Integrated Group

# ANNUAL REPORT

2020

Integrated Logistics Berhad [199101019353 (229690-K)]

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Datuk R. Karunakaran***
*Chairman*
Non-Independent Non-Executive Director

**Tee Tuan Sem**
*Executive Director*
Chief Executive Officer

**Makoto Takahashi**
*Executive Director*

**Wan Azfar bin Dato' Wan Annuar**
*Independent Non-Executive Director*

**Dato' Wan Hashim bin Wan Jusoh**
*Independent Non-Executive Director*

**Soh Eng Hooi**
*Independent Non-Executive Director*

** Redesignated as Non-Independent Non-Executive Director with effect from 8 March 2021*

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Soh Eng Hooi -** Chairman

**Wan Azfar bin Dato' Wan Annuar -** Member

**Dato' Wan Hashim bin Wan Jusoh -** Member

## NOMINATION AND REMUNERATION COMMITTEE ("NRC")

**Wan Azfar bin Dato' Wan Annuar -** Chairman*

**Soh Eng Hooi -** Member**

**Dato' Wan Hashim bin Wan Jusoh -** Member

**Datuk R. Karunakaran -** Chairman***

* *Redesignated as Chairman of NRC with effect from 8 March 2021*
** *Appointed as Member of NRC with effect from 8 March 2021*
*** *Datuk R. Karunakaran resigned as Chairman of NRC with effect from 8 March 2021*

**COMPANY SECRETARY**
Wong Youn Kim
MAICSA 7018778

**REGISTERED OFFICE**
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel. No.: 03-2241 5800
Fax. No. 03-2282 5022

**STOCK EXCHANGE LISTING**
Main Market of Bursa Malaysia Securities
Berhad

**SHARE REGISTRAR**
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: 03-7890 4700 (Helpdesk)
Fax. No. 03-7890 4670
Email: bsr.helpdesk@boardroomlimited.com

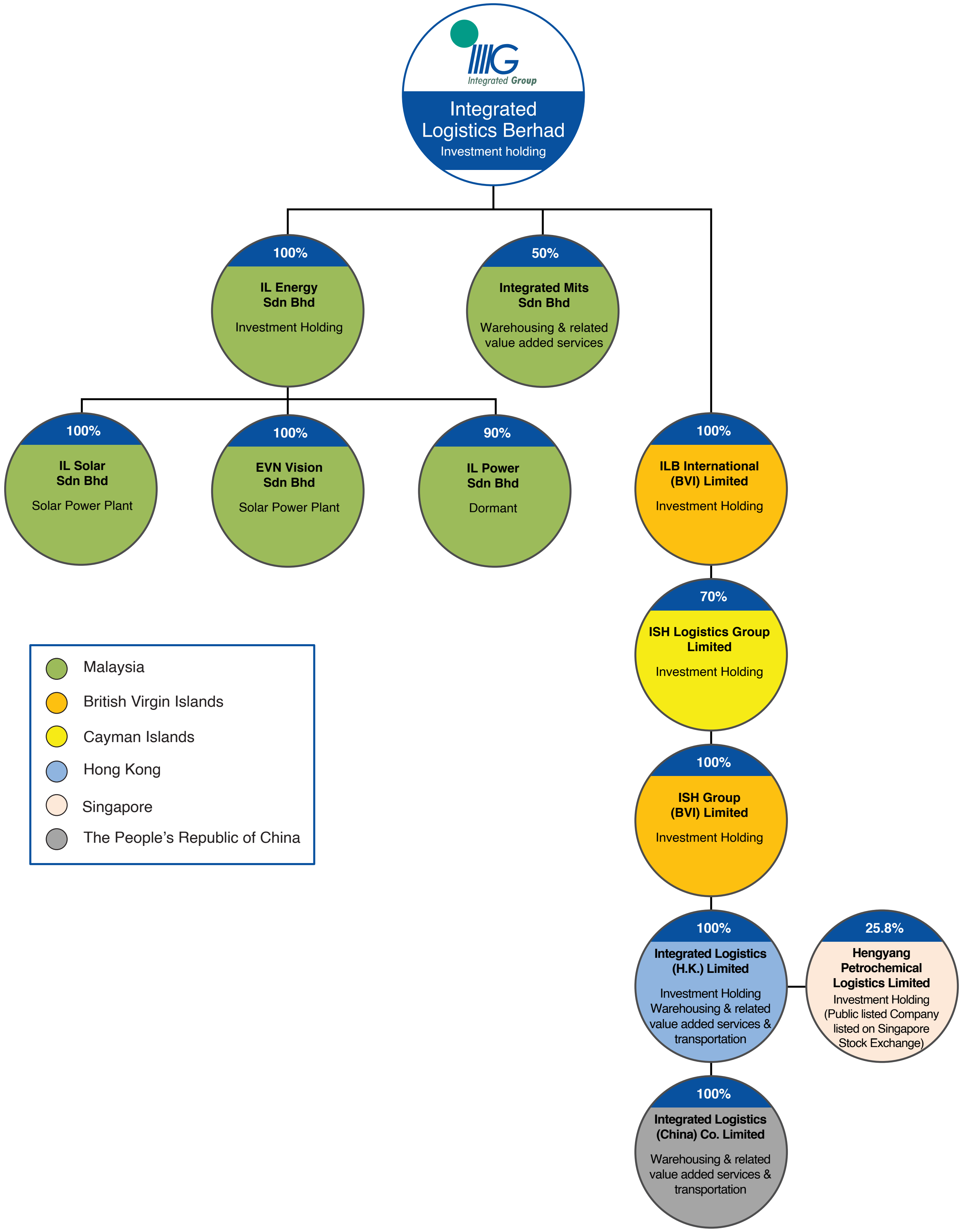
**AUDITORS**
Messrs Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

**SOLICITORS**
Messrs Kadir, Andri & Partners
Suite A-38-8, Level 38
Menara UOA Bangsar
No. 5, Jalan Bangsar Utama 1
59000 Kuala Lumpur

**PRINCIPAL BANKERS**
Malayan Banking Berhad
66, Jalan USJ10/1B, UEP Subang Jaya
47620 Subang Jaya
Selangor Darul Ehsan

RHB Bank Berhad
47 & 49, Jalan USJ 10/1
UEP Subang Jaya
47620 Petaling Jaya
Selangor Darul Ehsan

# CORPORATE STRUCTURE



# GROUP FINANCIAL HIGHLIGHTS

| | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 |
|---|---|---|---|---|---|
| Turnover | 21,653 | 16,307 | 24,527 | 25,791 | 12,592 |
| (Loss)/Profit Before Taxation | 3,899 | (810) | (102,310) | 14,056 | 50,826 |
| Net (Loss)/Profit Attributable to Shareholders | 5,845 | (9,664) | (98,298) | 15,282 | 34,453 |
| Paid-up Capital | 178,026 | 225,671* | 225,671 | 225,671 | 225,671 |
| Total Assets | 458,667 | 502,737 | 383,537 | 358,558 | 309,226 |
| Shareholders Fund | 302,834 | 291,640 | 191,153 | 180,130 | 214,792 |
| Net (Loss)/Earnings Per Share (sen) | 3.4 | (5.2) | (51.8) | 8.1 | 18.2 |
| Net Assets Per Share After Non-Controlling Interests (RM) | 1.75 | 1.54 | 1.01 | 0.95 | 1.14 |
| Gross Dividend rate (%) | - | - | - | - | - |
| Share Price as at 31 Dec (RM) | 0.855 | 0.600 | 0.465 | 0.425 | 0.560 |

Note

* Transition to no-par value regime from share premium and capital redemption reserve accounts

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31st December 2020.

## BUSINESS REVIEW

The year 2020 was an unprecedented challenging year when the World Health Organisation (WHO) declared the COVID -19 coronavirus outbreak a pandemic on March 11 2020. Within a week, our Malaysian Government took immediate measures to contain the spread of the virus through nationwide lockdowns and the closing of international borders with the implementation of the Movement Control Order ( MCO ) on March 18 2020. The pandemic with the stringent SOP measures to curb the spread has caused major disruptions to business operations locally and worldwide, ultimately resulting in an immediate slow down of both the local and global economy.

Despite the challenging economic situation, the Group's solar energy business, both the installed 11MWac capacity solar plants in Penang and Kedah, owned and operated by the Group were minimally affected and continued to achieve solar renewable energy revenue of RM 8.3 million in 2020.

The Group's strategic direction to expand its renewable energy businesses and gradual exit from the logistics business, has resulted in the Group unlocking the value of its investment in its last remaining warehouse project in China through a conditional Sale and Purchase Agreement on 19 December 2019. The Group had announced that Integrated Logistics (H.K.) Limited, an indirect 70%-owned subsidiary of Integrated Logistics Berhad, had entered into a conditional sale and purchase agreement with SWJ CN Logiport Pte. Ltd. for the disposal of its entire 65% equity interest in Integrated Etern Logistics (Suzhou) Co. Limited ("Wujiang Disposal") and of which the closing of the conditional Agreement was completed on 1 April 2020.

The cash position of the Group has improved resulting from the completion of the Wujiang Disposal. The improved liquidity and lower gearing will act as an enabler for the Group to implement its strategic expansion plans in solar renewable energy projects.

The repair and reconstruction works of Hengyang's Deqiao project had been completed. On 3 September 2020, the Chinese Authorities issued the Official Operating Licence for Deqiao to commence commercial operations. Hengyang's main businesses are not adversely affected by the COVID-19 pandemic. With the additional revenue contribution from the Deqiao project, Hengyang's group revenue and profitability are projected to increase in future years which in turn will increase our investment value in Hengyang.

# CHAIRMAN'S STATEMENT

## MOVING FORWARD

The year 2020 showed the consequences of a pandemic of which the damage inflicted is unprecedented. In view of the pandemic, the Group has reduced its non-essential expenditure to conserve cash to expand in the renewal energy projects.

With the continuing encouragement from the Malaysian Government through initiatives and pro active measures to increase the overall energy contribution from renewable energy sources from 2% currently to 20% by year 2025, the Group sees great potential and vast opportunities in this growing renewable energy industry.

With the Group's proven track record in implementing and operating solar project coupled with the improved cashflow, we are well positioned to scale up our solar businesses to generate higher sustainable earnings and cashflow in future years for the Group.

On behalf of the Board of Directors, I wish to thank and express our gratitude to the management team and staff for their dedication and commitment as we continue to strive to grow the business together. Last but certainly not least, I would like to express our appreciation to our valued customers, business partners, bankers, government departments and agencies, shareholders & stakeholders for their continuing support to the Group. With this continuous support from all parties, we will dedicate full efforts to improve profitability and enhance the shareholders' value.

*Datuk R. Karunakaran*
CHAIRMAN

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE OVERVIEW

The Group had successfully ventured into solar renewable energy business with the divestment of the Group's warehousing and logistics operations over the past few years. The Group is currently operating a total capacity of 11MWac of solar plants in Malaysia and will pursue and commit to increase its investment in the solar renewable energy business with the objective to increase its market share in the industry.

## FINANCIAL PERFORMANCE

For the current financial year ended 31 December 2020 ("FYE 2020"), the Group posted revenue of RM8.3 million which was 14.4% lower than the revenue of RM9.7 million for the corresponding period in the preceding year ("FYE 2019") for continuing operations. The lower revenue from the solar energy & related business segment of the Group's operations in Malaysia was mainly due to a temporary selective shutdown arising from faulty inverters at the 10MWac solar farm for a short period to allow rectification works to be carried out.

Group's net profit for FYE 2020 was RM50.2 million as compared to RM13.7 million recorded in FYE 2019. The net increase of RM36.5 million was mainly due to the following:-

| | 2020 (RM'million) |
|---|---|
| Gain on disposal of the entire 65% equity interest in Integrated Etern Logistics (Suzhou) Co. Limited ("Wujiang investment") by Integrated Logistics (H.K.) Limited, an indirect subsidiary of ILB | 61.4 |
| Exclusion of prior year (2019) gain arising from disposal of the jointly controlled entity, Integrated National Logistics DWC-LLC | (25.4) |
| Others | 0.5 |
| Net increase in net profit | 36.5 |

The Group net profit attributable to shareholders for FYE 2020 was RM34.5 million compared to its preceding year profit of RM15.3 million. In tandem, earnings per share improved from 8.1sen in FYE 2019 to 18.2 sen in FYE 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

**I) Solar Renewable Energy Projects**

The Management team who took part in the large scale solar tender bids have gained enormous experience from the bidding process. With this invaluable experience gained which had helped to enhance their skills and expertise, the Group will continue to participate in future large scale solar tender bids.

The Group is also actively approaching medium to large private entities to secure solar energy projects through the Supply Agreement with Renewable Energy to ramp up its revenue levels under the newly set up solar renewable energy business segment. The Group expects to achieve future higher growth in revenue and net profit in solar renewable energy business with this new business segment.

**ii) Warehousing in Wujiang, PRC**

On 19 December 2019, Integrated Logistics (H.K.) Limited, an indirect 70%-owned subsidiary of ILB, had entered into a conditional Share Sale Agreement with SWJ CN Logiport Pte. Ltd. to dispose off the entire 65% equity interest in Integrated Etern Logistics (Suzhou) Co. Limited for a net cash consideration of RM126.3 million. The closing of the Agreement was completed on 1 April 2020.

The proceeds from the disposal has provided more capital to the Group for the funding of the Group's working capital and expansion plans which may include (but not limited to) additional solar renewable energy projects where the Group sees growing contribution for the Group's revenue and profit from the solar energy sector in the years to come.

## BUSINESS RISKS

2020 has been an unprecedented year globally and the pandemic Covid-19 has totally changed our lives in the way we live and work. We have to adapt to the new norm of wearing masks, social distancing, complying with strict SOPs and better hygiene practices to protect ourselves from being infected. We will strive to ensure that all the directors, management team and staff are safe and healthy to ensure that they can perform their duties and responsibilities as usual with the objective of ensuring business continuity including working from home, wherever and whenever possible to minimize the risks of getting infected.

## MOVING FORWARD

With the Malaysian Government encouragement through positive measures and incentives, the solar photovoltaics industry in Malaysia is on the rise as a result of strengthening government support, growing investor confidence and reducing costs. Solar photovoltaics industry in Malaysia is well poised for more growth given the favourable conditions that are developing.

The Group will continue to put in effort to reap the business opportunities in the solar photovoltaics industry in Malaysia to achieve growth in revenue and net profit.

The Management would like to express their gratitude to the Board of Directors, shareholders, clients, business partners, contractors and financiers for their support.

# SUSTAINABILITY STATEMENT

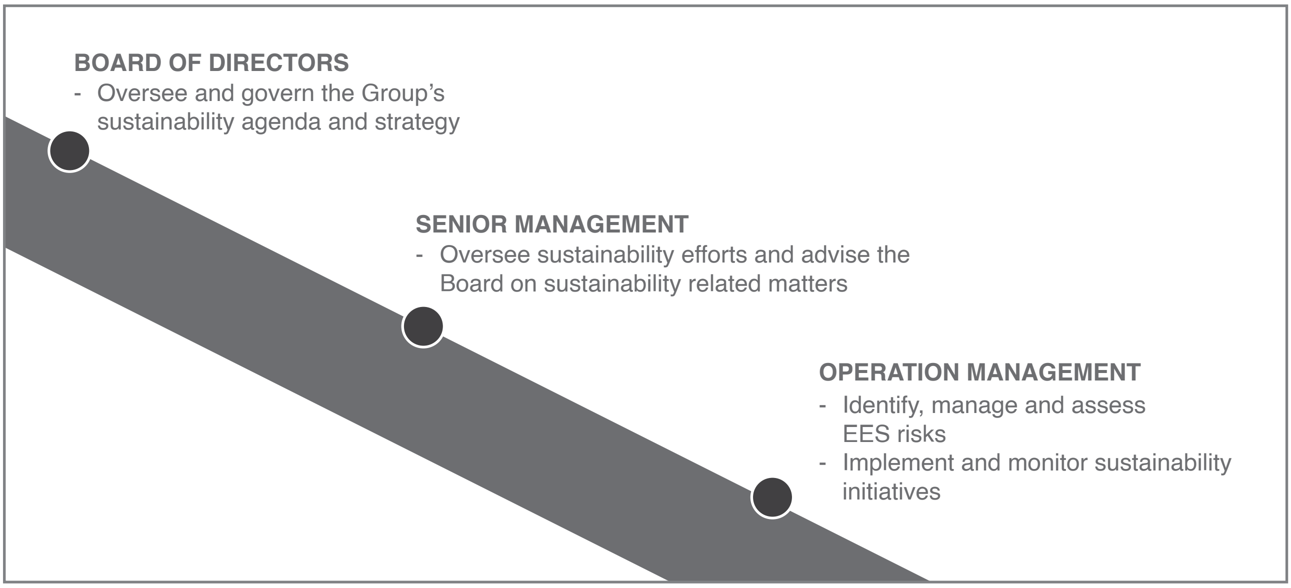
Integrated Logistics Berhad (hereinafter referred to as "ILB" or "the Group") is committed to create value for all our stakeholders: customers, suppliers, employees, shareholders, business partners, communities and the environment. We aim to adopt good sustainability practices, to reduce environmental impacts of our activities, and help our client to do the same. By doing so, we believe our products and solutions benefit our customers, workers and support their wellbeing. We consult and collaborate with professionals and innovators across disciplines to improve and enhance our products and solutions.

To summarise our initiatives in the sustainability front, the Board is pleased to report on the Group sustainability objectives, strategies and activities material to the Group, the way the Group manages it and many other efforts undertaken to complement the Group's sustainability objectives.

This Sustainability Statement is an update of the preceding financial year's Sustainability Statement. The Sustainability Statement reporting framework is guided by Global Reporting Initiative ("GRI") Standards as encouraged by Bursa Malaysia.

## Scope and Coverage

The scope of this Sustainability Statement covers our main business division – solar farm operating in Malaysia. This report timeline is from 1 January 2020 to 31 December 2020.




Board of Directors ("the Board") is responsible for the Group's sustainability agenda, practices, strategies and performance, supported by the Senior Management ("SM"), whose member's composition includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Risk Officer ("CRO") and three (3) independent Non-Executive Directors.

The SM oversees the policies, initiatives, targets and the performance of the Group to ensure that the Group's business is conducted in a sustainable manner. The SM is assisted by the Operational Management ("OM"), who are appointed representatives of various divisions to identify, manage, assess the Economic, Environment and Social ("EES") risks, coordinate, implement and monitoring the sustainability initiatives.

The OM executes and implements the strategies on a day-to-day basis and reports their operational activities through several means such as monthly reports, project status reports, safety and health reports and others.

# SUSTAINABILITY STATEMENT

**Stakeholder Engagement**

The Group believes in transparency and open line of communication. Transparency and communication are fundamental components of good corporate governance and serve to build vital relationships of trust we maintain with our stakeholders.

We engage our stakeholders through various means of communication to enable them to understand our business operation and seek their feedbacks and input on several matters relevant to them. We identified them through issues which are material based on their impact to the Group's operations and the number of stakeholders affected.

In FYE 2020, we have identified 6 internal and external stakeholders who were relevant and influenced our business sustainability. The table below describes our stakeholder engagement approaches, focused areas relevant to our stakeholders and frequency of our engagement with the stakeholders.

| Stakeholders | Focus Areas | Engagement approach | Frequency |
|---|---|---|---|
| **Customers** | • Product quality and pricing<br>• Market demand<br>• Product development and innovation | • Quality assessment<br>• Performance assessment<br>• Progress meetings and updates<br>• Customer relationship management | • On-going<br>• Ad-hoc<br>• Periodically<br>• Quarterly |
| **Employees** | • Employee health and safety<br>• Career development and advancement<br>• Communication and engagement | • Performance appraisals<br>• Operational meetings and discussions<br>• Safety at work meetings<br>• Team building activities<br>• Social events with employees<br>• Trainings | • Annually<br>• On-going<br>• Ad-hoc<br>• Periodically<br>• Quarterly |

| Stakeholders | Focus Areas | Engagement approach | Frequency |
|---|---|---|---|
| **Vendors & suppliers (including contractors)** | • Product quality<br>• Customer service and complaints resolution | • Supplier performance evaluations<br>• Meetings and discussions | • Annually<br>• On-going<br>• Ad-hoc<br>• Periodically<br>• Quarterly |
| **Shareholders & investors** | • Financial performance<br>• Regulatory compliance<br>• Corporate governance<br>• Ethical business conduct<br>• Internal control and risk management | • Financial announcement and reporting<br>• Meetings and briefings<br>• Corporate website | • Annually<br>• On-going<br>• Ad-hoc<br>• Periodically<br>• Quarterly |
| **Government regulators/autho rities etc** | • Regulatory compliance<br>• Approvals and permits<br>• Standards and certifications | • Meetings and consultations<br>• Training programmes and dialogue<br>• Audit and verification | • Annually<br>• On-going<br>• Ad-hoc<br>• Periodically<br>• Quarterly |
| **Local communities** | • Community wellbeing<br>• Community investment | • General meetings<br>• Media announcements<br>• Annual report<br>• Company website | • Annually<br>• On-going<br>• Ad-hoc<br>• Periodically<br>• Quarterly |

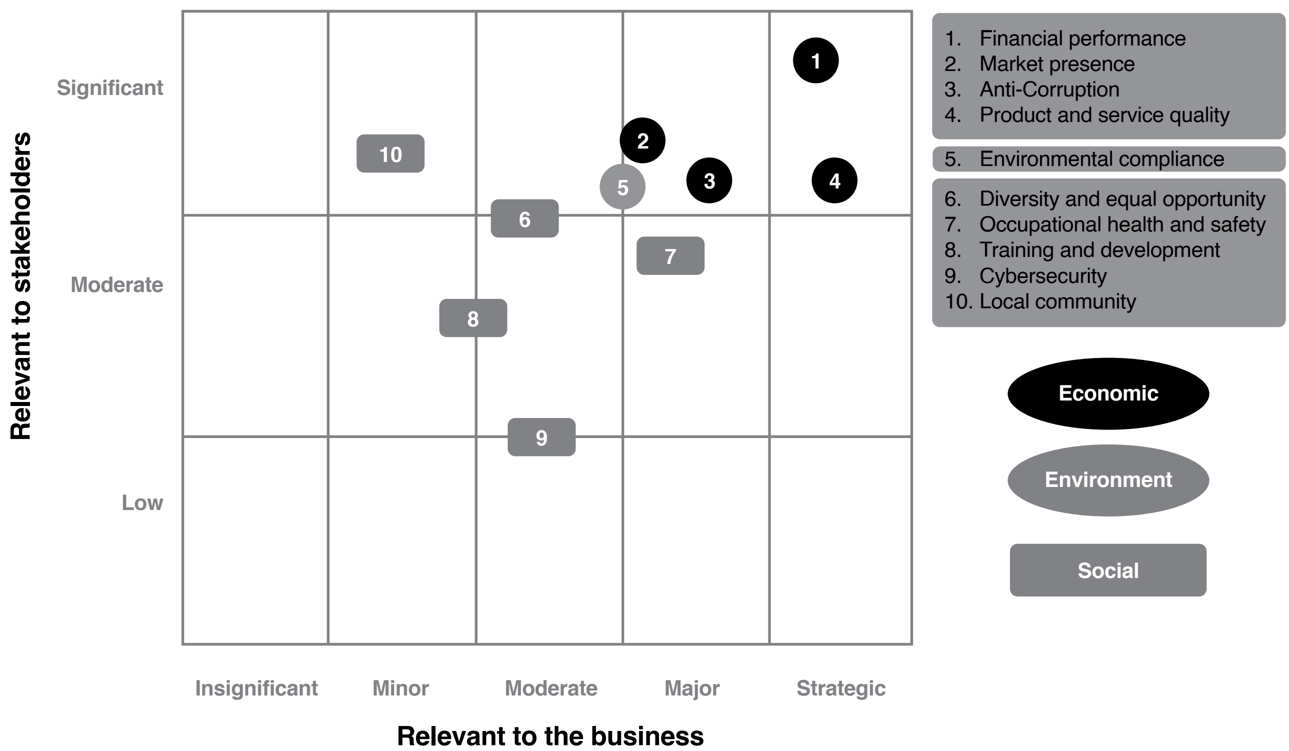
# SUSTAINABILITY STATEMENT

**Materiality Sustainability Matters**

In FYE 2020, selective Head of Departments and key management staff facilitated the identification of key sustainability matters that were deemed material. These sustainability matters were then assessed based on their relevance, importance to our business and stakeholders.

Guided by Bursa's Sustainability Reporting Guide and Toolkits, they were then compiled and mapped into a materiality matrix. A total of 10 key sustainability matters were identified and assessed based on its impact to our stakeholders and to the business are as shown below:

**Sustainability Materiality Profile**



# SUSTAINABILITY STATEMENT

## Economic

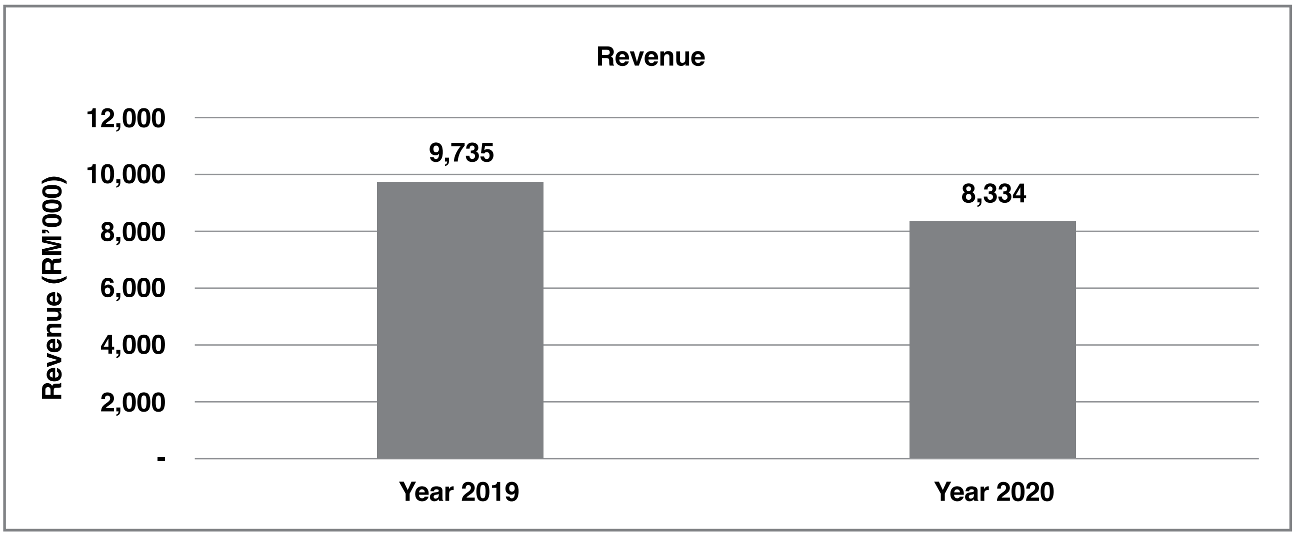
In ILB, we are mindful of our stakeholders' interests when we plan our corporate strategies for business sustainability. While we are obliged to attain sustainable commercial success, we strive to protect the environment and improve quality of life for future generations. Our mission is to help our customers reduce their energy consumption and environmental impact through the use of solar energy, in turn helping the planet fight climate change.

**Financial Performance**

The Covid-19 pandemic in FYE 2020 created significant adverse impact to the local and global economy across the sectors. However, the Covid-19 pandemic and the Movement Control Order ("MCO") have minimal impact on the Group's solar businesses and operations.

The Group successfully energised its first solar plant under the Large Scale Solar Photovoltaic Plant ("LSS") program in Bandar Bukit Kayu Hitam, Kedah. Currently, the Group owns and operates a large-scale solar photovoltaic plant in Bandar Bukit Kayu Hitam, Kedah and a solar farm plant in Seberang Prai Penang with a total solar power capacity of 11 megawatts (MW). These two projects have contributed positively to the cashflow and earnings of the Group.

Given the Group's experience and track records in solar plant industry, the Group is making unremitting efforts to identify potential development / investment opportunities in solar power projects in Malaysia to complement the government's green programme initiatives.




For details and analysis of our financial results, please refer to Management Discussion & Analysis of this Annual Report.

# SUSTAINABILITY STATEMENT

**Market Presence**

The Group has set strategic directions that form the basis of ILB's sustainability. The strategic direction includes its priority to reduce the Group's environmental impact and inherently contribute to the strategy on market leadership and cost-efficiency. In achieving these objectives, over the last 2 years, the Group has been actively investing in the solar renewable energy business in Malaysia marking its footprint with 2 solar farms currently in Penang, and Kedah.

Through local hiring, we endeavour to build long-term value for the stakeholders by providing benefits to the communities while maintaining strong financial results.

**Anti-Bribery & Anti-Corruption Policy**

ILB is committed to apply the highest standards of ethical conduct and integrity in our business activities. Every employee and individual acting on the Company's behalf is responsible for maintaining our reputation and for conducting our Company's business honestly and professionally.

