



**Crafting a
Sustainable Future**

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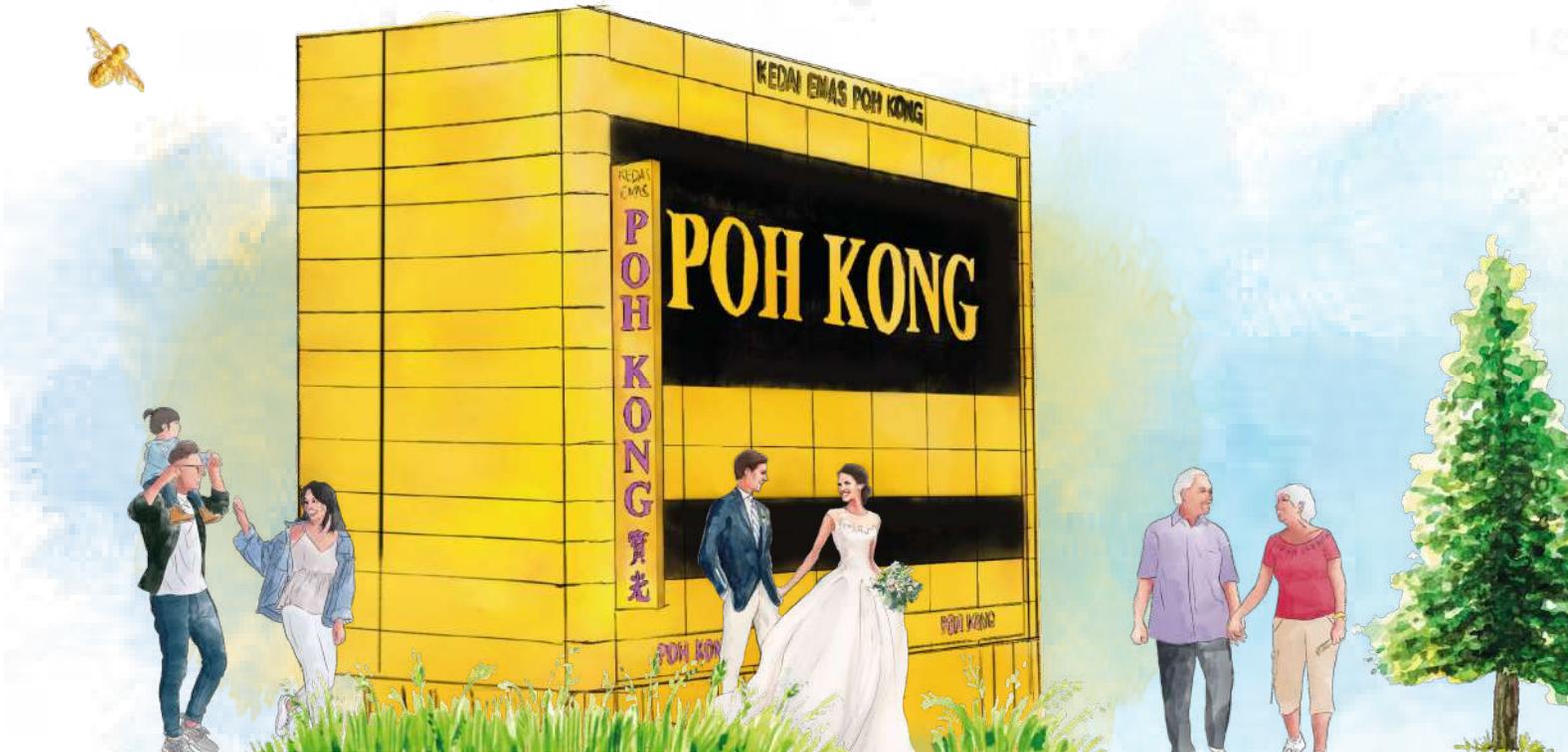
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Crafting a Sustainable Future



Since 1976 Poh Kong has been engaged in crafting a meaningful enterprise that cherishes our customers and nurtures our people. We lead the Malaysian jewellery and gold market by responsibly managing our operations and supply chain.

We continue to grow our business sustainably guided by our core values of passion, honesty and kindness. This has translated into PKHB putting all our stakeholders at the heart of our decision-making and using our economic, social and environmental resources with care and consideration. We remain Malaysia's largest jewellery retailer with over 90 stores.





Our Customers Count

We endeavour to build lasting relationships with each and every customer by creating meaningful encounters with our products and our brands.



Ensuring Product Excellence

We continue to honour our customers by creating masterpieces that become family heirlooms. Our team of craftsmen take pride in every piece of jewellery they produce, understanding that these adornments are a part of our customers treasured legacy.

