coverage for our workforce. Retirement benefits are also reviewed on a case-by-case basis and revised, where necessary, subject to employee's performance and contribution.

With consideration that this matter is pivotal for employees who sustain the Group's ongoing performance, the responsibility of managing it directly lies with our Board of Directors, Executive Directors and Senior Management. For the current period of reporting, Farlim has not received any major reporting of grievances related to this matter.

Our Performance

Farlim managed to sustain a fair performance during 2020 in the midst of navigating through the limitations and impacts which the Covid-19 pandemic has brought. Full details of the Group's direct economic value generated and distributed can be found in the Financial Statements of the Annual Report.

Besides, for 2020, approximately RM0.58 million has been invested as part of the employees' benefit plan obligations during the year in review. The plans offered to the employees include the Employees Provident Fund (EPF), Social Security Organisation (SOCSO) and Employment Insurance System (EIS).

SUSTAINABILITY STATEMENT (CONT'D)

REMUNERATION PRACTICES

Why It Matters

Farlim recognises our employees' contribution in driving the business forward and sustaining our success as an organisation. Thus, we strive to constantly ensure that the welfare and well-being of our employees are safeguarded. In the journey of achieving economic excellence for us and our employees, we continue to secure and contribute fair rewards through a transparent approach in structuring our employees' remuneration package. With that, the Group aims to retain our highly skilled talents as well as providing us with a positive edge in attracting potential human resources in realising our aspirations and targets.

How We Approach It

Farlim has always endeavoured all efforts to ensure our remuneration practices are in strict compliance with applicable regulations and guidelines, such as Malaysia Minimum Wage Order 2020. With that, we have continuously kept ourselves up to date on announcements and/or directives from the authorities on any changes of rules or requirements. With any regulatory updates, Farlim assigns a person from the Personnel and Administration Department to focus on understanding the changes prior to devising the necessary actions in ensuring compliance, where required.

Additionally, our Personnel Policies are regularly benchmarked against market references on practices and remuneration tiers. This is aligned with our equal and non-discriminatory platform in determining remuneration within the Group. Farlim is proud to meet current market trends to ensure that the Group stays on par with its competitors, where possible. Therefore, base salaries for entry-level or senior positions are regularly evaluated and adjusted to adhere with job requirements, market conditions, educational qualification, and experiences.

In general, our remuneration structure comprises of the following:

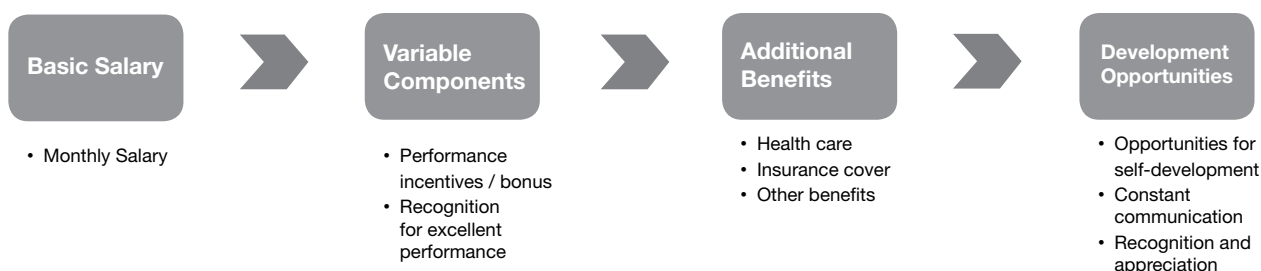


Figure 2: Remuneration Road Map

In addition, we encourage our employees to share constructive and relevant feedback on matters relating to remuneration through an open platform. To assist the Group in achieving such mutually beneficial employee engagements, feedback is collected through our annual employee appraisal exercise and via department heads who are assigned as intermediaries to discuss such matters between the Management and employees.

Overall, Farlim's remuneration framework is based on the Group's corporate guidelines as well as alignment with market practices and requirements of local regulations.

Our Performance

In line with our commitment to work ethics and principle of equal pay for work of equal value, Farlim has maintained our remuneration structure, which encompasses our approach to adhere to the level of minimum wage for 2020. We strictly comply with our national regulatory minimum salary threshold by ensuring that no employees were compensated with a rate less than RM1,200 per month. Eventhough the Group endured through the Covid-19 pandemic in 2020, we have not carried out any reduction of pay, and has maintained the same remuneration structure as prior years. We advocate for no inequality by gender or race in determining remuneration, and ascertain that our remuneration practices are impartial and transparent, which has helped us maintain a minimal employee turnover for the year.

SUSTAINABILITY STATEMENT (CONT'D)

ANTI-CORRUPTION

Why It Matters

Farlim upholds strong business ethics and integrity that is complemented with our commitment on anti-corruption and anti-bribery in our operations. We endeavour to fully adopt and further strengthen our commitment and practices with reference to anti-corruption. This is to ensure that the Group is well-equipped in managing and mitigating this issue from our organisation. By taking precedence in such matters, it amplifies our stakeholders' confidence in the way we manage and protect our business.

How We Approach It

To demonstrate the Group's commitment in driving our zero tolerance approach towards bribery and corruption, we have embarked on an exercise to implement adequate safeguards and procedures in line with the introduction of stringent anti-corruption laws such as the Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and all of its amendments or re-enactments.

As a start, Farlim has developed Anti-Bribery Guidelines which stipulate guided measures and controls for the Group in handling the act of receiving and giving gifts, hospitality and entertainment, managing referral and facilitation payment(s) as well as sponsorship and donation contribution. This policy alongside with the Group's Whistleblowing Policy are published and shared on our corporate website.

A series of briefing sessions were also conducted to align all employees' awareness and understanding of the organisation on these updated policies. As for external stakeholders such as consultants, contractors, nominated sub-contractors, suppliers and other service providers, a virtual meeting was also conducted to update and brief the participants on the Group's established measures and policy on anti-corruption.

In furtherance to our anti-corruption policy, we have also introduced two compulsory declaration forms; a Contractual Safeguard and an On-Board Screening Form. Both forms are required to be completed by our current external stakeholders, based on an aggregate threshold of RM50,000 and above and the engagement of service with duration of more than 6 months. For new stakeholders engaging with the Group for the first time, they will be required to complete the On-Boarding Screening Form regardless of the threshold amount or duration of the procurement transaction.

In addition, Farlim also adopts a quarterly risk assessment exercise which includes the assessment of bribery and corruption risk and its compensating internal controls within the organisation. This assessment is carried out in-house, with its results communicated to the Risk Management Committee every quarter for deliberation.

Our Performance

Despite restrictions in place due to the Covid-19 pandemic throughout the year, the Group managed to successfully proceed with its implementation of policies and procedures on anti-corruption. This includes the conduct of our virtual anti-corruption briefing session in June 2020 whereby a total of 53 individuals of our external stakeholders (from 45 various companies and organisations) participated alongside 23 key employees of Farlim. Besides, we have also managed to achieve a positive response rate of 86% on the aforesaid declaration process for our existing stakeholders. Moving forward, the Group will continue to actively monitor and manage its anti-corruption measures throughout the organisation.

SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENT

ENERGY

Why It Matters

At Farlim, while we contribute positively towards the environment by creating well-built homes and having projects within an eco-friendly environment for homeowners, efforts are also placed to focus on efficient energy consumption during operations. While we grow as a responsible company, we strive to play a more active role towards preserving the environment and addressing any impact related to climate change. By and large, we want to achieve reduction in our energy consumption through timely and productive implementation of best practices in energy management. This will also help Farlim reach a lower carbon footprint and greater operational efficiency for our organisation in the long run.

How We Approach It

In continuation of our energy management practice in 2019, our Personnel & Administration Department is tasked to manage and monitor our energy consumption on a monthly basis. Such monitoring is to trigger timely action should there be any anomalies or inconsistencies from the energy consumption noted throughout the period of review.


Besides, we also support this initiative by raising awareness of efficient energy utilisation among our employees to support department heads assigned to assess its respective energy saving initiatives on a regular basis. This all-encompassing management tier approach is to ensure that a common goal is established across the management team and actions are aligned to achieve responsible energy utilisation.

Furthermore, the Group's existing energy-saving practices include communicating with employees through memo and reminders to switch off lights and electrical appliances when not in use, replacement of the existing conventional light bulbs with energy saving LED bulbs, where necessary for any malfunctioned lighting, consideration of energy efficiency when purchasing electrical appliances and etc.

Our Performance

In 2020, the electricity consumption at our operations was recorded at 312,398 kWh, a 4.67% decrease as compared to the previous year. During the Covid-19 pandemic, our energy consumption had a significant reduction given the lockdown situation during the year which led to a decreased number of days in which our office premises were operational.

In the coming years, we will look into further advancing our energy management and conservation efforts to further reduce the impact of our energy consumption while sustaining our business as an established property developer.

Total Electricity Consumption (kWh)	
2019: 327,705 kWh	
2020: 312,398 kWh	

ENVIRONMENTAL COMPLIANCE

Why It Matters

Farlim prides itself as a responsible developer where there is continuous regular reviews on our efforts to preserve a green and sustainable ecological environment for all our projects and our stakeholders. We demonstrate our commitment through our continuous focus in creating an environment that would increase the value of a project for our customers while maintaining active monitoring and managing the impact of the construction activity on the environment.

As an organisation, we continue to review our quality and environmental compliance to ensure its effectiveness while upholding our achievement of zero fines and avoiding any other hazards that may create larger environmental impact in the course of our operation.

SUSTAINABILITY STATEMENT (CONT'D)

How We Approach It

Embracing our third year of reporting, our organisation is now primed to play a more active role in key initiatives that effectively manage our approach towards complying with environmental laws, regulations and maintaining zero fines. These key initiatives are as follows:

- Continually assessing the applicability, structure and components of an Environmental Management Plan prior to initiating the necessary course of action.
- On-going compliance and periodic monitoring with all EIA (Environmental Impact Assessment) related laws and guidelines,
- With reference to each local legislation and guidelines (based on the size and value of the development project), monthly Environment, Safety & Health (ESH) Reports are submitted by the contractor's qualified Safety Health Officer (SHO) or Site Safety Supervisor (SSS) registered with Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources.
- Project and construction requirements and issues related to safety compliance are topics for discussion at regular Site Safety, Health & Environment meeting held at suitable interval basis at each construction site between all stakeholders related to the project. Matters discussed are then recorded in the monthly ESH report for the follow up in actions and decisions.
- Other key activities are carried out on construction site that contribute towards environmental compliance, include:
 - Housekeeping practices on site (all general rubbish and waste materials to be cleaned up through the use of bins and containers at designated locations);
 - Recycling and reuse site material (e.g. plywood) as and when necessary depending on the site progress;
 - Proper labelling, storage and disposal of the schedule waste (e.g. paint and diesel);
 - Prohibit open burning at sites; and
 - Training programmes are conducted for employees to keep them abreast with new environmental regulations.
- It is within the project contractor's purview to ensure that key activities are carried out.
- The Assistant Project Manager is also assigned as the person-in-charge on-site to manage and monitor the execution of the abovementioned environmental related practices. Moreover, he is assigned with the responsibility and authority to order for work to be halted if any non-compliance is detected at our sites.

Internal audits are also conducted where reviews and evaluation are jointly carried out by the head of Project and Implementation Department. This is taken as an opportunity for us to explore and identify improvements in our practices and mitigate the risk of non-compliance to environmental laws.

Our Performance

For 2020, Farlim has successfully maintained its record of zero fines and zero non-monetary sanctions with regards to environmental laws and regulations.



Zero

Fines and zero non-monetary sanctions with regard to environmental laws and regulations

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

EMPLOYMENT

Why It Matters

As a company that values their employees, we are strongly committed to creating a fair, diverse and healthy work environment where every employee can excel and thrive. By doing so, we ensure positive outcomes for our employees and the Group as a whole. Furthermore, we recognise the connection between employee satisfactions with higher levels of employee retention and ultimately better business outcomes. By ensuring that we foster an environment conducive to creating a fulfilled and motivated workforce, we help to contribute to the Group's success.

How We Approach It

As a responsible employer, we employ various strategies to ensure that our employees are retained whilst maintaining high-levels of job performance and productivity. This includes providing appropriate training opportunities and support for new hires, which demonstrates our immediate support for all employees who join the Group. Over the years, our retention strategies have proven to be both cost effective and productive, boosting morale and generating favourable outcomes for our employees and the Group.

Complying with best practices, all matters of employment and progress management are coordinated via the respective department heads during the annual appraisal process. As part of our human resources planning process, the Group continuously assesses, plans and coordinates employee retention practices based on a need basis. This includes continually assessing our retention strategy in order to adapt to the challenges posed by the ongoing Covid-19 pandemic.



Figure 3: Farlim's Effective Employee Retention Strategies

At Farlim, we are firmly committed to ensuring our employees enjoy a work environment conducive to their personal growth and development. This includes ensuring employees have channels to seek support from their respective superiors or heads and to voice their grievances. Similarly, department heads are actively encouraged to express their views via monthly management meetings and through our annual appraisal process.

During 2020, Farlim has managed to continue its sterling track record of employee retention by fostering an inclusive workplace with various attractive career development opportunities, benefits and rewards. Within the Group, our benefits package is considered competitive and on par with current market trends.

SUSTAINABILITY STATEMENT (CONT'D)

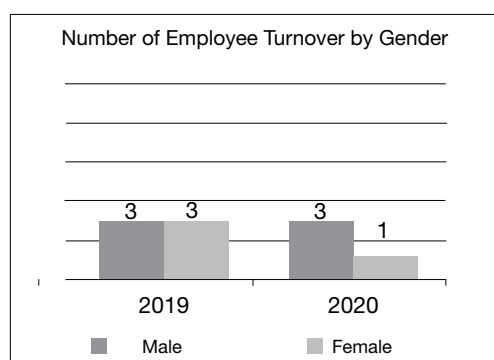
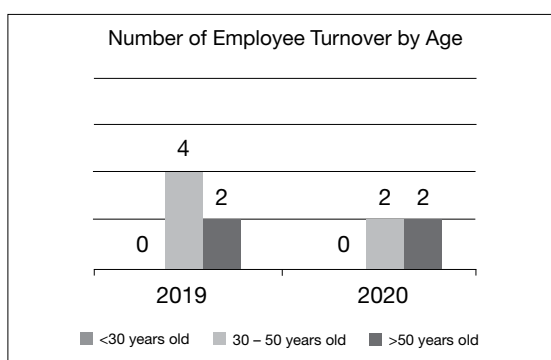
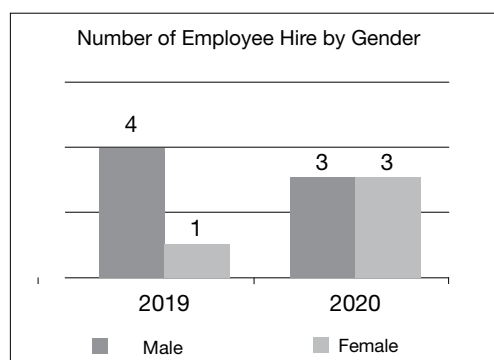
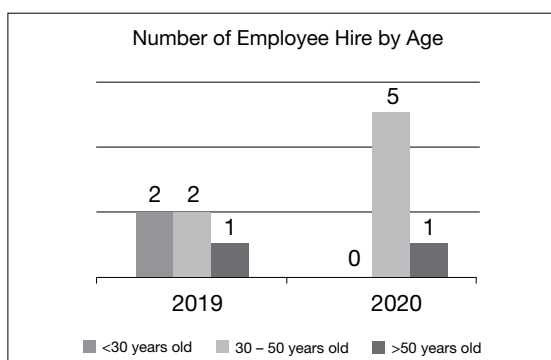
Across the Group, notable benefits and initiatives include:

- Annual performance review;
- Staff appreciation long service monetary award;
- Annual leave entitlement above the requirements stipulated under the Employment Act and Labour Laws of Malaysia;
- Medical check-up entitlement of up to RM500 per year for employees age 50 and above;
- Ongoing on-the-job training for all employees;
- Training programmes and seminars; and
- Ongoing communication and feedback with employees at all levels.