ILB's Anti-Bribery and Corruption Policy was adopted on 29 May 2020. With the adoption of the policy, ILB embraces zero-tolerance to bribery and corruption consistent with ILB's objectives. This is also in line with the laws of the Guidelines on Adequate Procedures through Malaysian Anti-Corruption Commission ("MACC") Amendments Act 2018. Key areas of Anti-Bribery and Corruption Policy cover "No Gift" policy, entertainment and hospitality, donations and due diligence.

This Anti Bribery and Corruption policy is available on our corporate website https://www.ilb.com.my/Attachments/ILBAnti-BriberyAndCorruptionPolicy.pdf

| "No Gift" policy | Entertainment and Hospitality | Donations | Due Diligence |
|---|---|---|---|

*Whistleblowing Policy & Guidelines*

In promoting zero tolerance towards fraud, corruption and other forms of unethical behaviour or conduct, ILB has put in place a mechanism as stipulated in the Whistle Blowing Policy & Guidelines which is accessible by its employees and third parties. We encourage any suspected misconduct or wrongdoings, or any such suspected instances to be reported to the Chief Executive Officer ("CEO") or Chairman of the Audit & Risk Management Committee.

During the year, no incident or complaints (FYE 2019: Nil) on suspicious corruption or unethical behaviour reported to us.

The Whistle Blowing policy and the process of how to report any suspected cases are available on our corporate website : https://www.ilb.com.my/Attachments/whistleblowingpolicy.pdf.

**Product and Service Quality**

As a service provider, strong branding image and positive reputation, backed by consistent product and service quality are key to meet customers' expectation at all times. We carry out daily preventive maintenance because we believe a well-maintained solar plant will continuously perform better and able to meet the targeted yield of solar energy. The maintenance work report carried out by our outsourced maintenance provider was submitted to the SM through periodical scheduled meetings, and discussion on improvement plans were brainstormed with the team.

## Environment Sustainability

Effective and efficient business sustainability require a focus and frequent management coordination of environmental ecological systems, financial stability and social element of a business to ensure responsible, ethical and ongoing success.

To achieve this, ILB via its wholly owned power generation subsidiary, IL Solar Sdn Bhd undertook the development of a 10MW large scale solar PV plant in Kedah to preserve the environmental features of the site with minimum disturbance to the ground and existing vegetation. The plant is projected to supply the national grid with clean energy for a period of 21 years.

Such commercial undertaking demonstrated our forward-looking business sustainability strategies by supplementing government's green initiatives, ensuring our financial stability and to reduce carbon emissions by generating clean energy via solar.

**Environmental Compliance**

As stated in our Quality, Health, Safety and Environmental (QHSE) Policy, we are committed to abide by all applicable environmental laws and regulations in relation to climate change, energy use and waste management. The Group regularly reviews any risk and potential issues related to the environment for its business operations. Among actions and measures implemented to ensure all environmental factors are within the regulatory requirements and to protect our employees include:

- **Established Quality, Health, Safety and Environment policy**
- **Provide adequate and proper Personal Protective Equipment**
- **Communicate environmental aspects to employees and external parties**
- **Workplace safety is monitored by Engineer**
- **Periodic safety briefings**

There was no incident of non-compliance with environmental laws and regulations and we have not been penalised or fined for any environmental violation in FYE 2020.

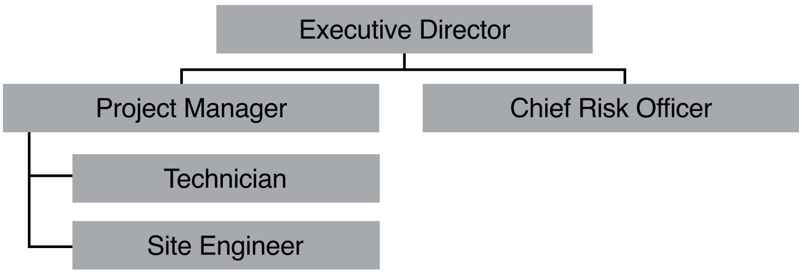
# SUSTAINABILITY STATEMENT

## Social Investment

We believe in building a strong relationship internally with employees as well as with our customers, suppliers, and local communities. The key for ILB to achieve a sustainable growth and providing long-term value creation for our stakeholders is to build a strong and enriching community.

**Occupational Health and Safety**

Providing safe and healthy workplace for employees and contractors is our upmost priority and ensures health and safety culture is integrated in our daily business operations. The Quality, Health, Safety and Environment ("QHSE") policy and HSE Committee were established with the aim to serve as fundamental guidelines in ensuring high level of health and safety standards for our employees and manage safety risks associated with ILB's business operation. The HSE Committee is headed by an Executive Director and its members include Chief Risk Officer, Project Manager, Technician and Site Engineer.




A Site Safety Plan is established by our contractor to ensure safety practices complied with the following regulation:

- Electricity Supply Act 1990
- Renewable Energy Act 2011
- Occupational Safety and Health Act 1994
- Malaysian Standard MS1837:2020.

As one of the Solar PV industry participant in Malaysia, our safety practices are also applicable to the international standard such as International Electrotechnical Commission ("IEC") from Switzerland and National Renewable Electrical Laboratory ("NREL") from United States.

In FYE 2020, zero injury and fatality case were reported despite discovering faulty inverters in one of our solar farms resulting in a temporary selective shutdown. Regular safety trainings and daily safety induction were organised with the objective of educating our employees and workers on the health and safety risks in the workplace. Key health and safety trainings held during the year included fire drills, daily safety briefing and precautionary measures on COVID-19 awareness.

*SARS-CoV-2 ("Covid-19") action plan*

In curbing COVID-19 pandemic, strict procedures and precautionary measures were implemented following the guidelines established by the Ministry of International Trade and Industry's ("MITI") and Ministry of Health ("MOH"), including social and physical distancing within the factory premise, carry out sanitisation activities, provide face masks and hand sanitisers to all employees, perform temperature screening to safeguard the safety and wellbeing of our employee. We installed signages of face mask requirements and marked all social distancing in key locations as reminders to employees.

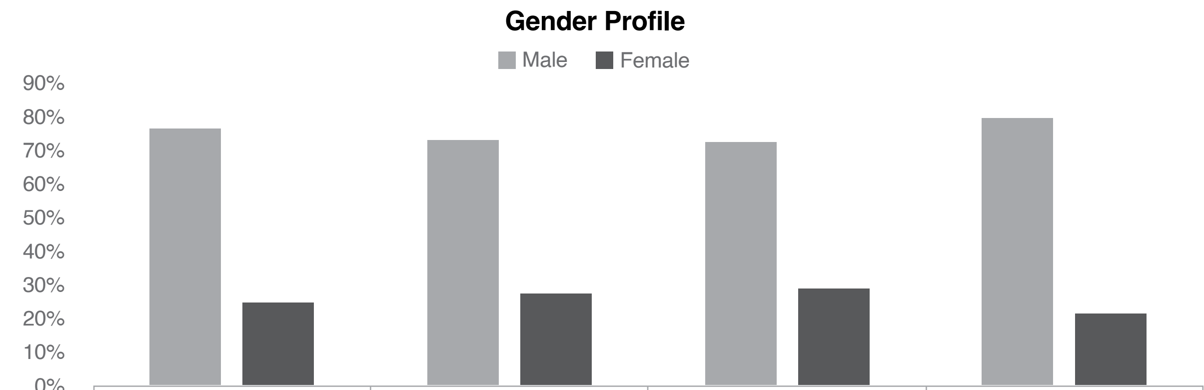
## Our People

### Diversity and Equal Opportunities

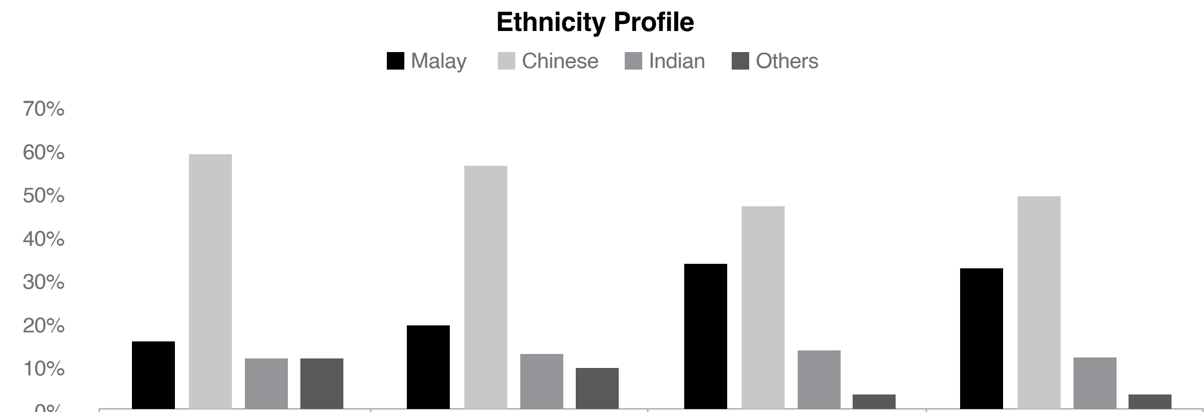
Embracing diversity in our workforce from gender, age, background and experience is key to inclusion sustainability. This extends to all areas of our business including talent acquisition, talent development, competency development, career progression and Board appointments. We practice free discrimination from race, colour, religion, gender and age for position, and all hiring are based on business needs.

Our workforce comprises of 79% of male (FYE 2019:72%) and 21% of female (FYE 2019: 28%). We inherited the gender profile from our previous industry sector – logistics which was highly gender male-focused due to the nature of the industry. We do not practice gender biasness and hire candidate who are capable and best fitted for the position.

Our workforce ethnicity composition has been consistent throughout the years and makes up of 33% (FYE 2019:34%) Malay, 50% (FYE 2019:48%) Chinese, 13% (FYE 2019:14%) Indian and 4% (FYE 2019:4%) Others.




| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Male | 76% | 73% | 72% | 79% |
| Female | 24% | 27% | 28% | 21% |




| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Malay | 16% | 20% | 34% | 33% |
| Chinese | 60% | 57% | 48% | 50% |
| Indian | 12% | 13% | 14% | 13% |
| others | 12% | 10% | 4% | 4% |

# SUSTAINABILITY STATEMENT

Recognising employees' contribution is important to maintain conducive working environment for talented employees ensuring the Group's success. ILB's employees are provided with competitive remuneration packages beyond the requirement of Employment Act 1955 covering hospitalisation and surgical plan, personal accident insurance, leave benefits and travel allowances.

| Insurance | Leave | Allowance and other benefit |
|---|---|---|
| • Group hospitalisation and surgical plan<br>• Group personal accident insurance | • Annual leave<br>• Study leave<br>• Congratulatory leave<br>• Maternity leave<br>• Compassionate leave | • Prolonged illness benefit<br>• Outpatient medical and dental benefits<br>• Relocation allowance<br>• Temporary posting allowance |

*Source: Extracted from Employee Handbook*

**Training and Development**

ILB encourages and nurtures a strong learning culture and we aim to support our talented employees achieve their ambitions by enabling them explore new opportunities and build expertise. We recognise their training needs through discussions with Heads of Department and performance appraisal. From these discussions and appraisals, we identify training needs and develop training programmes. Training programmes are identified based on business strategies and operational needs, meeting regulatory requirement and ensuring the development of technical, inter-personal, business and management skills of our people. Selected employees are required to meet a minimum eight hours of training per year as required by Sustainable Energy Development Authority ("SEDA").

In FYE 2020, two of our employees undergone competency course and certified by SEDA as Grid-Connected Solar PV Systems Designed Qualified Person ("QP").

**Cyber Security**

Cyber security threats are continually evolving and managing such risks are intricate due to the complexity of an interconnected business ecosystem and the rapid evolution in technology. To mitigate cybersecurity risk that possibly cause business disruption, an external IT service provider was appointed to solidify our IT cybersecurity. Our IT infrastructure security features are secured with password protection, anti-virus and anti-malware application and regular cybersecurity awareness to employees. No cybersecurity breaches were reported in ILB for FYE 2020 (FYE 2019: Nil case).

**Local Community**

Being a responsible corporation, we aim to provide a positive impact to social development while pursuing business growth to enhance shareholders and stakeholders value. Given that caring for communities and societies are fundamental features of the Group's approach to social sustainable development, we donated a total amount of RM249,500 to  non-profit organisations to support fight against Covid-19 in the FYE 2020.

# BOARD OF DIRECTORS' PROFILES

## Datuk R. Karunakaran
*Chairman*
*Non-Independent Non-Executive Director (Malaysian)*

Datuk R. Karunakaran, male aged 71, was appointed to the Board on the 1 July 2008 and subsequently elected as Chairman of the Board on the 19 February 2010. He was redesignated as Non-Independent Non-Executive Director with effect from 8 March 2021. Datuk Karunakaran graduated from the University of Malaya with a Bachelor of Economics (Accounting) Hons. in 1972. He was formerly the Director General of Malaysia Investment Development Authority ("MIDA") retiring in June 2008 after having served for 36 years. He had also served as Director of MIDA Singapore, Cologne (Germany) and London (England).

Datuk Karunakaran resigned as Chairman of the Nomination & Remuneration Committee on 8 March 2021. He is also the Chairman, Independent Non-Executive Director of Maybank Ageas Holdings Berhad, Etiqa International Holdings Berhad and Maybank Singapore Limited. Datuk Karunakaran is also an Independent Non-Executive Director on the Boards of Malayan Banking Berhad, Bursa Malaysia Berhad, IOI Corporation Berhad.

Datuk Karunakaran does not have any interest in the securities of the Company and its subsidiaries. He has no family relationships with any other Director and/or major shareholder of the Company.

## Tee Tuan Sem
*Chief Executive Officer*
*Executive Director (Malaysian)*

Mr Tee Tuan Sem, male aged 69, the Chief Executive Officer, was appointed to the Board on the 9 June 1992. He is a member of the Malaysian Institute of Accountants and a Fellow of the Chartered Association of Certified Accountants. He joined Tet O Chong & Co., an established firm of public accountants, in 1976, and joined Integrated Forwarding & Shipping Berhad as Chief Accountant in 1981. He was promoted to the position of Finance Director of the Company in 1998 and subsequently appointed as the Chief Executive Officer in 2001. He does not hold any other directorships of public companies.

Mr Tee has a direct interest of 29,595,673 ordinary shares in the Company. He also has an indirect interest of 381,931 ordinary shares in the Company held through his wife, Yang Chiew Bi. Mr Tee does not have any family relationship with any other Director and/or major shareholder of the Company.

# BOARD OF DIRECTORS' PROFILES

## Makoto Takahashi
*Executive Director (Japanese)*

Mr Makoto Takahashi, Executive Director, male aged 53, holds a Bachelor of Science degree from the University of San Francisco. He has working experience with a Japanese logistics company in Kobe, Japan and a trading company in Hong Kong. He joined ILB in 1998 as General Manager of Sales & Marketing and was appointed to the Board as an Executive Director on the 17 September 2001.

Mr Makoto has a direct interest of 14,303,990 ordinary shares in the Company. He does not hold any other directorships of public companies and does not have any family relationship with any other Director and/or major shareholder of the Company.

## Wan Azfar bin Dato' Wan Annuar
*Independent Non-Executive Director (Malaysian)*

En Wan Azfar bin Dato' Wan Annuar, male aged 71, was appointed to the Board as an Executive Director on the 17 September 2001. He resigned as an Executive Director on the 26 March 2003 but remained as a Non-Independent Non-Executive Director and was subsequently redesignated as an Independent Non-Executive Director on 19 August 2015. A Naval Officer by training, having been through Britannia Royal College, Dartmouth, United Kingdom and HMS Mercury, Royal Navy's School of Maritime Operations, Petersfield, United Kingdom, he has some 16 years service at sea and ashore. His military appointments included 2 warship commands, staff duties at Ministry of Defence, Kuala Lumpur, Naval Headquarters in Singapore and as Naval Attache at the Malaysian High Commission, London. After leaving the Royal Malaysian Navy, he joined Malayan United Industries Berhad group of companies and pioneered the hotel division.

En Wan Azfar was re-designated as the Chairman of the Nomination & Remuneration Committee on 8 March 2021 and he is also a member of the Audit & Risk Management Committee. He does not hold any directorships of other public companies and does not have any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any other Director and/or major shareholder of the Company.

# BOARD OF DIRECTORS' PROFILES

## Dato' Wan Hashim bin Wan Jusoh
*Independent Non-Executive Director (Malaysian)*

Dato' Wan Hashim bin Wan Jusoh, male aged 63, was appointed to the Board on 1 October 2017 as an Independent Non-Executive Director.

Dato' Wan Hashim obtained his Bachelor Degree of Science (Hons) in 1981 in Resource Economy from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). He joined Malaysia Investment Development Authority ("MIDA") in the same year as Assistant Director. Throughout most of his 36 year career with MIDA, he was responsible for the promotion and coordination of foreign and domestic investments and was also assigned to MIDA Los Angeles, Boston and New York. Dato' Wan Hashim was promoted to Executive Director in 2011 taking the leadership for five industry divisions namely the Electronic, ICT and Electrical, Transport Technology, Machinery and Equipment, and Textile and Non-Metallic Mineral. He became the Deputy CEO III of MIDA in July 2014 taking charge of the Strategic Planning and Investment Eco-System Development roles of MIDA and retired on the 24 September 2017 after a long distinguished career with MIDA.

Dato' Wan Hashim is also a member of the Audit & Risk Management Committee and the Nomination & Remuneration Committee. He sits on the Board of AYS Ventures Berhad and UWC Berhad as an Independent Non-Executive Director and does not have any interest in the securities of the Company and its subsidiaries. He does not have any family relationship with any other Director and/or major shareholder of the Company.

## Soh Eng Hooi
*Independent Non-Executive Director (Malaysian)*

Ms Soh Eng Hooi, female, aged 52, was appointed to the Board as an Independent Non-Executive Director on the 15 May 2018. She was also appointed as a member of the Audit & Risk Management Committee (ARMC) on 15 May 2018 and subsequently re-designated as the Chairman of ARMC on 1 January 2019. Ms Soh was appointed as a member of the Nomination & Remuneration Committee on 8 March 2021.

Ms Soh graduated from University of Malaya with a Bachelor of Accounting (Honours) in 1994.Ms Soh is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Ms Soh started her career with Arthur Andersen & Co. Kuala Lumpur and was a partner in Baker Tilly Kuala Lumpur, an independent member firm of Baker Tilly International, before she founded E H Soh & Partners, an accounting firm, in 2015.

Ms Soh also sits as an Independent Non-Executive Director of MN Holdings Berhad and Warisan TC Holdings Berhad. She does not have any interest in the securities of the Company and has no family relationship with any other Director and/or major shareholder of the Company.

# BOARD OF DIRECTORS' PROFILES

***Notes***

1. ***None of the Directors have entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.***

2. ***None of the Directors have any convictions for any offences within the past 5 years other than traffic offences.***

3. ***None of the Directors have any public sanctions & penalties imposed by any regulatory bodies during the financial year 2020.***

# GROUP MANAGEMENT PROFILE

## Tee Jia Jie
*Executive Director of IL Solar Sdn Bhd and IL Power Sdn Bhd*

Mr Tee Jia Jie, male aged 29, is an Executive Director of IL Solar Sdn Bhd, a wholly owned subsidiary of the Company. He graduated with a BSC (Hons) Economics from Cardiff Metropolitan University in 2014 with a Postgraduate in International Commercial Law from Cardiff University in 2015.

## Sam Loh Cheng Keat
*Executive Director of IL Solar Sdn Bhd and EVN Vision Sdn Bhd*

Sam Loh Cheng Keat, male aged 43, was appointed to Integrated Logistics Berhad Board on the 15 September 2016 as an Executive Director and subsequently resigned on 1 January 2020 but remained as Executive Director of IL Solar Sdn Bhd and EVN Vision Sdn Bhd. He graduated from Coventry University UK with a Bachelor of Arts degree in 2002 and began his career with a firm of accountants, Moores Rowland, in 2002 and moved to D’nonce Technology Berhad as a Business Development Manager in 2004. The following year, he joined Cam Industries Sdn Bhd as Head of Business Development and in 2014, he set up his own renewable energy business, EVN Vision Sdn Bhd which was subsequently acquired by IL Energy Sdn Bhd, a wholly-owned subsidiary of Integrated Logistics Berhad.

## Ng Wai Hou
*Chief Financial Officer*

Mr Ng Wai Hou, male aged 61, is a member of Malaysian Institute of Certified Public Accountants (MICPA) and a member of Malaysian Institute of Accountants (MIA). He joined the Group on 1st September 2020. Mr Ng has more than 40 years of working experience in the field of accounting. He began his accounting career as an Article Clerk in a Public Accounting firm in 1980 before moving on to logistics, trading, commercial manufacturing & services industries. During 1980 to 2020 he has held various positions from Finance Manager, Group Finance & Admin. Manager, Financial Controller and Chief Financial Officer in multi-national corporations, private and public listed companies.

# GROUP MANAGEMENT PROFILE

## Hoo Pee Chon
*Chief Risk Officer*

Mr Hoo Pee Chon, male aged 64, holds a Diploma in Business Studies, majoring in Finance, from Tunku Abdul Rahman College, Kuala Lumpur. Mr Hoo joined the Group in 1982 and has more than 34 years experience in the logistics industry. He has held several managerial positions in the Group and was promoted to the position of Deputy Group Operation Director (Malaysian operations) in 2005. Mr Hoo was transferred to Integrated National Logistics DWC-LLC an associate company of the Group in Dubai, United Arab Emirates as Head of Finance & Administration in 2012 and was appointed to his current position as Chief Risk Officer of the Group in 2016.

## Teoh Siew Tatt
*Project Manager of IL Solar Sdn. Bhd.*

Mr Teoh Siew Tatt, male aged 43, holds a Master of Business Administration in Engineering Management and Bachelor of Engineering in Automotive Engineering from Coventry University in United Kingdom. Mr Teoh joined the group in September 2015 and has more than 18 years experience in the project management field.

## Mohd Khairul Nizam bin Md Radzi
*Chargeman of IL Solar Sdn Bhd*

Mr Mohd Khairul Nizam Bin Md Radzi, male aged 37, holds a Diploma in Electrical Engineering from Politeknik Tunku Sultanah Bahiyah Kulim, Kedah. He has the competency in B4 33kV from Malaysia Energy Commision (Suruhanjaya Tenaga). Mr Khairul joined IL Solar Sdn Bhd in 2017 and has 12 years experience in Electrical Testing, Commissioning, Operations & Maintenance of Gas power plant & Renewable energy power plant.

***Notes***

*None of the Group's Management:*

1. *Holds any directorships of other public companies.*
2. *Have any family relationship with any director & /or major shareholder of the Company, apart from Tee Jia Jie, who is the son of the Chief Executive Officer of the Company.*
3. *Have entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.*
4. *Have any convictions for any offences and public sanctions & penalties imposed by any regulatory bodies other than traffic offences within past five years.*

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Malaysian Code of Corporate Governance defines corporate governance as: “the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders.”

The Board of Directors ("Board") remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Group and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Group.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance (“MCCG 2017”) known as Board Leadership and Effectiveness (Principal A), Effective Audit and Risk Management (Principal B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principal C) throughout the financial year ended 31 December 2020.

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

**Every company is headed by a Board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.**

The Company has an experienced Board comprising two Executive Directors, one Non-Independent Non-Executive Director and three Independent Non-Executive Directors. The Board of Directors is primarily responsible for charting and reviewing the strategic direction of the Group and delegates the implementation of these directions to the Management. The independent non-executive directors are considered independent of any business or other relationship or circumstances that could interfere with the execution of their independent judgement and decision making in the best interests of the Company.

The responsibilities of the Board are inclusive of but not limited to:

i. Charting the strategic direction and setting out short term and long term plans for the Group.
ii. Promoting ethical and best corporate governance culture in the Group.
iii. Monitoring and reviewing compliance with internal control policies and risk management systems.
iv. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
v. Overseeing and reviewing business operations within a systematic and controlled environment.
vi. Monitoring the financial performance of the Group.
vii. Appointing and determining the remuneration, duration and terms of appointment of the Executive Directors.
viii. Assessing the performance of and developing the succession plan for the Executive Directors.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process. The Board structure ensures that no individual or group of individuals dominates the Board’s decision-making process. Although all the Directors have equal responsibility for the Company and the Group’s operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board had appropriately delegated specific tasks to two (2) Board Committees; namely Audit & Risk Management Committee ("ARMC") and Nomination & Remuneration Committee ("NRC"). All the Board Committees have their own terms of reference and have the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

To ensure balance of power and authority, accountability and independent decision making, the roles of the Chairman and the Chief Executive Officer ("CEO") are distinct and separated.

The Company has a clear distinction and separation of roles between the Chairman and the CEO, with clear division of responsibilities. The Board of Directors is headed by Datuk R. Karunakaran, the Non-Independent Non-Executive Chairman, who has broad exposure and extensive experience in the international trade and investment arena. As Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the CEO.

The Board has delegated to the CEO, Mr Tee Tuan Sem, the authority and responsibility for implementing policies, strategies and decisions adopted by the Board. The CEO and the management team are responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia.

The Board will review the Board Charter on an annual basis and make changes wherever necessary. The Board Charter is published on the Company's corporate website at www.ilb.com.my.

A formal Whistleblowing Policy has been established to assist in ensuring that the Group's business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees or external parties to disclose suspected malpractice or misconduct and to provide protection to employees or external parties who report allegations of such practices.

In line with the new provision, Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the Board has approved an Anti-Bribery and Anti-Corruption Policy. The policy sets out the Group's overall position to prevent bribery and corruption practices in relation to its business activities.

The Board is supported by qualified and competent Company Secretary who is responsible for ensuring that the Company's constitutions, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretary on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary in discharge of its functions.

None of the directors of the Company hold more than five directorships of listed companies as provided under paragraph 15.06 of the Main Market Listing Requirements.

The Board meets on a quarterly basis with additional meetings being convened when necessary to address urgent matters. All the Directors have complied with the minimum attendance requirements as stipulated by the Main Market Listing Requirements of Bursa Malaysia. The Board met on four occasions during the year ended 31st December 2020 and the details of attendance at Board Meetings is set out below.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

| | Number of Meetings Attended | Total Number of Meetings |
|---|---|---|
| **Non-Independent Non-Executive Director** | | |
| Datuk R. Karunakaran * | 4 | 4 |
| **Independent Non-Executive Directors** | | |
| Wan Azfar Bin Dato' Wan Annuar | 4 | 4 |
| Dato' Wan Hashim bin Wan Jusoh | 4 | 4 |
| Soh Eng Hooi | 4 | 4 |
| **Executive Directors** | | |
| Tee Tuan Sem | 4 | 4 |
| Makoto Takahashi | 4 | 4 |

** Redesignated as Non-Independent Non-Executive Director with effect from 8 March 2021*

All new appointees to the Board are given an introduction to familiarize themselves with the Group's operations so as to assist them in discharging their duties and responsibilities. They are required to attend the Mandatory Accreditation Programme by Bursa Malaysia and thereafter to continually upgrade their knowledge and exposure through in-house training programmes as well as courses conducted by external parties. All Directors have completed the Mandatory Accreditation Programme stipulated by Bursa Malaysia.