Due to the ongoing Covid-19 pandemic, some initiatives have been temporarily halted, in line with the government's regulations. This includes celebrations, annual dinner and other activities which involve group gatherings.

Our Performance

Compared to the last reporting year, employee turnover reduced by approximately 33%. Further, we had an average monthly rate of 0.7% for recruitment and 0.5% for employee turnover. Even as we went through a Covid-19 pandemic in 2020, Farlim managed to secure a total of 6 new hires, displaying a true eminence that the Group always recognises the value that employees bring to our success.



SUSTAINABILITY STATEMENT (CONT'D)

Furtherance to which, we also actively seek to improve the quality of life of our employees by providing a good work-life balance and financial security. This is achieved by ensuring fair compensation and providing a combination of direct and indirect incentives, which are detailed in the following diagram:

Direct Compensation	Indirect Compensation
<ul style="list-style-type: none"> • Wages • Salaries • Bonuses • Allowances • Overtime 	<ul style="list-style-type: none"> • Insurance Plans: <ul style="list-style-type: none"> - Group Hospitalisation and Surgical - Group Personal Accident • Benefits: <ul style="list-style-type: none"> - EPF - Medical - SOCSO - Housing discount • Paid absences <ul style="list-style-type: none"> - Sick leave - Maternity or paternity - Annual leave

Figure 4: Farlim's Compensation and Benefits Package in 2020

OCCUPATIONAL HEALTH AND SAFETY

Why It Matters

Ensuring the health and safety of all stakeholders is considered a top priority at Farlim and we recognise that it is our responsibility for ensuring the health, safety and security of our people. By continuously striving to implement appropriate health and safety measures, we seek to maintain zero accidents in where we operate and to mitigate all potential occupational risks faced across our business operations.

How We Approach It

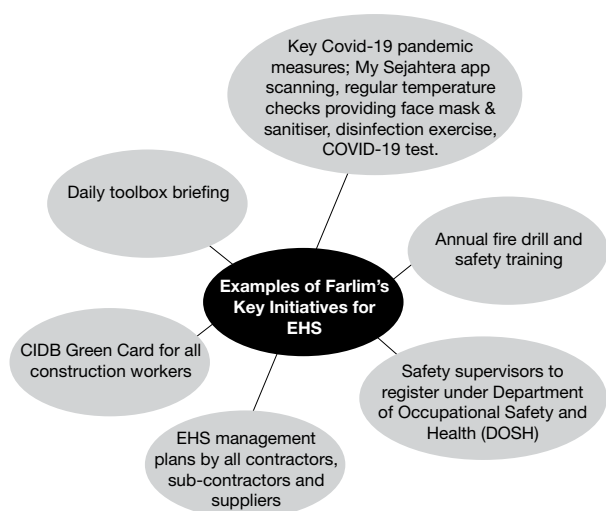
In compliance with the Occupational and Safety Health Act 1994 and regulations set forth by the Construction Industry Development Board (CIDB), the Group implements a robust approach to health and safety. Compliance with relevant regulations is reviewed by internal audits across our business operations, which typically includes management meetings and onsite inspections on a periodic basis.

In order to promote a healthy work environment, we have established an Environmental Health and Safety (EHS) Management System. Our EHS Management system and its attendant policy is applicable to all our business operations and premises and is enforced amongst our employees, contractors, customers and visitors. In order to ensure that our EHS Policy is fit for purpose considering the latest regulatory requirements and other developments within our operating environment, our EHS Policy is subject to regular review. If areas of improvement are identified and changes to our EHS Policy are required, all our stakeholders will be promptly notified of such changes following the necessary approval from the Group's Management.

Our EHS performance is monitored by the Group's Project and Implementation Department. Any grievances which are raised will be communicated to dedicated safety supervisors appointed by our contractors and subsequently discussed during bi-weekly site meetings. All employees are encouraged to report any instances of non-compliance of our EHS Policy. In collaboration with our contractors and consultant representatives, the Project and Implementation Department is responsible for reviewing grievances and reports collected by assigned safety supervisors on a bi-weekly basis. This includes determining any follow-up actions, if required. Further, the outcomes of such reviews are presented to the Group's Management via a monthly safety report, which includes details of standard operating procedures and reports of any accidents or incidents.

SUSTAINABILITY STATEMENT (CONT'D)

As part of our approach to health and safety, the Group also adopts measures to ensure that our employees are regularly informed about appropriate conduct to facilitate a healthy and safe work environment. For example, toolbox briefings are conducted daily by appointed contractors at project sites, covering topics pertinent to matters of health and safety. Additionally, the Group provides health and safety training where appropriate. This includes trainings such as the CIDB Green Card Safety Course, which all new employees who are assigned to work on project sites are required to complete the said course.



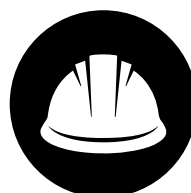
During the year, in light of the ongoing Covid-19 pandemic, we have also established measures to ensure that our operations fully comply with the relevant requirements by the government. We made “My Sejahtera” scanning compulsory, perform regular temperature checks, provided face masks, enforced its usage and provide sanitiser for our contractors, consultants, employees, and other visitors during their access into our area of operations.

Besides, we have also performed disinfection exercise at our project sites and stipulated the requirement for a Covid-19 pandemic test for the workers of our contractors and sub-contractors who work on-site. In addition, employees are also regularly briefed on our policies and updated with latest guidelines to ensure adequate compliance across all operations.

Our Performance

In 2020, we are pleased to continue our track record of zero-accidents leading to no injury cases reported, demonstrating our resolute commitment to creating a safe, secure and healthy environment for all our stakeholders.

	2019	2020
Number of Injuries	0	0
Injury Rate	0	0
Number of Case/ Incident resulted in lost workdays	0	0
Lost Day Rate	0	0



Zero Injuries Cases

TRAINING AND EDUCATION

Why It Matters

The Group values and recognises the importance of our people as crucial to our business success. Our approach to the development of our employees thus focuses on strategic capacity building to produce a value-based culture, foster a sense of community and ensure that our employees remain motivated and competitive. In order to continue the Group's successes, we identify the development of our people as a vital key to unlocking greater business performance. As such, we intend to continually review our approach and provide various training opportunities to enrich our employees.

How We Approach It

As one of our most valuable assets, our employees are central to the success of Farlim. With that, the growth and development of our employees have a direct connection to the growth and development of our business. In order to facilitate personal growth whilst ensuring positive business outcomes, we view it as vital to align the personal goals of our employees with our organisational strategy. Guided by this belief, we seek to ensure that our training goals are clear and help to achieve our overarching organisational strategy.

SUSTAINABILITY STATEMENT (CONT'D)

GOALS	OBJECTIVES
Address Weaknesses	<ul style="list-style-type: none"> Allows employees to strengthen the skills that they need to improve. Creates knowledgeable employees who can assist one another when needed and promotes teamwork among them.
Create consistency	<ul style="list-style-type: none"> Provides employees with consistent experience and professional knowledge.
Improve Employee Performance	<ul style="list-style-type: none"> Gives employees a greater understanding of their responsibilities within their roles. Builds employees confidence, which in turn enhances their overall performance and benefit to the Group.
Improve Employee Satisfaction and Morale	<ul style="list-style-type: none"> Improves job satisfaction as employees feel more appreciated through training opportunities.
Increase Innovation in New Strategies and Products	<ul style="list-style-type: none"> Encourages creativity where new ideas can be formed as a direct result of training and development.
Increase Productivity and Adherence to Quality Standards	<ul style="list-style-type: none"> Increases efficiency in processes, which in turn ensure project success and improve the Group's performance.
Reduce Employee Turnover	<ul style="list-style-type: none"> Makes employees feel valued and therefore, less likely to change jobs. Decreases recruitment costs due to employees' retention.

Figure 5: Farlim's Workforce Training Goals and Objectives

Grounded in our business objectives, our approach to training primarily seeks to build the skills and knowledge required for our employees to improve their performance and remain competitive, such as providing training to improve digital fluency. Trainings are generally targeted towards managers and executives, covering various subject matter such as market changes, regulatory shifts and compliance requirements.

Typically, department heads are responsible for planning and recommending their staff to attend trainings, where appropriate and available. Further approvals are also required from Senior Management. Alternatively, employees can register their interests and attend trainings using our Training Requisition Form and all staff are actively encouraged to do so.

In light of the ongoing Covid-19 pandemic, all trainings have been conducted remotely in 2020. If personnel are required to attend an in-person training session, Farlim ensures that all attendees including trainers strictly adhere with the standard operating procedures as determined by relevant authorities.

In 2020, a wide range of training programmes were made available to our employees including:-

TRAINING DETAILS	
No.	Name / Title
1	Global Research Briefing : 2020 Global Outlook
2	The #New Normal Amid COVID-19 : Leverage on Regional Experiences
3	Economic Recovery Plan : Powering Up the Industry
4	Updates on Critical Tax Issues for Property Development Sector
5	The Future of Property Management by REHDA
6	Tax Budget 2021 – Revitalising the Malaysian Economy During a Global Pandemic
7	Temporary Measures for Reducing Impact of COVID-19 Act 2020 : Part 1-Professional, Part 2-Building/Construction & Part 3-HDA Act
8	Workshop on Corporate Liability under the MACC Act Effective from 1 Jun 2020 and Its Mitigations
9	Technical Briefing for Company Secretaries of Listed Issuers
10	Adopting a Constitution after Incorporation or in place of the Memorandum & Articles of Association
11	MAICSA Annual Governance Conference – New Decade Governance : Influence Strategy Impact
12	The Company Secretary : Becoming a Changemaker
13	Updates on Critical Tax Issues for Property Development

SUSTAINABILITY STATEMENT (CONT'D)

Our Performance

In 2020, our employees collectively attended 282 hours of training, averaging around 4.2 hours of training per employee (male: 5.3, female: 3.4). We are delighted that our training initiatives have resulted in an approximately 17% increase in average training hours per employee compared to the last reporting year, which has provided positive outcomes for both our employees and our organisation. We are determined to continue with our training initiatives, ensuring that all our employees have the opportunity to reach their fullest potential.

MARKETING AND LABELLING

Why It Matters

With over 38 years of experience, Farlim is proud of its integrity in the marketing and labelling of its products and services. We are continually driven to maintain Farlim's integrity and reputation and the strength of our brand acts as a testament to this commitment. Whether we are offering new products or services, we take our responsibility seriously to label and market our products and services appropriately.

How We Approach It

At Farlim, ensuring that our marketing and labelling practices are transparent and reliable is considered an utmost priority. By doing so, we ensure that our products and services are marketed and labelled accurately whilst complying with relevant state and federal laws.

Within this context, all matters related to advertising and promotion will be communicated to all levels of Sales & Marketing Department. Within the department, all personnel will work to ensure that no incidents of non-compliance in relation to product and services labelling occur.

The Sales & Marketing Department convenes meetings on a bi-monthly basis to discuss the Group's performance on the disclosure of product and service information. Additionally, if any issues or amendments are required for product and service labelling and branding, such matters will be discussed and addressed promptly on an ongoing basis. All changes or amendments shall be well-documented and approved before taking effect.

The Group also has dedicated grievance mechanisms for marketing and labelling matters. If triggered, relevant departments will be notified and will handle the issues reported as soon as possible. Upon review, meetings shall be arranged to confirm and initiate any actions to rectify the issues raised.

Furthermore, via continuous internal and external trainings, our employees are prepared to maintain Farlim's complete compliance in relation to marketing

and labelling matters. This includes active participation in workshops organised by the Real Estate & Housing Developers' Association (REHDA) Malaysia. In attending various trainings, our employees are provided with an opportunity to network whilst advancing their knowledge with regards to the latest developments in marketing and labelling within the property sector.

Our Performance

We are pleased to maintain zero-incidents of non-compliance of regulations and zero penalty, fine or warning from the authorities regarding our marketing and labelling practices in the current reporting year. Assured by the positive feedback we have received from our stakeholders, we will remain vigilant and committed to preserve the integrity of our marketing and labelling efforts.



Zero

Non-compliance cases related to Marketing & Labelling

CUSTOMER PRIVACY

Why It Matters

With the advent of digitisation, Farlim recognises its responsibility to handle our customers' data ethically and with care. Our customers trust us to handle their personal information safely and to guarantee the security of their sensitive data. We are therefore firmly committed to ensuring that customer privacy is a priority within the Group and that our customers' data are not compromised across our business operations.

How We Approach It

Our approach to customer privacy is guided primarily by the Group's Personal Data Protection Policy, which incorporates seven personal data protection principles and is applicable to all our employees. By ensuring adherence to our policy, we are able to promote responsible and ethical culture where our customers' personal data is handled appropriately at all times and ensure compliance with the Personal Data Protection Act 2010 (PDPA). Widely accessible via our website, our Personal Data Protection Policy underscores our commitment to robust security measures which protects our customers' personal data. Unless provided with expressed consent or required to do so by law, our policy also delineates our commitment to ensure that we do not share our customers' sensitive data to any external parties.

SUSTAINABILITY STATEMENT (CONT'D)

We communicate our commitment on customer privacy through a PDPA notice that is circulated amongst all our customers. Available in both English and Bahasa Malaysia, our PDPA notice helps our stakeholders understand our approach to data privacy, including when and why we collect sensitive data, any disclosures to third parties and their rights in connection to the personal data they share with us. Prior to providing any further information to their solicitors and financiers, we also require all our customers to sign our PDPA Consent Form.

If there is a third-party service provider who will be handling our customers' personal data on our behalf, we have further measures to secure the personal data of our customers. In such cases, letters of undertaking are obtained to ensure that the practices of third-party service providers comply with our Personal Data Protection Policy.



If customers have any concerns in relation to their privacy, they are able to reach out to us via email or our website. Such concerns and queries are thoroughly reviewed by our Management Information System (MIS) Department before being advanced for managerial action, if necessary. As we strive to maintain zero complaints on customer privacy, we are confident that our measures to ensure the safety of our customers' personal data is thorough, appropriate and effective.

Our Performance

Continuing our performance from the previous reporting year, we continue to record zero complaints concerning breaches of customer privacy or loss of customer data. In line with our commitment to ensuring the safety of our customers' data, we will continue to maintain best practices in our approach to customer privacy.



Zero

Complaints concerning breaches of customer privacy and loss of customer data

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure	Page Reference	Omission
GRI 102: GENERAL DISCLOSURES 2016			
ORGANISATIONAL PROFILE			
GRI 102-1	Name of the organisation	61	
GRI 102-2	Activities, brands, products and services	Refer to Annual Report	
GRI 102-3	Location of headquarters	61	
GRI 102-4	Location of operations	Refer to Annual Report	
GRI 102-5	Ownership and legal form	Refer to Annual Report	
GRI 102-6	Markets served	Refer to Annual Report	
GRI 102-7	Scale of the organisation	Refer to Annual Report	
GRI 102-8	Information on employees and other workers	71	
GRI 102-9	Supply chain	61	
GRI 102-10	Significant changes to organisation and its supply chain	-	There were no changes to the organisation and the supply chain during the reporting period.