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2020 are as follows:

| Name of Directors | Date | Seminar / Training Course Title |
|---|---|---|
| Datuk R. Karunakaran | 24 April 2020 | FY2020 Etiqa Annual Risk Landscape 2020 for MAHB |
| | 7 July 2020 | Invest Malaysia 2020 Virtual Series 1titled "Economic Recovery: Policies & Opportunities" - Bursa Malaysia |
| | 11 August 2020 | Corporate Liability Malaysia Anti-Corruption Commission Act (MACC) 2009 (amendments) Section 17A - Etiqa |
| | 12 August 2020 | Maybank Annual Board Risk Workshop FY2020 |
| | 25 August 2020 | Managing Political Risks - FIDE Forum |
| | 26 August 2020 | Corporate Liability: Anti-Bribery and Corruption Management System - NGL Tricor Governance Sdn Bhd) |
| | 29 September 2020 | 1) The Application of Blockchain And Smart Contracts in Digital Assets and Capital Markets<br>2) The Good, The Bad, The Uncertain<br>3) Bursa Malaysia (1818) Analyst Perspective |
| | 6 & 7 October 2020 | Islamic Finance for Board of Directors – Maybank ISRA International Consulting Sdn Bhd |
| | 24 November 2020 | Virtual Board Dialogue Session with Prof. Dato' Dr Adeeba Kamarulzaman re -"Covid-19 - An Update" |
| | 9 December 2020 | Directors' Liability in Anti-Corruption Cases: Airbus and Other Cases - Bursa Malaysia |
| | 9 December 2020 | Cyber Security in the Boardroom - Bursa Malaysia |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Name of Directors | Date | Seminar / Training Course Title |
|---|---|---|
| Dato' Wan Hashim bin Wan Jusoh | 26 August 2020 | Corporate Liability: Anti-Bribery and Corruption Management System - NGL Tricor Governance Sdn Bhd) |
| Wan Azfar bin Dato' Wan Annuar | 26 August 2020 | Corporate Liability: Anti-Bribery and Corruption Management System - NGL Tricor Governance Sdn Bhd) |
| Soh Eng Hooi | 16 April 2020 | Stakeholder Engagement - In times of Crisis: Stakeholders Take Centre Stage - Institute of Corporate Directors Malaysia (ICDM) |
| | 21 April 2020 | Power Talk #10 - The Path to the Next Normal: So What Now for Leadership? - ICDM |
| | 24 April 2020 | The New Normal : Expected Trends in Tax, Economic and Corporate Transaction - Baker Tilly |
| | 4 May 2020 | Covid 19 The New Normal : Corporate Rescue Mechanisms in Times of Crisis - Baker Tilly |
| | 8 May 2020 | Integrated Reporting - Covid 19 Best Practice - Malaysian Institute of Certified Public Accounts (MICPA) |
| | 14 May 2020 | Tax Measures Introduced due to the Covid 19 Pandemic - MICPA |
| | 29 May 2020 | Mind the Gap! Audit your Anti-Bribery and Corruption Programme effectively - Institute of Internal Auditors (IIA) |
| | 10 June 2020 | Restructuring Your Business – What you need to know - MICPA |
| | 10 June 2020 | Modern Data Analytics in a Nutshell - 6 Biz Academy |
| | 26 June 2020 | Virtual Board Meetings: In an Era of Social Distancing Boards - ICDM |
| | 15 July 2020 | Solar PV Investment: A Boon to Companies in Malaysia? - Baker Tilly |
| | 21 July 2020 | Redefine Business Continuity - MICPA |
| | 26 August 2020 | Corporate Liability: Anti-Bribery and Corruption Management System - NGL Tricor Governance Sdn Bhd) |
| | 22 September 2020 | Roadmap to IPO: In Times of Crises - Baker Tilly |
| | 25 September 2020 | Design Sprint 4.0 - IMEC Education Sdn Bhd |
| | 5 October 2020 | Fair Value Measurement Techniques for Financial Assets and Non-Financial Assets - Malaysian Institute of Accountants (MIA) |
| | 22 December 2020 | MFRS 16 Leases: What it Entails and its Effect (Plus tax considerations) - MIA |
| Tee Tuan Sem | 22 May 2020 | MIA Webinar Series : Integrated Reporting and Impact of Covid-19 on Value Creation - MIA |
| | 26 August 2020 | Corporate Liability: Anti-Bribery and Corruption Management System - NGL Tricor Governance Sdn Bhd) |
| Makoto Takakashi | 26 August 2020 | Corporate Liability: Anti-Bribery and Corruption Management System - NGL Tricor Governance Sdn Bhd) |

## II Board Composition

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

The Company has an experienced Board comprising two (2) Executive Directors, one Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The Non-Executive Directors are not employees of the Company and do not participate in the day to day management of the Company. All three (3) Independent Non-Executive Directors are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter. The NRC has reviewed the performance of the independent directors and is satisfied that they have discharged their responsibilities in an independent manner.

The Constitution of the Company provides that all Directors of the Company shall retire from office at least once every three years but shall be eligible for re-election. At least one third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to one-third, shall retire from office at each AGM. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates.

The MCCG 2017 stipulates that the tenure of an Independent Director of the Company should not exceed a cumulative term of nine years. An Independent Director may continue to serve the Board subject to re-designation as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine years, shareholders' approval will be sought.

## III Remuneration

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

The Company's NRC reviews the remuneration of the Board and Senior Management from time to time with a view to ensure the Company offers fair compensation and is able to attract and retain talent who can add value to the Company. Fees paid to Non-Executive Directors are tabled at the Company's AGM for approval.

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

The Details of the Directors' remuneration comprising remuneration received from the Company and its subsidiaries in the financial year ended 31 December 2020 are as follows:

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Company**

| | RM'000 | | | | | |
|---|---|---|---|---|---|---|
| | **Salaries** | **Fees** | **Bonus** | **Other Remuneration** | **Benefits-In-Kind** | **Total** |
| **Non-Executive Directors** | | | | | | |
| Datuk R. Karunakaran | - | 108 | - | 4 | 7 | 119 |
| Wan Azfar bin Dato' Wan Annuar | - | 60 | - | 6 | 4 | 70 |
| Dato' Wan Hashim bin Wan Jusoh | - | 60 | - | 6 | - | 66 |
| Soh Eng Hooi | - | 90 | - | 5 | 4 | 99 |
| **Executive Directors** | | | | | | |
| Tee Tuan Sem | 570 | - | - | 117 | 100 | 787 |
| Makoto Takahashi | 234 | - | - | 1 | 21 | 256 |
| **Total** | **804** | **318** | **-** | **139** | **136** | **1,397** |

**Group**

| | RM'000 | | | | | |
|---|---|---|---|---|---|---|
| | **Salaries** | **Fees** | **Bonus** | **Other Remuneration** | **Benefits-In-Kind** | **Total** |
| **Non-Executive Directors** | | | | | | |
| Datuk R. Karunakaran | - | 108 | - | 4 | 7 | 119 |
| Wan Azfar bin Dato' Wan Annuar | - | 60 | - | 6 | 4 | 70 |
| Dato' Wan Hashim bin Wan Jusoh | - | 60 | - | 6 | - | 66 |
| Soh Eng Hooi | - | 90 | - | 5 | 4 | 99 |
| **Executive Directors** | | | | | | |
| Tee Tuan Sem | 758 | - | 3,653 | 117 | 100 | 4,628 |
| Makoto Takahashi | 422 | - | 2,088 | 1 | 21 | 2,532 |
| **Total** | **1,180** | **318** | **5,741** | **139** | **136** | **7,514** |

Details of the remuneration of the top Senior Management (including salary, bonus, benefits in-kind and other emoluments) in each successive band of RM50,000 during the financial year ended 31 December 2020, are as follows:

| **Range of Remuneration (RM)** | **Name of Top Senior Management** |
|---|---|
| 50,000 - 100,000 | Tan Ying Ying / Ng Wai Hou |
| 100,001 - 150,000 | Loh Cheng Keat & Mohd Khairul Nizam bin Md Radzi |
| 150,001 - 200,000 | Teoh Siew Tatt & Hoo Pee Chon |
| 200,001 - 250,000 | Tee Jia Jie |

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### I Audit & Risk Management Committee (ARMC)

**There is an effective and independent ARMC. The Board is able to objectively review the ARMC's findings and recommendations. The Company's financial statements is a reliable source of information.**

The ARMC oversees the integrity of the financial statements, compliance with relevant accounting standards and the Group's risk management and internal controls. The ARMC had five meetings during financial year ended 31 December 2020 and comprises:-

i. Soh Eng Hooi (Chairman)
ii. Wan Azfar bin Dato' Wan Annuar
iii. Dato' Wan Hashim bin Wan Jusoh

The Board strives to provide true and fair financial reporting of the Group's performance in the audited financial statements and quarterly financial reports, in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016 (Act).

The ARMC exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The ARMC also represented to the Board with support and clarifications from the external auditors that the financial statements & reports presented are in compliance with applicable approved accounting standards in Malaysia and the provisions of the Act to give a true and fair view of the Group's performance and financial position.

The Board has a formal and transparent relationship with the external auditors. The ARMC recommends to the Board on the appointment of the external auditors which is subject to the approval of shareholders at the AGM whilst their remuneration is determined by the Board. The role of the ARMC is further set out in their Report. The Board has private sessions and dialogues through the Committee with the external auditors, in the absence of the executive directors and the management. For the year under review, there was two such dialogue session with the external auditors.

It is the practice of the ARMC to conduct annual assessment of the external auditor. Areas of assessment include among others, the external auditors objectivity and independence, size and competency of the audit team, audit strategy, audit reporting, partner involvement and audit fees. In support of the assessment on independence, the external auditors provide the ARMC with assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Premised on the assessment result, the ARMC will make recommendation to the Board for re-appointment of external auditors accordingly. During the financial year, the amount of non-audit fees paid to external auditors was RM12,000.

The ARMC comprises Independent Non-Executive Directors and at least one member fulfills qualifications prescribed by Bursa via paragraph 15.09(1)(c) and paragraph 7.1 of Practice Note 13 of the Main Market Listing Requirements.

### II Risk Management and Internal Control Framework

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

ILB has in place its established Risk Management Policy, which reflects the framework for Enterprise-wide Risk Management and Internal Control System. Such framework states the Company's tolerance level for risk, and process in place to identify, assess and monitor key business risks arising from the existing environment and foreseeable future event in achieving the Company's corporate objectives, safeguarding the Company's assets, as well as shareholders' investments / interest.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board has the ultimate responsibility for reviewing and approving the Company's risk framework, risk profile and related policies. Relevant internal control systems are implemented for the day to day operations of the Group. The Chief Risk Officer and independent professional service provider, NGL Tricor Governance Sdn Bhd ("NGL Tricor"), have an independent reporting on risk management and internal controls to the ARMC. The framework is continually monitored by NGL Tricor to ensure it is responsive to the changes in the Group's Corporate Structure and is authorised to conduct independent audits of all the departments and offices within the Group. It reports its internal audit findings to the ARMC on a half-yearly basis.

The ARMC reviews, deliberates, and evaluates the effectiveness and efficiency of the internal control systems in the organisation which are designed to manage and mitigate rather than eliminate risks in achieving the Company's corporate objectives, safeguarding the company's assets as well as investors interests.

The ARMC which comprises Independent Non-Executive Directors oversees the Group's risk management and internal control.

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

The Board is assisted by ARMC in the oversight of risk management and internal control system of the Group and supported by the Executive Directors and Senior Management of the Group in the implementation of the Board's policies & procedures on risk management and internal control. NGL Tricor provides independent internal audit services to the core business of the Group and adopts a risk-based approach and prepares its audit strategy and plan based on the risk assessment of the business units of the Group.

The Board is cognisant of the fact that they are responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board recognises the importance of good corporate governance and is committed to maintain a sound system of internal controls and risk management. This includes the establishment of an appropriate control environment and risk management framework, processes and structures, and a continuous review of the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal controls of the Group during the year.

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

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

### I Communication with Stakeholders

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board monitors all price sensitive information potentially required to be released to Bursa Malaysia and makes material announcements to Bursa Malaysia in a timely manner. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa, the media and the Company's website.

Price sensitive information is defined as any information that on becoming generally available would tend to have a material effect on the market price of the Company's listed securities. The Company Secretary is responsible to compile such information for the approval of the Board soonest possible and release such information to the market as stipulated by Bursa Malaysia.

Apart from the provisions relating to the "closed period" for dealing in the Company's shares, the directors and senior management privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available. The Company's website at www.ilb.com.my is regularly updated and provides relevant information on the Company which is accessible to the public to make informed decisions.

## II Conduct of General Meetings

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

The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders. The Board is committed to provide shareholders with comprehensive and timely information about the Group's activities and performance to enable investors make informed decisions. Shareholders are encouraged to attend General Meetings and use the opportunity to ask questions on resolutions being proposed and on the progress, performance and future prospects of the company. The Chairman and Board members, with the assistance of senior management and external auditors, where appropriate, are responsible to respond and provide explanations on matters raised.

Information on the Group's activities is provided in the Circulars, Annual Report and Financial Statements which are despatched to shareholders. The Company also encourages shareholders and investors to access online the Company's Annual report and up to date announcements, which are made available at the Bursa Malaysia website and the Company's own website.

Investors and the public who wish to contact the Group on any enquiry, comment or proposal can channel them through e-mail or contact the following persons:-

| Name | Contact No. | E-mail address |
|---|---|---|
| Tee Jia Jie, Executive Director, IL Solar Sdn Bhd | 03-5614 2555 | jjtee@ilb.com.my |
| Ng Wai Hou | 03-5614 2555 | jamesng@ilb.com.my |

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

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 12 March 2021.

# OTHER DISCLOSURES

## 1. Utilisation of Proceeds

### 1.1 Private Placement

On 4 April 2017, the Company had completed the Private Placement of up to 10% of the Company's existing total number of issued shares (excluding treasury shares) following the listing of and quotation on the Main Market of Bursa Securities for 17,000,000 Placement Shares at an issue price of RM0.797 per share with total proceeds amounting to RM13,549,000. The total proceeds had been fully utilised.

### 1.2 Disposal of Integrated Etern Logistics (Suzhou) Co. Limited

On 1 April 2020, Integrated Logistics (H.K.) Limited ("ILHK"), an indirect 70%-owned subsidiary of ILB, had completed the closing of the conditional Share Sale Agreement ("SPA") dated 19 December 2019 entered into with SWJ CN Logiport Pte. Ltd. ("Purchaser") to dispose off the entire 65% equity interest in Integrated Etern Logistics (Suzhou) Co. Limited ("IEL Suzhou") for a total purchase consideration of RMB217.2 million or approximately RM128.7 million subject to adjustment sum.

On 30 June 2020, ILHK has finalised the adjustment sum and the final payment with the purchaser and received the said final payment of RMB3.6 million which is equivalent to RM2.1 million on 15 July 2020. After taking into consideration of the adjustment sum and final payment, the net sale proceeds to ILHK is RM126.3 million of which RM88.4 million is attributable to ILB.

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Intended timeframe for utilisation | Deviation Amount RM'000 | Explaination |
|---|---|---|---|---|---|
| Future investment in other complementary businesses and/or assets | 50,000 | 9,780 | Within 60 months from the closing date | - | - |
| Working capital of the Group | 16,674 | 10,991 | - " - | - | - |
| Payment of Withholding Tax | 6,322 | 6,322 | Within 6 months from the closing date | - | - |
| Defraying expenses incidental to the Proposed Disposal | 7,261 | 7,261 | - " - | - | - |
| Repayment of borrowings | 8,151 | 8,151 | - " - | - | - |
| **Total** | **88,408** | **42,505** | | | |

**2. Audit fees and Non-Audit Fees**

During the financial year ended 31 December 2020, the amount of audit fees and non-audit fees paid or payable for the Group and the Company are as follows:

| | Group (RM) | Company (RM) |
|---|---|---|
| Audit Fees | 241,274 | 86,000 |
| Non-Audit Fees | 12,000 | 12,000 |

**3. Material Contracts**

There were no material contracts entered into by the Group which involved directors and/or major shareholders interests during the financial year.

**4. Variance in Results**

There is no material variance between the results for the financial year 2020 and the unaudited results previously announced by the Company. The Company did not release any profit estimate, forecast or projections during the financial year.

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of the Group is pleased to present the Audit & Risk Management Committee ("ARMC") Report for the financial year ended ("FYE") 31st December 2020.

**MEMBERSHIP**
The ARMC of the Group comprises the following members:

**Chairman**
Soh Eng Hooi
Independent Non-Executive Director

**Members**
Wan Azfar bin Dato' Wan Annuar
Independent Non-Executive Director

Dato' Wan Hashim bin Wan Jusoh
Independent Non-Executive Director

The ARMC comprises three (3) Non-Executive Directors during FYE 31st December 2020, all of whom are Independent Directors. The Chairman of ARMC, Ms. Soh Eng Hooi is a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

The composition of the ARMC and the qualification of the members comply with Paragraph 15.09 (1) of the Main Market Listing Requirement of Bursa Securities ("MAIN LR").

The Committee carries out its duties and responsibilities in accordance with its Terms of Reference which is available on the Company's website at https://www.ilb.com.my.

ARMC has the authority to investigate any matter within its Terms of Reference. In this regard, ARMC has full and unrestricted access to any information pertaining to the Group, co-operation from Management, direct communication channels with the external and internal auditors and reasonable resources to enable it to discharge its functions appropriately.

**MEETINGS AND MINUTES**

During the FYE 31st December 2020, the ARMC held a total of five (5) meetings. The Company Secretary was in attendance during the meetings and the Chief Financial Officer ("CFO"), Chief Risk Officer, Internal Auditors, External Auditors and other senior management personnel, where necessary, were invited to the meetings to deliberate on matters within their purview.

Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting. After each ARMC meeting, the ARMC Chairman reported on matters deliberated to the Board for their notation including matters of significant concern as and when raised by the External Auditors or Internal Auditors. Matters reserved for Board approvals are tabled at Board meetings. Upon Board's approval, the decisions made are forwarded to the Management for their actions. ARMC may also take action by way of circular resolutions in lieu of convening a formal meeting.

The details of attendance of the ARMC members are as follows:

| Committee Members | Meeting Attendance |
|---|---|
| Soh Eng Hooi | 5/5 |
| Wan Azfar bin Dato' Wan Annuar | 5/5 |
| Dato' Wan Hashim bin Wan Jusoh | 5/5 |

# AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The ARMC's activities for the financial year under review comprise the followings:-

1. Financial Reporting

   - In overseeing the Group's financial reporting processes, ARMC reviewed and discussed the Group's unaudited quarterly financial results and final draft audited financial statements with the Management and external auditors at the ARMC meetings, to ensure compliance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016, as well as discussing the performance of the Group, before presentation to the Board for consideration and approval.

   - Reviewed and discussed on the impact of any changes/adoption of new accounting standards, auditing and regulatory issues to the Group's financial reporting processes.

   - Reviewed and assessed the adequacy of the processes and controls in place for effective and efficient financial reporting and that reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards.

2. Related Party Transaction and Conflict Of Interest

   - Reviewed the Chief Risk Officer ("CRO") report on recurrent related party transactions ("RPT") and conflict of interest situation ("COI") that may arise within the Company and its Group and apprised the Board that there were no significant RPT and COI situations which arose within the Company or Group, including any transaction, procedure or course of conduct that raised questions of the Management's integrity during the financial year.

3. External Auditors

   - Reviewed and discussed with the external auditors, prior to the commencement of audit, the audit planning memorandum which include matters pertaining to the audit service team, scope of the work, significant risks and areas of key audit focus, basis in which the external auditors assess materiality, internal control plan, technical updates, independent policies and procedures, timeline, fraud responsibilities etc.

   - Reviewed and discussed with external auditors on major audit findings arising from the external audit and resolution of the findings, including key audit matters raised by the external auditors in their auditors' report.

   - Met with the external auditors without the presence of executive Board members and management personnel.

   - Reviewed the audit fees before recommending to the Board for approval.

   - Reviewed the competency, resource capacity, objectivity, professionalism and the independence of the external auditors. ARMC has also reviewed the independence and suitability of the external auditors in the provision of non-audit services to the Company and the Group. In considering the nature and scope of non-audit services and related fees, ARMC was satisfied that they were not likely to impair their independence. Baker Tilly Monteiro Heng PLT has also given their independence assurance throughout their audit works for FY2020. Pursuant thereto, ARMC has recommended to the Board for the re-appointment of Baker Tilly Monteiro Heng PLT as external auditors of the Company at the forthcoming Annual General Meeting based on the suitability, performance, objectivity, professionalism and independence of the external auditors.

4. Internal Audit

   - Reviewed and approved the internal audit plan for year 2020/2021 from the outsourced internal audit service provider, NGL Tricor Governance Sdn Bhd ("NGL Tricor") to ensure that the scope and coverage of the internal audit on the operations of the Group is adequate and major risk areas are audited accordingly in line with the latest development of the Group and the business environment.

   - Discussed and reviewed the internal audit reports presented by NGL Tricor on a half yearly basis. ARMC considered major findings and areas required improvements highlighted by NGL Tricor and responses from Management thereto, including follow-up on status of actions taken by Management to address issues raised in previous internal audit.

- Reviewed the independence, competency, performance and effectiveness of the internal audit function.

5. Risk Management

   - Assisted the Board in overseeing and reviewing the Risk Management Policy, which reflects the framework for Enterprise-wide Risk Management and Internal Control System. Such framework which is based on guidelines of ISO 31000 states the Company's tolerance level for risk and process in place to identify, assess and monitor key business risks arising from the existing environment and foreseeable future events.

   - Reviewed Group's risk management process including the process in identifying, evaluating, approving and reporting risk and monitoring conflict of interest situations and transactions and the key consideration to be taken in reviewing the related party transactions or conflict of interest situation.

   - Oversaw the risk management process of the Group with the support from the Executive Directors and Senior Management of the Group in the implementation of the Board's policies & procedures on risk management.

   - Reviewed and evaluated operational and financial performance of the Group to ensure that appropriate measures were taken to address any significant risks.

6. Others

   - Reviewed the following prior to recommending to the Board for approval for inclusion in this Annual Report:
     - the Statement on Risk Management and Internal Control;
     - Audit & Risk Management Committee Report; and
     - Corporate Governance Overview Statement.

## INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by NGL Tricor, an outsourced internal audit service provider, which reports directly to the ARMC on its activities based on internal audit plans as approved by ARMC. Its principal function is to undertake regular and systematic review of the internal control system within the Group so as to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

On a half-yearly basis, NGL Tricor presented their audit reports which included their findings and recommendations for improvements to the ARMC for review and deliberation. The ARMC evaluated the adequacy of the responses, actions and measures taken/to be taken by the Management within the required timeframe in resolving the audit issues reported. NGL Tricor also carried out follow-up reviews to monitor the implementation of the said actions plans and measures reported to the ARMC. The ARMC Chairman then briefed the Board on the internal audit reports on any major findings.

During the year under review, NGL Tricor had performed internal control review of the Group's headquarters functions and conducted an assessment of adequacy of control of project tendering process for the Group's solar power plant's operations.

The total cost incurred by the Internal Audit function for the FYE 2020 amounted to RM194,410.

# NOMINATION & REMUNERATION COMMITTEE

Details of the Composition of the Nomination & Remuneration Committee ("NRC") and its terms of reference are as follows:

**COMPOSITION OF THE COMMITTEE**

| | | |
|---|---|---|
| WAN AZFAR BIN DATO'WAN ANNUAR * | - | Chairman / Independent Non-Executive |
| DATO' WAN HASHIM BIN WAN JUSOH | - | Member / Independent Non-Executive Director |
| SOH ENG HOOI ** | - | Member / Independent Non-Executive Director |
| DATUK R. KARUNAKARAN *** | - | Chairman / Non-Independent Non-Executive Director |

** Redesignated as Chairman of NRC with effect from 8 March 2021*
*** Appointed as member of NRC with effect from 8 March 2021*
**** Datuk R. Karunakaran resigned as Chairman of NRC with effect from 8 March 2021*

**TERMS OF REFERENCE**

**1. Primary Purpose**

a) Propose and recommend suitable candidates to the Board and to fill the seats on Board Committees.

(b) Review the composition and effectiveness of the Board and the Board Committees in terms of the required mix of skills, expertise, attributes and core competencies of the Directors as well as the contribution of each individual Director on an annual basis.

(c) Recommend to the Board the framework on terms of employment and elements of remuneration of the Executive Directors.

(d) Review the terms of office and performance of the Committee annually.

(e) Review and recommend to the Board the annual bonus and salary increment of the Executive Directors and the remuneration of the Non-Executive Directors.

**Individual Directors shall abstain from deliberations and voting on their own remuneration at the Board and Committee meetings.**

**2. Composition**

(a) The Committee shall be wholly comprised of Non-Executive directors, a majority of whom are Independent.

(b) Members of the Committee are appointed by the Board and comprise Board members who will not benefit personally from their decisions and who will give due regard to the interests of shareholders and other stakeholders.

# NOMINATION & REMUNERATION COMMITTEE

## 3. Responsibilities

(a) Ensure an appropriate balance of experience and abilities on the Board.

(b) Review from time to time the size, structure and composition of the Board.

(c) Assessment of the independence of directors who have served for a cumulative term of more than nine years, and make appropriate recommendations to the Board.

(d) Consider candidates for appointment, whether as Executive or Non-Executive Directors.

(e) Make recommendations to the Board on the re-appointment of Non-Executive Directors at the end of their term.

(f) Advise the Board and the Chief Executive Officer on the issue of succession planning.

(g) Annual Performance Assessment of the Board of Directors.

(h) Recommend to the Board a competitive compensation and remuneration package for Executive Directors in order to attract talent and experience needed for the continued progress of the Group.

(i) Recommend to the Board a competitive remuneration package for Non-Executive Directors who have the necessary skills and experience to bring independent judgement to bear on the issues of strategy, performance and resources for the success of the Group.

(j) Review and recommend annual compensation and reward for all Directors. A Director should abstain from discussion on his/her own remuneration.

## 4. Authority

The Committee is authorised by the Board to act on all matters within its terms of reference and other matters as may be approved by the Board from time to time.

## 5. Reporting

In discharging the above responsibilities, the Committee shall report to the Board on :-

(a) The effectiveness of the present size of the Board of Directors.

(b) The effectiveness of the composition of the Board of Directors and the mix of Executive and Non-Executive Directors.

(c) The existence of, or potential conflicts of interest involving the Board members.

(d) The contribution of individual Directors in decision making at the Board level.

(e) A continuous education program for Board members to upgrade their skills and enhance their effectiveness.

## 6. Meetings

(a) Meetings of the Committee shall be held as and when necessary but at least twice a year.

(b) The Committee shall be provided with sufficient resources to undertake its duties. It shall have access to the services of the Company Secretary including assisting in planning the committee’s work, drawing up meeting agendas, maintenance of minutes, collection and distribution of information and provision of any necessary logistical support.

(c) The meetings of the Committee shall be transparent, with all proceedings recorded and actions documented.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board is cognisant of the fact that it is responsible for the adequacy and effectiveness of the Group's System of Risk Management and Internal Control. The Board recognises the importance of good corporate governance and is committed to maintaining a sound system of internal controls and risk management. The Board is pleased to provide the following statement, which outlines the nature and scope of risk management and internal controls of the Group during the financial year under review pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility to maintain a sound risk management and internal control system as well as reviewing its adequacy and effectiveness and to put in sufficient safeguards to manage the Group's risks in order to safeguard shareholders' investment and the Group's assets. However, due to the inherent limitations in any system of risk management and internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Thus, the system of internal control put in place can only provide reasonable but would not be an absolute assurance against material misstatements or loss. The significant areas covered by the Group's system of internal control are financial, organisational, operational, compliance and information technology controls.

The Board does not review risk management and internal control systems of its associates as the Board does not have direct control over their operations. Notwithstanding the above, the Group interest is served through representation on the Board of the associates and review of the management accounts and enquiries thereon.

## RISK MANAGEMENT

The Board is assisted by Audit & Risk Management Committee ("ARMC") in the oversight of risk management and internal control system of the Group and supported by the Executive Directors and senior management personnel of the Group in the implementation of the Board's policies and procedures on risk management and internal control.

The Group has established an enterprise-wide risk management framework based on the guidelines in ISO 31000 to manage risks affecting its business and operations. The Board, with its ARMC and recommendations from the outsourced internal audit service provider ("Outsourced IA"), have established processes for identifying, evaluating and managing the significant risks faced by the core business of the Group, i.e. solar power plant. These processes have been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report.

In line with the new provision, Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the Board has approved an Anti-Bribery and Anti-Corruption Policy. The policy sets out the Group's overall measures to prevent bribery and corruption practices in relation to its business activities.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTERNAL CONTROL

The Group has an established internal control structure and is committed to maintaining the structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. Some of the key elements of the structure are:

- Organizational structure defining lines of responsibility, delegation of authority, segregation of duties and information flow. Besides ARMC and Nomination and Remuneration Committees, the Board is supported by Senior Management operationally. These Committees convene periodically to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.

- Policies, procedures and standards have been established within the Group, periodically reviewed and updated by the Management in accordance with changes in the operating environment. These standards and procedures include obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and comply with safety requirements.

- Business plan including annual budget is prepared for the Group. The Board of Directors review and approve the annual budget.

- Executive Directors conduct regular management meetings with management teams of various business units and reviews financial and operational reports in order to monitor the performance and profitability as well as operational issues including internal control matters and risk management of the respective business units.

- Management accounts are prepared on a monthly basis and the actual performance compared with the budgets are prepared and reported to the Board on a quarterly basis, with explanation of any major variances.

- The ARMC, Nomination and Remuneration Committee have been established with defined terms of reference.

- ARMC reviews the quarterly financial results, audited financial statements, the Group's risk profile and internal control issues identified internally and by the Internal Auditors. The ARMC also monitors the implementation of the recommendations, if any, proposed by the Internal Auditors.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**INTERNAL AUDIT**

During the year under review, the Board has engaged an Outsourced IA to provide independent internal audit services to the core business of the Group. The Outsourced IA adopts a risk-based approach and prepares its audit strategy and plan based on the risk assessment of the business units of the Group. Scheduled internal audits are carried out based on the annual audit plan approved by the ARMC. On a half yearly basis, the Outsourced IA presents to the ARMC their internal audit report which summarises audit findings and recommendations with respect to the system of internal control and control weaknesses; as well as the effectiveness of the implementation of these recommendations.

The Outsourced IA had performed internal control review of the Group's headquarters functions and conducted an assessment of adequacy of control of project tendering process for the Group's solar power plant's operations. Some areas of improvement to internal controls were identified and addressed accordingly. Nevertheless, the identified weaknesses in the internal controls have not resulted in any material or significant losses and/or require further disclosure in this Statement.