SUSTAINABILITY STATEMENT (CONT'D)

GRI Standard	Disclosure	Page Reference	Omission
GRI 102-11	Precautionary Principle or approach	Refer to Annual Report	
GRI 102-12	External initiatives	-	There were no external initiatives during the reporting period.
GRI 102-13	Membership of associations	61	
STRATEGY			
GRI 102-14	Statement from senior decision-maker	62	
ETHICS AND INTEGRITY			
GRI 102-16	Values, principles, standards and norms of behaviour	Refer to Annual Report	
GOVERNANCE			
GRI 102-18	Governance structure	Refer to Annual Report	
STAKEHOLDER ENGAGEMENT			
GRI 102-40	List of stakeholder groups	63	
GRI 102-41	Collective bargaining agreements	-	Collective bargaining agreements are not applicable to Farlim's nature of business.
GRI 102-42	Identifying and selecting stakeholders	63	
GRI 102-43	Approach to stakeholder engagement	63	
GRI 102-44	Key topics and concerns raised	63	
REPORTING PRACTISE			
GRI 102-45	Entities included in the consolidated financial statements	Refer to Annual Report	
GRI 102-46	Defining report content and topic Boundaries	61	
GRI 102-47	List of material topics	64	
GRI 102-48	Restatements of information	-	No restatement of information during the reporting period.
GRI 102-49	Changes in reporting	-	There were no changes in reporting during the reporting period.
GRI 102-50	Reporting period	61	
GRI 102-51	Date of the most recent report	61	
GRI 102-52	Reporting cycle	61	
GRI 102-53	Contact point of questions regarding the report	61	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	61	
GRI 102-55	GRI content index	76 78	
GRI 102-56	External assurance	-	The review was performed by the internal team and approved by the management.
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	65	
GRI 103-2	The management approach and its components	65	
GRI 103-3	Evaluation of the management approach	65	
GRI 201: ECONOMIC PERFORMANCE 2016			
GRI 201-1	Direct economic value generated and distributed	65	
GRI 201-3	Defined benefit plan obligations and other retirement plans	65	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	66	
GRI 103-2	The management approach and its components	66	
GRI 103-3	Evaluation of the management approach	66	
GRI 202: MARKET PRESENCE 2016			
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	66	

SUSTAINABILITY STATEMENT (CONT'D)

GRI Standard	Disclosure	Page Reference	Omission
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	67	
GRI 103-2	The management approach and its components	67	
GRI 103-3	Evaluation of the management approach	67	
GRI 205: ANTI-CORRUPTION 2016			
GRI 205-1	Operations assessed for risks related to corruption	67	
GRI 205-2	Communication and training about anti-corruption policies and procedures	67	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	68	
GRI 103-2	The management approach and its components	68	
GRI 103-3	Evaluation of the management approach	68	
GRI 302: ENERGY 2016			
GRI 302-1	Energy consumption within the organisation	68	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	68-69	
GRI 103-2	The management approach and its components	68-69	
GRI 103-3	Evaluation of the management approach	68-69	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016			
GRI 307-1	Non-compliance with environmental laws and regulations	68-69	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	70-72	
GRI 103-2	The management approach and its components	70-72	
GRI 103-3	Evaluation of the management approach	70-72	
GRI 401: EMPLOYMENT 2016			
GRI 401-1	New employees hires and employee turnover	70-72	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	70-72	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	72-73	
GRI 103-2	The management approach and its components	72-73	
GRI 103-3	Evaluation of the management approach	72-73	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016			
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	72-73	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	73-74	
GRI 103-2	The management approach and its components	73-74	
GRI 103-3	Evaluation of the management approach	73-74	
GRI 404: TRAINING AND EDUCATION 2016			
GRI 404-1	Average hours of training per year per employee	73-74	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	75	
GRI 103-2	The management approach and its components	75	
GRI 103-3	Evaluation of the management approach	75	
GRI 417: MARKETING AND LABELLING 2016			
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	75	
GRI 417-3	Incidents of non-compliance concerning marketing communications	75	
GRI 103: MANAGEMENT APPROACH 2016			
GRI 103-1	Explanation of the material topic and its Boundary	75-76	
GRI 103-2	The management approach and its components	75-76	
GRI 103-3	Evaluation of the management approach	75-76	
GRI 418: CUSTOMER PRIVACY 2016			
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STATEMENT EXPLAINING THE BOARD OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

PURSUANT TO PARAGRAPH 15.26(a) OF MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Responsibilities of the Directors in relation to financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company for the financial year ended December 31, 2020 that give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the results and cash flows of the Group and of the Company for the financial year then ended in accordance with the Financial Reporting Standards and the applicable approved accounting standards in Malaysia 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.

The Directors of the Company are responsible for overseeing the Group's financial reporting process.

In order to ensure that the financial statements are properly drawn up, the Board has taken the following measures:-

- ensured the adoption of appropriate, adequate and applicable accounting standards and policies and applied them consistently;
- ensured that applicable approved accounting standards have been complied with;
- where applicable, judgments and estimates are made on a reasonable and prudent basis; and
- upon due inquiry into the state of affairs of the Company, there are no material matters that may affect the ability of the Company to continue in business on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.



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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Farlim Group (Malaysia) Bhd. ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of property development and investment holding. The principal activities of the subsidiaries are set out in Note 28 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year	(5,031,791)	(5,526,061)
Attributable to:		
Owners of the Company	(5,052,776)	(5,526,061)
Non-controlling interests	20,985	-
	<u>(5,031,791)</u>	<u>(5,526,061)</u>

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those as 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 that 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.

DIRECTORS' REPORT (CONT'D)

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.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

During the financial year, the Company repurchased 3,543,000 of its issued ordinary shares from the open market at an average price of RM0.321 per share. The total consideration paid for the repurchase including transaction costs was RM1,138,769/-.

There was no resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2020, the Company held 15,365,700 (2019: 11,822,700) treasury shares out of its 168,391,313 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM5,122,542/- (2019: RM3,983,773/-). Further details are disclosed in Note 15 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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:

Tan Sri Dato' Seri Lim Gait Tong*
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther*
Lim Chu Dick*
Koay Say Loke Andrew*
Khairilnuar Bin Abdul Rahman
Adlina Hasni Binti Zainol Abidin

* 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:

Kwong Yook Faan
Lim Hock Eng
Chen LiangXing

DIRECTORS' REPORT (CONT'D)

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:

	Number of ordinary shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
The Company				
Farlim Group (Malaysia) Bhd.				
Direct				
Tan Sri Dato' Seri Lim Gait Tong	12,000	-	-	12,000
Datuk Seri Haji Mohamed Iqbal				
Bin Kuppa Pitchai Rawther	12,000	-	-	12,000
Koay Say Loke Andrew	2,400	-	-	2,400
Adlina Hasni Binti Zainol Abidin	38,000	-	-	38,000
Indirect				
Tan Sri Dato' Seri Lim Gait Tong ⁽¹⁾	72,685,480	-	-	72,685,480
Lim Chu Dick ⁽¹⁾	72,685,480	-	-	72,685,480
The ultimate holding company				
Farlim Holding Sdn. Bhd.				
Direct				
Tan Sri Dato' Seri Lim Gait Tong	45,773	-	-	45,773
Lim Chu Dick	2,303	1,279	-	3,582
Indirect				
Tan Sri Dato' Seri Lim Gait Tong ⁽²⁾	15,355	-	(15,355)	-
Lim Chu Dick ⁽²⁾	15,355	-	(15,355)	-
The subsidiaries				
Baka Suci Sdn. Bhd.				
Direct				
Tan Sri Dato' Seri Lim Gait Tong	10,002	-	-	10,002
Victory Ace Sdn. Bhd.				
Direct				
Tan Sri Dato' Seri Lim Gait Tong	2	-	-	2
Farlim Marketing Sdn. Bhd.				
Direct				
Lim Chu Dick	245,000	-	-	245,000

⁽¹⁾ Shares held through the ultimate holding company.

⁽²⁾ Shares held through a corporation in which the director has substantial interests.

By virtue of their interests in shares in the ultimate holding company, and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Tan Sri Dato' Seri Lim Gait Tong and Mr. Lim Chu Dick are also deemed interested in shares in the Company and its related corporations to the extent that the ultimate holding company has an interest.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONTINUED)

Other than as disclosed 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 a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 23 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.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Group were RM5,000,000/- and RM19,697/- respectively.

SUBSIDIARIES

The details of Company's subsidiaries are disclosed in Note 28 to the financial statements.

ULTIMATE HOLDING COMPANY

The directors regard Farlim Holding Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the ultimate holding company.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of the significant events during the financial year are disclosed in Note 32.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 23 to the financial statements.

DIRECTORS' REPORT (CONT'D)

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:

TAN SRI DATO' SERI LIM GAIT TONG
Director

DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER
Director

Date: 25 March 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group	
	Note	2020 RM	2019 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	3,608,995	3,848,098
Right-of-use assets	6	157,510	159,702
Investment properties	7	11,818,257	4,673,638
Inventories	8	52,600,060	48,918,613
Other investments	10	33,899	31,383
Goodwill on consolidation	11	2,970,000	2,970,000
Total non-current assets		71,188,721	60,601,434
CURRENT ASSETS			
Inventories	8	33,715,592	34,777,304
Other investments	10	45,375,508	62,860,379
Trade and other receivables	12	7,848,191	5,405,558
Prepayments		116,998	134,590
Contract assets	19	3,011,735	-
Tax recoverable		4,224	1,897
Cash and bank balances	13	6,599,347	9,193,269
Total current assets		96,671,595	112,372,997
TOTAL ASSETS		167,860,316	172,974,431

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2020

		Group	
	Note	2020 RM	2019 RM
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	169,041,548	169,041,548
Treasury shares	15	(5,122,542)	(3,983,773)
Foreign exchange reserve		61,631	14
Accumulated losses		(8,579,720)	(3,526,944)
Shareholders' funds		155,400,917	161,530,845
Non-controlling interests		694,465	673,480
Total equity		156,095,382	162,204,325
NON-CURRENT LIABILITY			
Deferred tax liabilities	16	36,309	36,309
Total non-current liability		36,309	36,309
CURRENT LIABILITIES			
Trade and other payables	17	6,463,511	5,512,975
Provisions	18	5,116,963	4,978,147
Contract liabilities	19	78,575	172,125
Tax payables		69,576	70,550
Total current liabilities		11,728,625	10,733,797
Total liabilities		11,764,934	10,770,106
TOTAL EQUITY AND LIABILITIES		167,860,316	172,974,431

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2020

		Company	
	Note	2020 RM	2019 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	966,307	1,088,671
Right-of-use assets	6	65,080	66,130
Investment properties	7	12,715,077	5,538,345
Inventories	8	27,761,222	24,572,856
Investment in subsidiaries	9	48,840,090	50,654,770
Total non-current assets		90,347,776	81,920,772
CURRENT ASSETS			
Inventories	8	21,993,239	21,227,470
Other investments	10	43,321,198	61,003,425
Trade and other receivables	12	6,879,947	4,031,445
Prepayments		64,612	70,015
Contract assets		1,189,849	-
Cash and bank balances	13	4,868,121	7,187,737
Total current assets		78,316,966	93,520,092
TOTAL ASSETS		168,664,742	175,440,864

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2020

		Company	
	Note	2020 RM	2019 RM
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	169,041,548	169,041,548
Treasury shares	15	(5,122,542)	(3,983,773)
(Accumulated losses)/retained earnings		(1,051,310)	4,474,751
Total equity		162,867,696	169,532,526
NON-CURRENT LIABILITY			
Deferred tax liabilities	16	36,309	36,309
Total non-current liability		36,309	36,309
CURRENT LIABILITIES			
Trade and other payables	17	3,606,857	3,807,275
Provisions	18	2,075,305	1,892,629
Contract liabilities	19	78,575	172,125
Total current liabilities		5,760,737	5,872,029
Total liabilities		5,797,046	5,908,338
TOTAL EQUITY AND LIABILITIES		168,664,742	175,440,864

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Revenue	20	28,240,249	10,837,653	16,554,741	6,879,917
Cost of sales	21	(24,935,565)	(9,715,766)	(14,237,379)	(6,187,250)
Gross profit		3,304,684	1,121,887	2,317,362	692,667
Other income		2,305,720	3,807,195	2,085,413	3,443,810
Administrative expenses		(10,652,734)	(11,537,815)	(7,788,019)	(8,411,994)
Net reversal on impairment of financial instruments and contract assets		-	-	-	1,325,000
Other operating expenses		-	-	(2,330,796)	(3,313,289)
Operating loss		(5,042,330)	(6,608,733)	(5,716,040)	(6,263,806)
Finance income	22	55,752	88,506	189,979	94,723
Finance expense	22	-	(1,537)	-	-
Loss before taxation	23	(4,986,578)	(6,521,764)	(5,526,061)	(6,169,083)
Income tax expense	24	(45,213)	(99,404)	-	(60,364)
Loss for the financial year		(5,031,791)	(6,621,168)	(5,526,061)	(6,229,447)
Other comprehensive income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operation		61,617	14	-	-
Total comprehensive loss for the financial year		(4,970,174)	(6,621,154)	(5,526,061)	(6,229,447)

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Loss attributable to:					
Owners of the Company		(5,052,776)	(6,647,797)	(5,526,061)	(6,229,447)
Non-controlling interests		20,985	26,629	-	-
		<u>(5,031,791)</u>	<u>(6,621,168)</u>	<u>(5,526,061)</u>	<u>(6,229,447)</u>
Total comprehensive loss attributable to:					
Owners of the Company		(4,991,159)	(6,647,783)	(5,526,061)	(6,229,447)
Non-controlling interests		20,985	26,629	-	-
		<u>(4,970,174)</u>	<u>(6,621,154)</u>	<u>(5,526,061)</u>	<u>(6,229,447)</u>
Loss per share attributable to owners of the Company (sen)					
- basic	25	(3.30)	(3.98)		
- diluted	25	<u>(3.30)</u>	<u>(3.98)</u>		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	← Attributable to owners of the Company →					
	Share Capital RM	Treasury Share RM	Foreign Exchange Reserve RM	Retained Earnings/ (Accumulated Losses) RM	Non- Controlling Interests RM	Total Equity RM
Group						
At 1 January 2019	169,041,548	-	-	2,147,909	1,819,795	173,009,252
Total comprehensive income for the financial year						
Other comprehensive income	-	-	14	-	-	14
Loss for the financial year	-	-	-	(6,647,797)	26,629	(6,621,168)
Total comprehensive income/(loss)	-	-	14	(6,647,797)	26,629	(6,621,154)
Transaction with owners						
Changes in ownership interests in a subsidiary	-	-	-	972,944	(1,172,944)	(200,000)
Share repurchased	-	(3,983,773)	-	-	-	(3,983,773)
Total transaction with owners	-	(3,983,773)	-	972,944	(1,172,944)	(4,183,773)
At 31 December 2019	169,041,548	(3,983,773)	14	(3,526,944)	673,480	162,204,325
At 1 January 2020	169,041,548	(3,983,773)	14	(3,526,944)	673,480	162,204,325
Total comprehensive income for the financial year						
Other comprehensive income	-	-	61,617	-	-	61,617
Loss for the financial year	-	-	-	(5,052,776)	20,985	(5,031,791)
Total comprehensive income/(loss)	-	-	61,617	(5,052,776)	20,985	(4,970,174)
Transaction with owners						
Share repurchased	-	(1,138,769)	-	-	-	(1,138,769)
Total transaction with owners	-	(1,138,769)	-	-	-	(1,138,769)
At 31 December 2020	169,041,548	(5,122,542)	61,631	(8,579,720)	694,465	156,095,382

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	← Attributable to owners of the Company →			
	Share Capital RM	Treasury Shares RM	Retained Earnings RM	Total Equity RM
Company				
At 1 January 2019	169,041,548	-	10,704,198	179,745,746
Total comprehensive income for the financial year				
Loss for the financial year	-	-	(6,229,447)	(6,229,447)
Total comprehensive loss	-	-	(6,229,447)	(6,229,447)
Transaction with owners				
Share repurchased	-	(3,983,773)	-	(3,983,773)
Total transaction with owners	-	(3,983,773)	-	(3,983,773)
At 31 December 2019	169,041,548	(3,983,773)	4,474,751	169,532,526
At 1 January 2020	169,041,548	(3,983,773)	4,474,751	169,532,526
Total comprehensive income for the financial year				
Loss for the financial year	-	-	(5,526,061)	(5,526,061)
Total comprehensive loss	-	-	(5,526,061)	(5,526,061)
Transaction with owners				
Share repurchased	-	(1,138,769)	-	(1,138,769)
Total transaction with owners	-	(1,138,769)	-	(1,138,769)
At 31 December 2020	169,041,548	(5,122,542)	(1,051,310)	162,867,696