**CONCLUSION**

The Board is of the view that there were no material losses that resulted from weaknesses in the system of risk management and internal control. Moreover, the Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. The Board is of the view that the risk management and internal control system, which is in place for the financial year under review and up to the date of this Statement, is adequate to achieve the Group's business objectives.

This statement is made in accordance with the resolution of the Board of Directors.

**REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

The External Auditors have reviewed this statement pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and have reported that nothing has come to their attention that causes them to believe that the contents of this Statement intended to be included in the annual report are not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement factually inaccurate.

Their review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information & Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flow of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing those financial statements, the Company's Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 2016. The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# CONTENTS

# DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

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

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

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the financial year, net of tax | | |
| - Continuing operations | (11,620,662) | 52,119,158 |
| - Discontinued operation | 61,810,030 | - |
| | 50,189,368 | 52,119,158 |
| Attributable to: | | |
| Owners of the Company | 34,452,920 | 52,119,158 |
| Non-controlling interests | 15,736,448 | - |
| | 50,189,368 | 52,119,158 |

## DIVIDENDS

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

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

## RESERVES OR PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

## CURRENT ASSETS

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

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

# DIRECTORS' REPORT

## ISSUE OF SHARES OR 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.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2020, the Company held 6,125,175 treasury shares out of its 195,025,503 issued and paid up ordinary shares. Such treasury shares are held at a carrying amount of RM4,797,033. Further details are disclosed in Note 21 to the financial statements.

## 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:

Datuk Karownakaran @ Karunakaran
Tee Tuan Sem*
Makoto Takahashi*
Dato' Wan Hashim bin Wan Jusoh*
Wan Azfar bin Dato' Wan Annuar*
Soh Eng Hooi

* 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:

Dato' Loh Chiew Hor
Loh Cheng Keat
Mong Tak Yeung, David
Tam Poon Wah
Tee Jia Jie

**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 during the financial year were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.1.2020** | **Bought** | **Sold** | **At 31.12.2020** |
| **Direct interest:** | | | | |
| Makoto Takahashi | 20,803,990 | - | (6,500,000) | 14,303,990 |
| **Indirect interest:** | | | | |
| Tee Tuan Sem * # | 25,399,382 | 4,578,222 | - | 29,977,604 |

# held through spouse
* held through nominee companies in which the director has interest

Other than as stated above, the other directors in office at the end of the financial year did not have any interests in shares of the Company during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 6 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.

# DIRECTORS' REPORT

## INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of insurance premium paid for the directors and certain officers of the Company were RM20,999 and RM5,486 respectively.

## SUBSIDIARIES

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

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 34 to the financial statements.

## SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event during the financial year and subsequent to the end of the financial year are disclosed in Note 35 to the financial statements.

## AUDITORS

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

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

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

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

**TEE TUAN SEM**
Director

**MAKOTO TAKAHASHI**
Director

Date: 12 March 2021

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| **Continuing operations** | | | | | |
| Revenue | 5 | 8,333,556 | 9,734,924 | 57,151,683 | - |
| Direct operating costs | | (5,352,427) | (5,275,553) | - | - |
| **Gross profit** | | 2,981,129 | 4,459,371 | 57,151,683 | - |
| Other income | | 5,598,340 | 2,537,821 | 3,673,096 | 2,684,557 |
| Gain/(Loss) on disposal of a jointly controlled entity | | - | 25,443,249 | - | (681,212) |
| Reversal of expected credit loss on financial instruments | | - | 864,754 | - | 864,754 |
| Administrative expenses | | (16,523,833) | (9,293,303) | (5,448,383) | (6,554,894) |
| Other expenses | | (606,082) | (346,332) | (1,800,737) | (545,292) |
| | | (11,531,575) | 19,206,189 | (3,576,024) | (4,232,087) |
| **Operating (loss)/profit** | | (8,550,446) | 23,665,560 | 53,575,659 | (4,232,087) |
| Finance costs | | (3,359,203) | (4,700,190) | (1,204,541) | (274,186) |
| Share of results of associates | | 884,645 | (3,746,828) | - | - |
| Share of gain on acquisition of non-controlling interest in a subsidiary by an associate | | 25,926,948 | - | - | - |
| Impairment loss on interest in an associate | | (25,892,503) | (1,086,468) | - | - |
| Share of results of a jointly controlled entity | | - | (1,273,239) | - | - |
| **(Loss)/Profit before tax** | 6 | (10,990,559) | 12,858,835 | 52,371,118 | (4,506,273) |
| Tax expense | 7 | (630,103) | (146,915) | (251,960) | (5,040) |
| **(Loss)/Profit for the financial year from continuing operations** | | (11,620,662) | 12,711,920 | 52,119,158 | (4,511,313) |
| Profit for the financial year from discontinued operation, net of tax | 19(b) | 61,810,030 | 955,762 | - | - |
| **Profit/(Loss) for the financial year, carried forward** | | 50,189,368 | 13,667,682 | 52,119,158 | (4,511,313) |

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Profit/(Loss) for the financial year, brought forward** | | 50,189,368 | 13,667,682 | 52,119,158 | (4,511,313) |
| **Other comprehensive profit/(loss), net of tax** | | | | | |
| *Item that will not be reclassified subsequently to profit or loss* | | | | | |
| Revaluation of warehouse and office buildings | | - | 3,302,591 | - | - |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Exchange differences on translation of foreign operations | | 3,031,775 | (4,740,685) | - | - |
| Reclassification adjustment of foreign exchange translation reserve upon disposal of a subsidiary | | (1,025,090) | - | - | - |
| Reclassification adjustment of foreign exchange translation reserve upon disposal of a jointly controlled entity | | - | (24,843,479) | - | - |
| | | 2,006,685 | (29,584,164) | - | - |
| **Other comprehensive profit/(loss) for the financial year** | | 2,006,685 | (26,281,573) | - | - |
| **Total comprehensive profit/(loss) for the financial year** | | 52,196,053 | (12,613,891) | 52,119,158 | (4,511,313) |
| **Profit/(Loss) attributable to:** | | | | | |
| Owners of the Company | | | | | |
| - From continuing operations | | (7,691,183) | 14,562,018 | 52,119,158 | (4,511,313) |
| - From discontinued operation | | 42,144,103 | 719,843 | - | - |
| | | 34,452,920 | 15,281,861 | 52,119,158 | (4,511,313) |
| Non-controlling interests | | 15,736,448 | (1,614,179) | - | - |
| | | 50,189,368 | 13,667,682 | 52,119,158 | (4,511,313) |
| **Total comprehensive profit/(loss) attributable to:** | | | | | |
| Owners of the Company | | | | | |
| - From continuing operations | | (5,111,339) | (12,609,499) | 52,119,158 | (4,511,313) |
| - From discontinued operation | | 39,922,429 | 1,585,789 | - | - |
| | | 34,811,090 | (11,023,710) | 52,119,158 | (4,511,313) |
| Non-controlling interests | | 17,384,963 | (1,590,181) | - | - |
| | | 52,196,053 | (12,613,891) | 52,119,158 | (4,511,313) |
| **Earnings per share attributable to owners of the Company** | | | | | |
| Basic/Diluted (sen) | 8 | 18.239 | 8.090 | | |

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

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9 | 145,149,718 | 114,018,728 | 8,844,481 | 10,219,538 |
| Intangible assets | 10 | 2,205,875 | 2,335,632 | - | - |
| Investment in subsidiaries | 11 | - | - | 124,858,052 | 96,043,654 |
| Interest in associates | 12 | 39,038,652 | 33,833,875 | 9,507,500 | 9,507,500 |
| Other investments | 14 | 270,000 | 270,000 | 270,000 | 270,000 |
| Receivables | 15 | 16,110,974 | 30,233,580 | 16,110,974 | 30,233,580 |
| Amount owing by a subsidiary | 17 | - | - | - | 12,121,501 |
| **Total non-current assets** | | 202,775,219 | 180,691,815 | 159,591,007 | 158,395,773 |
| **Current assets** | | | | | |
| Receivables | 15 | 15,791,505 | 14,597,942 | 13,714,822 | 11,113,799 |
| Amounts owing by subsidiaries | 17 | - | - | 964,781 | 2,509,153 |
| Tax assets | | - | 51,534 | - | 51,534 |
| Other investments | 14 | 2,766,164 | 2,762,241 | 2,766,164 | 2,762,241 |
| Deposits, cash and bank balances | 18 | 87,893,541 | 21,908,197 | 47,275,539 | 479,848 |
| | | 106,451,210 | 39,319,914 | 64,721,306 | 16,916,575 |
| Assets of a disposal group classified as held for sale | 19 | - | 138,546,553 | - | - |
| **Total current assets** | | 106,451,210 | 177,866,467 | 64,721,306 | 16,916,575 |
| **TOTAL ASSETS** | | 309,226,429 | 358,558,282 | 224,312,313 | 175,312,348 |

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 20 | 225,670,706 | 225,670,706 | 225,670,706 | 225,670,706 |
| Treasury shares | 21 | (4,797,033) | (4,797,033) | (4,797,033) | (4,797,033) |
| Reserves | 22 | 17,078,687 | 20,304,246 | - | - |
| Accumulated losses | | (23,159,971) | (61,048,231) | (30,255,687) | (82,374,845) |
| | | 214,792,389 | 180,129,688 | 190,617,986 | 138,498,828 |
| **Non-controlling interests** | | 21,087,594 | 49,742,061 | - | - |
| **TOTAL EQUITY** | | 235,879,983 | 229,871,749 | 190,617,986 | 138,498,828 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 23 | 53,591,160 | 56,163,971 | 22,904,720 | 21,253,393 |
| Deferred tax liabilities | 25 | 885,759 | 752,286 | - | - |
| **Total non-current liabilities** | | 54,476,919 | 56,916,257 | 22,904,720 | 21,253,393 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 23 | 14,789,664 | 5,337,270 | 10,565,664 | 1,113,270 |
| Loans from corporate shareholders | 24 | - | 16,182,931 | - | - |
| Payables | 26 | 3,759,526 | 1,958,496 | 216,943 | 500,770 |
| Amount owing to a subsidiary | 17 | - | - | - | 13,946,087 |
| Tax liabilities | | 320,337 | 146,018 | 7,000 | - |
| | | 18,869,527 | 23,624,715 | 10,789,607 | 15,560,127 |
| Liabilities of a disposal group classified as held for sale | 19 | - | 48,145,561 | - | - |
| **Total current liabilities** | | 18,869,527 | 71,770,276 | 10,789,607 | 15,560,127 |
| **TOTAL LIABILITIES** | | 73,346,446 | 128,686,533 | 33,694,327 | 36,813,520 |
| **TOTAL EQUITY AND LIABILITIES** | | 309,226,429 | 358,558,282 | 224,312,313 | 175,312,348 |

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Total equity RM | Equity attributable to owners of the Company RM | Share capital RM | Treasury shares RM | Accumulated losses RM | Total reserves RM | Asset revaluation reserve RM | Statutory reserve fund RM | Foreign exchange translation reserve RM | Other reserve RM | Non-controlling interests RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | | |
| **At 1 January 2020** | 229,871,749 | 180,129,688 | 225,670,706 | (4,797,033) | (61,048,231) | 20,304,246 | 5,257,870 | 241,554 | 4,928,403 | 9,876,419 | 49,742,061 |
| **Total comprehensive income for the financial year** | | | | | | | | | | | |
| Profit for the financial year | 50,189,368 | 34,452,920 | - | - | 34,452,920 | - | - | - | - | - | 15,736,448 |
| **Other comprehensive income for the financial year** | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | 3,031,775 | 1,383,260 | - | - | - | 1,383,260 | - | - | 1,383,260 | - | 1,648,515 |
| Reclassified to profit or loss upon disposal of a subsidiary | (1,025,090) | (1,025,090) | - | - | - | (1,025,090) | - | - | (1,025,090) | - | - |
| Total other comprehensive income | 2,006,685 | 358,170 | - | - | - | 358,170 | - | - | 358,170 | - | 1,648,515 |
| **Total comprehensive income for the financial year** | 52,196,053 | 34,811,090 | - | - | 34,452,920 | 358,170 | - | - | 358,170 | - | 17,384,963 |
| **Transaction with owners** | | | | | | | | | | | |
| Transfer on disposal of a subsidiary | (24,485,169) | (148,389) | - | - | 3,464,859 | (3,613,248) | (5,257,870) | (206,401) | 1,851,023 | - | (24,336,780) |
| Changes in non-controlling interest in a subsidiary | 1,000,000 | - | - | - | - | - | - | - | - | - | 1,000,000 |
| Dividends paid to non-controlling interests | (22,702,650) | - | - | - | - | - | - | - | - | - | (22,702,650) |
| Transfer to statutory reserve fund | - | - | - | - | (29,519) | 29,519 | - | 29,519 | - | - | - |
| **Total transactions with owners** | (46,187,819) | (148,389) | - | - | 3,435,340 | (3,583,729) | (5,257,870) | (176,882) | 1,851,023 | - | (46,039,430) |
| **At 31 December 2020** | 235,879,983 | 214,792,389 | 225,670,706 | (4,797,033) | (23,159,971) | 17,078,687 | - | 64,672 | 7,137,596 | 9,876,419 | 21,087,594 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Total equity RM | Equity attributable to owners of the Company RM | Share capital RM | Treasury shares RM | Accumulated losses RM | Total reserves RM | Asset revaluation reserve RM | Statutory reserve fund RM | Foreign exchange translation reserve RM | Other reserve RM | Non-controlling interests RM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | | |
| **At 1 January 2019** | 242,485,640 | 191,153,398 | 225,670,706 | (4,797,033) | (76,306,122) | 46,585,847 | 3,755,191 | 217,584 | 32,736,653 | 9,876,419 | 51,332,242 |
| **Total comprehensive loss for the financial year** | | | | | | | | | | | |
| Profit/(Loss) for the financial year | 13,667,682 | 15,281,861 | - | - | 15,281,861 | - | - | - | - | - | (1,614,179) |
| **Other comprehensive loss for the financial year** | | | | | | | | | | | |
| Revaluation of warehouse and office buildings | 3,302,591 | 1,502,679 | - | - | - | 1,502,679 | 1,502,679 | - | - | - | 1,799,912 |
| Exchange differences on translation of foreign operations | (4,740,685) | (2,964,771) | - | - | - | (2,964,771) | - | - | (2,964,771) | - | (1,775,914) |
| Reclassified to profit or loss upon disposal of a jointly controlled entity | (24,843,479) | (24,843,479) | - | - | - | (24,843,479) | - | - | (24,843,479) | - | - |
| Total other comprehensive loss | (26,281,573) | (26,305,571) | - | - | - | (26,305,571) | 1,502,679 | - | (27,808,250) | - | 23,998 |
| **Total comprehensive loss for the financial year** | (12,613,891) | (11,023,710) | - | - | 15,281,861 | (26,305,571) | 1,502,679 | - | (27,808,250) | - | (1,590,181) |
| **Transaction with owners** | | | | | | | | | | | |
| Transfer to statutory reserve fund, representing total transaction with owners | - | - | - | - | (23,970) | 23,970 | - | 23,970 | - | - | - |
| **At 31 December 2019** | 229,871,749 | 180,129,688 | 225,670,706 | (4,797,033) | (61,048,231) | 20,304,246 | 5,257,870 | 241,554 | 4,928,403 | 9,876,419 | 49,742,061 |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Total equity RM | Share capital RM | Treasury shares RM | Accumulated losses RM |
|---|---|---|---|---|
| **Company** | | | | |
| **At 1 January 2019** | 143,010,141 | 225,670,706 | (4,797,033) | (77,863,532) |
| **Total comprehensive loss for the financial year** | | | | |
| Loss for the financial year, representing total comprehensive loss for the financial year | (4,511,313) | - | - | (4,511,313) |
| **At 31 December 2019** | 138,498,828 | 225,670,706 | (4,797,033) | (82,374,845) |
| **Total comprehensive income for the financial year** | | | | |
| Profit for the financial year, representing total comprehensive income for the financial year | 52,119,158 | - | - | 52,119,158 |
| **At 31 December 2020** | 190,617,986 | 225,670,706 | (4,797,033) | (30,255,687) |

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

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| (Loss)/Profit before tax: | | | | | |
| - Continuing operations | | (10,990,559) | 12,858,835 | 52,371,118 | (4,506,273) |
| - Discontinued operation | | 61,816,400 | 1,196,758 | - | - |
| | | 50,825,841 | 14,055,593 | 52,371,118 | (4,506,273) |
| Adjustments for: | | | | | |
| Addition/(Reversal) of provision for employee benefits | | 602 | (13,799) | 602 | (13,799) |
| Amortisation of intangible assets | | 129,757 | 129,757 | - | - |
| Bad debts written off | | - | - | - | 13,686 |
| Depreciation of property, plant and equipment | | 5,240,140 | 8,421,505 | 1,440,363 | 1,435,385 |
| Dividend income | | - | - | (57,151,683) | - |
| Fair value gain on other investments | | (2,525) | (116,357) | (2,525) | (116,357) |
| Gain on voluntary winding-up of a subsidiary | | - | - | - | (45,152) |
| (Gain)/Loss on disposal of: | | | | | |
| - a subsidiary | | (61,373,403) | - | - | - |
| - other investments | | 101,587 | (105,293) | 101,587 | (105,293) |
| Impairment loss on interest in an associate | | 25,892,503 | 1,086,468 | - | - |
| Reversal of expected credit loss on financial instruments | | - | (864,754) | - | (864,754) |
| Income distribution from other investments | | (97,547) | (269,006) | (97,547) | (269,006) |
| Interest expense | | 3,607,973 | 7,218,191 | 1,204,541 | 274,186 |
| Interest income | | (1,084,276) | (262,669) | (1,082,005) | (519,019) |
| (Gain)/Loss on disposal of a jointly controlled entity | | - | (25,443,249) | - | 681,212 |
| Property, plant and equipment written off | | 13 | 29,723 | 13 | 4 |
| Share of results of associates | | (884,645) | 3,746,828 | - | - |
| Share of gain on acquisition of non-controlling interest in a subsidiary by an associate | | (25,926,948) | - | - | - |
| Share of results of a jointly controlled entity | | - | 1,273,239 | - | - |
| Unrealised loss on foreign exchange | | 247,238 | 755,600 | 937,966 | 529,843 |
| **Operating (loss)/profit before working capital changes carried forward** | | (3,323,690) | 9,641,777 | (2,277,570) | (3,505,337) |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| **Operating (loss)/profit before working capital changes brought forward** | | (3,323,690) | 9,641,777 | (2,277,570) | (3,505,337) |
| Changes in working capital: | | | | | |
| Receivables | | 1,453,486 | (1,459,440) | 249,776 | 120,894 |
| Payables | | (3,246,231) | 164,112 | (286,425) | 256,847 |
| Net cash (used in)/generated from operations | | (5,116,435) | 8,346,449 | (2,314,219) | (3,127,596) |
| Interest paid | | (3,607,973) | (7,190,342) | (1,204,541) | (274,186) |
| Tax (paid)/refunded | | (326,767) | (1,368) | (193,426) | 57,457 |
| Net cash (used in)/from operating activities | | (9,051,175) | 1,154,739 | (3,712,186) | (3,344,325) |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 9(b) | (16,371,143) | (430,771) | (65,319) | (11,867) |
| Proceeds from disposal of a subsidiary, net of cash disposed | | 105,805,579 | - | - | - |
| Cash received from a third party receivable | | 11,483,871 | - | 11,483,871 | - |
| Capital repayment from an associate | | - | 1,500,000 | - | 1,500,000 |
| Cash distribution received from voluntary winding-up of a subsidiary | | - | - | - | 45,152 |
| (Placement)/Withdrawal of deposits with licensed banks | | (40,342,356) | 860,002 | (40,342,356) | 860,002 |
| Proceeds from disposal of a jointly controlled entity | 13 | - | 4,298,038 | - | 4,298,038 |
| Proceeds from disposal of other investments | | 2,694,562 | - | 2,694,562 | - |
| Dividend received | | 93,500 | - | 51,786,631 | - |
| Net (placement)/withdrawal of short-term fund | | (2,797,547) | 1,851,822 | (2,797,547) | 1,851,822 |
| Proceeds from allotment of shares in a subsidiary to non-controlling interests | | 1,000,000 | - | - | - |
| Advances to subsidiaries | | - | - | (28,814,398) | (1,988,051) |
| Interest received | | 1,181,823 | 531,675 | 1,179,552 | 274,908 |
| Net cash from/(used in) investing activities | | 62,748,289 | 8,610,766 | (4,875,004) | 6,830,004 |

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| **Cash flows from financing activities** | | | | | |
| Drawdown of term loans | (a) | 60,664,633 | 18,669,000 | 20,000,000 | 18,669,000 |
| Repayments of term loans | (a) | (40,783,702) | (15,111,723) | (7,995,286) | (437,033) |
| Repayments of unsecured loan to a corporate shareholder | (a) | (24,121,226) | (16,382,875) | - | - |
| Dividends paid to non-controlling interests | | (22,702,650) | - | - | - |
| Payment of lease liabilities | (a) | (641,993) | (611,842) | (641,993) | (611,842) |
| Advances from/(Repayments to) subsidiaries | (a) | - | - | 4,342,380 | (21,106,685) |
| Net cash (used in)/from financing activities | | (27,584,938) | (13,437,440) | 15,705,101 | (3,486,560) |
| **Net increase/(decrease) in cash and cash equivalents** | | 26,112,176 | (3,671,935) | 7,117,911 | (881) |
| **Cash and cash equivalents at the beginning of the financial year** | | 23,289,209 | 28,293,458 | 479,848 | 480,862 |
| Effects of exchange rates changes on cash and cash equivalents | | (1,850,200) | (1,332,314) | (664,576) | (133) |
| **Cash and cash equivalents at the end of the financial year** | 18 | 47,551,185 | 23,289,209 | 6,933,183 | 479,848 |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(a) Reconciliation of liabilities arising from financing activities:

| | 1.1.2020 RM | Cash flows RM | <----------Non-cash----------> Disposals RM | Foreign exchange movement RM | 31.12.2020 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Term loans | 88,487,855 | 19,880,931 | (39,728,962) | (259,000) | 68,380,824 |
| Loans from corporate shareholders | 26,876,036 | (24,121,226) | (2,640,889) | (113,921) | - |
| Lease liabilities | 641,993 | (641,993) | - | - | - |
| | 116,005,884 | (4,882,288) | (42,369,851) | (372,921) | 68,380,824 |
| **Company** | | | | | |
| Term loans | 21,724,670 | 12,004,714 | - | (259,000) | 33,470,384 |
| Lease liabilities | 641,993 | (641,993) | - | - | - |
| Amounts owing to subsidiaries | 13,946,087 | 4,342,380 | (18,916,657) | 628,190 | - |
| | 36,312,750 | 15,705,101 | (18,916,657) | 369,190 | 33,470,384 |

| | 1.1.2019 RM | Cash flows RM | <----------Non-cash----------> Acquisition RM | Foreign exchange movement RM | 31.12.2019 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Term loans | 86,222,473 | 3,557,277 | - | (1,291,895) | 88,487,855 |
| Loans from corporate shareholders | 43,626,725 | (16,382,875) | - | (367,814) | 26,876,036 |
| Lease liabilities | - | (611,842) | 1,253,835 | - | 641,993 |
| | 129,849,198 | (13,437,440) | 1,253,835 | (1,659,709) | 116,005,884 |
| **Company** | | | | | |
| Term loans | 3,765,703 | 18,231,967 | - | (273,000) | 21,724,670 |
| Lease liabilities | - | (611,842) | 1,253,835 | - | 641,993 |
| Amounts owing to subsidiaries | 34,894,901 | (21,106,685) | - | 157,871 | 13,946,087 |
| | 38,660,604 | (3,486,560) | 1,253,835 | (115,129) | 36,312,750 |

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

## 1. CORPORATE INFORMATION

Integrated Logistics Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 March 2021.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Adoption of amendments/improvements to MFRSs

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

<u>Amendments/Improvements to MFRSs</u>

| | |
|---|---|
| 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 Error |
| MFRS 139 | Financial Instruments: Recognition and Measurement |

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

## 2. BASIS OF PREPARATION (cont'd)

### 2.3 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 |
|---|---|---|
| New MFRS | | |
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments/Improvements to MFRSs | | |
| MFRS 1 | First-time Adoption of Malaysian Financial Reporting Standards | 1 January 2022^/<br>1 January 2023# |
| MFRS 3 | Business Combinations | 1 January 2022/<br>1 January 2023# |
| MFRS 4 | Insurance Contracts | 1 January 2021/<br>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/<br>1 January 2023# |
| MFRS 9 | Financial Instruments | 1 January 2021/<br>1 January 2022^/<br>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/<br>1 January 2021/<br>1 January 2022^ |
| MFRS 101 | Presentation of Financial Statements | 1 January 2023/<br>1 January 2023# |
| MFRS 107 | Statements of Cash Flows | 1 January 2023# |
| MFRS 116 | Property, Plant and Equipment | 1 January 2022/<br>1 January 2023# |
| MFRS 119 | Employee Benefits | 1 January 2023# |
| MFRS 128 | Investments in Associates and Joint Ventures | Deferred/<br>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/<br>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*

**2. BASIS OF PREPARATION** (cont'd)

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective** (cont'd)

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 amendments/improvements to MFRSs that may be applicable to the Group and the Company 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 3 Business Combinations***

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by Malaysian Accounting Standards Board in April 2018.

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

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

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

***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 provide 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.

**2. BASIS OF PREPARATION** (cont'd)

**2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective** (cont'd)

***Amendment to MFRS 16 Leases***

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

***Amendments to MFRS 101 Presentation of Financial Statements***

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

***Amendments to MFRS 116 Property, Plant and Equipment***

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

***Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets***

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

**2.4 Functional and presentation currency**

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

**2.5 Basis of measurement**

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

**2.6 Use of estimates and judgement**

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the 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, or areas where assumptions and estimates that are significant to the Group's and Company's financial statements are disclosed in Note 4.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of consolidation

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

#### (a) Subsidiaries and business combination

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

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

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

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

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.1 Basis of consolidation (cont'd)

#### (a) Subsidiaries and business combination (cont'd)

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

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

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

#### (b) Non-controlling interests

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

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

#### (c) Associates

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.1 Basis of consolidation (cont'd)

#### (c) Associates (cont'd)

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

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

#### (d) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates 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 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The 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 3.16(b).

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

### 3.3 Foreign currency transactions and operations

#### (a) Translation of foreign currency transactions

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

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.3 Foreign currency transactions and operations** (cont'd)

**(a) Translation of foreign currency transactions** (cont'd)

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

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

**(b) Translation of foreign operations**

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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) Rental income**

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

**(b) Services**

Revenue from services is recognised at a point in time when services are rendered.

**(c) Sale of goods**

Revenue from sale of electricity is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.4 Revenue and other income (cont'd)

#### (d) Interest income

Interest income is recognised using the effective interest method.

#### (e) Dividend income

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

### 3.5 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 to the Company.

#### (b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national 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.

### 3.6 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.7 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 recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised 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 differences arise from the initial recognition of assets and liabilities in a transaction which 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.

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 substantially enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.7 Income tax (cont'd)

#### (c) Sales and services 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 services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

### 3.8 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.

### 3.9 Property, plant and equipment

#### (a) Recognition and measurement

Property, plant and equipment (other than freehold land and warehouse and office buildings) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

Freehold land and warehouse and office buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on warehouse and office buildings and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold land and warehouse and office buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.9 Property, plant and equipment** (cont'd)

**(a) Recognition and measurement** (cont'd)

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.6.

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

**(b) Subsequent costs**

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

**(c) Depreciation**

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

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

| | **Useful lives (years)** |
|---|---|
| Office building | 50 |
| Office renovation | 5 |
| Equipment, furniture and fittings | 3 – 5 |
| Motor vehicles | 5 |
| Solar photovoltaic | 21 |

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

**(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.10 Leases**

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

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

**(a) 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 in Note 9 and lease liabilities in Note 23.

Right-of-use asset

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

Lease liability

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.10 Leases (cont'd)

#### (a) Lessee accounting (cont'd)

Lease liability (cont'd)

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

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

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

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

Short-term leases and leases of low value assets

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

#### (b) Lessor accounting

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.11 Other intangible assets

#### (a) Customer contract

Customer contract acquired in a business combination are recognised at fair value at the acquisition date.

Subsequent to recognition, customer contract are stated at cost less accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.16(b).

#### (b) Amortisation

Amortisation of customer contract is provided for on a straight-line basis over the contract period of twenty one years. The residual value, useful lives and amortisation methods are reviewed at the end of each reporting period.