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before taxation	(4,986,578)	(6,521,764)	(5,526,061)	(6,169,083)
Adjustments for:				
Depreciation	489,397	720,839	289,669	438,245
Dividend income	(246)	(429)	-	-
Fair value gain on financial assets	(2,516)	676	-	-
Gain on disposal of property, plant and equipment	(99)	-	(99)	-
Impairment loss on investment in subsidiaries	-	-	2,308,320	3,313,289
Interest expenses	-	1,537	-	-
Interest income	(55,752)	(88,499)	(189,979)	(94,723)
Income from cash management fund	(1,562,560)	(3,000,794)	(1,515,226)	(2,958,231)
Property, plant and equipment written off	2,886	328	2,886	328
Provision for directors' retirement benefits	50,000	50,000	50,000	50,000
Waiver of debts	-	(26,635)	-	-
Write off of debts	-	-	22,476	-
Forfeiture income	-	(18,268)	-	-
Write back of provision for compensation	-	(121,867)	-	-
Impairment loss no longer required - amount owing by subsidiaries	-	-	-	(1,325,000)
Realised exchange loss	34,901	-	-	-
Operating loss before working capital changes	(6,030,567)	(9,004,876)	(4,558,014)	(6,745,175)
Changes In Working Capital:				
Inventories	(2,619,735)	(13,586,200)	(3,954,135)	(12,326,577)
Receivables	(2,425,041)	(525,546)	(2,486,649)	762,822
Contract assets	(3,011,735)	-	(1,189,849)	-
Payables	1,004,451	(169,552)	(67,742)	(725,848)
Contract liabilities	(93,550)	6,775	(93,550)	6,775
Cash used in operations	(13,176,177)	(23,279,399)	(12,349,939)	(19,028,003)
Interest received	55,752	88,499	189,979	94,723
Compensation paid	-	(70,215)	-	-
Tax paid	(48,514)	(95,900)	-	(56,081)
Net cash used in operating activities	(13,168,939)	(23,357,015)	(12,159,960)	(18,989,361)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	1,562,560	3,000,794	1,515,226	2,958,231
Dividend received	246	429	-	-
Net change in amount owing by subsidiaries	-	-	(378,926)	(610,472)
Proceeds from disposal of property, plant and equipment	100	-	100	-
Additional investment in subsidiary	-	(200,000)	-	-
Investment in preference share in subsidiary	-	-	(493,640)	(5,065,000)
Acquisition of treasury shares	(1,138,769)	(3,983,773)	(1,138,769)	(3,983,773)
Redemption of other long term investments	-	12,333,895	-	12,333,895
Redemption of other short term investments	17,484,871	16,796,511	17,682,227	16,889,125
Purchase of property, plant and equipment	(83,848)	(39,380)	(34,114)	(24,691)
Purchase of investment properties	(7,311,760)	(236,830)	(7,311,760)	(236,830)
Net cash generated from investing activities	10,513,400	27,671,646	9,840,344	22,260,485
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interest paid	-	(1,537)	-	-
Payment to finance lease liabilities	-	(82,838)	-	-
Net cash used in financing activities	-	(84,375)	-	-
NET CHANGES IN CASH AND CASH EQUIVALENTS	(2,655,539)	4,230,256	(2,319,616)	3,271,124
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	9,193,269	4,962,999	7,187,737	3,916,613
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	61,617	14	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6,599,347	9,193,269	4,868,121	7,187,737

Reconciliation of liability arising from financing activities:

Group	1 January 2019 RM	Cash flows RM	31 December 2019 RM
Finance lease liabilities	82,838	(82,838)	-
	82,838	(82,838)	-

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 1, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Penang.

The ultimate holding company is Farlim Holding Sdn. Bhd., a company incorporated and domiciled in Malaysia with its registered office located at No. 1, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Penang.

The principal activities of the Company are that of property development and investment holding. The principal activities of the subsidiaries are set out in Note 28 to the financial statements.

There have been no significant changes in the nature of these principal 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 25 March 2021.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 3 to the financial statements.

2.3 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 that are significant to the financial statements are disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONTINUED)

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 Company's functional currency.

2.5 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board ("MASB") on 5 June 2020.

The adoption of the above amendments/improvements to MFRSs 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022 [^] 1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023 [#]
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2021/ 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 2021/ 1 January 2022 [^]
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
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 2021
MFRS 140	Investment Property	1 January 2023 [#]
MFRS 141	Agriculture	1 January 2022 [^]

[^] The Annual Improvements to MFRS Standards 2018-2020

[#] Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

2.6.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

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 an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- 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 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.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts, and MFRS 16 Leases

The Interest Rate Benchmark Reform—Phase 2 amends some specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, with respect to issues that affect financial reporting during the reform of an interest rate benchmark.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONTINUED)

2.6 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

2.6.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs, when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs, 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.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 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 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
- 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 assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.2.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of Consolidation (Continued)

(a) Subsidiaries and business combination (Continued)

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 been previously 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 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, joint venture, an available-for-sale financial asset or a held for trading 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group 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.

3.2 Goodwill on Consolidation

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest and any previously-held equity interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group's share of identifiable net assets acquired exceed the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in the statement of profit or loss.

3.3 Separate Financial Statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. 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 3.11(b).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 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 has 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 in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial Instruments (Continued)

(a) Subsequent measurement (Continued)

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

(i) Financial assets (Continued)

The Group and the Company reclassify financial assets when and only when its business model for managing those assets changes.

Debt instruments

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. There are two measurement categories into which the Group and the Company classifies their debt instruments:

- **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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through profit or loss (FVPL)**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 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 measures 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 are not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial Instruments (Continued)

(b) Derecognition

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

- (i) the contractual rights to receive the 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 under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

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.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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 of measurement of impairment losses is in accordance with Note 3.11(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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 cost

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.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

Property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The annual rates used for this purpose are as follows:

	Useful lives
Buildings	2% - 4.5%
Buildings improvements	10% - 15%
Plant and machinery	9% - 20%
Motor vehicles	18% - 20%
Furniture, fittings and equipment	10% - 20%

The residual values useful lives and depreciation methods are reviewed at the end of each month reporting period and adjusted as appropriate.

Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, Plant and Equipment (Continued)

(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 arising on derecognition of the asset is recognised in profit or loss.

3.6 Investment Properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties on freehold land are stated at cost less accumulated impairment losses, if any, and are not depreciated as it has an indefinite life. Whereas, other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Investment properties are depreciated on a straight line basis over their estimated useful life at an annual rate of 1.2% to 2%.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined based on specific identification. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories (Continued)

Property under development

Cost includes:

- freehold and leasehold rights for land
- amounts paid to contractors for construction
- planning and design costs, costs for site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

The cost of inventory recognised in profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative sale value of the property sold.

3.8 Contract Assets/(Liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3.9 Leases

(a) Definition of lease

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) Lessee accounting

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 that do not meet the definition of investment property in Note 3.6.

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 annual rates used for this purpose are as follows:

	Useful lives
Leasehold land	84-94 years

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) Lessee accounting (Continued)

Lease liability (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (Continued)

(b) Lessee accounting (Continued)

Lease liability (Continued)

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.

(c) Lessor Accounting

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 3.9(a) to the financial statements, then it classifies the sub-lease as an operating lease.

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 statements 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.

3.10 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 and other short-term, highly liquid investments 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of Assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost and lease receivables 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, contract assets and lease 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 30 days past due.

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

- the borrower 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 90 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of Assets (Continued)

(a) Impairment of financial assets and contract 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 assess whether financial assets carried at amortised cost is 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. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Impairment of Assets (Continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories) 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 non-financial assets or cash-generating units ("CGUs").

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

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. 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 asset 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Share Capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.13 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 where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

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

(c) Defined benefit plans

The Group and the Company operate an unfunded benefits scheme to the director.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end.

3.14 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Provisions (Continued)

Legal claims

For lawsuit provisions, a probability-weighted expected outcome is applied in the measurement, taking into account past court judgements made in similar cases and advice of legal experts.

3.15 Borrowing Costs

Borrowing costs 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 a qualifying asset 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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

3.16 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.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

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 such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 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.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

(a) Property development

The Group and the Company develop and sell residential and commercial properties. Contracts with customers may include multiple distinct promises to customers and therefore accounted for as separate performance obligations. In the contract with customer contains more than one performance obligation, when the stand-alone selling price are not directly observable, they are estimated based on expected cost plus margin.

Revenue from residential and commercial properties are recognised as and when the control of the asset is transferred to the customer. Based on the terms of the contract and the laws that apply to the contract, control of the asset is transferred over time as the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of property development costs incurred for work performed to date bear to the estimated total property development costs (an input method).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue and Other Income Recognition (Continued)

(a) Property development (Continued)

The consideration is due based on the scheduled payments in the contract, therefore, no element of financing is deemed present. When a particular milestone is reached in excess of the scheduled payments, a contract asset will be recognised for the excess of revenue recognised to date under the input method over the progress billings to-date and include deposits or advances received from customers. When the progress billings to-date and include deposits or advances received from customers exceeds revenue recognised to date then the Group and the Company recognise a contract liability for the difference.

Consistent with market practice, the Group and the Company collect deposit from customers for sale of properties. A contract liability is recognised for the customer deposits as the Group and the Company have obligations to transfer the goods or services to the customer in respect of deposits received. Customer deposits would be recognised as revenue upon transfer of goods or services to the customer.

Revenue is recognised based on the transaction price agreed in the contracts, net of any marketing promotional packages offered to the customers which are to be incurred by the Group and the Company. The Group and the Company use the expected value method because it is the method that the Group and the Company expect to better compute the amount of consideration to which they will be entitled. The amount of revenue recognised does not include any marketing promotional packages which are constrained.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

(d) Rental income

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

(e) Sales of goods and completed properties

The Group sells completed properties and a range of building materials to local customers. Revenue from sales of completed properties and building materials are recognised at a point in time when control of the products has been transferred, being when the customers accept the delivery of the goods.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue and Other Income Recognition (Continued)

(f) Inter-company transactions

Inter-company transactions are excluded from the revenue of the Group.

(g) Commission income

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

3.17 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 reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts 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 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal timing 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Income Tax (Continued)

(b) Deferred tax (Continued)

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.

(c) Sales and service tax

Revenue, 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 service tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.18 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee of operations who is responsible for allocating resources and assessing performance of the operating segments and recommends strategic decisions to the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Fair Value Measurements

Fair value of an asset or a liability, except for 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 are 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.

3.20 Contingencies

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

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.

3.21 Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Contract costs

(a) Recognition and measurement

Contract costs include costs of obtaining and fulfilling a contract.

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as part of contract costs when the Group and the Company expect those costs are recoverable.

The costs incurred in fulfilling a contract with a customer which are not within the scope of another MFRSs, such as MFRS 102 Inventories, MFRS 116 Property, Plant and Equipment or MFRS 138 Intangible Assets, are recognised as part of contract costs when all of the following criteria are met:

- (a) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- (b) the costs generate or enhance resources of the Group and the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

(b) Amortisation

The costs of obtaining and fulfilling a contract are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, i.e. in accordance with the pattern of transfer of goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimate and Errors.

(c) Impairment

Impairment loss are recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

- (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136 *Impairment of Assets* to that cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Contract costs (Continued)

(c) Impairment (Continued)

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity would have recognised is one year or less.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting 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 that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

(a) Property development revenue and expenses (Note 20 and 21)

The Group and the Company recognised property development revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and expenses, as well as the recoverability of the development projects. In making the judgement, the Group and the Company evaluates based on past experience and by relying on the work of specialists.

(b) Provisions (Note 18)

The Group and the Company recognise provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recognition of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Group's and the Company's current best estimate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) Impairment of goodwill (Note 11)

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the CGU to which goodwill is allocated. The management requires the application of significant judgements in the recoverable amount and assumptions included within the fair value to sell model. The carrying amount of goodwill as at 31 December 2020 was RM2,970,000/-.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Group 2020	Freehold Land RM	Buildings RM	Buildings Improvements RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
Cost							
At 1 January 2020	1,869,244	1,903,915	1,576,825	12,900	3,141,401	2,733,555	11,237,840
Additions	-	-	-	-	-	83,848	83,848
Disposals	-	-	-	-	-	(3,400)	(3,400)
Write-offs	-	-	-	-	-	(17,995)	(17,995)
At 31 December 2020	1,869,244	1,903,915	1,576,825	12,900	3,141,401	2,796,008	11,300,293
Accumulated Depreciation							
At 1 January 2020	-	764,475	1,306,239	12,900	2,955,018	2,351,110	7,389,742
Charge for the financial year	-	40,851	97,916	-	65,828	115,469	320,064
Disposals	-	-	-	-	-	(3,399)	(3,399)
Write-offs	-	-	-	-	-	(15,109)	(15,109)
At 31 December 2020	-	805,326	1,404,155	12,900	3,020,846	2,448,071	7,691,298
Carrying Amount							
At 1 January 2020	1,869,244	1,139,440	270,586	-	186,383	382,445	3,848,098
At 31 December 2020	1,869,244	1,098,589	172,670	-	120,555	347,937	3,608,995

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019	Freehold Land RM	Buildings RM	Buildings Improvements RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
Cost							
At 1 January 2019	1,869,244	1,903,915	1,576,825	12,900	3,141,401	2,710,476	11,214,761
Additions	-	-	-	-	-	39,380	39,380
Write-offs	-	-	-	-	-	(16,301)	(16,301)
At 31 December 2019	1,869,244	1,903,915	1,576,825	12,900	3,141,401	2,733,555	11,237,840
Accumulated Depreciation							
At 1 January 2019	-	723,625	1,208,323	12,900	2,652,658	2,241,701	6,839,207
Charge for the financial year	-	40,850	97,916	-	302,360	125,382	566,508
Write-offs	-	-	-	-	-	(15,973)	(15,973)
At 31 December 2019	-	764,475	1,306,239	12,900	2,955,018	2,351,110	7,389,742
Carrying Amount							
At 1 January 2019	1,869,244	1,180,290	368,502	-	488,743	468,775	4,375,554
At 31 December 2019	1,869,244	1,139,440	270,586	-	186,383	382,445	3,848,098

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020	Freehold Land RM	Buildings RM	Buildings Improvements RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
Cost						
At 1 January 2020	264,940	763,088	923,125	2,039,378	1,604,515	5,595,046
Additions	-	-	-	-	34,114	34,114
Disposals	-	-	-	-	(3,400)	(3,400)
Write-offs	-	-	-	-	(17,995)	(17,995)
At 31 December 2020	264,940	763,088	923,125	2,039,378	1,617,234	5,607,765
Accumulated Depreciation						
At 1 January 2020	-	362,780	811,856	1,855,321	1,476,418	4,506,375
Charge for the financial year	-	15,940	26,654	64,958	46,039	153,591
Disposals	-	-	-	-	(3,399)	(3,399)
Write-offs	-	-	-	-	(15,109)	(15,109)
At 31 December 2020	-	378,720	838,510	1,920,279	1,503,949	4,641,458
Carrying Amount						
At 1 January 2020	264,940	400,308	111,269	184,057	128,097	1,088,671
At 31 December 2020	264,940	384,368	84,615	119,099	113,285	966,307

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019	Freehold Land RM	Buildings RM	Buildings Improvements RM	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Total RM
Cost						
At 1 January 2019	264,940	763,088	923,125	2,039,378	1,593,826	5,584,357
Additions	-	-	-	-	24,691	24,691
Written-offs	-	-	-	-	(14,002)	(14,002)
At 31 December 2019	264,940	763,088	923,125	2,039,378	1,604,515	5,595,046
Accumulated Depreciation						
At 1 January 2019	-	346,840	785,202	1,631,151	1,439,689	4,202,882
Charge for the financial year	-	15,940	26,654	224,170	50,403	317,167
Written-offs	-	-	-	-	(13,674)	(13,674)
At 31 December 2019	-	362,780	811,856	1,855,321	1,476,418	4,506,375
Carrying Amount						
At 1 January 2019	264,940	416,248	137,923	408,227	154,137	1,381,475
At 31 December 2019	264,940	400,308	111,269	184,057	128,097	1,088,671

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Property subject to operating lease

The Group and the Company leases some of its property to third party and its subsidiaries. Each of the leases contained an initial non-cancellable period of 2 years. Subsequent renewals are negotiated with the lessee.

The Group and the Company generally do not require a financial guarantee on the leases arrangement. Nevertheless, the Group requires two months of advanced rental payment from the lessee. These leases do not include residual value guarantees.

The following are recognised in profit and loss:

	Group	
	2020 RM	2019 RM
Lease income	63,880	103,200

The operating lease payment to be received are as follows:

	Group	
	2020 RM	2019 RM
Less than one year	65,000	44,700
One to two years	59,500	-
Total undiscounted lease payment	124,500	44,700

(b) Buildings in relation to the leasehold land

The buildings in the Group and the Company of the carrying amount RM1,098,589/- (2019: RM1,139,440/-) and RM384,368/- (2019: RM400,308/-) respectively are related to the leasehold land classified as right-of-use asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. RIGHT-OF-USE ASSETS

The Group and the Company leases several assets and the information about leases of the Group and the Company as lessees are presented below:

	Leasehold land RM
Group	
Cost	
At 1 January/31 December 2020	240,267
Accumulated Depreciation	
At 1 January 2019	78,374
Charge for the financial year	2,191
At 1 January 2020	80,565
Charge for the financial year	2,192
At 31 December 2020	82,757
Net carrying amount	
At 1 January 2020	159,702
At 31 December 2020	157,510
Company	
Cost	
At 1 January/31 December 2020	110,785
Accumulated Depreciation	
At 1 January 2019	43,605
Charge for the financial year	1,050
At 1 January 2020	44,655
Charge for the financial year	1,050
At 31 December 2020	45,705
Net carrying amount	
At 1 January 2020	66,130
At 31 December 2020	65,080

The long-term leasehold land of the Group has an unexpired lease period of more than 50 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT PROPERTIES

Group	Completed	Investment	
2020	Investment	Properties	
Cost	Properties	Under	Total
	RM	Construction	RM
At 1 January 2020	5,597,270	236,830	5,834,100
Addition	7,311,760	-	7,311,760
At 31 December 2020	12,909,030	236,830	13,145,860
Accumulated Depreciation			
At 1 January 2020	1,160,462	-	1,160,462
Charge for the financial year	167,141	-	167,141
At 31 December 2020	1,327,603	-	1,327,603
Net carrying amount	11,581,427	236,830	11,818,257
Group			
2019			
Cost			
At 1 January 2019	5,597,270	-	5,597,270
Addition	-	236,830	236,830
At 31 December 2019	5,597,270	236,830	5,834,100
Accumulated Depreciation			
At 1 January 2019	1,008,322	-	1,008,322
Charge for the financial year	152,140	-	152,140
At 31 December 2019	1,160,462	-	1,160,462
Net carrying amount	4,436,808	236,830	4,673,638

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT PROPERTIES (CONTINUED)

Company	Completed	Investment	
2020	Investment	Properties	Total
Cost	Properties	Under	RM
	RM	Construction	
		RM	
At 1 January 2020	6,001,424	236,830	6,238,254
Addition	7,311,760	-	7,311,760
At 31 December 2020	13,313,184	236,830	13,550,014
Accumulated Depreciation			
At 1 January 2020	699,909	-	699,909
Charge for the financial year	135,028	-	135,028
At 31 December 2020	834,937	-	834,937
Net carrying amount	12,478,247	236,830	12,715,077
2019			
Cost			
At 1 January 2019	6,001,424	-	6,001,424
Addition	-	236,830	236,830
At 31 December 2019	6,001,424	236,830	6,238,254
Accumulated Depreciation			
At 1 January 2019	579,881	-	579,881
Charge for the financial year	120,028	-	120,028
At 31 December 2019	699,909	-	699,909
Net carrying amount	5,301,515	236,830	5,538,345

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Rental income	203,483	261,620	187,363	221,400
Direct operating expenses:				
- income generating investment properties	151,395	152,595	137,929	138,257

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT PROPERTIES (CONTINUED)

Fair value of investment properties for the Group and the Company are categorised as follows:

	Fair Value Total RM	Level 1 RM	Level 2 RM	Level 3 RM
Group 2020				
Investment properties	16,022,071	-	-	16,022,071
2019				
Investment properties	8,649,854	-	-	8,649,854
Company 2020				
Investment properties	13,982,836	-	-	13,982,836
2019				
Investment properties	6,434,246	-	-	6,434,246

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable input	Relationship of unobservable inputs
Commercial space	Sales comparison approach	Price per square foot RM104/- (2019: RM104/-)	The higher the price per square foot, the higher the fair value
Condominium	Sales comparison approach	Price per square foot RM304/- to RM 377/-	The higher the price per square foot, the higher the fair value
Shop office	Sales comparison approach	Price per square foot RM83/-	The higher the price per square foot, the higher the fair value

During the financial year ended 31 December 2020 or 31 December 2019, there have been no transfers of fair value measurements.

Valuation processes applied by the Group and the Company

The fair value on the investment properties of the Group and of the Company, which are determined by the directors of the Company based on sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INVENTORIES

	2020 RM	2019 RM
Group		
At lower of cost and net realisable value :		
Non-current		
Property held for development		
- Freehold land at cost	853,876	853,876
- Leasehold land at cost	26,301,477	26,301,477
- Development costs	25,444,707	21,763,260
	<u>52,600,060</u>	<u>48,918,613</u>
Current		
Property under development		
- Freehold land at cost	2,126,103	2,126,103
- Leasehold land at cost	4,216,210	6,343,452
- Development costs	14,217,013	25,972,028
Completed properties	11,313,475	335,721
Building materials	1,842,791	-
	<u>33,715,592</u>	<u>34,777,304</u>
Company		
At lower of cost and net realisable value :		
Non-current		
Property held for development		
- Leasehold land at cost	13,234,579	13,234,579
- Development costs	14,526,643	11,338,277
	<u>27,761,222</u>	<u>24,572,856</u>
Current		
Property under development		
- Leasehold land at cost	3,837,936	5,437,486
- Development costs	7,177,550	15,789,984
Completed properties	10,977,753	-
	<u>21,993,239</u>	<u>21,227,470</u>

- (a) The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year in respect of continuing operations was RM23,951,304/- (2019: RM8,472,848/-) and RM14,237,379/- (2019: RM6,187,250/-) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2020	2019
	RM	RM
Unquoted shares, at cost		
Ordinary shares	46,718,267	46,718,267
Preference shares	41,516,170	41,022,530
	88,234,437	87,740,797
Less: Accumulated impairment losses	(39,394,347)	(37,086,027)
	<u>48,840,090</u>	<u>50,654,770</u>

- (a) The Company's equity interest in the subsidiaries, country of incorporation and their respective principal activities are disclosed in Note 28 to the financial statements.
- (b) In the financial year, the Company had subscribed for 493,640 (2019: 5,065,000) redeemable preference shares in a wholly owned subsidiary for a total consideration of RM493,640/-.

The redemption of preference shares and payment of preference dividends are based on the discretion of the issuer's directors up to 5% per annum and is non-cumulative.

- (c) Subscription of additional interest in a subsidiary

In previous financial year, a wholly-owned subsidiary, Kanchil Jaya Sdn. Bhd. acquired additional 200,000 ordinary shares of LJ Harta Sdn. Bhd. ("LJHSB"), which represents the remaining 20% equity interest in LJHSB from non-controlling interests, for a total consideration of RM200,000/-. The effect arising from the acquisition that is attributable to owners of the Company are as follows:

	Group 2019 RM
Consideration transferred to non-controlling interest	200,000
Carrying value of additional interest in LJHSB	(1,172,944)
Excess recognised in retained earnings	<u>(972,944)</u>

- (d) Acquisition of Farlim Trading (Shandong) Co. Ltd.

In previous financial year, the Group had incorporated a wholly-owned subsidiary Farlim Trading (Shandong) Co. Ltd., as a wholly-owned subsidiary of Bandar Subang Sdn. Bhd.

The registered capital is USD500,000/- (equivalent to approximately RM2,085,000/-) which is comprising of 500,000 ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Group 2020	Farlim Marketing Sdn. Bhd. RM	Other individually immaterial subsidiaries RM	Total RM
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI	713,555	(19,090)	694,465
Profit/(loss) allocated to NCI in current financial year	24,085	(3,100)	20,985
Summarised financial information before intra-group elimination			
As at 31 December 2020			
Non-current assets	266,219	-	266,219
Current assets	1,357,462	206	1,357,668
Current liabilities	(167,452)	(108,524)	(275,976)
Net assets/(liabilities)	1,456,229	(108,318)	1,347,911
Summarised statements of comprehensive income/(loss)			
Financial year ended 31 December 2020			
Revenue	1,056,508	-	1,056,508
Profit/(Loss) for the financial year	49,154	(13,681)	35,473
Total comprehensive profit/(loss)	49,154	(13,681)	35,473
Summarised statements of cash flows information			
Financial year ended 31 December 2020			
Cash flows used in operating activities	5,845	-	5,845
Cash flows from investing activities	(50,018)	-	(50,018)
Cash flows from financing activities	-	-	-
Net decrease in cash and cash equivalents	(44,173)	-	(44,173)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Non-controlling interests in subsidiaries (Continued)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows (Continued):

Group 2019	Farlim Marketing Sdn. Bhd. RM	Other individually immaterial subsidiaries RM	Total RM
NCI percentage of ownership interest and voting interest	49%		
Carrying amount of NCI	689,469	(15,989)	673,480
Profit/(loss) allocated to NCI in current financial year	29,871	(3,242)	26,629
Summarised financial information before intra-group elimination			
As at 31 December 2019			
Non-current assets	268,912	-	268,912
Current assets	1,262,351	206	1,262,557
Current liabilities	(124,187)	(94,842)	(219,029)
Net assets/(liabilities)	1,407,076	(94,636)	1,312,440
Summarised statements of comprehensive income/(loss)			
Financial year ended 31 December 2019			
Revenue	1,360,302	-	1,360,302
Profit/(Loss) for the financial year	60,962	(14,303)	46,659
Total comprehensive profit/(loss)	60,962	(14,303)	46,659
Summarised statements of cash flows information			
Financial year ended 31 December 2019			
Cash flows used in operating activities	(55,486)	-	(55,486)
Cash flows from investing activities	46,602	-	46,602
Cash flows from financing activities	44	-	44
Net decrease in cash and cash equivalents	(8,840)	-	(8,840)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. OTHER INVESTMENTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Non-current				
Fair value through profit or loss:				
Quoted shares in Malaysia	33,899	31,383	-	-
Current				
Fair value through profit or loss:				
Cash management fund investments with investment management companies	45,375,508	62,860,379	43,321,198	61,003,425

The market value of the quoted shares as at 31 December 2020 is RM33,899/- (2019: RM31,383/-)

11. GOODWILL ON CONSOLIDATION

	Group	
	2020	2019
	RM	RM
Cost		
At 1 January	17,797,926	17,797,926
Accumulated impairment losses	(14,827,926)	(14,827,926)
Net carrying amount at 31 December	2,970,000	2,970,000

Goodwill arising from business combination has been allocated to cash-generating unit ("CGU") for impairment testing purpose. The carrying amount of goodwill has been allocated to the investment in Kertih-Paka Country & Golf Resorts Sdn. Bhd.

Recoverable amount of Kertih-Paka Country & Golf Resorts Sdn. Bhd. is based on fair value less cost to sell, using the open market price of CGU as at reporting date.

Sensitivity to changes in assumptions

There are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current:				
Trade				
Trade receivables from contracts with customers	5,944,065	3,062,377	3,914,804	1,046,187
Less: Impairment loss	(17,312)	(17,312)	-	-
	5,926,753	3,045,065	3,914,804	1,046,187
Non-trade				
Other receivables	94,994	97,680	77,421	81,965
Amount owing by subsidiaries	-	-	2,307,150	1,950,700
Deposits	1,826,444	2,262,813	580,572	967,821
Less: Impairment loss	-	-	-	(15,228)
	1,921,438	2,360,493	2,965,143	2,985,258
Total receivables	7,848,191	5,405,558	6,879,947	4,031,445

(i) Trade receivables

The Group's trade receivables normal trade credit terms range from 21 to 90 (2019: 21 to 90) days terms. They are recognised on their original invoice amount which represents their fair values on initial recognition.

(ii) Amount owing by subsidiaries

The amount owing by subsidiaries represents advances and payments made on behalf, which is unsecured, bearing interest range from 3.08% to 4.35% (2019: 4.28% to 4.75%) per annum and repayable on demand. These balances are to be settled by cash.

13. CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash in hand and at banks	6,599,347	9,193,269	4,868,121	7,187,737

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. CASH AND CASH BALANCES (CONTINUED)

Included in cash and bank balances are the following:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966	3,552,964	4,998,171	2,494,441	3,678,564

- (a) Cash held under Housing Development Account represents receipts from purchasers of residential properties less payments or withdrawals pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations.
- (b) The interest rate for the Group's and the Company's Housing Development Account range from 0.50% to 1.95% (2019: 1.95% to 2.20%) per annum.

14. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amounts	
	2020	2019	2020	2019
	Units	Units	RM	RM
Issued and fully paid:				
At 1 January / 31 December	168,391,313	168,391,313	169,041,548	169,041,548

The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

15. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was first approved by the Company's shareholders in the Annual General Meeting held on 26 June 2019 for the Company to repurchase 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan is applied in the best interests of the Company and its shareholders. The share repurchases made to date were financed by internally generated funds and the shares purchased are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. TREASURY SHARES (CONTINUED)

For the financial year ended 31 December 2020, the Company repurchased 3,543,000 (2019: 11,822,700) shares from the open market. The average price paid for the share repurchase was RM0.321 per share.

At 31 December 2020, the Company's treasury shares are held at as carrying amount of RM5,122,542/- (2019: RM3,983,773/-).

There is no resale, cancellation or distribution of treasury shares during the financial year.

The details of repurchase of treasury shares during the financial year are as follow:

Month	No. of shares repurchased Units	Price per share			Total consideration RM
		Highest RM	Lowest RM	Average RM	
January 2020	2,643,000	0.3350	0.3050	0.3274	865,231
February 2020	900,000	0.3100	0.2950	0.3039	273,538
	<u>3,543,000</u>				<u>1,138,769</u>

Month	No. of shares repurchased Units	Price per share			Total consideration RM
		Highest RM	Lowest RM	Average RM	
August 2019	1,292,900	0.3500	0.3350	0.3444	445,338
September 2019	1,065,500	0.3500	0.3300	0.3407	363,036
October 2019	1,086,600	0.3600	0.3300	0.3423	371,946
November 2019	1,917,500	0.3500	0.3300	0.3369	646,073
December 2019	6,460,200	0.3400	0.3300	0.3339	2,157,380
	<u>11,822,700</u>				<u>3,983,773</u>

16. DEFERRED TAX LIABILITIES

	Group and Company	
	2020 RM	2019 RM
At 1 January/31 December	36,309	36,309

The deferred tax liabilities on temporary differences recognised in the financial statements are as follows:

	Group and Company	
	2020 RM	2019 RM
Tax effects of		
- excess of capital allowances claimed over accumulated depreciation on property, plant and equipment	36,309	36,309
At 31 December	<u>36,309</u>	<u>36,309</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade				
Trade payables	5,049,212	3,307,272	2,949,733	2,234,938
Non-trade				
Other payables	653,129	972,048	102,232	695,559
Deposits received	195,723	101,101	166,300	75,050
Accruals	524,506	1,096,439	388,592	801,728
Amount owing to directors	40,941	36,115	-	-
	1,414,299	2,205,703	657,124	1,572,337
Total payables	6,463,511	5,512,975	3,606,857	3,807,275

(a) Trade payables are normally settled on to 30 to 90 (2019: 30 to 90) days terms.