### 3.12 Financial instruments

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

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

#### (a) Subsequent measurement

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

##### (i) Financial assets

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

- Financial assets at amortised cost
- Financial assets designated 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 assets.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.12 Financial instruments** (cont'd)

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

The Group and the Company categorise the financial instruments as follows: (cont'd)

**(i) Financial assets** (cont'd)

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 three measurement categories into which the Group and the Company classify 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 method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.16(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.16(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **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 or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.12 Financial instruments** (cont'd)

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

The Group and the Company categorise the financial instruments as follows: (cont'd)

**(i) Financial assets** (cont'd)

Equity instruments

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

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

**(ii) Financial liabilities**

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

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

**(b) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.12 Financial instruments** (cont'd)

**(c) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

**(d) Derecognition**

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

(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.12 Financial instruments (cont'd)

#### (e) Offsetting of financial instruments

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

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

### 3.13 Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:
- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

Any impairment loss on the disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property that is measured at fair value, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

### 3.14 Discontinued operation

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.14 Discontinued operation (cont'd)

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation has been discontinued from the start of the comparative period.

### 3.15 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.

### 3.16 Impairment of assets

#### (a) Impairment of financial assets

Financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income (FVOCI) 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 losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

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

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

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

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.16 Impairment of assets** (cont'd)

**(a) Impairment of financial assets** (cont'd)

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

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

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

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

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. 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. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.16 Impairment of assets** (cont'd)

**(b) Impairment of non-financial assets**

The carrying amounts of non-financial assets (except non-current assets or disposal groups classified as held for sale) 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 exceed 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 to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 3.17 Share capital

#### (a) 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.

#### (b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

### 3.18 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.

### 3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**3.20 Fair value measurements**

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

**3.21 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.

## 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 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 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:

**Impairment of Investment in Associates**

The Group and the Company assess impairment of investment in associates whenever the events or changes in circumstances indicate that the carrying amount of investment in associates may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. The Group and the Company use their judgement to evaluate the adequacy of impairment of investment in associates.

The carrying amounts of the investment in associates is disclosed in Note 12.

## 5. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Continuing operations** | | | | |
| Transportation and distribution | 263,765 | 400,717 | - | - |
| Sales of electricity | 8,069,791 | 9,334,207 | - | - |
| Dividend income | | | | |
| - subsidiaries | - | - | 57,058,183 | - |
| - an associate | - | - | 93,500 | - |
| | 8,333,556 | 9,734,924 | 57,151,683 | - |
| **Discontinued operation** (Note 19) | | | | |
| Warehousing and related value added services | 4,258,843 | 16,055,797 | - | - |
| | 12,592,399 | 25,790,721 | 57,151,683 | - |

## NOTES TO THE FINANCIAL STATEMENTS

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

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Continuing operations** | | | | |
| Addition/(Reversal) of provision for employee benefits | 602 | (13,799) | 602 | (13,799) |
| Amortisation of intangible assets | 129,757 | 129,757 | - | - |
| Auditors' remuneration: | | | | |
| - statutory audit: | | | | |
| - current year | 241,274 | 242,634 | 86,000 | 86,000 |
| - non statutory audit: | | | | |
| - current year | 12,000 | 14,000 | 12,000 | 14,000 |
| Bad debts written off | - | - | - | 13,686 |
| Depreciation of property, plant and equipment | 5,240,140 | 5,166,947 | 1,440,363 | 1,435,385 |
| Directors' remuneration (Note 6(a)) | 7,377,754 | 2,209,633 | 1,261,086 | 1,703,809 |
| Expense relating to short-term lease | - | 57,000 | - | 30,000 |
| Expense relating to low value assets | 15,540 | 15,816 | 15,540 | 13,716 |
| Fair value gain on other investments | (2,525) | (116,357) | (2,525) | (116,357) |
| Loss/(Gain) on disposal of other investments | 101,587 | (105,293) | 101,587 | (105,293) |
| (Gain)/Loss on disposal of a jointly controlled entity | - | (25,443,249) | - | 681,212 |
| (Gain)/Loss on foreign exchange: | | | | |
| - realised | (1,808,411) | 36,044 | (966,176) | 1,759 |
| - unrealised | 247,238 | 180,196 | 937,966 | 529,843 |
| Gain on voluntary winding-up of a subsidiary | - | - | - | (45,152) |
| Income distribution from other investments | (97,547) | (269,006) | (97,547) | (269,006) |
| Interest expense on: | | | | |
| - term loans | 2,960,514 | 2,615,431 | 1,190,292 | 229,786 |
| - loans from corporate shareholders | 384,440 | 2,040,359 | - | - |
| - lease liabilities | 14,249 | 44,400 | 14,249 | 44,400 |
| Interest income on: | | | | |
| - deposits, cash and bank balances | (613,851) | (255,171) | (410,374) | (5,902) |
| - financial asset measured at amortised cost | (469,284) | - | (469,284) | - |
| - amount owing by a subsidiary | - | - | (202,347) | (513,117) |

# NOTES TO THE FINANCIAL STATEMENTS

## 6. (LOSS)/PROFIT BEFORE TAX (cont'd)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax: (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Continuing operations** (cont'd) | | | | |
| Planting income | - | (7,830) | - | - |
| Property, plant and equipment written off | 13 | 29,723 | 13 | 4 |
| Rental income on | | | | |
| - warehouse buildings | (1,514,043) | (1,608,730) | (1,514,043) | (1,608,730) |
| - land | (26,000) | - | - | - |
| Reversal of expected credit loss on financial instruments | - | (864,754) | - | (864,754) |
| Impairment loss on interest in an associate | 25,892,503 | 1,086,468 | - | - |
| Share of gain on acquisition of non-controlling interests in a subsidiary by an associate | (25,926,948) | - | - | - |
| Staff costs: | | | | |
| - salaries and others | 4,449,917 | 2,065,974 | 760,134 | 976,332 |
| - contribution to defined contribution plans | 156,082 | 161,418 | 59,755 | 89,603 |

(a) The remuneration of the directors of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Executive directors: | | | | |
| - salaries and other emoluments | 7,038,254 | 1,871,133 | 921,586 | 1,365,309 |
| Non-executive directors: | | | | |
| - fees | 318,000 | 318,000 | 318,000 | 318,000 |
| - other emoluments | 21,500 | 20,500 | 21,500 | 20,500 |
| | 339,500 | 338,500 | 339,500 | 338,500 |
| | 7,377,754 | 2,209,633 | 1,261,086 | 1,703,809 |

The monetary value of benefits-in-kind (which were not included in the above directors' remuneration) of the Group and of the Company received by certain directors of the Company amounted to RM115,750 (2019: RM115,750) and RM115,750 (2019: RM115,750) respectively.

## 7. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Statements of comprehensive income** | | | | |
| **Continuing operations** | | | | |
| **Current income tax:** | | | | |
| Taxation in Malaysia: | | | | |
| - Current income tax charge | 366,000 | 5,040 | 257,000 | 5,040 |
| - Adjustment in respect of prior years | (5,040) | (5,020) | (5,040) | - |
| | 360,960 | 20 | 251,960 | 5,040 |
| Taxation outside Malaysia: | | | | |
| - Current income tax charge | 135,670 | 28,275 | - | - |
| | 496,630 | 28,295 | 251,960 | 5,040 |
| **Deferred tax** (Note 25): | | | | |
| - Origination of temporary differences | 135,632 | 99,184 | - | - |
| - Adjustment in respect of prior years | (2,159) | 19,436 | - | - |
| | 133,473 | 118,620 | - | - |
| Tax expense from continuing operations | 630,103 | 146,915 | 251,960 | 5,040 |
| **Discontinued operation** | | | | |
| **Current income tax** (Note 19): | | | | |
| Taxation outside Malaysia: | | | | |
| - Current income tax charge | - | 240,996 | - | - |
| - Adjustment in respect of prior years | 6,370 | - | - | - |
| Tax expense from discontinued operation | 6,370 | 240,996 | - | - |
| Total tax expense recognised in profit or loss | 636,473 | 387,911 | 251,960 | 5,040 |

7. **TAX EXPENSE** (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM** | **2019 RM** | **2020 RM** | **2019 RM** |
| (Loss)/Profit before tax from continuing operations | (10,990,559) | 12,858,835 | 52,371,118 | (4,506,273) |
| Profit before tax from discontinued operations | 61,816,400 | 1,196,758 | - | - |
| Profit/(Loss) before tax | 50,825,841 | 14,055,593 | 52,371,118 | (4,506,273) |
| Tax at the Malaysian statutory income tax rate of 24% (2019: 24%) | 12,198,202 | 3,373,342 | 12,569,068 | (1,081,506) |
| Different tax rates in other countries | (3,822,332) | 1,004,628 | - | - |
| Tax effects arising from: | | | | |
| - non-taxable income | (17,027,637) | (6,402,446) | (13,804,520) | (266,533) |
| - non-deductible expenses | 8,010,408 | 2,323,345 | 1,475,175 | 1,353,079 |
| Tax effect on crystallisation of deferred tax | - | (31,142) | - | - |
| Share of results of associates | (11,404) | (13,015) | - | - |
| Share of results of a jointly controlled entity | - | 305,577 | - | - |
| Utilisation of deferred tax assets not recognised in prior financial years | (158,937) | (320,456) | - | - |
| Deferred tax assets not recognised during the financial year | 1,449,002 | 133,662 | 17,277 | - |
| Adjustment in respect of prior years: | | | | |
| - current tax | 1,330 | (5,020) | (5,040) | - |
| - deferred tax | (2,159) | 19,436 | - | - |
| Tax expense recognised in profit or loss | 636,473 | 387,911 | 251,960 | 5,040 |

## 8. EARNINGS PER SHARE

**Basic earnings per ordinary share**

Basic earnings per share is based on the profit for the financial year attributable to owners of Company divided by the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

| | Group 2020 RM | Group 2019 RM |
|---|---|---|
| Profit/(loss) attributable to owners of the Company: | | |
| - Continuing operations | (7,691,183) | (10,881,231) |
| - Gain on disposal of a jointly controlled entity | - | 25,443,249 |
| | (7,691,183) | 14,562,018 |
| - Discontinued operation | (663,778) | 719,843 |
| - Gain on disposal of a subsidiary | 42,807,881 | - |
| | 42,144,103 | 719,843 |
| | 34,452,920 | 15,281,861 |
| Weighted average number of ordinary shares for basic earnings per share (unit) | 188,900,328 | 188,900,328 |
| Basic earnings per ordinary share (sen) | | |
| - Continuing operations | (4.072) | (5.760) |
| - Gain on disposal of a jointly controlled entity | - | 13.469 |
| | (4.072) | 7.709 |
| - Discontinued operation | (0.351) | 0.381 |
| - Gain on disposal of a subsidiary | 22.662 | - |
| | 22.311 | 0.381 |
| | 18.239 | 8.090 |

**Diluted earnings per share**

The diluted earnings per share of the Group for the financial years ended 31 December 2020 and 31 December 2019 are same as the basic earnings per share of the Group as the Company has no dilutive potential ordinary shares.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land RM | Office building RM | Office renovation RM | Equipment, furniture and fittings RM | Motor vehicles RM | Solar photovoltaic RM | Capital work-in-progress RM | Right-of-use assets RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **2020** | | | | | | | | | |
| **Cost/Valuation** | | | | | | | | | |
| At 1 January 2020 | 39,107,204 | 2,677,561 | 1,937,781 | 1,663,009 | 1,259,760 | 77,469,447 | - | 1,253,835 | 125,368,597 |
| Additions | 26,922,361 | - | - | 93,940 | - | 2,704,842 | 6,650,000 | - | 36,371,143 |
| Written off | - | - | - | (70,578) | - | - | - | (1,253,835) | (1,324,413) |
| Exchange differences | - | - | - | 19,859 | - | - | - | - | 19,859 |
| At 31 December 2020 | 66,029,565 | 2,677,561 | 1,937,781 | 1,706,230 | 1,259,760 | 80,174,289 | 6,650,000 | - | 160,435,186 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2020 | - | 149,015 | 708,391 | 983,710 | 876,895 | 8,004,941 | - | 626,917 | 11,349,869 |
| Depreciation charge for the financial year | - | 54,573 | 387,556 | 240,918 | 173,706 | 3,756,469 | - | 626,918 | 5,240,140 |
| Written off | - | - | | (70,565) | - | - | - | (1,253,835) | (1,324,400) |
| Exchange differences | - | - | - | 19,859 | - | - | - | - | 19,859 |
| At 31 December 2020 | - | 203,588 | 1,095,947 | 1,173,922 | 1,050,601 | 11,761,410 | - | - | 15,285,468 |
| **Carrying amount** | | | | | | | | | |
| At cost | - | - | 841,834 | 532,308 | 209,159 | 68,412,879 | 6,650,000 | - | 76,646,180 |
| At valuation | 66,029,565 | 2,473,973 | - | - | - | - | - | - | 68,503,538 |
| At 31 December 2020 | 66,029,565 | 2,473,973 | 841,834 | 532,308 | 209,159 | 68,412,879 | 6,650,000 | - | 145,149,718 |

9. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

| | Freehold land RM | Warehouse and office buildings RM | Warehouse and office renovation RM | Equipment, furniture and fittings RM | Motor vehicles RM | Solar photovoltaic RM | Capital work-in-progress RM | Right-of-use assets RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **2019** | | | | | | | | | |
| **Cost/Valuation** | | | | | | | | | |
| At 1 January 2019 | 39,107,204 | 122,701,941 | 2,057,341 | 1,773,212 | 1,341,452 | 77,469,447 | 3,331,503 | - | 247,782,100 |
| Additions | - | - | - | 151,825 | - | - | 278,946 | 1,253,835 | 1,684,606 |
| Adjustment on revaluation | - | 4,403,459 | - | - | - | - | - | - | 4,403,459 |
| Elimination of accumulated depreciation on revaluation | - | (2,812,907) | - | - | - | - | - | - | (2,812,907) |
| Written off | - | - | (99,064) | (18,970) | - | - | - | - | (118,034) |
| Disposals | - | - | - | (63,569) | - | - | - | - | (63,569) |
| Transfers | - | 3,529,452 | - | - | - | - | (3,529,452) | - | - |
| Transfer from land use rights - effect of adoption of MFRS 16 | - | - | - | - | - | - | - | 18,839,624 | 18,839,624 |
| Transfer to disposal group classified as held for sale (Note 19) | - | (122,039,274) | (19,949) | (164,007) | (79,509) | - | - | (18,336,241) | (140,638,980) |
| Exchange differences | - | (3,105,110) | (547) | (15,482) | (2,183) | - | (80,997) | (503,383) | (3,707,702) |
| At 31 December 2019 | 39,107,204 | 2,677,561 | 1,937,781 | 1,663,009 | 1,259,760 | 77,469,447 | - | 1,253,835 | 125,368,597 |

## 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Freehold land RM | Warehouse and office buildings RM | Warehouse and office renovation RM | Equipment, furniture and fittings RM | Motor vehicles RM | Solar photovoltaic RM | Capital work-in-progress RM | Right-of-use assets RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2019 | - | 94,442 | 404,732 | 889,785 | 784,881 | 4,313,197 | - | - | 6,487,037 |
| Depreciation charge for the financial year | - | 2,919,958 | 393,500 | 240,928 | 173,706 | 3,691,744 | - | 1,001,669 | 8,421,505 |
| Elimination of accumulated depreciation on revaluation | - | (2,812,907) | - | - | - | - | - | - | (2,812,907) |
| Written off | - | - | (69,345) | (18,966) | - | - | - | - | (88,311) |
| Disposals | - | - | - | (63,569) | - | - | - | - | (63,569) |
| Transfer from land use rights - effect of adoption of MFRS 16 | - | - | - | - | - | - | - | 3,702,064 | 3,702,064 |
| Transfer to disposal group classified as held for sale (Note 19) | - | - | (19,949) | (51,228) | (79,509) | - | - | (3,971,043) | (4,121,729) |
| Exchange differences | - | (52,478) | (547) | (13,240) | (2,183) | - | - | (105,773) | (174,221) |
| At 31 December 2019 | - | 149,015 | 708,391 | 983,710 | 876,895 | 8,004,941 | - | 626,917 | 11,349,869 |
| **Carrying amount** | | | | | | | | | |
| At cost | - | - | 1,229,390 | 679,299 | 382,865 | 69,464,506 | - | 626,918 | 72,382,978 |
| At valuation | 39,107,204 | 2,528,546 | - | - | - | - | - | - | 41,635,750 |
| At 31 December 2019 | 39,107,204 | 2,528,546 | 1,229,390 | 679,299 | 382,865 | 69,464,506 | - | 626,918 | 114,018,728 |

## 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Freehold land RM | Office building RM | Equipment, furniture and fittings RM | Motor vehicles RM | Office renovation RM | Right-of-use assets RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2020** | | | | | | | |
| **Cost/Valuation** | | | | | | | |
| At 1 January 2020 | 4,855,311 | 2,677,561 | 1,126,470 | 1,148,974 | 1,937,781 | 1,253,835 | 12,999,932 |
| Additions | - | - | 65,319 | - | - | - | 65,319 |
| Written off | - | - | (70,578) | - | - | (1,253,835) | (1,324,413) |
| At 31 December 2020 | 4,855,311 | 2,677,561 | 1,121,211 | 1,148,974 | 1,937,781 | - | 11,740,838 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2020 | - | 149,015 | 485,646 | 810,425 | 708,391 | 626,917 | 2,780,394 |
| Depreciation charge for the financial year | - | 54,573 | 219,767 | 151,549 | 387,556 | 626,918 | 1,440,363 |
| Written off | - | - | (70,565) | - | - | (1,253,835) | (1,324,400) |
| At 31 December 2020 | - | 203,588 | 634,848 | 961,974 | 1,095,947 | - | 2,896,357 |
| **Carrying amount** | | | | | | | |
| At cost | - | - | 486,363 | 187,000 | 841,834 | - | 1,515,197 |
| At valuation | 4,855,311 | 2,473,973 | - | - | - | - | 7,329,284 |
| At 31 December 2020 | 4,855,311 | 2,473,973 | 486,363 | 187,000 | 841,834 | - | 8,844,481 |

9. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

| | Freehold land RM | Office building RM | Equipment, furniture and fittings RM | Motor vehicles RM | Office renovation RM | Right-of-use assets RM | Total RM |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2019** | | | | | | | |
| **Cost/Valuation** | | | | | | | |
| At 1 January 2019 | 4,855,311 | 2,677,561 | 1,133,573 | 1,148,974 | 1,937,781 | - | 11,753,200 |
| Additions | - | - | 11,867 | - | - | 1,253,835 | 1,265,702 |
| Written off | - | - | (18,970) | - | - | - | (18,970) |
| At 31 December 2019 | 4,855,311 | 2,677,561 | 1,126,470 | 1,148,974 | 1,937,781 | 1,253,835 | 12,999,932 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2019 | - | 94,442 | 289,822 | 658,876 | 320,835 | - | 1,363,975 |
| Depreciation charge for the financial year | - | 54,573 | 214,790 | 151,549 | 387,556 | 626,917 | 1,435,385 |
| Written off | - | - | (18,966) | - | - | - | (18,966) |
| At 31 December 2019 | - | 149,015 | 485,646 | 810,425 | 708,391 | 626,917 | 2,780,394 |
| **Carrying amount** | | | | | | | |
| At cost | - | - | 640,824 | 338,549 | 1,229,390 | 626,918 | 2,835,681 |
| At valuation | 4,855,311 | 2,528,546 | - | - | - | - | 7,383,857 |
| At 31 December 2019 | 4,855,311 | 2,528,546 | 640,824 | 338,549 | 1,229,390 | 626,918 | 10,219,538 |

## 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Assets held for sale

In the previous financial year, the property, plant and equipment transferred to the disposal group classified as held for sale amounting to RM136,517,251 related to assets that are used by Integrated Etern Logistics (Suzhou) Co. Limited (part of warehousing and related value added services segment). See Note 19(a) for further details on the disposal group classified as held for sale.

(b) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM36,371,143 (2019: RM1,684,606) and RM65,319 (2019: RM1,265,702) respectively which are satisfied by the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Cash payments on purchase of property, plant and equipment | 16,371,143 | 430,771 | 65,319 | 11,867 |
| Finance by way of term loan/lease agreement | 20,000,000 | 1,253,835 | - | 1,253,835 |
| | 36,371,143 | 1,684,606 | 65,319 | 1,265,702 |

(c) The carrying amount of property, plant and equipment pledged to the financial institutions as security for term loan facilities (Note 23) are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Freehold land | 65,233,238 | 38,311,277 | 4,855,311 | 4,855,311 |
| Office building | 2,473,973 | 2,528,546 | 2,473,973 | 2,528,546 |
| Solar photovoltaic | 59,709,599 | 60,244,725 | - | - |
| | 127,416,810 | 101,084,548 | 7,329,284 | 7,383,857 |
| **Assets of a disposal group classified as held for sale** | | | | |
| - Warehouse and office buildings | - | 122,039,274 | - | - |
| - Right-of-use assets | - | 14,365,198 | - | - |
| | - | 136,404,472 | - | - |
| | 127,416,810 | 237,489,020 | 7,329,284 | 7,383,857 |

## 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(d) The freehold land and office building of the Group and the Company were last revalued on 22 February 2016, 5 May 2016 and 28 July 2019 respectively by external independent valuers, having appropriate recognised professional qualification. The valuations are based on comparison method and direct capitalisation method respectively.

The net carrying amount of these property, plant and equipment had no revaluation been made are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Freehold land | 65,562,372 | 38,640,011 | 4,855,311 | 4,855,311 |
| Office building | 2,473,973 | 2,528,546 | 2,473,973 | 2,528,546 |

(e) Fair value information

The fair value of freehold land and office buildings of the Group and of the Company are categorised as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | RM | RM | RM | RM |
| **Group** | | | | |
| **31 December 2020** | | | | |
| Freehold land | - | 66,029,565 | - | 66,029,565 |
| Office building | - | 2,473,973 | - | 2,473,973 |
| | - | 68,503,538 | - | 68,503,538 |
| **31 December 2019** | | | | |
| Freehold land | - | 39,107,204 | - | 39,107,204 |
| Office building | - | 2,528,546 | - | 2,528,546 |
| | - | 41,635,750 | - | 41,635,750 |
| **Company** | | | | |
| **31 December 2020** | | | | |
| Freehold land | - | 4,855,311 | - | 4,855,311 |
| Office building | - | 2,473,973 | - | 2,473,973 |
| | - | 7,329,284 | - | 7,329,284 |
| **31 December 2019** | | | | |
| Freehold land | - | 4,855,311 | - | 4,855,311 |
| Office building | - | 2,528,546 | - | 2,528,546 |
| | - | 7,383,857 | - | 7,383,857 |

## 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(e) Fair value information (cont'd)

The valuation of freehold land and office building is determined using the comparison method of valuation which compares the property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustment thereof are then made to arrive at the value of the property.

In view that there is comparable market data of similar properties in the vicinity where the Group's and the Company's property is situated, the valuation is based on significant observable inputs and is therefore recognised under level 2 of the fair value hierarchy.

There were no transfer between Level 1, Level 2 and Level 3 during the financial years ended 31 December 2020 and 31 December 2019.

(f) Right-of-use assets

The Group and the Company lease several assets including warehouses.

Information about leases for which the Group and the Company are lessees is presented below:

| | **Group and Company** | |
|---|---|---|
| | **Warehouse** | **Total** |
| | **RM** | **RM** |
| **Carrying amount** | | |
| At 1 January 2019 | - | - |
| Additions | 1,253,835 | 1,253,835 |
| Depreciation | (626,917) | (626,917) |
| At 31 December 2019 | 626,918 | 626,918 |
| Depreciation | (626,918) | (626,918) |
| At 31 December 2020 | - | - |

In the previous financial year, the lease for warehouses had lease term of 1 year.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INTANGIBLE ASSETS

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| **Customer contract** | | |
| **Cost** | | |
| At 1 January/31 December | 2,724,904 | 2,724,904 |
| **Accumulated amortisation** | | |
| At 1 January | 389,272 | 259,515 |
| Amortisation charge for the financial year | 129,757 | 129,757 |
| At 31 December | 519,029 | 389,272 |
| **Carrying amount** | | |
| At 31 December | 2,205,875 | 2,335,632 |

The fair value of intangible assets is attributable to customer contract arising from the acquisition of a subsidiary in the previous financial year. The acquired subsidiary was granted a feed-in approval by Sustainable Energy Development Authority Malaysia pursuant to the Renewable Energy Act 2011.

A Renewable Energy Power Purchase Agreement was entered into with Tenaga Nasional Berhad with effective period of 21 years commencing from the Feed-in Tariff ("FiT") commencement.

The customer contract is amortised on a straight-line basis over the effective period of 21 years upon the commencement of the FiT.

## 11. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| **At cost** | | |
| Unquoted shares | 33,516,195 | 33,516,195 |
| Less: voluntary winding-up | (10,700,000) | - |
| | 22,816,195 | 33,516,195 |
| Less: Accumulated impairment losses | | |
| At 1 January | (10,700,000) | (10,700,000) |
| Less: voluntary winding-up | 10,700,000 | - |
| At 31 December | - | (10,700,000) |
| | 22,816,195 | 22,816,195 |
| Loans that are part of net investments | 102,041,857 | 73,227,459 |
| | 124,858,052 | 96,043,654 |

## 11. INVESTMENT IN SUBSIDIARIES (cont'd)

Loans that are part of net investments represent amount owing by subsidiaries which are non-trade in nature, unsecured and interest-free. The settlement of these amounts is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiaries. As the amount is, in substance, part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated impairment losses, if any.

Details of the subsidiaries are as follows:

| Name of company | Country of incorporation | Principal activities | Effective equity interest 2020 | Effective equity interest 2019 |
|---|---|---|---|---|
| IL Energy Sdn. Bhd. | Malaysia | Investment holding | 100% | 100% |
| ILB International (BVI) Limited@ | British Virgin Islands | Investment holding | 100% | 100% |
| Integrated Forwarding & Shipping Berhad^ | Malaysia | Ceased operations | - | 100% |
| **Subsidiaries of IL Energy Sdn. Bhd.** | | | | |
| EVN Vision Sdn. Bhd. | Malaysia | Solar power plant | 100% | 100% |
| IL Solar Sdn. Bhd. | Malaysia | Solar power plant | 100% | 100% |
| IL Power Sdn. Bhd. | Malaysia | Dormant | 90% | 100% |
| East Borneo Solar Sdn. Bhd.* | Malaysia | Dormant | - | 100% |
| **Subsidiary of ILB International (BVI) Limited** | | | | |
| ISH Logistics Group Limited@ | Cayman Island | Investment holding | 70% | 70% |
| **Subsidiary of ISH Logistics Group Limited** | | | | |
| ISH Group (BVI) Limited@ | British Virgin Islands | Investment holding | 70% | 70% |
| **Subsidiary of ISH Group (BVI) Limited** | | | | |
| Integrated Logistics (H.K.) Limited@ | Hong Kong | Investment holding, warehousing and related value added services and transportation | 70% | 70% |

# NOTES TO THE FINANCIAL STATEMENTS

**11. INVESTMENT IN SUBSIDIARIES** (cont'd)

Details of the subsidiaries are as follows: (cont'd)

| Name of company | Country of incorporation | Principal activities | Effective equity interest 2020 | Effective equity interest 2019 |
|---|---|---|---|---|
| **Subsidiaries of Integrated Logistics (H.K.) Limited** | | | | |
| Integrated Logistics (China) Co. Limited # | The People's Republic of China | Warehousing and related value added services and transportation | 70% | 70% |
| Integrated Etern Logistics (Suzhou) Co. Limited # > | The People's Republic of China | Warehousing and related value added services and transportation | - | 45.5% |

@ Audited by an independent member firm of Baker Tilly International.

# Audited by auditors other than independent member firm of Baker Tilly International.

^ The subsidiary is consolidated using unaudited management financial statements as it has been placed under Member's Voluntary Winding-up pursuant to Section 439 of the Companies Act 2016 in Malaysia. The Member's Voluntary Winding-up has been completed on 7 February 2020.

* In December 2019, the subsidiary is in the process of striking off with Companies Commission of Malaysia. The subsidiary has been deregistered on 23 March 2020.

> The subsidiary was reclassified as disposal group classified as held for sale (Note 19) as at 31 December 2019. The disposal was completed during the financial year.

**(a) Disposal of subsidiaries**

(i) On 1 April 2020, Integrated Logistics (H.K.) Limited ("ILHK"), an indirect 70%-owned subsidiary of the Company, has completed the closing of the conditional Share Sale Agreement ("SPA") dated 19 December 2019 entered into with SWJ CN Logiport Pte. Ltd. ("Purchaser") to dispose off the entire 65% equity interest in Integrated Etern Logistics (Suzhou) Co. Limited ("IEL Suzhou") for a total purchase consideration of RMB217.2 million or approximately RM128.7 million subject to adjustment sum.

In the previous financial year, IEL Suzhou was reclassified as disposal group classified as held for sale as disclosed in Note 19.

On 30 June 2020, ILHK finalised the adjustment sum and the final payment with the Purchaser.

On 15 July 2020, ILHK received the final payment of RMB3.6 million which is equivalent to RM2.1 million. Taking into consideration of the adjustment sum and final payment, the net sale proceeds to ILHK is RM126.3 million.