Included in trade payables of the Group and the Company is an amount of RM1,819,229/- (2019: RM1,482,121/-) and RM1,316,360/- (2019: RM1,176,681/-) respectively which represents retention sum payable.

(b) The amount owing to directors represents advances and payments made on behalf, which are unsecured, interest free, repayable on demand and to be settled by cash.

18. PROVISIONS

	Compensation RM	Property Development Expenditure RM	Directors' Retirement Benefits RM	Total RM
Group				
Current				
At 1 January 2019	594,994	3,068,867	1,832,930	5,496,791
Addition during the financial year	-	52,418	50,000	102,418
Reversal/utilisation during the financial year	(192,082)	(428,980)	-	(621,062)
At 31 December 2019	402,912	2,692,305	1,882,930	4,978,147
Addition during the financial year	-	132,676	50,000	182,676
Reversal/utilisation during the financial year	-	(43,860)	-	(43,860)
At 31 December 2020	402,912	2,781,121	1,932,930	5,116,963

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. PROVISIONS (CONTINUED)

	Property Development Expenditure RM	Directors' Retirement Benefits RM	Total RM
Company			
Current			
At 1 January 2019	415,666	1,832,930	2,248,596
Addition during the financial year	8,562	50,000	58,562
Reversal/utilisation during the financial year	(414,529)	-	(414,529)
At 31 December 2019	9,699	1,882,930	1,892,629
Addition during the financial year	132,676	50,000	182,676
At 31 December 2020	142,375	1,932,930	2,075,305

(i) Compensation

Provision for compensations are recognised for claims in relation to the legal suit with purchasers.

(ii) Property Development Expenditure

Provision for property development expenditure is made in respect of probable outflow of resources related to land and development activities of the Group and of the Company.

(iii) Directors' Retirement Benefits

Provision for directors' retirement benefits is based on existing contractual obligations with the director which is equivalent to two months salary of the director for every year of service.

19. CONTRACT ASSETS / (LIABILITIES)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Contract assets relating to property development contracts	3,011,735	-	1,189,849	-
Total contract assets	3,011,735	-	1,189,849	-
Contract liabilities relating to property development contracts	(78,575)	(172,125)	(78,575)	(172,125)
Total contract liabilities	(78,575)	(172,125)	(78,575)	(172,125)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. CONTRACT ASSETS / (LIABILITIES) (CONTINUED)

(i) Significant changes in contract balances

	2020		2019	
	Contract Assets Increase/ (Decrease) RM	Contract Liabilities (Increase)/ Decrease RM	Contract Assets Increase/ (Decrease) RM	Contract Liabilities (Increase)/ Decrease RM
Group				
Increases due to revenue recognised, for unbilled goods or services transferred to customers	3,011,735	-	-	-
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	172,125	-	165,350
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(78,575)	-	(172,125)
Company				
Increases due to revenue recognised, for unbilled goods or services transferred to customers	1,189,849	-	-	-
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	172,125	-	165,350
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(78,575)	-	(172,125)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contract customers:				
Property development	25,438,492	9,181,950	14,864,741	6,647,917
Revenue from sales of completed development property/vacant lands	1,690,000	232,000	1,690,000	232,000
Sales of goods	1,056,508	1,360,302	-	-
Commissions	55,249	63,401	-	-
	28,240,249	10,837,653	16,554,741	6,879,917

(a) Disaggregation of revenue

The Group reports the following major segments: property development and trading in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into major goods or services and timing of revenue recognition.

	Property RM	Trading RM	Investment and Others RM	Total RM
Group				
2020				
Major goods and services:				
Commercial/land	1,690,000	-	-	1,690,000
Residential units	25,438,492	-	-	25,438,492
Trading of building material	-	1,056,508	-	1,056,508
Others	-	-	55,249	55,249
	27,128,492	1,056,508	55,249	28,240,249
Timing of revenue recognition:				
At a point in time	1,690,000	1,056,508	55,249	2,801,757
Over time	25,438,492	-	-	25,438,492
	27,128,492	1,056,508	55,249	28,240,249
2019				
Major goods and services:				
Commercial/lands	232,000	-	-	232,000
Residential units	9,181,950	-	-	9,181,950
Trading of building material	-	1,360,302	-	1,360,302
Others	-	-	63,401	63,401
	9,413,950	1,360,302	63,401	10,837,653
Timing of revenue recognition:				
At a point in time	232,000	1,360,302	63,401	1,655,703
Over time	9,181,950	-	-	9,181,950
	9,413,950	1,360,302	63,401	10,837,653

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Property RM	Total RM
Company 2020		
Major goods and services:		
Commercial/land	1,690,000	1,690,000
Residential units	14,864,741	14,864,741
	<u>16,554,741</u>	<u>16,554,741</u>
Timing of revenue recognition:		
At a point in time	1,690,000	1,690,000
Over time	14,864,741	14,864,741
	<u>16,554,741</u>	<u>16,554,741</u>
Company 2019		
Major goods and services:		
Commercial/land	232,000	232,000
Residential units	6,647,917	6,647,917
	<u>6,879,917</u>	<u>6,879,917</u>
Timing of revenue recognition:		
At a point in time	232,000	232,000
Over time	6,647,917	6,647,917
	<u>6,879,917</u>	<u>6,879,917</u>

(b) Transaction price allocated to the remaining performance obligations

As of 31 December 2020, the aggregate amount of the transaction price allocated to the remaining performance obligation of the Group and the Company is an amount of RM5,555,569/- (2019: RM6,265,491/-) and RM2,937,814/- (2019: RM3,487,858/-) respectively and the Group and the Company will recognise these revenue as the building is completed, which is expected to occur over the next 12–18 months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. COST OF SALES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cost of property development	23,951,304	8,472,848	14,237,379	6,187,250
Cost of goods sold	984,261	1,242,918	-	-
	<u>24,935,565</u>	<u>9,715,766</u>	<u>14,237,379</u>	<u>6,187,250</u>

22. FINANCE INCOME / (EXPENSE)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest income from:				
- short-term deposits	55,752	88,106	41,537	71,136
- subsidiaries	-	-	148,442	23,187
- others	-	400	-	400
	<u>55,752</u>	<u>88,506</u>	<u>189,979</u>	<u>94,723</u>
Interest expense on:				
- finance lease liabilities	-	(1,537)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. LOSS BEFORE TAXATION

Loss before taxation has been arrived at:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
After charging:				
Auditors' remuneration:				
- statutory audit				
- current year	174,400	191,800	99,500	99,000
- (over)/under accrual in prior year	(17,200)	12,300	500	7,000
- non-statutory audit	14,000	10,000	14,000	10,000
Depreciation of:				
- investment properties	167,141	152,140	135,028	120,028
- property, plant and equipment	320,064	566,508	153,591	317,167
- right-of-use assets	2,192	2,191	1,050	1,050
Impairment loss on investment in subsidiaries	-	-	2,308,320	3,313,289
Property, plant and equipment written off	2,886	328	2,886	328
Provision for directors' retirement benefits	50,000	50,000	50,000	50,000
Fair value loss on financial assets	-	676	-	-
Write off of debt				
- amount owing by subsidiary	-	-	22,476	-
Expense relating to lease of low value assets	25,800	26,160	13,200	13,200
Directors' remuneration:				
- fees	136,800	136,800	136,800	136,800
- other emoluments	1,087,188	1,153,750	1,087,188	1,153,750
- Employees' Provident Fund	61,665	65,325	61,665	65,325
- SOCSO	6,357	923	6,357	923
Staff costs:				
- Employees' Provident Fund	467,235	514,164	330,185	363,607
- SOCSO	47,643	48,486	31,505	31,017
- salaries, bonuses and allowances	4,475,685	4,809,175	3,198,858	3,369,229
- other staff related expenses	138,304	86,853	116,035	63,516
Realised exchanged loss	34,901	-	-	-
And crediting:				
Dividend income	246	429	-	-
Fair value gain on financial assets	2,516	-	-	-
Gain on disposal of property, plant and equipment	99	-	99	-
Reversal of impairment loss on amount owing by subsidiary	-	-	-	1,325,000
Income from cash management fund	1,562,560	3,000,794	1,515,226	2,958,231
Waiver from debts	-	29,243	-	-
Forfeiture income	54,186	104,954	54,186	86,686
Reversal of provision for compension	-	121,867	-	-
Rental income	448,833	509,020	355,993	352,640

Directors' remuneration of the Group and of the Company excludes estimated monetary value of benefits in kind of RM73,400/- (2019: RM73,400/-) and RM45,400/- (2019: RM45,400/-) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. INCOME TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Income tax				
- current year	(44,341)	(39,107)	-	-
- prior year	(872)	(60,297)	-	(60,364)
	<u>(45,213)</u>	<u>(99,404)</u>	<u>-</u>	<u>(60,364)</u>

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the average effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Loss before taxation	(4,986,578)	(6,521,764)	(5,526,061)	(6,169,083)
Tax at applicable statutory tax rate of 24%	1,196,779	1,565,223	1,326,255	1,480,580
Tax effects arising from				
- non-taxable income	378,728	720,293	367,309	709,975
- non-deductible expenses	(566,899)	(749,211)	(914,664)	(1,123,980)
- origination of deferred tax assets not recognised	(1,052,827)	(1,575,412)	(778,900)	(1,066,575)
- under provision in prior year	(994)	(60,297)	-	(60,364)
Tax expense for the financial year	<u>(45,213)</u>	<u>(99,404)</u>	<u>-</u>	<u>(60,364)</u>

Income tax is calculated at the statutory rate of 24% of the estimated taxable profit for the financial year.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unutilised capital allowance	(215,693)	(155,742)	(106,437)	(47,176)
Deductible temporary differences	(2,268,594)	(2,154,370)	(1,823,546)	(1,786,769)
Unutilised tax losses	(55,162,228)	(50,949,627)	(9,267,473)	(6,118,094)
	<u>(57,646,515)</u>	<u>(53,259,739)</u>	<u>(11,197,456)</u>	<u>(7,952,039)</u>
Potential unrecognised deferred tax assets at 24%	(13,835,164)	(12,782,337)	(2,687,389)	(1,908,489)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. INCOME TAX EXPENSE (CONTINUED)

The unutilised tax losses are available for offset against future taxable profits of the Group and the Company up to the following financial years:

	2020	
Year of assessments	Group RM	Company RM
2025	42,812,102	-
2026	8,099,515	6,118,094
2027	4,250,611	3,166,060

25. LOSS PER SHARE

(a) Basic Loss Per Ordinary Share

Basic loss per share is calculated by dividing net loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2020 RM	2019 RM
Loss attributable to owners of the Company	(5,052,776)	(6,647,797)
Number of ordinary shares in issue at 1 January	156,568,613	168,391,313
Effect of shares repurchased	(3,362,440)	(1,498,011)
Weighted average number of shares in issue	153,206,173	166,893,302
Basic loss per share		
- per weighted average number of share (sen)	(3.30)	(3.98)

(b) Diluted Loss Per Share

Diluted loss per share is equivalent to the basic loss per share as there were no potential dilutive ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT RELATED PARTY DISCLOSURES

(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 significant influence. Related parties may be individuals or other entities.

Related party of the Group include:

- (i) Directors;
- (ii) Subsidiaries;
- (iii) Ultimate holding company;
- (iv) Person connected to director;
- (v) Key management personnel which comprise persons (including the directors of the Company) have authority and responsibility for planning, directing, controlling the activities of the Group directly or indirectly.

(b) Significant Related Party Transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2020 RM	2019 RM
Interest income received/receivable from subsidiaries		
- Bandar Subang Sdn. Bhd.	(148,366)	(12,361)
- LJ Harta Sdn. Bhd.	-	(10,012)
- Ria Bahagia Sdn. Bhd.	(76)	(814)
Rental income received/receivable from subsidiaries		
- Farlim Marketing Sdn. Bhd.	(3,120)	(2,640)
Accounting fee received/receivable from a subsidiary		
- Farlim Jaya Sdn. Bhd.	(9,000)	(9,000)
Investment of Redeemable Preference Share in subsidiaries		
- Bandar Subang Sdn. Bhd.	-	4,915,000
- Farlim (Perak) Sdn. Bhd.	493,640	150,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant Related Party Transactions (Continued)

Included in the total key management personnel expenses are:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors' fees ⁽¹⁾	136,800	136,800	136,800	136,800
Directors' salaries, bonuses and allowances ⁽²⁾	1,087,188	1,153,750	1,087,188	1,153,750
Key management personnel expenses				
- short term employee benefits	927,585	991,528	780,392	833,245
- post-employment benefits:				
- defined contribution plan	147,684	161,956	127,229	141,980
- provision for directors' retirement benefits ⁽³⁾	50,000	50,000	50,000	50,000

⁽¹⁾ Paid/Payable to Andrew Koay Say Loke, Khairilnuar Bin Abdul Rahman and Adlina Hasni Binti Zainol Abidin.

⁽²⁾ Paid/payable to Tan Sri Dato' Seri Lim Gait Tong, Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther and Lim Chu Dick.

⁽³⁾ Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther.

27. SEGMENTAL INFORMATION

Measurement of reportable segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax recoverable, tax payable and deferred tax liabilities.