11. **INVESTMENT IN SUBSIDIARIES** (cont'd)

**(a) Disposal of subsidiaries** (cont'd)

(i) (cont'd)

Effect of disposal on the financial position and cash flow of the Group:

| | **2020** |
|---|---|
| | **RM** |
| Assets:- | |
| Property, plant and equipment | 124,106,714 |
| Right-of-use assets | 14,468,423 |
| Trade debtors | 22,279 |
| Other debtors, prepayments and deposits | 80,009 |
| Bank balances and cash | 1,306,343 |
| Liabilities:- | |
| Bank loans | (60,664,633) |
| Deferred tax liabilities | (2,486,381) |
| Other creditors | (5,583,975) |
| | 71,248,779 |
| Less : Non-controlling interests | (24,485,170) |
| Net assets disposed | 46,763,609 |
| Cash consideration received | 126,296,703 |
| Less: Expenses in relation to the disposal | (19,184,781) |
| | 107,111,922 |
| Less: Net assets disposed | (46,763,609) |
| Cumulative exchange loss in respect of the net assets of the disposed subsidiary reclassified from equity to profit or loss upon disposal | 1,025,090 |
| Gain on disposal of a subsidiary | 61,373,403 |

The cash flows attributable to the disposal are as follows:

| | **2020** |
|---|---|
| | **RM** |
| Cash consideration received | 107,111,922 |
| Cash and cash equivalents of subsidiary disposed | (1,306,343) |
| Net cash inflow on disposal | 105,805,579 |

(ii) On 17 July 2020 and 11 August 2020, IL Power Sdn. Bhd. ("IL Power") has allotted 4,499,998 and 4,500,000 new ordinary shares respectively to IL Energy Sdn. Bhd. ("IL Energy") and 500,000 and 500,000 new ordinary shares respectively to Bumi Aman Sdn. Bhd. ("Bumi Aman"). Both IL Energy and Bumi Aman subscribed and paid for the new shares by cash resulting in them having an effective shareholding of 90% and 10% respectively.

As a result of the above two allotments, the issued share capital of IL Power has been increased from RM2 to RM10,000,000.

**11. INVESTMENT IN SUBSIDIARIES** (cont'd)

**(b) Non-controlling interests**

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

| | Integrated Logistics (H.K.) Limited RM | Integrated Logistics (China) Co. Limited RM | Integrated Etern Logistics (Suzhou) Co. Limited RM | ISH Logistics Group Limited RM | Other immaterial individual subsidiaries RM | Total RM |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| NCI percentage of ownership interest and voting interest | 30% | 30% | - | 30% | | |
| Carrying amount of NCI | 5,313,076 | 6,955,987 | - | 7,786,414 | 1,032,117 | 21,087,594 |
| Profit/(Loss) allocated to NCI | 15,534,033 | 118,523 | 150,216 | (98,443) | 32,119 | 15,736,448 |
| **2019** | | | | | | |
| NCI percentage of ownership interest and voting interest | 30% | 30% | 54.5% | 30% | | |
| Carrying amount of NCI | 7,209,278 | 10,210,264 | 38,075,886 | (5,604,977) | (148,390) | 49,742,061 |
| (Loss)/Profit allocated to NCI | (1,636,067) | 20,594 | 235,919 | (234,625) | - | (1,614,179) |

**11. INVESTMENT IN SUBSIDIARIES** (cont'd)

(c) The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material NCI as at the end of each reporting period are as follows:

| | Integrated Logistics (H.K.) Limited RM | Integrated Logistics (China) Co. Limited RM | ISH Logistics Group Limited RM |
|---|---|---|---|
| **2020** | | | |
| **Assets and liabilities** | | | |
| Non-current assets | 48,542,535 | - | 25,910,000 |
| Current assets | 13,463,906 | 23,536,042 | 25,910,404 |
| Non-current liabilities | (1,345,799) | - | (25,910,000) |
| Current liabilities | (26,007,207) | (349,420) | (25,910,000) |
| Net assets | 34,653,435 | 23,186,622 | 404 |
| **Results** | | | |
| Revenue | 263,765 | - | - |
| Profit/(Loss) for the financial year | 51,780,111 | 395,078 | (328,143) |
| Total comprehensive income/(loss) | 51,780,111 | 395,078 | (328,143) |
| **Cash flows information** | | | |
| Cash flows (used in)/from operating activities | (8,827,294) | 8,918,430 | 92,908,360 |
| Cash flows from/(used in) investing activities | 117,590,701 | (343,589) | - |
| Cash flows used in financing activities | (95,531,931) | - | (92,870,029) |
| Effects of exchange rate changes on cash and cash equivalents | - | 1,414,177 | - |
| Net changes in cash and cash equivalents | 13,231,476 | 9,989,018 | 38,331 |

**11. INVESTMENT IN SUBSIDIARIES** (cont'd)

(c) The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material NCI as at the end of each reporting period are as follows: (cont'd)

| | Integrated Logistics (H.K.) Limited RM | Integrated Logistics (China) Co. Limited RM | Integrated Etern Logistics (Suzhou) Co. Limited RM | ISH Logistics Group Limited RM |
|---|---|---|---|---|
| **2019** | | | | |
| **Assets and liabilities** | | | | |
| Non-current assets | 43,552,945 | - | 136,517,251 | 410 |
| Current assets | 51,141,345 | 34,353,983 | 2,029,302 | 65,762,082 |
| Non-current liabilities | (11,168,619) | - | (39,376,153) | (17,316,430) |
| Current liabilities | (39,455,937) | (12,658,332) | (29,306,390) | (1,403,419) |
| Net assets | 44,069,734 | 21,695,651 | 69,864,010 | 47,042,643 |
| **Results** | | | | |
| Revenue | 400,717 | - | 16,055,797 | - |
| (Loss)/Profit for the financial year | (5,453,557) | 68,646 | 432,878 | (782,083) |
| Total comprehensive (loss)/income | (5,453,557) | 68,646 | 432,878 | (782,083) |
| **Cash flows information** | | | | |
| Cash flows (used in)/from operating activities | (475,087) | (4,125,311) | 4,134,794 | (56,344) |
| Cash flows from/(used in) investing activities | 10 | 770,235 | (403,119) | - |
| Cash flows from/(used in) financing activities | 727,786 | - | (5,156,546) | 55,519 |
| Effects of exchange rate changes on cash and cash equivalents | - | (761,354) | 640,958 | - |
| Net changes in cash and cash equivalents | 252,709 | (4,116,430) | (783,913) | (825) |

## 12. INTEREST IN ASSOCIATES

| | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | | | | |
| At 1 January | 4,488,300 | 5,988,300 | 9,507,500 | 11,007,500 |
| Dividend received | (93,500) | - | - | - |
| Capital reduction | - | (1,500,000) | - | (1,500,000) |
| At 31 December | 4,394,800 | 4,488,300 | 9,507,500 | 9,507,500 |
| Share of results | | | | |
| At 1 January | 4,342,519 | 4,288,290 | - | - |
| Additions | 47,517 | 54,229 | - | - |
| At 31 December | 4,390,036 | 4,342,519 | - | - |
| | 8,784,836 | 8,830,819 | 9,507,500 | 9,507,500 |
| Quoted shares outside Malaysia, at cost | | | | |
| At 1 January/ 31 December | 66,096,686 | 66,096,686 | - | - |
| Less: Accumulated impairment losses | | | | |
| At 1 January | (39,341,455) | (38,254,987) | - | - |
| Additions | (25,892,503) | (1,086,468) | - | - |
| At 31 December | (65,233,958) | (39,341,455) | - | - |
| Share of results | | | | |
| At 1 January | (1,123,130) | 2,677,927 | - | - |
| Additions | 837,128 | (3,801,057) | - | - |
| Share of gain on acquisition of non-controlling interests in a subsidiary by an associate | 25,926,948 | - | - | - |
| At 31 December | 25,640,946 | (1,123,130) | - | - |
| Exchange differences | 3,750,142 | (629,045) | - | - |
| | 30,253,816 | 25,003,056 | - | - |
| | 39,038,652 | 33,833,875 | 9,507,500 | 9,507,500 |
| Market value: | | | | |
| Quoted shares outside Malaysia | 30,253,816 | 25,003,056 | | |

# NOTES TO THE FINANCIAL STATEMENTS

## 12. INTEREST IN ASSOCIATES (cont'd)

Details of the associates are as follows:

| Name of company | Country of incorporation | Principal activities | Effective equity interest 2020 | Effective equity interest 2019 |
|---|---|---|---|---|
| Integrated Mits Sdn. Bhd. | Malaysia | Warehousing and related value added services | 50% | 50% |
| **Interest held through Integrated Logistics (H.K.) Limited** | | | | |
| Hengyang Petrochemical Logistics Limited*# | Singapore | Investment holding | 18.1% | 18.1% |

* The audited financial statements and auditors' report for the financial year were not available. However, the results have been accounted for based on the public announcement for the financial year ended 31 December 2020.

\# Audited by auditors other than Baker Tilly Monteiro Heng PLT.

(a) Fair value information

As at 31 December 2020, the fair value of Hengyang Petrochemical Logistics Limited, which is listed on Singapore Exchange Limited, was RM30,253,816 (2019: RM25,003,056) based on the quoted market price available on the stock exchange, which has been categorised within Level 1 of the fair value hierarchy.

(b) The following table illustrates the summarised financial information of the associates:

| | Hengyang Petrochemical Logistics Limited RM | Integrated Mits Sdn. Bhd. RM | Total RM |
|---|---|---|---|
| **2020** | | | |
| **Assets and liabilities** | | | |
| Non-current assets | 328,534,136 | 17,795,304 | 346,329,440 |
| Current assets | 27,782,775 | 2,397,748 | 30,180,523 |
| Non-current liabilities | - | (2,553,126) | (2,553,126) |
| Current liabilities | (1,357,684) | (68,610) | (1,426,294) |
| Net assets | 354,959,227 | 17,571,316 | 372,530,543 |
| **Results** | | | |
| Revenue | - | 1,434,883 | 1,434,883 |
| (Loss)/Profit for the financial year | (1,604,843) | 95,033 | (1,509,810) |
| Total comprehensive (loss)/income | (1,604,843) | 95,033 | (1,509,810) |

## 12. INTEREST IN ASSOCIATES (cont'd)

(b) The following table illustrates the summarised financial information of the associates: (cont'd)

| | Hengyang Petrochemical Logistics Limited RM | Integrated Mits Sdn. Bhd. RM | Total RM |
|---|---|---|---|
| **2019** | | | |
| **Assets and liabilities** | | | |
| Non-current assets | 314,793,403 | 18,333,025 | 333,126,428 |
| Current assets | 49,904,669 | 2,061,583 | 51,966,252 |
| Non-current liabilities | (2,561,774) | (2,654,848) | (5,216,622) |
| Current liabilities | (1,165,255) | (76,477) | (1,241,732) |
| Net assets | 360,971,043 | 17,663,283 | 378,634,326 |
| **Results** | | | |
| Revenue | - | 1,434,883 | 1,434,883 |
| (Loss)/Profit for the financial year | (21,690,365) | 108,458 | (21,581,907) |
| Total comprehensive (loss)/income | (21,690,365) | 108,458 | (21,581,907) |

(c) The reconciliation of net assets of the associates to the carrying amount of the investment in associates are as follows:

| | Hengyang Petrochemical Logistics Limited RM | Integrated Mits Sdn. Bhd. RM | Total RM |
|---|---|---|---|
| **2020** | | | |
| Group's share of net assets | 80,445,465 | 7,551,074 | 87,996,539 |
| Goodwill | 11,292,167 | 1,233,762 | 12,525,929 |
| Exchange differences | 3,750,142 | - | 3,750,142 |
| Less: Accumulated impairment losses | (65,233,958) | - | (65,233,958) |
| Carrying amount in the consolidated statement of financial position | 30,253,816 | 8,784,836 | 39,038,652 |
| Group's share of results | 837,128 | 47,517 | 884,645 |
| **2019** | | | |
| Group's share of net assets | 53,681,389 | 7,597,057 | 61,278,446 |
| Goodwill | 11,292,167 | 1,233,762 | 12,525,929 |
| Exchange differences | (629,045) | - | (629,045) |
| Less: Accumulated impairment losses | (39,341,455) | - | (39,341,455) |
| Carrying amount in the consolidated statement of financial position | 25,003,056 | 8,830,819 | 33,833,875 |
| Group's share of results | (3,801,057) | 54,229 | (3,746,828) |

# NOTES TO THE FINANCIAL STATEMENTS

## 13. INTEREST IN A JOINTLY CONTROLLED ENTITY

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Unquoted shares, at cost | | | | |
| At 1 January | - | 35,066,081 | - | 34,716,902 |
| Disposal | - | (35,066,081) | - | (34,716,902) |
| At 31 December | - | - | - | - |
| Less: Accumulated impairment losses | | | | |
| At 1 January | - | - | - | (69,448,323) |
| Disposal | - | - | - | 69,448,323 |
| At 31 December | - | - | - | - |
| Share of results | | | | |
| At 1 January | - | (71,169,109) | - | - |
| Additions | - | (1,273,239) | - | - |
| Disposal | - | 72,442,348 | - | - |
| At 31 December | - | - | - | - |
| | - | - | - | - |

(a) Details of a jointly controlled entity are as follows:

| Name of company | Country of incorporation | Principal activities | Effective equity interest 2020 | Effective equity interest 2019 |
|---|---|---|---|---|
| Integrated National Logistics DWC-LLC * | United Arab Emirates | Warehousing and related value added services | - | - |

* Audited by auditors other than Baker Tilly Monteiro Heng PLT.

**13. INTEREST IN A JOINTLY CONTROLLED ENTITY** (cont'd)

(b) Disposal of Integrated National Logistics DWC-LLC

On 23 January 2019, the Company received an offer letter from National Trading & Developing Est. ("NTDE") to acquire its entire 50% equity interest of INL ("Proposed Disposal") for a total purchase consideration of AED45 million. On 29 January 2019, the Board has deliberated and accepted the offer in principle, subject to further negotiations with NTDE on the terms and conditions of the offer. On 13 February 2019, the Company has entered into a Share Sale Agreement ("SSA") with NTDE for the Proposed Disposal for a total purchase consideration of AED45 million.

Upon signing of the SSA on 13 February, the investment in INL was classified as non-current assets held for sale and ceased to be accounted for in the financial statements of the Group using the equity method.

As at the date of classification of non-current asset held for sale, the amount owing by INL was impaired up to the total purchase consideration of AED45 million.

On 2 July 2019, the Company had completed the Proposed Disposal and the effect arising from disposal of INL is as follows:

(i) Summary of the effects of disposal of Integrated National Logistics DWC-LLC:

| | Group | |
|---|---|---|
| | RM | RM |
| **Recognised:** | | |
| Fair value of cash consideration received/receivable | | 46,610,704 |
| Reclassification adjustment of exchange translation reserve | | 24,843,479 |
| | | 71,454,183 |
| **Derecognised:** | | |
| Fair value of identifiable net assets at disposal date | | |
| Interest in jointly controlled entity | (20,287,597) | |
| Amount owing by a jointly controlled entity | (25,042,125) | (45,329,722) |
| | | 26,124,461 |
| Costs on disposal | | (681,212) |
| Gain on disposal of a jointly controlled entity | | 25,443,249 |

| | Company |
|---|---|
| | RM |
| Fair value of cash consideration received/receivable | 46,610,704 |
| Interest in jointly controlled entity | (21,568,579) |
| Amount owing by a jointly controlled entity | (25,042,125) |
| Costs on disposal | (681,212) |
| Loss on disposal of a jointly controlled entity | (681,212) |

**13. INTEREST IN A JOINTLY CONTROLLED ENTITY** (cont'd)

(b) Disposal of Integrated National Logistics DWC-LLC (cont'd)

(ii) Effects of disposal on cash flows:

| | Group and Company RM |
|---|---|
| Cash consideration received | 4,979,250 |
| Costs on disposal | (681,212) |
| Net cash inflows on disposal | 4,298,038 |

The cash consideration is receivable in 60 months, in which the balance receipt of the proceeds for the disposal is split into non-current and current receivables, as disclosed in Note 15.

(c) The following table illustrates the summarised financial information of the jointly controlled entity:

| | 31.1.2019 RM |
|---|---|
| **Assets and liabilities** | |
| Non-current assets | 281,960,771 |
| Current assets | 9,742,769 |
| Non-current liabilities | (136,119,416) |
| Current liabilities | (115,468,489) |
| Net assets | 40,115,635 |

| | 1.1.2019 to 31.1.2019 RM |
|---|---|
| **Results** | |
| Revenue | 1,042,932 |
| Cost of sales | (2,070,439) |
| Gross loss | (1,027,507) |
| Other income | 7,268 |
| Administrative expenses | (1,294,179) |
| Finance costs | (232,060) |
| Loss before tax | (2,546,478) |
| Tax expense | - |
| Loss for the financial period | (2,546,478) |

## 14. OTHER INVESTMENTS

| | Group and Company 2020 RM | Group and Company 2019 RM |
|---|---|---|
| **Non-current** | | |
| **Financial assets designated at fair value through other comprehensive income** | | |
| **At fair value** | | |
| Golf club memberships | | |
| At 1 January/31 December | 270,000 | 270,000 |
| **Current** | | |
| **Financial assets at fair value through profit or loss** | | |
| **At fair value** | | |
| Short-term fund | 2,766,164 | 2,762,241 |

## 15. RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| **Non-current:** | | | | | |
| Other receivables | (a) | 16,110,974 | 30,233,580 | 16,110,974 | 30,233,580 |
| **Current:** | | | | | |
| Trade receivables | (b) | 1,303,114 | 780,698 | - | - |
| Other receivables, deposits and prepayments (Note 16) | (a) | 14,488,391 | 13,817,244 | 13,714,822 | 11,113,799 |
| Total trade and other receivables (current) | | 15,791,505 | 14,597,942 | 13,714,822 | 11,113,799 |
| Total trade and other receivables (non-current and current) | | 31,902,479 | 44,831,522 | 29,825,796 | 41,347,379 |

(a) Included in other receivables is an amount owing by a third party which represents the balance receipts of the proceeds for the previous year disposal of a jointly controlled entity totalling RM41,046,582 which is receivable by 12 quaterly instalments amounting to AED3,375,000 each quarter commencing on 1 April 2020 and measured at amortised cost at interest rate of 4.34% per annum.

The current and non-current amounts owing by this third party are RM13,560,965 (2019: RM10,813,002) and RM16,110,974 (2019: RM30,233,580) respectively.

**15. RECEIVABLES** (cont'd)

(b) Trade receivables are non-interest bearing and are generally on 30 to 90 days (2019: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group does not hold any collateral or other credit enhancements over these balances.

The information about the credit exposure are disclosed in Note 33(c).

**16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM | RM | RM | RM |
| Other receivables | | 13,803,075 | 10,865,200 | 13,695,772 | 10,948,244 |
| GST refundable | | - | 11,659 | - | 497 |
| Deposits | (a) | 34,530 | 2,535,480 | 19,050 | 17,550 |
| Prepayments | | 650,786 | 404,905 | - | 147,508 |
| | | 14,488,391 | 13,817,244 | 13,714,822 | 11,113,799 |

(a) In the previous financial year, included in deposits is an amount of RM2,502,450 paid for acquiring a piece of freehold land.

**17. AMOUNTS OWING BY/(TO) SUBSIDIARIES**

| | | Company | |
|---|---|---|---|
| | | 2020 | 2019 |
| | Note | RM | RM |
| **Non-current** | | | |
| Amount owing by a subsidiary | (a) | - | 12,121,501 |
| **Current** | | | |
| Amounts owing by subsidiaries | (b) | 964,781 | 2,509,153 |
| | | 964,781 | 14,630,654 |
| **Current** | | | |
| Amount owing to a subsidiary | (b) | - | 13,946,087 |

(a) In the previous financial year, this amount was denominated in Hong Kong Dollar, non-trade in nature, unsecured and bears effective interest at rates ranging from 3.76% to 4.43% per annum and repayable commencing from year 2020. The amount was pledged as security to secure term loan 3 of the Group and of the Company as disclosed in Note 23(a). The amount has been fully settled during the financial year.

(b) These amounts are non-trade in nature, unsecured, interest-free and repayable on demand by cash. In the previous financial year, included in the amounts owing by subsidiaries and the amounts owing to subsidiaries were amounts of RM1,317,523 and RM13,946,087 denominated in Hong Kong Dollar, respectively.

## 18. DEPOSITS, CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Continuing operations** | | | | |
| Deposits with licensed banks (Note (a)) | 45,378,632 | - | 45,378,632 | - |
| Cash and bank balances | 42,514,909 | 21,908,197 | 1,896,907 | 479,848 |
| **Deposits, cash and bank balances as reported in the statements of financial position** | 87,893,541 | 21,908,197 | 47,275,539 | 479,848 |
| Less: Deposits with maturity period more than 3 months (Note (a)) | (40,342,356) | - | (40,342,356) | - |
| | 47,551,185 | 21,908,197 | 6,933,183 | 479,848 |
| **Discontinued operation** (Note 19) | | | | |
| Cash and bank balances | - | 1,381,012 | - | - |
| **Cash and cash equivalents as reported in the statements of cash flows** | 47,551,185 | 23,289,209 | 6,933,183 | 479,848 |

(a) Deposits with licensed banks of the Group and of the Company bear interest at rates ranging from 1.60% to 2.20% (2019: Nil) per annum with maturity period ranging from 1 month to 6 months.

(b) At the end of the financial year, the deposits with licensed banks and cash and bank balances of the Group denominated in Renminbi (“RMB”), which are held in People Republic of China amounted to RM23,531,892 (2019: RM13,808,075). RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

## 19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

### (a) Assets/(liabilities) of a disposal group classified as held for sale

On 19 December 2019, Integrated Logistics (H.K.) Limited ("ILHK"), an indirect 70% owned subsidiary of the Company entered into a conditional sale and purchase agreement ("SPA") with SWJ CN Logiport Pte. Ltd. ("SWJ") for the disposal by ILHK of its entire 65% equity interest in Integrated Etern Logistics (Suzhou) Co. Limited ("IEL Suzhou").

The assets and liabilities related to IEL Suzhou (part of warehousing and related value added services segment) have been presented as held for sale. The completion of the transaction is by the second quarter of 2020.

**Assets of a disposal group classified as held for sale**

| | Group<br>2019<br>RM |
|---|---|
| Property, plant and equipment (Note 9) | 136,517,251 |
| Receivables | 648,290 |
| Cash and bank balances (Note 18) | 1,381,012 |
| | 138,546,553 |

**Liabilities of a disposal group classified as held for sale**

| | Group<br>2019<br>RM |
|---|---|
| Loans and borrowings (Note 23) | 27,628,607 |
| Loans from corporate shareholders (Note 24) | 10,693,105 |
| Deferred tax liabilities (Note 25) | 2,404,935 |
| Payables | 7,369,664 |
| Current tax payable | 49,250 |
| | 48,145,561 |

## 19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (cont'd)

### (b) Discontinued operation

As disclosed in Note (a) above, the Group had classified the operation of IEL Suzhou as a discontinued operation and disposal group classified as held for sale on 19 December 2019.

(i) Analysis of the result of discontinued operation and the result recognised on the disposal group are as follows:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| Revenue | 4,258,843 | 16,055,797 |
| Direct operating costs | (1,189,140) | (8,333,142) |
| Gross profit | 3,069,703 | 7,722,655 |
| Gain on disposal of a subsidiary | 61,373,403 | - |
| Other income | 17,067 | 33,425 |
| Administrative expenses | (2,395,004) | (4,041,321) |
| Operating profit | 62,065,169 | 3,714,759 |
| Finance costs | (248,769) | (2,518,001) |
| **Profit before tax from discontinued operation** | 61,816,400 | 1,196,758 |
| Tax expense | (6,370) | (240,996) |
| **Profit for the financial year from discontinued operation, net of tax** | 61,810,030 | 955,762 |

(ii) The following items have been charged/(credited) in arriving at profit before tax:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| Auditors' remuneration | 892 | 5,379 |
| Depreciation of property, plant and equipment | - | 3,254,558 |
| Interest expense: | | |
| - term loans | 156,562 | 2,196,030 |
| - loans from corporate shareholders | 92,207 | 321,971 |
| Interest income | (1,141) | (7,498) |
| Gain on disposal of a subsidiary | (61,373,403) | - |
| Unrealised loss on foreign exchange | 738,186 | 575,404 |
| Staff salaries and others costs | 1,586,960 | 3,548,367 |

**19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION** (cont'd)

**(b) Discontinued operation** (cont'd)

(iii) Cash flows used in discontinued operation:

| | Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| Net cash flows (used in)/from operating activities | (1,272,887) | 4,010,036 |
| Net cash flows from/(used in) investing activities | 1,141 | (384,670) |
| Net cash flows from/(used in) financing activities | 1,150,308 | (4,411,218) |
| | (121,438) | (785,852) |

**20. SHARE CAPITAL**

| | Number of ordinary shares | | Amounts | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **Unit** | **Unit** | **RM** | **RM** |
| **Issued and fully paid up:** | | | | |
| At beginning/end of the financial year | 195,025,503 | 195,025,503 | 225,670,706 | 225,670,706 |

The holders of ordinary shares (exclude treasury shares) are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**21. TREASURY SHARES**

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 30 July 2020, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

The Company held 6,125,175 treasury shares out of its 195,025,503 issued and paid up ordinary shares. Such treasury shares are held at a carrying amount of RM4,797,033 (2019: RM4,797,033).

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

## 22. RESERVES

| | | Group | |
|---|---|---|---|
| | | 2020 | 2019 |
| | Note | RM | RM |
| Asset revaluation reserve | (a) | - | 5,257,870 |
| Statutory reserve fund | (b) | 64,672 | 241,554 |
| Foreign exchange translation reserve | (c) | 7,137,596 | 4,928,403 |
| Other reserve | (d) | 9,876,419 | 9,876,419 |
| | | 17,078,687 | 20,304,246 |

### (a) Asset revaluation reserve

The asset revaluation reserve represents increase in the fair value of freehold land and warehouse buildings, net of tax, and decrease to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

### (b) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in The People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory income after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

### (c) Foreign exchange translation reserve

The foreign exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### (d) Other reserve

Other reserve represents the surplus arising from the change in ownership interest of a subsidiary of an associate, Hengyang Petrochemical Logistics Limited in the previous financial year. It is not distributable and the balance in other reserve will be recycled to profit or loss when the associate is disposed.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. LOANS AND BORROWINGS

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Non-current:** | | | | | |
| Term loans | (a) | 53,591,160 | 56,163,971 | 22,904,720 | 21,253,393 |
| **Current:** | | | | | |
| Term loans | (a) | 14,789,664 | 4,695,277 | 10,565,664 | 471,277 |
| Lease liabilities | (b) | - | 641,993 | - | 641,993 |
| | | 68,380,824 | 61,501,241 | 33,470,384 | 22,366,663 |
| **Discontinued operation** (Note 19) | | | | | |
| Term loan | (a) | - | 27,628,607 | - | - |
| | | 68,380,824 | 89,129,848 | 33,470,384 | 22,366,663 |
| **Total loans and borrowings:** | | | | | |
| Term loans | (a) | 68,380,824 | 88,487,855 | 33,470,384 | 21,724,670 |
| Lease liabilities | (b) | - | 641,993 | - | 641,993 |
| | | 68,380,824 | 89,129,848 | 33,470,384 | 22,366,663 |

### (a) Term loans

| | Note | Group 2020 RM | Group 2019 RM | Company 2020 RM | Company 2019 RM |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Non-current** | | | | | |
| **Secured** | | | | | |
| Term loan 1 | (i) | 2,267,720 | 2,857,393 | 2,267,720 | 2,857,393 |
| Term loan 2 | (ii) | 30,686,440 | 34,910,578 | - | - |
| Term loan 3 | (iii) | 18,137,000 | 18,396,000 | 18,137,000 | 18,396,000 |
| Term loan 4 | (iv) | 2,500,000 | - | 2,500,000 | - |
| | | 53,591,160 | 56,163,971 | 22,904,720 | 21,253,393 |
| **Current** | | | | | |
| **Secured** | | | | | |
| Term loan 1 | (i) | 565,664 | 471,277 | 565,664 | 471,277 |
| Term loan 2 | (ii) | 4,224,000 | 4,224,000 | - | - |
| Term loan 4 | (iv) | 10,000,000 | - | 10,000,000 | - |
| | | 14,789,664 | 4,695,277 | 10,565,664 | 471,277 |
| **Discontinued operation** | | | | | |
| Term loan 5 | (v) | - | 27,628,607 | - | - |
| Total term loans | | 68,380,824 | 88,487,855 | 33,470,384 | 21,724,670 |

**23. LOANS AND BORROWINGS** (cont'd)

**(a) Term loans** (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM** | **2019 RM** | **2020 RM** | **2019 RM** |
| **Continuing operations** | | | | |
| **Non-current** | | | | |
| More than one year but less than two years | 7,309,330 | 4,752,005 | 3,085,330 | 528,005 |
| More than two years but less than three years | 22,966,786 | 4,778,024 | 18,742,786 | 554,024 |
| More than three years but less than four years | 4,850,957 | 23,201,326 | 626,957 | 18,977,326 |
| More than four years but less than five years | 4,673,647 | 4,833,974 | 449,647 | 609,974 |
| More than five years | 13,790,440 | 18,598,642 | - | 584,064 |
| | 53,591,160 | 56,163,971 | 22,904,720 | 21,253,393 |
| **Current** | | | | |
| Not later than one year | 14,789,664 | 4,695,277 | 10,565,664 | 471,277 |
| | 68,380,824 | 60,859,248 | 33,470,384 | 21,724,670 |

**(i) Term loan 1**

Term loan 1 bears interest at rates ranging from 3.43% to 4.82% (2019: 4.82% to 5.62%) per annum is repayable by monthly instalments of RM51,250 over 53 months followed by monthly instalments of RM54,514 over 60 months and last instalment of the remaining loan balance, commencing from the day of full drawdown of the term loan.