Business segments

The Group's operating businesses are classified according to the nature of activities as follows:

Property	:	Comprise mainly property related activities.
Trading	:	Comprise mainly trading of building materials.
Investment and others	:	Comprise mainly investment holding and other inactive companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SEGMENTAL INFORMATION (CONTINUED)

Primary Reporting – Business Segments

	Property RM	Trading RM	Investment and Others RM	Eliminations and adjustments RM	Consolidated RM
2020					
Revenue					
Sales to external customers	27,128,492	1,056,508	55,249	-	28,240,249
Inter-segment sales	-	-	-	-	-
Total revenue	27,128,492	1,056,508	55,249	-	28,240,249
Cost of Sales					
Cost of sales to external customers	23,951,304	984,261	-	-	24,935,565
Inter-segment cost of sales	-	-	-	-	-
Total cost of sales	23,951,304	984,261	-	-	24,935,565
Results					
Segment results	(7,291,491)	(52,104)	(4,455)	-	(7,348,050)
Other income	737,327	3,318	1,565,075	-	2,305,720
Finance income (net)	56,170	306	(724)	-	55,752
(Loss)/profit before taxation	(6,497,994)	(48,480)	1,559,896	-	(4,986,578)
Taxation	(43,693)	(1,520)	-	-	(45,213)
(Loss)/profit for the financial year	(6,541,687)	(50,000)	1,559,896	-	(5,031,791)
Other Information					
Segment assets	119,573,519	2,893,257	45,389,316	4,224 A	167,860,316
Segment liabilities	11,330,260	296,756	32,033	105,885 B	11,764,934
Capital expenditure	83,848	-	-	-	83,848
Depreciation and amortisation	484,387	5,010	-	-	489,397
Other significant non-cash items:					
Fair value gain on financial assets	-	-	(2,516)	-	(2,516)
Realised foreign exchange (gain)/loss	(40,000)	74,901	-	-	34,901
Property, plant and equipment written off	2,886	-	-	-	2,886
Provision for directors' retirement benefits	50,000	-	-	-	50,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SEGMENTAL INFORMATION (CONTINUED)

Primary Reporting – Business Segments (Continued)

	Property RM	Trading RM	Investment and Others RM	Eliminations and adjustments RM	Consolidated RM
2019					
Revenue					
Sales to external customers	9,413,950	1,360,302	63,401	-	10,837,653
Inter-segment sales	-	-	-	-	-
Total revenue	9,413,950	1,360,302	63,401	-	10,837,653
Cost of Sales					
Cost of sales to external customers	8,472,848	1,242,918	-	-	9,715,766
Inter-segment cost of sales	-	-	-	-	-
Total cost of sales	8,472,848	1,242,918	-	-	9,715,766
Results					
Segment results	(10,429,279)	18,015	(4,664)	-	(10,415,928)
Other income	782,362	24,714	3,000,119	-	3,807,195
Finance income (net)	87,609	52	(692)	-	86,969
Profit/(loss) before taxation	(9,559,308)	42,781	2,994,763	-	(6,521,764)
Taxation	(95,104)	(4,300)	-	-	(99,404)
Profit/(loss) for the financial year	(9,654,412)	38,481	2,994,763	-	(6,621,168)
Other Information					
Segment assets	109,418,589	679,955	62,873,990	1,897 A	172,974,431
Segment liabilities	10,506,340	130,053	26,854	106,859 B	10,770,106
Capital expenditure	272,856	3,353	-	-	276,209
Depreciation and amortisation	715,449	5,390	-	-	720,839
Other significant non-cash items:					
Fair value loss on financial assets	-	-	676	-	676
Property, plant and equipment written off	328	-	-	-	328
Provision for directors' retirement benefits	50,000	-	-	-	50,000
Reversal of provision for liquidated and ascertained damages	(121,867)	-	-	-	(121,867)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. SEGMENTAL INFORMATION (CONTINUED)

Primary Reporting – Business Segments (Continued)

A The following item is added into segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Tax recoverable	4,224	1,897

B The following item is added into segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Tax payables	69,576	70,550
Deferred tax liabilities	36,309	36,309
	105,885	106,859

28. SUBSIDIARIES

The Group's equity interest in each of the subsidiaries, country of incorporation and their respective principal activities are as follows:

Name of the Company	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activities
		2020 %	2019 %	
Direct Subsidiaries				
Bandar Subang Sdn. Bhd.	Malaysia	100	100	Property development and investment holding
Kanchil Jaya Sdn. Bhd.	Malaysia	100	100	Property development and investment holding
Farlim Jaya Sdn. Bhd.	Malaysia	100	100	Property development
Farlim (Perak) Sdn. Bhd.	Malaysia	100	100	Property development and building construction
Farlim Marketing Sdn. Bhd.	Malaysia	51	51	Trading in building materials
Farlim Maju Sdn. Bhd.	Malaysia	70	70	Dormant
Baka Suci Sdn. Bhd.	Malaysia	80	80	Dormant
Victory Ace Sdn. Bhd.	Malaysia	82	82	Not commenced business operation
Ria Bahagia Sdn. Bhd.***	Malaysia	-	100	Not commenced business operation

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. SUBSIDIARIES (CONTINUED)

The Group's equity interest in each of the subsidiaries, country of incorporation and their respective principal activities are as follows (Continued):

Name of the Company	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activities
		2020 %	2019 %	
Indirect Subsidiaries				
Kertih-Paka Country & Golf Resorts Sdn. Bhd.*	Malaysia	100	100	Not commenced business operation
Angkatan Wawasan Sdn. Bhd.*	Malaysia	100	100	Investment holding
Farlim Trading (Shandong) Co. Ltd.*#	People's Republic Of China	100	100	Trading in building materials
LJ Harta Sdn. Bhd.**	Malaysia	100	100	Property development
Kaplands Sdn. Bhd.**	Malaysia	100	100	Property development
Saga Realty & Development Sdn. Bhd.^	Malaysia	100	100	Property development

* Held indirectly through Bandar Subang Sdn. Bhd.

** Held indirectly through Kanchil Jaya Sdn. Bhd.

*** The subsidiary has been struck off during the financial year. As such, the management accounts had been used for the purpose of consolidation.

^ Held indirectly through Angkatan Wawasan Sdn. Bhd.

Audited by auditors other than Baker Tilly Monteiro Heng PLT.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

The table below analyses the financial instruments in the statements of the financial position by the classes of the financial instruments to which they are assigned:

- (i) Financial assets at fair value through profit or loss ("FVPL");
- (ii) Amortised cost

	Carrying Amount RM	Amortised cost RM	FVPL RM
2020			
Financial assets			
Group			
Other investments	45,409,407	-	45,409,407
Trade and other receivables	7,848,191	7,848,191	-
Cash and short-term deposits	6,599,347	6,599,347	-
	<u>59,856,945</u>	<u>14,447,538</u>	<u>45,409,407</u>
Company			
Other investments	43,321,198	-	43,321,198
Trade and other receivables	6,879,947	6,879,947	-
Cash and short-term deposits	4,868,121	4,868,121	-
	<u>55,069,266</u>	<u>11,748,068</u>	<u>43,321,198</u>
Financial liabilities			
Group			
Trade and other payables	6,463,511	6,463,511	-
	<u>6,463,511</u>	<u>6,463,511</u>	<u>-</u>
Company			
Trade and other payables	3,606,857	3,606,857	-
	<u>3,606,857</u>	<u>3,606,857</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of Financial Instruments (Continued)

The table below analyses the financial instruments in the statements of the financial position by the classes of the financial instruments to which they are assigned (Continued):

	Carrying Amount RM	Amortised cost RM	FVPL RM
2019			
Financial assets			
Group			
Other investments	62,891,762	-	62,891,762
Trade and other receivables	5,405,558	5,405,558	-
Cash and short-term deposits	9,193,269	9,193,269	-
	<u>77,490,589</u>	<u>14,598,827</u>	<u>62,891,762</u>
Company			
Other investments	61,003,425	-	61,003,425
Trade and other receivables	4,031,445	4,031,445	-
Cash and short-term deposits	7,187,737	7,187,737	-
	<u>72,222,607</u>	<u>11,219,182</u>	<u>61,003,425</u>
Financial liabilities			
Group			
Trade and other payables	5,512,975	5,512,975	-
	<u>5,512,975</u>	<u>5,512,975</u>	<u>-</u>
Company			
Trade and other payables	3,807,275	3,807,275	-
	<u>3,807,275</u>	<u>3,807,275</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial Risk Management

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) 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 and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statement of financial position.

Trade receivables comprise substantially amounts due from house buyers with end financing facilities. In respect of house buyers with no end financing facilities, the Group and the Company retains with the legal title to all properties sold until the full contracted sales value is settled. Accordingly, under normal circumstances, amounts due from house buyers are not impaired.

The carrying amount of trade receivables and contract assets 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.

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit Risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the exposure of credit risk and impairment losses for trade receivables as at 31 December 2020 and 31 December 2019 which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM	Group Expected credit losses RM	Net Balance RM	Gross carrying amount RM	Company Expected credit losses RM	Net Balance RM
2020						
Trade receivables						
Current (not past due)	5,811,551	-	5,811,551	3,914,804	-	3,914,804
1-30 days past due	-	-	-	-	-	-
31-60 days past due	-	-	-	-	-	-
61-90 days past due	-	-	-	-	-	-
More than 90 days past due	115,202	-	115,202	-	-	-
	<u>5,926,753</u>	<u>-</u>	<u>5,926,753</u>	<u>3,914,804</u>	<u>-</u>	<u>3,914,804</u>
Credit impaired						
Individually impaired	17,312	17,312	-	-	-	-
	<u>5,944,065</u>	<u>17,312</u>	<u>5,926,753</u>	<u>3,914,804</u>	<u>-</u>	<u>3,914,804</u>
2019						
Trade receivables						
Current (not past due)	2,929,863	-	2,929,863	1,046,187	-	1,046,187
1-30 days past due	-	-	-	-	-	-
31-60 days past due	-	-	-	-	-	-
61-90 days past due	-	-	-	-	-	-
More than 90 days past due	115,202	-	115,202	-	-	-
	<u>3,045,065</u>	<u>-</u>	<u>3,045,065</u>	<u>1,046,187</u>	<u>-</u>	<u>1,046,187</u>
Credit impaired						
Individually impaired	17,312	17,312	-	-	-	-
	<u>3,062,377</u>	<u>17,312</u>	<u>3,045,065</u>	<u>1,046,187</u>	<u>-</u>	<u>1,046,187</u>

Included in trade receivables of RM115,202 (2019: RM115,202) that are past due but not impaired consist mainly amount owing by purchasers where the Group still retain the legal titles until the full contracted sales value is settled.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit Risk (Continued)

Trade receivables and contract assets (Continued)

The movement of the allowance for impairment loss on trade receivables is as follows:

Group	Trade receivables		
	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
At 1 January/31 December 2020	-	17,312	17,312
At 1 January/31 December 2019	-	17,312	17,312

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), 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 Company compares 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(i) Credit Risk (Continued)

Other receivables and other financial assets (Continued)

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.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

The movement of of the allowance for impairment loss on other receivables is as follows:

Company	Other receivables		
	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
At 1 January 2020	-	15,228	15,228
Write off for the year	-	(15,228)	(15,228)
At 31 December 2020	-	-	-
At 1 January 2019	-	1,340,228	1,340,228
Reversal for the year	-	(1,325,000)	(1,325,000)
At 31 December 2019	-	15,228	15,228

(ii) Liquidity Risk

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

(ii) Liquidity Risk (Continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount RM	Contractual cash flow RM	On demand or within one year RM	One to five years RM
2020				
Group				
Financial liabilities				
Trade and other payables	6,463,511	6,463,511	6,463,511	-
Total undiscounted financial liabilities	6,463,511	6,463,511	6,463,511	-
Company				
Financial liabilities				
Trade and other payables	3,606,857	3,606,857	3,606,857	-
Total undiscounted financial liabilities	3,606,857	3,606,857	3,606,857	-
2019				
Group				
Financial liabilities				
Trade and other payables	5,512,975	5,512,975	5,512,975	-
Total undiscounted financial liabilities	5,512,975	5,512,975	5,512,975	-
Company				
Financial liabilities				
Trade and other payables	3,802,275	3,802,275	3,802,275	-
Total undiscounted financial liabilities	3,802,275	3,802,275	3,802,275	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement

The methods and assumptions used to determine the fair values of financial assets and liabilities are as follows:

(i) Cash and bank balances, receivables and payables

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

(ii) Quoted share, investment in bond fund/cash management fund

The fair values of the quoted share, investment in bond fund/cash management fund are determined by reference to prices provided by quoted price in stock exchange and investment banks respectively.

There have been no transfers between Level 1 and Level 2 during the financial year (2019: no transfer in either directions).

The following tables provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

Group 2020	Carrying Amount RM	Fair value of financial instruments carried at fair value		
		Level 1 RM	Level 2 RM	Level 3 RM
Financial assets				
- Quoted shares	33,899	33,899	-	-
- Investment in bond fund/cash management fund	45,375,508	45,375,508	-	-
<hr/>				
2019				
Financial assets				
- Quoted shares	31,383	31,383	-	-
- Investment in bond fund/cash management fund	62,860,379	62,860,379	-	-
<hr/>				
Company 2020				
Financial assets				
- Investment in bond fund/cash management fund	43,321,198	43,321,198	-	-
<hr/>				
2019				
Financial assets				
- Investment in bond fund/cash management fund	61,003,425	61,003,425	-	-
<hr/>				

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2020 and 31 December 2019 were as follows:

	Group	
	2020	2019
	RM	RM
Total liabilities	11,764,934	10,770,106
Equity attributable to owners of Company	155,400,917	161,530,845
Debt-to-equity ratio (%)	7.57%	6.67%

There were no changes in the Group's approach to capital management during the financial year.

31. COMMITMENTS

The Group and the Company have made commitments for the following capital expenditures:

	Group and Company	
	2020	2019
	RM	RM
Investment properties	947,320	1,622,320

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed several levels of 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, social distancing and other precautionary measures imposed in various countries.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 December 2020.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2021 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

33. MATERIAL LITIGATION

The Company entered into a Sale and Purchase Agreement on 23 September 2013 with AIPSB for a consideration of RM112,501,726/- for the sale of the Company's undivided share in and to the following lands:

- i) ¼ undivided share in Lot 1584, Mukim 13, Daerah Timor Laut, Negeri Pulau Pinang held under No. Hakmilik GRN 53264 ("Lot 1584");
- ii) 11/100 undivided share in Lot 1457, Mukim 13, Daerah Timor Laut, Negeri Pulau Pinang held under No. Hakmilik GRN 4661 ("Lot 1457"); and
- iii) ¼ undivided share in Lot 1561, Seksyen 3, Bandar Baru Ayer Itam, Daerah Timor Laut, Negeri Pulau Pinang held under No. Hakmilik GRN 43187 save for the interests arising from certain lodged caveats ("Lot 1561")

On 29 April 2019, the Company received from its solicitors Messrs V.M. Mohan, Fareed & Co. a copy of Writ and Statement of Claim filed at the Penang High Court by Ayer Itam Properties Sdn Bhd ("AIPSB") (formerly known as 1MDB RE (Ayer Itam) Sdn Bhd) against the Company.

In the Statement of Claim, AIPSB alleged that it had paid an excess of RM8,455,810/- in relation to the lodged caveats on 76,871 square feet of land in Lot 1561.

The case management originally fixed on 20 June 2019 was adjourned to 15 July 2019. The Court fixed 18 March 2020 for both parties to file their statement of witness. The trial dates fixed from 6 April 2020 until 8 April 2020 were postponed due to Movement Control Order. The case management fixed on 5 June 2020 to determine the new trial dates was adjourned to 26 June 2020. The new trial dates were fixed from 18 January 2021 until 20 January 2021. The Court informed that the trial dates have been rescheduled to 8 June 2021 until 10 June 2021.

The Writ and Statement of Claim are not expected to have any material financial and operational impact on the Company.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **TAN SRI DATO' SERI LIM GAIT TONG** and **DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER**, being two of the directors of Farlim Group (Malaysia) Bhd., do hereby state that in the opinion of the directors, the financial statements set out on pages 87 to 169 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 2020 and of the results and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

TAN SRI DATO' SERI LIM GAIT TONG
Director

DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER
Director

Date: 25 March 2021

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER**, being the director primarily responsible for the financial management of Farlim Group (Malaysia) Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 87 to 169 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATUK SERI HAJI MOHAMED IQBAL BIN KUPPA PITCHAI RAWTHER

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the state of Selangor Darul Ehsan on 25 March 2021.

Before me,

B381

RADZIAH BINTI ABDUL RAHMAN

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Farlim Group (Malaysia) Bhd., which comprise the statements of financial position as at 31 December 2020 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 87 to 169.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(INCORPORATED IN MALAYSIA)

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 for 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.

Goodwill (Note 4(c) and 11 to the financial statements)

The Group has goodwill arising from the acquisition of a subsidiary. The goodwill is tested for impairment annually. We focused on this area because the impairment assessment of the goodwill requires the application of significant judgements and assumptions to determine the recoverable amount.

Our response:

Our audit procedures included, among others:

- considering the appropriateness of the method adopted by the Group in measuring the recoverable amount in accordance to the requirement of MFRS136 *Impairment of Assets*; and
- testing the mathematical accuracy of the impairment assessment.

Provision for liabilities (Note 4(b) and 18 to the financial statements)

The appropriateness and adequacy of provisions made by the Group and the Company in respect of compensation and property development expenditure which are subject to inherent uncertainty. We focused on this area because there is significant judgement involved in the assumptions used to estimate the provisions.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of the controls over the identification and calculation of the provisions;
- reading the legal opinion obtained; and
- considering the assumptions used and the reasonableness of the provision based on the documents provided.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(INCORPORATED IN MALAYSIA)

Key Audit Matters (Continued)

Revenue and expenses recognition for property development business (Note 4(a), 20 and 21 to the financial statements)

The amount of revenue and corresponding costs of the Group's property development activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by reference to proportion of construction costs incurred for works performed to date bear to the estimated total costs for each project (input method). We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend of the outcome of future events.