The term loan is secured by pledge of the Company's freehold land and office building included in property, plant and equipment (Note 9).

**(ii) Term loan 2**

Term loan 2 bears interest at rates ranging from 4.25% to 5.64% (2019: 5.66% to 5.92%) per annum is repayable by monthly instalments of RM352,000 over 131 months and last instalment of the remaining loan balance, commencing on the first day of the 13th month from the date of first drawdown of the term loan or upon receiving income from the sales of electricity to Tenaga National Berhad, whichever is earlier.

The term loan is secured by pledge of the subsidiary's freehold land and solar photovoltaic in property, plant and equipment (Note 9) and supported by corporate guarantee from the Company.

**(iii) Term loan 3**

Term loan 3 is denominated in Hong Kong Dollar, bears interest at a rate of 3 months HIBOR plus 1% (2019: 3 months HIBOR plus 1%) per annum and is repayable on 31 March 2023.

23. **LOANS AND BORROWINGS** (cont'd)

(a) **Term loans** (cont'd)

(iv) **Term loan 3** (cont'd)

The term loan is secured by pledge of the shares of a subsidiary and supported by a subordination deed in relation to all loans and current account balance due by the subsidiary (Note 17) to the Company from time to time.

(v) **Term loan 4**

Term loan 4 bears interest at rate of 4.35% to 5.04% (2019: Nil) per annum and is repayable by 9 quarterly instalments comprising 8 quarterly instalments of RM2,500,000 and a final instalment of RM2,000,000 via quarterly receivables from the sale of 50% equity in Integrated National Logistics DWC-LLC pursuant to the share sale agreement entered between the Company and NTDE on 13 February 2019 amounting to AED 3.375 million each quarter commencing 1 April 2020.

The term loan is secured by pledge of the subsidiary's freehold land in property, plant and equipment (Note 9).

(vi) **Term loan 5 – discontinued operation**

In the previous financial year, the term loan was denominated in United States Dollar, bore interest at rates ranging from 5.05% to 5.70% per annum and was repayable quarterly by 3 instalments of USD500,000 each followed by 20 instalments of USD675,000 each commencing from the 15th month from the first drawdown date.

The term loan was secured by pledge of the Group's warehouse buildings and right-of-use assets (Note 9), trade receivables derived from those warehouse buildings and supported by corporate guarantee from the Company.

In the previous financial year, the term loan was reclassified as liabilities of a disposal group classified as held for sale (Note 19).

(b) **Lease liabilities**

Right-of-use assets of the Group and the Company as disclosed in Note 9 is pledged for lease liabilities. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of lease term. The average interest rate implicit in the leases is 4.82%.

Future minimum lease payments under lease liability together with the present value of net minimum lease payments are as follows:

| | **Group and Company** | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| Minimum lease payments: | | |
| Not later than one year | - | 656,242 |
| Less: Future finance charges | - | (14,249) |
| Present value of minimum lease payments | - | 641,993 |
| **Present value of minimum lease payments** | | |
| Not later than one year | - | 641,993 |

**23. LOANS AND BORROWINGS** (cont'd)

**(b) Lease liabilities** (cont'd)

The movement of lease liabilities is as follows:

| | Group and Company | |
|---|---|---|
| | **2020** | **2019** |
| | **RM** | **RM** |
| As at 1 January | 641,993 | 1,253,835 |
| Interest on lease liabilities | 14,249 | 44,400 |
| Rental paid/payable | (656,242) | (656,242) |
| As at 31 December | - | 641,993 |

**24. LOANS FROM CORPORATE SHAREHOLDERS**

| | | Group | |
|---|---|---|---|
| | | **2020** | **2019** |
| | **Note** | **RM** | **RM** |
| **Continuing operations** | | | |
| **Current** | | | |
| Loans from corporate shareholders | (a)(b)(c) | - | 16,182,931 |
| **Discontinued operation** (Note 19) | | | |
| Loans from corporate shareholders | (d) | - | 10,693,105 |
| | | - | 26,876,036 |

In the previous financial year:

(a) The loan from a corporate shareholder of a subsidiary, Shun Hing China Investment Limited ("Shun Hing") amounting to RM5,194,929 was denominated in Hong Kong Dollar, unsecured and bore interest at 3 month HIBOR plus 2% per annum. The loan was extended for a period of 2 years upon its maturity on 31 December 2018 and is automatically rolled over for another period of 2 years subsequent to each maturity unless otherwise informed by the corporate shareholder.

(b) The loan from Shun Hing amounting to RM3,104,002 was denominated in Hong Kong Dollar, unsecured, bore interest at 3 month HIBOR plus 2% per annum and repayable on demand.

(c) The loan from Shun Hing amounting to RM7,884,000 was denominated in Hong Kong Dollar and bore interest at 3 month HIBOR plus 6% per annum. The loan was secured by pledge of the shares of the subsidiary and supported by corporate guarantee from a subsidiary of the Company. The repayment date shall be 30 September 2020.

(d) The loan from a corporate shareholder of a subsidiary, Jiangsu Etern Logistic Development Co. Limited amounting to RM10,693,105 was denominated in Renminbi, unsecured and bore interest at a rate of 3% per annum. The loan period is from 1 January 2018 to 31 December 2020 without fixed repayment term.

The loan had been reclassified as liabilities of a disposal group classified as held for sale (Note 19).

## 25. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| At 1 January | 752,286 | 1,944,183 |
| Recognised in profit or loss (Note 7) | 133,473 | 118,620 |
| Provision on revaluation surplus | - | 1,103,592 |
| Exchange differences | - | (9,174) |
| Transfer to disposal group classified as held for sale (Note 19) | - | (2,404,935) |
| At 31 December | 885,759 | 752,286 |

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| **Deferred tax liabilities** | | |
| Surplus arising from revaluation of warehouse buildings | 23,563 | 23,563 |
| Differences between carrying amount of property, plant and equipment and their tax base | 1,123,304 | 977,118 |
| Customer contract | 529,410 | 560,551 |
| | 1,676,277 | 1,561,232 |
| **Deferred tax assets** | | |
| Unabsorbed capital allowances | (626,114) | (644,542) |
| Unutilised business losses | (164,404) | (164,404) |
| | (790,518) | (808,946) |
| | 885,759 | 752,286 |

Pursuant to the China Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in The People's Republic of China ("PRC"). The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is liable for withholding taxes at 5% on dividends from subsidiaries established in the PRC in respect of earnings generated since 1 January 2009.

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| Unabsorbed capital allowances | 59,806,081 | 60,409,506 |
| Unutilised business losses | 15,014,287 | 9,035,590 |
| | 74,820,368 | 69,445,096 |

## 26. PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Trade payables | 29,331 | 277,073 | - | - |
| Other payables, deposits and accruals (Note 27) | 3,703,693 | 1,655,523 | 190,441 | 474,870 |
| Provision (Note 28) | 26,502 | 25,900 | 26,502 | 25,900 |
| | 3,759,526 | 1,958,496 | 216,943 | 500,770 |

The normal trade credit terms granted to the Group and the Company ranges from 45 to 60 days (2019: 45 to 60 days).

## 27. OTHER PAYABLES, DEPOSITS AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Other payables: | | | | |
| - external parties | 201 | 3,273 | 201 | 209 |
| - corporate shareholders | 3,060,301 | 628,198 | - | - |
| - an associate | 109,374 | 109,374 | 109,374 | 109,374 |
| | 3,169,876 | 740,845 | 109,575 | 109,583 |
| Accruals | 533,817 | 914,678 | 80,866 | 365,287 |
| | 3,703,693 | 1,655,523 | 190,441 | 474,870 |

The amounts owing to corporate shareholders and an associate are non-trade in nature, unsecured, interest-free and are repayable on demand by cash.

## 28. PROVISION

| | Group and Company | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| **Employee benefits** | | |
| At 1 January | 25,900 | 39,699 |
| Additons during the financial year | 602 | - |
| Reversal during the financial year | - | (13,799) |
| At 31 December | 26,502 | 25,900 |

Employee benefits are in respect of short-term accumulating compensated absences for employees of the Group and of the Company.

The provision is made based on the number of days of outstanding compensated absences of each employee multiplied by their respective salary/wages as at the end of the financial year.

## 29. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their services and has three reportable operating segments as follows:

| | | | |
|---|---|---|---|
| (i) | Warehousing and related value added services | - | rental of warehouses, handling and providing logistics solution services |
| (ii) | Transportation and distribution | - | trucking |
| (iii) | Solar energy and related businesses | - | solar power plant |

Other non-reportable segments comprise of investment holding and dormant companies, which are below the quantitative thresholds for determining reportable segments.

Inter-segment pricing is determined on negotiated terms.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

## 29. SEGMENT INFORMATION (cont'd)

### (a) Operating segments

| | <Discontinued operation> Warehousing and related value added services | | <----Continuing operations---- Transportation and distribution | | Solar energy and related businesses | | Others | ----> | Adjustments and eliminations | | Note | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | | 2020 RM | 2019 RM |
| Revenue | | | | | | | | | | | | | |
| External revenue | 4,258,843 | 16,055,797 | 263,765 | 400,717 | 8,069,791 | 9,334,207 | - | - | - | - | | 12,592,399 | 25,790,721 |
| Inter-segment revenue | - | - | - | - | - | - | 57,151,683 | - | (57,151,683) | - | | - | - |
| Total revenue | 4,258,843 | 16,055,797 | 263,765 | 400,717 | 8,069,791 | 9,334,207 | 57,151,683 | - | (57,151,683) | - | A | 12,592,399 | 25,790,721 |
| Results | | | | | | | | | | | | | |
| Amortisation of intangible assets | - | - | - | - | 129,757 | 129,757 | - | - | - | - | | 129,757 | 129,757 |
| Depreciation of property, plant and equipment | - | 3,254,558 | - | - | 3,799,777 | 3,731,564 | 1,440,363 | 1,435,383 | - | - | | 5,240,140 | 8,421,505 |
| Gain on disposal of a jointly controlled entity | - | - | - | - | - | - | - | (25,443,249) | - | - | | - | (25,443,249) |
| Gain on disposal of a subsidiary | (61,373,403) | - | - | - | - | - | - | - | - | - | | (61,373,403) | - |
| Share of gain on acquisition of non-controlling interest in a subsidiary by an associate | - | - | - | - | - | - | (25,926,948) | - | - | - | | (25,926,948) | - |
| Impairment loss on interest in an associate | - | - | - | - | - | - | 25,892,503 | 1,086,468 | - | - | | 25,892,503 | 1,086,468 |
| Interest expense | 248,770 | 5,070,470 | - | - | 1,770,222 | 2,385,645 | 1,779,225 | 274,186 | (190,244) | (512,110) | | 3,607,973 | 7,218,191 |

## 29. SEGMENT INFORMATION (cont'd)

### (a) Operating segments (cont'd)

| | <Discontinued operation> Warehousing and related value added services | | <----Continuing operations---- Transportation and distribution | | Solar energy and related businesses | | Others ----> | | Adjustments and eliminations | | Note | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | | 2020 RM | 2019 RM |
| Results (continued) | | | | | | | | | | | | | |
| Interest income | (1,141) | (256,767) | - | - | - | - | (1,285,455) | (519,019) | 202,320 | 513,117 | | (1,084,276) | (262,669) |
| Non-cash expenses/ (other than depreciation and amortisation) | - | 443,590 | - | - | - | 29,719 | 346,915 | 76,565 | - | - | B | 346,915 | 549,874 |
| Expenses relating to low value assets and short-term leases | - | - | - | - | - | 29,100 | 15,540 | 43,716 | - | - | | 15,540 | 72,816 |
| Rental income | - | - | - | - | - | - | (1,540,043) | (1,608,730) | - | - | | (1,540,043) | (1,608,730) |
| Reversal of expected credit loss on financial instruments | - | - | - | - | - | - | - | (864,754) | - | - | | - | (864,754) |
| Segment profit/(loss) | 442,997 | (3,174,190) | 20,496 | 9,646 | 784,177 | 1,341,416 | 50,462,816 | 20,898,788 | (884,645) | (5,020,067) | C, D | 50,825,841 | 14,055,593 |

**29. SEGMENT INFORMATION** (cont'd)

**(a) Operating segments** (cont'd)

Reconciliation of reportable segment revenue, profit or loss, and other material items are as follows:

A Revenue

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Total revenue for reportable segments | 12,592,399 | 25,790,721 |
| Less: Discontinued operation (Note 19) | (4,258,843) | (16,055,797) |
| Revenue of the Group per consolidated statement of comprehensive income | 8,333,556 | 9,734,924 |

B Other non-cash (income)/expenses consist of the following:

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Fair value gain on other investments | (2,525) | (116,357) |
| Unrealised loss on foreign exchange | 247,238 | 755,600 |
| Loss/(Gain) on disposal of other investments | 101,587 | (105,293) |
| Property, plant and equipment written off | 13 | 29,723 |
| Addition/(Reversal) of provison for employee benefits | 602 | (13,799) |
| | 346,915 | 549,874 |

C Reconciliation of profit or loss before tax

| | 2020<br>RM | 2019<br>RM |
|---|---|---|
| Total profit for reportable segments | 50,825,841 | 14,055,593 |
| Less: Profit from discontinued operation (Note 19) | (61,816,400) | (1,196,758) |
| (Loss)/Profit of the Group per consolidated statement of comprehensive income | (10,990,559) | 12,858,835 |

D The following items are added/(deducted from) to segment profit/(loss) to arrive at "(Loss)/Profit before tax" presented in the statements of comprehensive income:

| | Group | |
|---|---|---|
| | 2020<br>RM | 2019<br>RM |
| Share of results of associates | 884,645 | (3,746,828) |
| Share of results of a jointly controlled entity | - | (1,273,239) |
| | 884,645 | (5,020,067) |

## 29. SEGMENT INFORMATION (cont'd)

### (b) Geographical segments

The Group operates in two principal geographical areas of the world:
(i) Malaysia
(ii) The People's Republic of China (including Hong Kong)

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and interests in associates and a jointly controlled entity.

| | Revenue | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| Malaysia | 8,069,791 | 9,334,207 |
| The People's Republic of China (including Hong Kong) | 4,522,608 | 16,456,514 |
| Total revenue for reportable segments | 12,592,399 | 25,790,721 |

| | Non-current assets | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| Malaysia | 147,355,593 | 116,354,360 |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| Property, plant and equipment | 145,149,718 | 114,018,728 |
| Intangible assets | 2,205,875 | 2,335,632 |
| | 147,355,593 | 116,354,360 |

### (c) Major customers

For transportation and distribution segment, revenue from one (2019: two) major individual customers represented approximately RM263,765 (2019: RM16.1 million) for the Group's total revenue.

For solar energy segment, revenue from one (2019: one) major individual customer represented approximately RM8.1 million (2019: RM9.3 million) for the Group's total revenue.

## 30. CAPITAL AND OTHER COMMITMENTS

### Capital commitments

The Group has made commitments for the following capital expenditures:

| | Group | |
|---|---|---|
| | 2020 | 2019 |
| | RM | RM |
| Approved and contracted for, but not provided for: | | |
| - property, plant and equipment | - | 21,748,950 |

## 31. RELATED PARTIES

### (a) Identity of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability to control the party directly or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has a related party relationship with its subsidiaries, associates, a jointly controlled entity, corporate shareholders, and key management personnel. Director related companies refer to companies in which directors of the Company have substantial financial interests.

### (b) Significant related party transactions

Significant related party transactions are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RM | RM | RM | RM |
| Received or receivable from subsidiaries | | | | |
| - Dividend | - | - | (57,058,183) | - |
| - Interest | - | - | (202,347) | (513,117) |
| (Received or receivable from)/Paid or payable to an associate | | | | |
| - Dividend | - | - | (93,500) | - |
| - Rental of premises | 656,242 | 656,242 | 656,242 | 656,242 |

# NOTES TO THE FINANCIAL STATEMENTS

## 31. RELATED PARTIES (cont'd)

### (c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any director of the Company.

The remuneration of the key management personnel other than those as disclosed in Note 6 is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| **Other key management personnel:** | | | | |
| Short-term employee benefits | 897,359 | 680,501 | 282,566 | 261,055 |
| Post-employment benefits | 73,277 | 52,800 | 16,817 | 18,720 |
| | 970,636 | 733,301 | 299,383 | 279,775 |

## 32. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Designated fair value through other comprehensive income
(ii) Amortised cost
(iii) Fair value through profit or loss

| | 2020 RM | 2019 RM |
|---|---|---|
| **Group** | | |
| **Financial assets** | | |
| **Designated fair value through other comprehensive income** | | |
| Other investments | 270,000 | 270,000 |
| **Amortised cost** | | |
| Receivables, net of prepayments and GST refundable | 31,251,693 | 44,414,958 |
| Deposits, cash and bank balances | 87,893,541 | 21,908,197 |
| | 119,145,234 | 66,323,155 |
| **Fair value through profit or loss** | | |
| Other investments | 2,766,164 | 2,762,241 |

**32. FINANCIAL INSTRUMENTS** (cont'd)

**(a) Categories of financial instruments** (cont'd)

| | 2020 RM | 2019 RM |
|---|---|---|
| **Group** (cont'd) | | |
| **Financial liabilities** | | |
| **Amortised cost** | | |
| Loans and borrowings | 68,380,824 | 61,501,241 |
| Loans from corporate shareholders | - | 16,182,931 |
| Payables, net of provision | 3,733,024 | 1,932,596 |
| | 72,113,848 | 79,616,768 |
| **Company** | | |
| **Financial assets** | | |
| **Designated fair value through other comprehensive income** | | |
| Other investments | 270,000 | 270,000 |
| **Amortised cost** | | |
| Receivables, net of prepayments and GST refundable | 29,825,796 | 41,199,374 |
| Amounts owing by subsidiaries | 964,781 | 14,630,654 |
| Deposits, cash and bank balances | 47,275,539 | 479,848 |
| | 78,066,116 | 56,309,876 |
| **Fair value through profit or loss** | | |
| Other investments | 2,766,164 | 2,762,241 |
| **Financial liabilities** | | |
| **Amortised cost** | | |
| Loans and borrowings | 33,470,384 | 22,366,663 |
| Payables, net of provision | 190,441 | 474,870 |
| Amounts owing to subsidiaries | - | 13,946,087 |
| | 33,660,825 | 36,787,620 |

**32. FINANCIAL INSTRUMENTS** (cont'd)

**(b) Fair values measurements**

The carrying amounts of deposits, cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of floating rate loans are reasonable approximation of fair value as the loans will be re-priced to market interest rate on or near reporting date.

There have been no transfers between level 1, level 2 and level 3 during the financial year (2019: no transfer in either directions).

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

| | Fair value of financial instruments carried at fair value | | | | |
|---|---|---|---|---|---|
| | **Level 1 RM** | **Level 2 RM** | **Level 3 RM** | **Total RM** | **Carrying amount RM** |
| **Group and Company** | | | | | |
| **2020** | | | | | |
| **Financial assets** | | | | | |
| Other investments | | | | | |
| - golf club membership | - | 270,000 | - | 270,000 | 270,000 |
| - short-term fund | 2,766,164 | - | - | 2,766,164 | 2,766,164 |
| | 2,766,164 | 270,000 | - | 3,036,164 | 3,036,164 |
| **2019** | | | | | |
| **Financial assets** | | | | | |
| Other investments | | | | | |
| - golf club memberships | - | 270,000 | - | 270,000 | 270,000 |
| - short-term fund | 2,762,241 | - | - | 2,762,241 | 2,762,241 |
| | 2,762,241 | 270,000 | - | 3,032,241 | 3,032,241 |

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Board of Directors review and agree to the policies and procedures for the management of these risks, which are exercised by the Executive Directors and the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

### (a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings) that are denominated in a foreign currency and the Group's net investments in foreign subsidiaries.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(a) Foreign currency risk** (cont'd)

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

| | Group | | | Company | |
|---|---|---|---|---|---|
| | <------------Functional currencies---------------> | | | <-----Functional currencies----> | |
| | **Chinese Renminbi RM** | **Ringgit Malaysia RM** | **Total RM** | **Ringgit Malaysia RM** | **Total RM** |
| **31 December 2020** | | | | | |
| Financial assets and liabilities not held in functional currencies: | | | | | |
| Amounts owing by subsidiaries | | | | | |
| Hong Kong Dollar | - | - | - | 754,017 | 754,017 |
| Deposits, cash and bank balances | | | | | |
| Hong Kong Dollar | 23,531,892 | 20,816 | 23,552,708 | 20,816 | 20,816 |
| United States Dollar | 3,084 | - | 3,084 | - | - |
| Receivables | | | | | |
| United Arab Emirates Dirham | - | 29,671,939 | 29,671,939 | 29,671,939 | 29,671,939 |
| Loans and borrowings | | | | | |
| Hong Kong Dollar | - | (18,137,000) | (18,137,000) | (18,137,000) | (18,137,000) |

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(a) Foreign currency risk** (cont'd)

The Group's and the Company's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows: (cont'd)

| | Group | | | Company | |
|---|---|---|---|---|---|
| | <------------Functional currencies---------------> | | | <-----Functional currencies----> | |
| | Chinese Renminbi | Ringgit Malaysia | Total | Ringgit Malaysia | Total |
| | RM | RM | RM | RM | RM |
| **31 December 2019** | | | | | |
| Financial assets and liabilities not held in functional currencies: | | | | | |
| Amounts owing by subsidiaries | | | | | |
| Hong Kong Dollar | - | - | - | 13,381,842 | 13,381,842 |
| Deposits, cash and bank balances | | | | | |
| Hong Kong Dollar | - | 21,088 | 21,088 | 21,088 | 21,088 |
| Singapore Dollar | 30,604 | - | 30,604 | - | - |
| United States Dollar | 67,761 | - | 67,761 | - | - |
| Receivables | | | | | |
| United Arab Emirates Dirham | - | 41,046,582 | 41,046,582 | 41,046,582 | 41,046,582 |
| Loans and borrowings | | | | | |
| Hong Kong Dollar | - | (18,396,000) | (18,396,000) | (18,396,000) | (18,396,000) |
| Amounts owing to subsidiaries | | | | | |
| Hong Kong Dollar | - | - | - | (13,946,087) | (13,946,087) |

# NOTES TO THE FINANCIAL STATEMENTS

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (a) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The Group's and the Company's principal foreign currency exposure relates mainly to United Arab Emirates Dirham ("AED"), Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD") and United States Dollar ("USD").

The following table demonstrates the sensitivity to a reasonably possible change in the AED, HKD, SGD and USD, with all other variables held constant on the Group's and the Company's profit for the financial year.

| | Group Effect on profit for the financial year | | Company Effect on profit for the financial year | |
|---|---|---|---|---|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| AED | | | | |
| - strengthened 1% (2019: 1%) | 225,507 | 311,954 | 225,507 | 311,954 |
| - weakened 1% (2019: 1%) | (225,507) | (311,954) | (225,507) | (311,954) |
| HKD | | | | |
| - strengthened 1% (2019: 1%) | 41,159 | (139,649) | (131,952) | (143,938) |
| - weakened 1% (2019: 1%) | (41,159) | 139,649 | 131,952 | 143,938 |
| SGD | | | | |
| - strengthened 1% (2019: 1%) | - | 233 | - | - |
| - weakened 1% (2019: 1%) | - | (233) | - | - |
| USD | | | | |
| - strengthened 1% (2019: 1%) | - | 515 | - | - |
| - weakened 1% (2019: 1%) | - | (515) | - | - |

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk relates to bank deposits, term loans and loans from corporate shareholders with floating interest rates.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (b) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk
As at the end of the financial year, a change of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the equity and profit after tax by approximately RM519,694 (2019: RM492,228) arising mainly as a result of higher/lower interest expense on floating rate loans.

### (c) 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 investing activities, including deposits with licensed banks, 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.

**Trade receivables**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amounts of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile
The exposure of credit risk for trade receivables as at the end of the financial year by geographic region is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | RM | % of total | RM | % of total |
| Malaysia | 1,266,019 | 97% | 694,189 | 89% |
| The People's Republic of China | 37,095 | 3% | 86,509 | 11% |
| | 1,303,114 | 100% | 780,698 | 100% |

As at 31 December 2020, 97% (2019: 89%) of the Group's total trade receivables was due from one (2019: one) major customer who was involved in solar energy activities.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (c) Credit risk (cont'd)

**Trade receivables** (cont'd)

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

| Group | Trade receivables Current | Total |
|---|---|---|
| **At 31 December 2020** | | |
| Expected credit loss rate | 0% | 0% |
| Gross carrying amount at default | 1,303,114 | 1,303,114 |
| Expected credit losses | - | - |
| **At 31 December 2019** | | |
| Expected credit loss rate | 0% | 0% |
| Gross carrying amount at default | 780,698 | 780,698 |
| Expected credit losses | - | - |

**Other receivables and other financial assets**

For other receivables and other financial assets (including investment securities and deposits, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

**(c) Credit risk** (cont'd)

**Other receivables and other financial assets** (cont'd)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayments of the loans are demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of the reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets. Refer to Note 3.16(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

**Financial guarantees contracts**

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM34,910,440 (2019: RM39,134,578) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 33(d). As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantees.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**(d) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations when they fall due. The Group's exposure to liquidity risk arises principally from loans and borrowings.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that funding needs are met. The Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and by monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met.

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

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

Maturity analysis:
The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations:

| | | <------------------- Contractual undiscounted cash flows | | | ------------------------> |
|---|---|---|---|---|---|
| | Carrying amount RM | On demand or within one year RM | Two to five years RM | More than five years RM | Total RM |
| **2020** | | | | | |
| **Group** | | | | | |
| **Financial liabilities** | | | | | |
| Loans and borrowings | 68,380,824 | 14,789,664 | 39,800,720 | 13,790,440 | 68,380,824 |
| Payables, net of provision | 3,733,024 | 3,733,024 | - | - | 3,733,024 |
| | 72,113,848 | 18,522,688 | 39,800,720 | 13,790,440 | 72,113,848 |
| **Company** | | | | | |
| **Financial liabilities** | | | | | |
| Loans and borrowings | 33,470,384 | 10,565,664 | 22,904,720 | - | 33,470,384 |
| Payables, net of provision | 190,441 | 190,441 | - | - | 190,441 |
| Financial guarantees contracts | - | 34,910,440 | - | - | 34,910,440 |
| | 33,660,825 | 45,666,545 | 22,904,720 | - | 68,571,265 |

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (cont'd)

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

Maturity analysis: (cont'd)
The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations: (cont'd)

| | | <------------------- Contractual undiscounted cash flows | | | ------------------> |
|---|---|---|---|---|---|
| | **Carrying amount RM** | **On demand or within one year RM** | **Two to five years RM** | **More than five years RM** | **Total RM** |
| **2019** | | | | | |
| **Group** | | | | | |
| **Financial liabilities** | | | | | |
| Loans and borrowings | 61,501,241 | 7,607,209 | 64,354,885 | 20,829,349 | 92,791,443 |
| Loans from corporate shareholders | 16,182,931 | 17,076,238 | - | - | 17,076,238 |
| Payables, net of provision | 1,932,596 | 1,932,596 | - | - | 1,932,596 |
| | 79,616,768 | 26,616,043 | 64,354,885 | 20,829,349 | 111,800,277 |
| **Company** | | | | | |
| **Financial liabilities** | | | | | |
| Loans and borrowings | 22,366,663 | 1,277,770 | 41,427,911 | 598,205 | 43,303,886 |
| Payables, net of provision | 474,870 | 474,870 | - | - | 474,870 |
| Amounts owing to subsidiaries | 13,946,087 | 13,946,087 | - | - | 13,946,087 |
| Financial guarantees contracts | - | 39,134,578 | - | - | 39,134,578 |
| | 36,787,620 | 54,833,305 | 41,427,911 | 598,205 | 96,859,421 |

# NOTES TO THE FINANCIAL STATEMENTS

## 34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 19 December 2019, Integrated Logistics (H.K.) Limited ("ILHK"), an indirect 70%-owned subsidiary of the Company and Etern Holdings Limited ("Etern Holdings") have entered into a conditional sale and purchase agreement with SWJ CN Logiport Pte. Ltd. ("SWJ") for the disposal by ILHK of its entire 65% equity interest and the disposal by Etern Holdings of its entire 35% equity interest in Integrated Etern Logistics (Suzhou) Co. Limited ("IEL Suzhou") to SWJ.

On 24 February 2020, the Board announced the circular to shareholders in relation to the proposed disposal of IEL Suzhou for a cash consideration of RMB217.2 million subject to adjustment sum. On 10 March 2020, the Board has convened an Extraordinary General Meeting ("EGM") in relation to the proposed disposal and it is duly approved by the shareholders by way of poll at the EGM held.

On 30 June 2020, ILHK has finalised the adjustment sum and the final payment with the purchaser and received the said final payment of RMB3.6 million which is equivalent to RM2.1 million on 15 July 2020. After taking into consideration of the adjustment sum and final payment, the net sale proceeds to ILHK is RM126.3 million.

## 35. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

**COVID-19 pandemic**

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.

## 36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities in the Group will be able to continue as a going concern, maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

Deposits are made at varying periods depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates.

The Group reviews the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM** | **RM** | **RM** | **RM** |
| Loans and borrowings | 68,380,824 | 61,501,241 | 33,470,384 | 22,366,663 |
| Loans from corporate shareholders | - | 16,182,931 | - | - |
| Payables, net of provision | 3,733,024 | 1,932,596 | 190,441 | 474,870 |
| Amount owing to subsidiaries | - | - | - | 13,946,087 |
| Total debts | 72,113,848 | 79,616,768 | 33,660,825 | 36,787,620 |
| Less: Deposits, cash and bank balances | (87,893,541) | (21,908,197) | (47,275,539) | (479,848) |
| Less: Short-term fund | (2,766,164) | (2,762,241) | (2,766,164) | (2,762,241) |
| Net (cash)/debt | (18,545,857) | 54,946,330 | (16,380,878) | 33,545,531 |
| Total equity | 235,879,983 | 229,871,749 | 190,617,986 | 138,498,828 |
| Debt-to-equity ratio | * | 24% | * | 24% |

* Not meaningful.

The Company is required to comply with the disclosure and necessary capital requirement as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

As disclosed in Note 22(b), certain subsidiaries of the Group are required by the Foreign Enterprise Law of The People's Republic of China ("PRC") to contribute and maintain a non-distributable Statutory Reserve Fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the respective PRC's subsidiaries for the financial year.

# STATEMENT BY DIRECTORS

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

We, **TEE TUAN SEM** and **MAKOTO TAKAHASHI**, being two of the directors of Integrated Logistics Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 52 to 147 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 their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

**TEE TUAN SEM**
Director

**MAKOTO TAKAHASHI**
Director

Kuala Lumpur

Date: 12 March 2021

# STATUTORY DECLARATION

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

I, **TEE TUAN SEM**, being the director primarily responsible for the financial management of Integrated Logistics Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statement set out on pages 52 to 147 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.

**TEE TUAN SEM**
**MIA Membership No.: 1642**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 12 March 2021.

Before me,

**HADINUR MOHD SYARIF**
Commissioner for Oaths (W76)
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTEGRATED LOGISTICS BERHAD

(Incorporated in Malaysia)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Integrated Logistics Berhad, 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 52 to 147.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Group**

**Interest in associates (Note 12 to the financial statements)**

We focused on this area because there is a risk that the interest in associates may not be carried at the lower of the carrying amount and its recoverable amount.

**Our response:**

Our audit procedures included, among others:

- reviewing the comparison of the net carrying amount of the interest in an associate with its quoted price as at year end;
- reviewing the basis used by the Group to determine the recoverable amount; and
- testing the mathematical accuracy of the impairment assessment.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTEGRATED LOGISTICS BERHAD
(Incorporated in Malaysia)

**Key Audit Matters** (cont'd)

**Company**

We have determined that there are no key audit matters to be communicated in our report which arise from the audit of the financial statements of the Company.

**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 going concerns, disclosing, as applicable, matters related to going concerns 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 INTEGRATED LOGISTICS BERHAD
(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 INTEGRATED LOGISTICS BERHAD
(Incorporated in Malaysia)

**Auditors' Responsibilities for the Audit of the Financial Statements** (cont'd)

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 11 to the financial statements.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Kenny Yeoh Khi Khen
No. 03229/09/2022 J
Chartered Accountant

Kuala Lumpur

Date: 12 March 2021

# PROPERTIES OF ILB GROUP

As at 31st December 2020

| Location | Description | Age of Building (Years) | Tenure | Area (sq. ft.) | | NBV @ 31-12-2020 (RM) | Year of Acquisition Or Revaluation* |
|---|---|---|---|---|---|---|---|
| Lot 1552, Seberang Perai Utara, Pulau Pinang | Land with Solar Farm | 3.65 | Freehold | Land -<br>Plant - | 175,527 | **800,000**<br>**8,703,280** | 2015<br>2017 |
| Lot 560, 561, 562, 563 & Lot 2011, Bandar Kayu Hitam, Daerah Kubang Pasu, Kedah | Agriculture Land with Solar Farm | 3 | Freehold | Land-<br>Plant - | 3,349,175 | **33,455,966**<br>**59,709,599** | 2016<br>2017 |
| No. 6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor | Land with Office Building | 3.67 | Freehold | Land -<br>Build-up - | 12,723<br>4,667 | **4,855,311**<br>**2,473,973** | 2016 |
| Lot No. 25358, Mukim Sungai Petani, Daerah Kuala Muda, Kedah | Agriculture Land | 1 | Freehold | Land | 84,948,752 | **26,922,361** | 2019 |
| | | | | | **Total** | **136,170,352** | |

# ANALYSIS OF SHAREHOLDINGS
as at 5 March 2021

Issued Share Capital : RM 225,670,706
Total Number of Issued Shares : 195,025,503
Class of Shares : Ordinary Shares

| Size of Shareholdings | No. of Shareholders | | No. of Shares * | | % of Issued Shares | |
|---|---|---|---|---|---|---|
| | Malaysian | Foreign | Malaysian | Foreign | Malaysian | Foreign |
| Less than 100 | 798 | 53 | 26,037 | 920 | 0.01 | 0.00 |
| 100 - 1,000 | 369 | 4 | 158,009 | 1,125 | 0.08 | 0.00 |
| 1,001 - 10,000 | 2,676 | 41 | 9,549,751 | 150,879 | 5.06 | 0.08 |
| 10,001 - 100,000 | 723 | 31 | 20,932,475 | 1,112,811 | 11.08 | 0.59 |
| 100,001 - to less than 9,445,015 (**) | 116 | 14 | 55,304,429 | 20,264,229 | 29.28 | 10.73 |
| 9,445,016 and above (***) | 3 | 1 | 67,095,673 | 14,303,990 | 35.52 | 7.57 |
| **Total** | **4,685** | **144** | **153,066,374** | **35,833,954** | **81.03** | **18.97** |
| **Grand Total** | | **4,829** | | **189,900,328** | | **100.00** |

* *Excluding a total of 6,125,175 ordinary shares bought back by the Company and retained as treasury shares*
** *Less than 5% of issued shares*
*** *5% and above of issued shares*

## LIST OF THIRTY LARGEST SHAREHOLDERS

| No. | Name of shareholder | No. of shares held | % of issued shares* |
|---|---|---|---|
| 1. | Citicorp Nominees (Tempatan) Sdn Bhd<br>Urusharta Jamaah Sdn Bhd (1) | 20,500,000 | 10.85 |
| 2. | Kenanga Nominees (Asing) Sdn Bhd<br>Etern Group (HK) Co. Limited | 17,000,000 | 9.00 |
| 3. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tee Tuan Sem | 14,912,998 | 7.89 |
| 4. | Amsec Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account - AmBank (M) Berhad for Tee Tuan Sem | 14,682,675 | 7.77 |
| 5. | Makoto Takahashi | 14,303,990 | 7.57 |
| 6. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for The Hongkong & Shanghai Banking Corporation Limited (PB-HKDIV-ACCL) | 6,642,000 | 3.52 |
| 7. | Tai Me Teck | 5,570,996 | 2.95 |
| 8. | Hassan Mohammad Kazem Ahmadi | 5,000,000 | 2.65 |
| 9. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Ltd (SFS) | 4,500,000 | 2.38 |
| 10. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Exempt AN for OCBC Securities Private Limited (Client A/C-Res) | 4,488,400 | 2.38 |
| 11. | Loh Cheng Keat | 4,158,500 | 2.20 |
| 12. | AllianceGroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teh Win Kee (8106483) | 3,279,300 | 1.74 |
| 13. | TA Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lim Peng Koon | 2,023,700 | 1.07 |

# ANALYSIS OF SHAREHOLDINGS
as at 5 March 2021

| No. | Name of shareholder | No. of shares held | % of issued shares* |
|---|---|---|---|
| 14. | Anastasia Amanda Beh Gaik Sim | 1,613,431 | 0.85 |
| 15. | Intas Sdn Bhd | 1,500,000 | 0.79 |
| 16. | Lee Chin Chai | 1,419,608 | 0.75 |
| 17. | Chow Chin Yann | 1,323,800 | 0.70 |
| 18. | Quek Tuan Soon | 950,600 | 0.50 |
| 19. | Motohiko Tachibana | 941,544 | 0.50 |
| 20. | Goh Theow Hiang | 936,735 | 0.50 |
| 21. | Lee Chun Cheng | 889,600 | 0.47 |
| 22. | Wang Jim | 888,800 | 0.47 |
| 23. | Yeoh Teng Lye | 823,700 | 0.44 |
| 24. | Teoh Ean Kee | 815,600 | 0.43 |
| 25. | Yeoh Hsiao Wye | 731,900 | 0.39 |
| 26. | Ong Aik Bin | 720,000 | 0.38 |
| 27. | Lim Hong Liang | 668,144 | 0.35 |
| 28. | Tan Choon San | 645,000 | 0.34 |
| 29. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chan Han Siong | 640,000 | 0.34 |
| 30. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities account for Chan Kiam Hsung | 540,268 | 0.29 |
| | **Total** | **133,111,289** | **70.46** |

** Excluding a total of 6,125,175 ordinary shares bought back by the Company and retained as treasury shares*

**The Directors shareholdings in the Company as at 5 March 2021 are as follows :-**

| Name of Directors | Direct No. of Shares | Note | % of issued Shares* | Indirect No. of Shares | Note | % of issued Shares* |
|---|---|---|---|---|---|---|
| Datuk R. Karunakaran | - | - | - | - | - | - |
| Tee Tuan Sem | 29,595,673 | 1 | 15.67 | 381,931 | 2 | 0.24 |
| Makoto Takahashi | 14,303,990 | 3 | 7.57 | - | - | - |
| Wan Azfar bin Dato' Wan Annuar | - | - | - | - | - | - |
| Dato' Wan Hashim bin Wan Jusoh | - | - | - | - | - | - |
| Soh Eng Hooi | - | - | - | - | - | - |

Notes
1. Held through Amsec Nominees (Tempatan) Sdn Bhd and TA Nominees (Tempatan) Sdn Bhd.
2. Deemed interest by virtue of the shareholdings of his wife, Yang Chiew Bi, which are held directly.
3. Held directly.

# ANALYSIS OF SHAREHOLDINGS
as at 5 March 2021

## Substantial Shareholders

The substantial shareholders of the Company as at 5 March 2021 are as follows :-

| Name of Shareholder | Direct No. of Shares | Note | % of issued Shares* | Indirect No. of Shares | Note | % of issued Shares* |
|---|---|---|---|---|---|---|
| Tee Tuan Sem | 29,595,673 | 1 | 15.67 | 381,931 | 2 | 0.24 |
| Makoto Takahashi | 14,303,990 | 3 | 7.57 | - | - | - |
| Urusharta Jamaah Sdn Bhd<br>Citigroup Nominees (Tempatan) Sdn Bhd | 20,500,000 | 4 | 10.85 | - | - | - |
| Etern Group (HK) Co. Limited<br>Kenanga Nominees (Asing) Sdn Bhd | 17,000,000 | 5 | 9.00 | - | - | - |

Notes
1. Held through Amsec Nominees (Tempatan) Sdn Bhd and TA Nominees (Tempatan) Sdn Bhd.
2. Deemed interest by virtue of the shareholdings of his wife, Yang Chiew Bi, which are held directly.
3. Held directly.
4. Held through Citigroup Nominees (Tempatan) Sdn Bhd
5. Held through Kenanga Nominees (Asing) Sdn Bhd

** Excluding a total of 6,125,175 ordinary shares bought back by the Company and retained as treasury shares*

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 29th Annual General Meeting ("AGM") of Integrated Logistics Berhad ("ILB" or "Company'') will be held at Broadcast Venue at No. 6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan on Tuesday 4 May 2021 at 10:00 a.m. for the following purposes:-

**AGENDA**

**AS ORDINARY BUSINESS**

| | |
|---|---|
| 1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2020 and Auditors Report thereon. | Please refer to Explanatory Note 1 |
| 2. To approve the payment of Directors' Fees to the Non-Executive Directors up to an amount of RM318,000 for the period from 1 April 2021 until the next Annual General Meeting of the Company. | (Ordinary Resolution 1) |
| 3. To approve the payment of Directors' Benefits to Non-Executive Directors amounting to RM41,617 for the period from 1 April 2021 until the next Annual General Meeting of the Company. | (Ordinary Resolution 2) |
| 4. To re-elect the following Directors retiring by rotation in accordance with Clause 100 of the Company's Constitution :- | |
| a) Datuk R. Karunakaran | (Ordinary Resolution 3) |
| b) Wan Azfar bin Dato' Wan Annuar | (Ordinary Resolution 4) |
| 5. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. | (Ordinary Resolution 5) |

**AS SPECIAL BUSINESS**

To consider and if thought fit, pass the following as Ordinary Resolutions:-

**ORDINARY RESOLUTIONS**

| | |
|---|---|
| 6. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY** | |
| "**THAT**, subject to the Company's compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act, 2016, the provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to buy back and/or hold from time to time and at any time such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company ("the Proposed Share Buy-Back") provided that :- | (Ordinary Resolution 6) |

i) The maximum number of shares which may be purchased and/ or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten (10) per cent of the total number of issued shares of the Company from time to time being quoted on Bursa Securities provided always that in the event that the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandate for share buy-back which was obtained at the Annual General Meeting held on 30 July 2020, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities.

ii) The maximum amount of funds to be allocated for the purchase of the shares pursuant to the Proposed Share Buy-Back shall not exceed the retained profits.

iii) The Proposed Share Buy-Back to be undertaken will be in compliance with Section 127 of the Companies Act, 2016 and the Directors will deal with the shares purchased in the following manner:-

(a) to cancel the Shares so purchased; or

(b) to retain the Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/ or re-sell on Bursa Securities in accordance with the Main Market Listing Requirements of Bursa Securities and/or cancellation subsequently; or

(c) to retain part of the Shares so purchased as treasury shares and cancel the remainder.

**AND THAT** such authority to purchase the Company's own shares will be effective immediately from the passing of this resolution until the conclusion of the next Annual General Meeting ("AGM") at which such resolution was passed at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally or the passing of the date on which the next AGM is required by law to be held or the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting but so as not to prejudice the completion of a purchase made before such expiry date;

**AND THAT** the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back with full powers to amend and/assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things in accordance with the Companies Act, 2016, the provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Securities and all other relevant governmental/regulatory authorities."

# NOTICE OF ANNUAL GENERAL MEETING

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** (Ordinary Resolution 7)

   **"THAT**, subject to the passing of Special Resolution and pursuant to Sections 75 and 76 of the Companies Act, 2016, the Directors of the Company be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue.

   **AND THAT** the Directors of the Company whether solely or jointly, be authorised to complete and do all such acts and things (including executing such relevant documents) as he/they may consider necessary, expedient or in the interest of the Company to give effect to the aforesaid mandate."

8. To transact any other ordinary business of the Company for which due notice has been received.

By Order of the Board
Wong Youn Kim (MAICSA 7018778) (SSM PC No. 201908000410)
Company Secretary
Selangor Darul Ehsan
Date: 5 April 2021

**NOTES**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 27 April 2021 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 29th AGM of the Company.

2. Any member of the Company entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him. A proxy need not be a member of the Company and where a member appoints more than one (1) proxy, the member must specify the proportion of his shareholdings to be represented by each proxy respectively, failing which the appointment shall be invalid.

3. If you wish to appoint as your proxy any person other than "the Chairman of the Meeting", please insert the full name of the proxy (in block letters) in the space provided and delete the words "the Chairman of the Meeting".

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

5. A corporation may complete the proxy form under its common seal or under the hand of an officer or attorney duly authorized.

6. The instrument appointing a proxy must reach the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 24 hours before the AGM. The lodging of the proxy form will not preclude shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

**EXPLANTORY NOTES**

1. **Item 1 of the Agenda**

   **AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

   This Agenda item is meant for discussion only as under the provisions of Section 248(2) of the Companies Act, 2016, the audited financial statements do not require formal approval of shareholders and hence, the matter will not be put to a vote.

2. **Item 2, & 3 of the Agenda**

   Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board had agreed that the shareholders' approval be sought at the 29th AGM on the Non-Executive Directors' remuneration in two separate resolutions as below:

   - **Ordinary Resolution 1** on payment of Directors' Fees to the Non-Executive Directors for the period from 1 April 2021 until the next AGM of the Company.

   - **Ordinary Resolution 2** on payment of Directors' Benefits to the Non-Executive Directors for the period from 1 April 2021 until the next AGM of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

The details of the remuneration and benefits payable to the Non-Executive Directors which have remained unchanged since May 2013 are as follows:

| | |
|---|---|
| **Directors Fees (per annum)** | |
| Chairman of the Board | - RM108,000 |
| Chairman of the Audit & Risk Management Committee | - RM90,000 |
| Board Member | - RM60,000 |
| | |
| **Meeting Allowance (per meeting)** | |
| Board | - RM500 |
| Board Committee | - RM500 |

**Benefits in kind**
Medical and insurance coverage

3. **Item (6) of the Agenda – Ordinary Resolution No. 6**

**PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The proposed ordinary resolution 6, if passed, will empower the Directors of the Company to buy back and/or hold from time to time shares of the Company not exceeding ten (10) per cent of the total number of issued shares of the Company from time to time being quoted on Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interests of the Company.

For further information, please refer to the Share Buy-Back Statement, which is dispatched together with the Notice of the AGM.

4. **Item (7) of the Agenda – Ordinary Resolution No. 7**

**AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

The proposed ordinary resolution 7 is to seek the shareholders' approval on the renewal of the general mandate for the issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016. If the resolution is duly passed, it will give flexibility to the Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interests of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company had on the 4 April 2017 completed the Private Placement of 17,000,000 ordinary shares in the Company via private placement in accordance with the general mandate obtained from shareholders at its 24th annual general meeting held on the 30 March 2016. The 17,000,000 new ordinary shares were issued at a price of RM0.797 per share with total placement proceeds amounting to RM13,549,000. The total placement proceeds has been fully utilized.

The general mandates granted by the shareholders' at the 25th, 26th, 27th & 28th AGM of the Company had not been utilised and hence no proceeds were raised therefrom.

The Company continues to consider opportunities to broaden its earnings potential. If any proposal involves the issuance of new shares, the Directors would have to convene a general meeting to approve the issuance of new shares. In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 20% of the total number of issued shares of the Company for the time being. The renewed authority will provide flexibility to the Company for the allotment of shares for the purposes of funding future investment, working capital and/or acquisitions.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the Annual General Meeting of the Company in accordance with Clause 100 of the Company's Constitution are :-

   a) Datuk R. Karunakaran

   b) Wan Azfar bin Dato' Wan Annuar

   Details of the Directors seeking re-election are set out in the Directors Profiles' section and their shareholdings in the Company are set out in this Annual Report.

2. Details of attendance at Board Meetings

   Four Board Meetings were held during the financial year ended 31 December 2020. Details of attendance of the Directors at Board Meetings are set out in this Annual Report.

4. Date, Time and Place of the 29th Annual General Meeting

   Date and Time : 4 May 2021 at 10:00 a.m.

   Place : Broadcast Venue
   No. 6, Jalan Sungai Buloh 27/101A
   Seksyen 27
   40400 Shah Alam
   Selangor Darul Ehsan

**ADMINISTRATIVE GUIDE**

**IN RESPECT OF THE TWENTY-NINTH ANNUAL GENERAL MEETING ("29TH AGM")
TO BE HELD VIA AN ONLINE PLATFORM**

| DATE: | TIME: | BROADCAST VENUE: |
|---|---|---|
| Tuesday,<br>4th May 2021 | 10.00 a.m. | No. 6, Jalan Sungai Buloh 27/101A,<br>Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan |

**General Meeting Record of Depositors**

1. In respect of deposited securities, only members whose names appear on the Record of Depositors on 27th April 2021 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the or appoint proxy(ies) to attend and/or vote on his/(her) behalf.

**Proxy**

2. A member entitled to participate and vote remotely at the 29th AGM using the Virtual Meeting Facilities is entitled to appoint proxy/proxies, to participate and vote instead of him. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions set out hereunder.

3. Alternatively, if a shareholder is unable to attend the Annual General Meeting via Virtual Meeting Facilities on 4th May 2021, he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than twenty-four (24) hours before the time appointed for the taking of poll at the meeting or adjourned meeting, no later than **Monday, 3rd May 2021 at 10.00 a.m.**

**Poll Voting**

5. The voting at the 29th AGM will be conducted by poll in accordance with Clause 75 of the Company's Constitution. The Company has appointed HMC CORPORATE SERVICES SDN BHD as Poll Administrator to conduct the poll by way of online voting and Niche & Milestones International as Scrutineers to verify the poll results.

6. Shareholders can proceed to vote on the resolutions and submit your votes at any time from the commencement of the 29th AGM at 10.00 a.m. and before the end of the voting session which will be announced by the Chairman of the meeting. The QR Code will be displayed upon the commencement of the meeting. Upon completion of the voting session for the 29th AGM, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

**VIRTUAL MEETING FACILITIES**

7. We would like to invite the Shareholders to participate and vote remotely at the 29th AGM using the Virtual Meeting Facilities.

8. For Corporate Shareholders, please register yourself via the Registration Link provided below to provide the following documents to HMC Corporate Services Sdn Bhd no later than **Monday, 3rd May 2021 at 10.00 a.m.** :

   (a) Original certificate of appointment of its Corporate Representative under the seal of the corporation; and

   (b) Corporate Representative's e-mail address and hand-phone number.

   Upon receipt of such documents, HMC Corporate Services Sdn Bhd will liaise with yourselves on the participation link.

9. For the beneficiary of the shares under a Nominee Company's CDS account who wishes to use the Virtual Meeting Facility at the 29th AGM may request its Nominee Company to appoint him/her as proxy to participate and vote remotely at the 29th AGM via the Virtual Meeting Facilities, please submit the duly executed proxy from to HMC Corporate Services Sdn Bhd no later than **Monday, 3rd May 2021 at 10.00 a.m.** and register yourself via the Registration Link below.

10. Please follow the following steps to be taken for participating and voting via the Virtual Meeting facilities:

| | | |
|---|---|---|
| **BEFORE THE AGM** | | |
| (a) | REGISTRATION | • Please click on the following link to register yourself as Shareholder/Corporate Representative/Beneficiary Owner of an Exempt Nominee for verification of attendance purpose.<br><br>Registration Link: https://bit.ly/3qjKi2I |
| (b) | CONFIRMATION ATTENTANCE | • Upon verification, the participation link will be sent to your goodself before the commencement of the meeting. |
| (c) | SUBMISSION OF QUESTIONS | • You may submit any questions online by scanning the QR Code below or via https://bit.ly/2OmY33x and to submit your questions accordingly: |
| **ON THE AGM DAY** | | |
| (d) | PARTICIPATION | • Click on the participation link which was provided to you via e-mail. |
| | | • If you have any question to be raised during the meeting, you may submit by using the Q and A box. The Chairman/Board will try to address the questions submitted prior or during the meeting accordingly |
| (e) | ONLINE VOTING | • The QR Code for the Online will be displayed in the Chat Box and Q&A Box of the Virtual Meeting Room upon the Commencement of the AGM. Voting shall commence from 10.00 a.m. Tuesday, 4th May 2021 until a time when the Chairman announces the closing of the voting session at the 29th AGM venue. |

**CLOSURE**

11. The 29th AGM will be closed upon the announcement by the Chairman, the Virtual Meeting will end.

**ENQUIRY**

12. If you have any enquiry or require any assistance before or during the 29th AGM, please do not hesitate to contact the following officers during office hours from 9.00 a.m. to 5.00 p.m. (Monday to Friday):

**HMC CORPORATE SERVICES SDN BHD**
**Registration No. 199601006647 (378993-D)**
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 603-2241 5800
Mobile: 017 388 3989
Fax : 603-2282 5022
Email : office365support@hmc.my
Contact Person: HMC Virtual Meeting Administrator

# PROXY FORM

I/We ________________________________ NRIC No./Company No. ________________________________
*(FULL NAME IN BLOCK LETTERS)*

of ____________________________________________________________________
*(FULL ADDRESS)*

Telephone No.: ________________________ Email Address: ________________________

being a member/members of INTEGRATED LOGISTICS BERHAD, hereby appoint ________________________________
*(FULL NAME IN BLOCK LETTERS)*

NRIC No. ____________________ of ________________________________________
*(FULL ADDRESS)*

Telephone No.: ________________________ Email Address: ________________________

or failing him ________________________________________ NRIC No.: ____________________
*(FULL NAME IN BLOCK LETTERS)*

of ____________________________________________________________________
*(FULL ADDRESS)*

Telephone No.: ________________________ Email Address: ________________________

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the 29th Annual General Meeting ("AGM") of the Company to be held at Broadcast Venue at No. 6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan on 4 May 2021 at 10:00 a.m. or any adjournment thereof and to vote as indicated below:-

**AS ORDINARY BUSINESS**

| | | FOR | AGAINST |
|---|---|---|---|
| Ordinary Resolution 1 | To approve the payment of Directors' Fees to Non-Executive Directors up to an amount of RM318,000 for the period from 1 April 2021 until the next AGM of the Company. | | |
| Ordinary Resolution 2 | To approve payment of Directors' Benefits (excluding directors' fees) to Non-Executive Directors up to an amount of RM41,617 for the period from 1 April 2021 until the next AGM of the Company. | | |
| Ordinary Resolution 3 | To re-elect Datuk R. Karunakaran as Director in accordance with Clause 100 of the Company's Constitution. | | |
| Ordinary Resolution 4 | To re-elect Wan Azfar bin Dato' Wan Annuar as Director in accordance with Clause 100 of the Company's Constitution. | | |
| Ordinary Resolution 5 | To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors until the conclusion of the next AGM and to authorize the Directors to fix their remuneration. | | |

**AS SPECIAL BUSINESS**
**ORDINARY RESOLUTIONS**

| | | FOR | AGAINST |
|---|---|---|---|
| Ordinary Resolution 6 | Proposed Renewal of Share Buy-Back Authority. | | |
| Ordinary Resolution 7 | To authorize the Directors to allot and issue shares in the Company pursuant to Section 75 and 76 of the Companies Act 2016. | | |

| | |
|---|---|
| First Proxy | % |
| Second Proxy | % |
| Total: | 100% |

| | |
|---|---|
| No. of shares held : | |
| CDS A/C No.: | |

Signed this ________ day of ________________, 2021

________________________
Signature

NOTE :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 27 April 2021 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 29th AGM.
2. Any member of the Company entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him, and that a proxy need not be a member of the Company and where a member appoints more than one (1) proxy, the member must specify the proportion of his shareholdings to be represented by each proxy respectively, failing which the appointment shall be invalid.
3. If you wish to appoint as your proxy any person other than “the Chairman of the Meeting”, please insert the full name of the proxy (in block letters) in the space provided and delete the words “the Chairman of the Meeting”.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“Omnibus Account”), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.
5. A corporation may complete the proxy form under its common seal or under the hand of an officer or attorney duly authorized.
6. Please indicate with and “X” either “For” or “Against”. If neither “For” or “Against” is indicated, the proxy will vote as he thinks fit or abstain from voting.
7. The instrument appointing a proxy must reach the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 24 hours before the AGM. The lodging of the proxy form will not preclude shareholders from attending and voting in person at the AGM should they subsequently wish to do so.

Fold Here

STAMP

The Company Secretary
Integrated Logistics Berhad
Company No. 199101019353 (229690-K)

Level 2, Tower 1, Avenue 5, Bangsar South City
59200 Kuala Lumpur
Wilayah Persekutuan

Fold Here

PERSONAL DATA PRIVACY :

By submitting an instrument appointing a proxy(ies) and / or representative(s) to attend, speak and vote at the Company’s 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.

Integrated Logistics Berhad [199101019353 (229690-K)]
No. 6, Jalan Sungai Buloh 27/101A, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan
Tel: 603-5614 2555 / Fax: 603-5614 3848