Our response:

Our audit procedures on a sample of major projects included, among others:

- reading the terms and conditions of agreements with customers;
- understanding the Group's process in preparing project budget and the calculation of the progress towards complete satisfaction of performance obligation;
- considering the reasonableness of computed progress towards complete satisfaction of performance obligation for identified projects against architect or consultant certificate; and
- checking the mathematical computation of recognised revenue and corresponding costs for the projects during the financial year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(INCORPORATED IN MALAYSIA)

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARLIM GROUP (MALAYSIA) BHD. (CONT'D)

(INCORPORATED IN MALAYSIA)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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.

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 28 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

Ong Teng Yan
No. 03076/07/2021 J
Chartered Accountant

Kuala Lumpur

Date: 25 March 2021

STATISTICS OF SHAREHOLDINGS

AS AT 23 APRIL 2021

Share Capital

Issued and Fully Paid-up* : 153,025,613 shares

* excluding 15,365,700 treasury shares

1. SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	No. of Shares	Direct %	No. of Shares	Indirect %
Farlim Holding Sdn. Bhd.	72,685,480	47.50	–	–

2. DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of Directors in shares in the Company, holding company and subsidiaries are as follows : -

	Ordinary Shares	
	Number	%
The Company		
Farlim Group (Malaysia) Bhd.		
Tan Sri Dato' Seri Lim Gait Tong	12,000	0.008
Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	12,000	0.008
Koay Say Loke Andrew	2,400	0.002
Adlina Hasni Binti Zainol Abidin	38,000	0.025
The Holding Company		
Farlim Holding Sdn. Bhd.		
Tan Sri Dato' Seri Lim Gait Tong	45,773	68.830
Lim Chu Dick	3,582	5.386
The Subsidiaries		
Baka Suci Sdn. Bhd.		
Tan Sri Dato' Seri Lim Gait Tong	10,002	20.004
Victory Ace Sdn. Bhd.		
Tan Sri Dato' Seri Lim Gait Tong	2	0.020
Farlim Marketing Sdn. Bhd.		
Lim Chu Dick	245,000	49.000

By virtue of their interest in shares in the holding company as substantial shareholder, Tan Sri Dato' Seri Lim Gait Tong and Mr Lim Chu Dick are also deemed interested in shares in the Company to the extent the holding company has an interest.

Other than as disclosed above, none of the Directors in office had any interest in shares in the Company and its related corporations.

3. NUMBER AND CLASS OF SHAREHOLDERS

Class of Shares	No. of Shareholders	Voting Rights
Ordinary Shares	4,491	One vote for each Ordinary Share

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 23 APRIL 2021

4. ANALYSIS OF SHAREHOLDINGS OF ORDINARY SHARES

Size of Holdings	Shareholders		Holdings	
	Number	%	Number	%
Less than 100	34	0.76	1,322	0.00
100 to 1,000	103	2.29	30,415	0.02
1,001 to 10,000	3,450	76.82	9,924,258	6.49
10,001 to 100,000	824	18.35	21,568,583	14.09
100,001 to 7,651,279	79	1.76	48,815,555	31.90
7,651,280 and above	1	0.02	72,685,480	47.50
Total	4,491	100	153,025,613	100

5. THIRTY LARGEST ACCOUNT HOLDERS OF ORDINARY SHARES

No.	Names of Shareholders	Shareholdings	
		Number	%
1.	Farlim Holding Sdn. Bhd.	72,685,480	47.50
2.	Bong Hon Liong	6,177,898	4.04
3.	Lim Su Tong @ Lim Chee Tong	4,800,000	3.14
4.	Cantum Apex Sdn. Bhd.	4,341,600	2.84
5.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim (8124136)</i>	3,177,300	2.08
6.	JF Apex Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Witpro Sdn. Bhd. (STA 2)</i>	2,755,800	1.80
7.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim</i>	2,174,320	1.42
8.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Abdul Fareed Bin Abdul Gafoor</i>	1,786,580	1.17
9.	Lee Jooi Seng	1,603,400	1.05
10.	Reson Sdn. Bhd.	1,317,600	0.86
11.	RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Su Ming Yaw</i>	1,200,000	0.78
12.	Toh Su-N	1,174,500	0.77
13.	Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ooi Phaik Sim</i>	1,128,320	0.74
14.	HLB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Choo Lai Ee</i>	1,020,000	0.67
15.	CIMB Group Nominees (Asing) Sdn. Bhd. <i>Exempt AN for DBS Bank Ltd (SFS)</i>	990,120	0.65
16.	Radiance Perfect Intl. Sdn. Bhd.	984,000	0.64

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 23 APRIL 2021

5. THIRTY LARGEST ACCOUNT HOLDERS OF ORDINARY SHARES (Cont'd)

No.	Names of Shareholders	Shareholdings	
		Number	%
17.	Tan Siew Luan	914,000	0.60
18.	Lee Hong Choon & Sons Sdn. Bhd.	696,120	0.45
19.	Yeoh Chin Leng	650,000	0.42
20.	Wong Chian Yong	583,200	0.38
21.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Chua Eng Ho Wa'a @ Chua Eng Wah</i>	562,200	0.37
22.	Yeoh Min Chee	510,600	0.33
23.	Lee Jooi Seng	467,100	0.31
24.	RPG Beauty Sdn. Bhd.	393,600	0.26
25.	Ta Kin Yan	380,400	0.25
26.	KL Radiance Sdn. Bhd.	324,360	0.21
27.	Yeoh Pooi Hoon	317,100	0.21
28.	Tong Fong Realty Sdn. Berhad	281,720	0.18
29.	Tan Jee Meng	279,600	0.18
30.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Yoke Lan</i>	240,000	0.16

LIST OF PROPERTIES

AS AT 31 DECEMBER 2020

Location	Tenure/ Date of Expiry of Lease	Description of Property & Existing Use	Date Of Acquisition/ Last Revaluation (Year)	Land Area (Acres/Sf)	Net Book Value As At 31-12-20 (RM)
Lot 10632 Mukim Bidor, Daerah Batang Padang, Perak Darul Ridzuan	Leasehold Expiring 2113	Ongoing and Future development	2014	83.33 acres	17,072,515
Lot PT 5544-6478, HS(D) 6578-7512, Mukim Teja, Daerah Kampar, Perak Darul Ridzuan	Leasehold Expiring 2116	Vacant Land (Future development)	2017	96.8 acres	13,000,000
No 102A-3A (FLSQ/02) Jalan Pisang Berangan, 11500 Ayer Itam, Pulau Pinang together with 205 car parking bays	Leasehold Expiring 2082	Shoplot & Car Parks Age of Building: 3 years	2020	27,521 sf	4,575,091
No. 101, 103, 108, 109, 111, 113, 115, 119, 120 & 121, Kompleks Kelab, Pangsapuri Ridzuan, Petaling Jaya, Selangor Darul Ehsan	Leasehold Expiring 2093	Arcades Age of Building: 20 years	2016	11,909 sf	3,336,667
Mukim Kajang, Daerah Ulu Langat, Selangor Darul Ehsan	Freehold	Vacant Land (Future Development)	2006	6.36 acres	2,658,599
No 6-6-18 Kompleks Farlim, Lebuh raya Thean Teik, Mukim 13, Bandar Baru Ayer Itam, 11500 Pulau Pinang together with 140 car parking bays	Leasehold Expiring 2082	Bazaar & Car Parks Age of Building: 18 years	2020	18,728 sf	1,986,669
Lot 4901-5021 Held under Geran 14748- 14815 & 14817-14869, Mukim of Kerteh Kemaman, Terengganu	Freehold	Vacant Land (Future development)	1994	208 acres	1,604,301
Level 4 of commercial complex known as Komplek Farlim at Lot 7745 held under Grant No: 58916, Mukim 13, North East District, Penang	Leasehold Expiring 2106	Hawker Center (Komplek Farlim) Age of building: 18 years	2009	20,665 sf	1,551,483

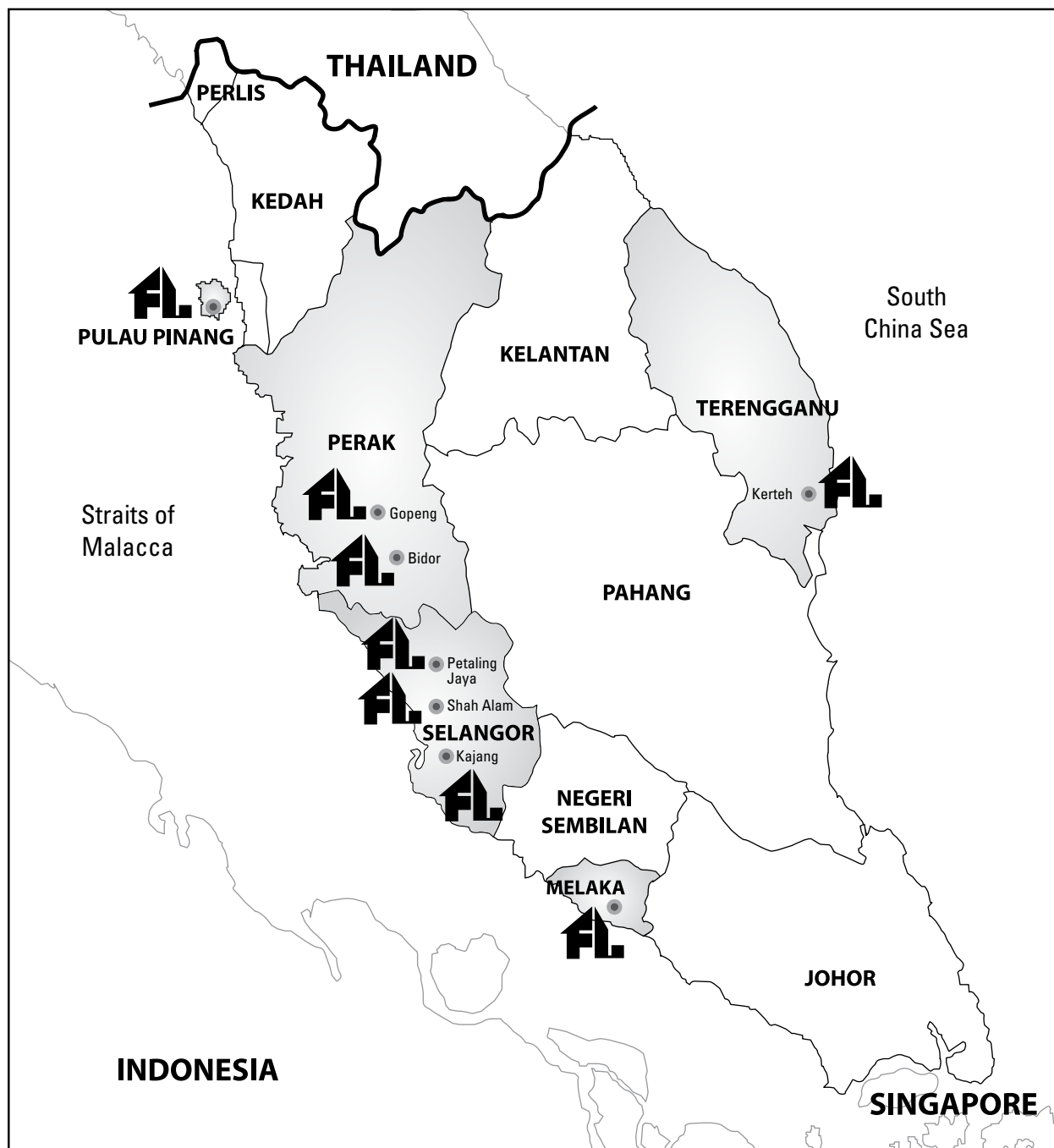
LIST OF PROPERTIES (CONT'D)

AS AT 31 DECEMBER 2020

Location	Tenure/ Date of Expiry of Lease	Description of Property & Existing Use	Date Of Acquisition/ Last Revaluation (Year)	Land Area (Acres/Sf)	Net Book Value As At 31-12-20 (RM)
No 5 Lintang Angsana, Bandar Baru Ayer Itam, Penang	Leasehold Expiring 2082	3/S Shophouse (Office Building) Age of building: 30 years	2012	1,549 sf	737,733
No 5, Jalan Pulau Indah U10/58, Seksyen U10, 40710 Shah Alam, Selangor Darul Ehsan	Leasehold Expiring 2101	D/S Semi- detached house Age of Building: 5 years	2020	3,498 sf	735,000
				396.41 acres	47,258,058

LOCATION MAP

AS AT 31 DECEMBER 2020



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**FARLIM GROUP (MALAYSIA) BHD**

Registration No. 198201002529 (82275-A)
(Incorporated in Malaysia)

Number of Shares Held

CDS Account No.

FORM OF PROXY

I/We, _____ (NRIC/Passport/Co. No.: _____)
(Block Letters)

of _____
(Full Address)

_____ being a member/members of FARLIM GROUP (MALAYSIA) BHD.

hereby appoint* _____ (NRIC/Passport No.: _____) of

and/or failing him, _____ (NRIC/Passport No.: _____)

of _____

or failing him/them, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Thirty-Ninth Annual General Meeting of the Company to be conducted virtually on Meeting Platform at the Broadcast Venue located at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 June 2021 at 11.00 a.m. or any adjournment thereof in the manner indicated below:

No.	Resolutions		For	Against
1.	Approval of payment of Directors' Fees and benefits for the period from 1 July 2021 until the conclusion of the Fortieth Annual General Meeting	(Ordinary Resolution 1)		
2.	Re-election of Directors who retire pursuant to Clause 106:-			
	2.1 Tan Sri Dato' Seri Lim Gait Tong	(Ordinary Resolution 2)		
	2.2 Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	(Ordinary Resolution 3)		
3.	Re-appointment of Auditors Baker Tilly Monteiro Heng PLT	(Ordinary Resolution 4)		
4.	Approval for Directors to allot shares pursuant to Section 76 of the Companies Act, 2016	(Ordinary Resolution 5)		
5.	Retention of Mr. Koay Say Loke Andrew as Independent Director	(Ordinary Resolution 6)		
	Retention of Encik Khairilnauar Bin Abdul Rahman as Independent Director	(Ordinary Resolution 7)		

Please indicate with an "X" in the appropriate box against the resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.

*For appointment of two (2) proxies, percentage of shareholdings represented by each proxy is to be indicated below :-

Name of Proxy	No. of Shares	%
Proxy 1 :		
Proxy 2 :		
Total		100%

Date

Signature

Notes :

A member shall be entitled to appoint any person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at the Meeting. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

A member may appoint one (1) proxy or more proxies in relation to the Meeting and where a member appoints more than one (1) proxy as aforesaid, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

Where a member is an exempt authorized nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.

If the member is a corporation, the proxy form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

The form of proxy or instrument appointing a proxy duly completed and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Registered Office situated at No. 2-8, Bangunan Farlim, Jalan PJS 10/32, Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

For the purposes of determining whether a depositor shall be regarded as a member entitled to attend, speak and vote at this Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue pursuant to Paragraph 7.16(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad a Record of Depositors as at 10 June 2021 and a depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the said Record of Depositors.

Details and instructions in addition to the above on participation at the Meeting are set out in the Administrative Guide.

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stamp

The Company Secretary
FARLIM GROUP (MALAYSIA) BHD
Registration No. 198201002529 (82275-A)
No. 2-8, Bangunan Farlim
Jalan PJS 10/32
Taman Sri Subang
46150 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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FARLIM GROUP (MALAYSIA) BHD

Registration No: 198201002529 (82275-A)

發林集團(馬)有限公司

Penang Office:

No.1, Lintang Angsana, Bandar Baru Ayer Itam,
11500 Penang, Malaysia

Tel : (60) 4-829 8899, **Fax :** (60) 4-829 8811

Petaling Jaya Office:

No.2-8, Bangunan Farlim, Jalan PJS 10/32,
Taman Sri Subang, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel : (60) 3-5635 5533, **Fax :** (60) 3-5635 0301

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