Poh Kong at a Glance

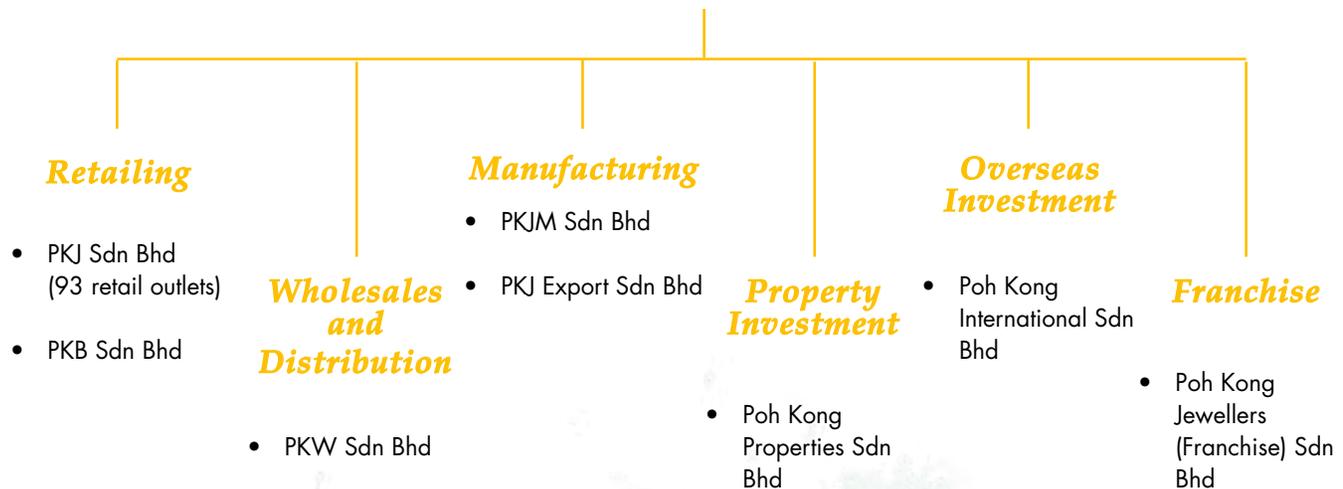
We are Malaysia's leading jewellery company with a strong presence across the value chain, from design to manufacture and retailing. The Company was founded in 1976 when 22-year-old Choon Yee Seiong opened a modest jewellery store in Petaling Jaya. Over the past 44 years we have established a solid brand reputation and currently operate through 93 outlets across the nation. We have a range of over 150,000 designs in our product portfolio that includes gold, platinum, silver and studded jewellery.

The manufacturing facility was established in Shah Alam in 2001 to produce mass produced designs and bespoke jewellery exclusively for Poh Kong. Its successful listing on Bursa Malaysia in 2004 saw Poh Kong expand into an investment holding and management services company, with manufacturing and retailing businesses operating through its subsidiaries.

PKHB's corporate structure is organised along six key business activities: retail, manufacturing, wholesale and distribution, property investment, overseas investment, and franchising.



Poh Kong Holdings Berhad (100%)



- PKJ – Poh Kong Jewellers Sdn Bhd
- PKB – Poh Kong Bullion Sdn Bhd
- PKW – Poh Kong Wholesale Sdn Bhd
- PKJM – Poh Kong Jewellery Manufacturer Sdn Bhd
- PKJ Export – PK Jewellery Export Sdn Bhd

The Poh Kong Brands

The Company's in-house gold jewellery brands offer beautiful contemporary designs as well as specially themed pieces. These include Tranz, crafted for the contemporary urban clientele, Happy Love that blends romantic themes and rich oriental wedding traditions, the Art of Auspicious masterpieces embodying fengshui elements and Anggun which features modern motifs reflecting Malaysia's natural environment, art and culture.

Poh Kong's elegant diamond brands have stood the test of time. The exclusive Hemera brand offers the most brilliant 101 cut diamond for life's big moments. Luxury meets affordability in Poh Kong's D'first Diamond brand created to meet the aspirations of Malaysians.

The Company is also licensed to distribute several international jewellery brands. In its gallery are the Disney Collection from the US and the Luca Carati and Moraglione 1922 fine jewellery collections from Italy.



Who We Are

Like the fine jewellery that has become the hallmark of the company, Poh Kong has been carefully crafted through the **P**ASSION and integrity of its founder Dato Choon Yee Seiong. He has an intrinsic understanding that a jewellery business requires **O**RIGINALITY and **H**ONESTY. These are the core values and ethos of Poh Kong and its legacy.

KINDNESS in the way we operate impacts positively on the community, our business partners, shareholders and most importantly the environment. **O**UTSTANDING performance of our people, and a will to outshine comes from challenging ourselves to achieve the impossible. We are constantly scanning the marketplace for fresh opportunities that secure our market position as a leader in the gold jewellery business in Malaysia. **N**URTURING our people through a corporate commitment that encourages continuous learning, has contributed significantly to a strong team spirit and a culture of excellence in our people.

Glitter and gold describe the Company, its people and our 44-year track record. We aim to sustain this at all times and endeavour to enhance shareholder value that ensures us of a **G**LOWING and glorious future.

P - *Passion.*

O - *Original.*

H - *Honest.*

K - *Kind.*

O - *Outstanding.*

N - *Nurture.*

G - *Glow.*



An Overview of PKHB

ALL THAT GLITTERS IS NOT JUST GOLD

That old adage of not being fooled by superficial glitter and shine serves as a cautionary proverb. However, at Poh Kong Holdings Berhad, our 44-year track record reveals, that we have applied a glowing gold standard to integrity, quality and trust in all aspects of our operations within the organisation. This is what gives this corporation its brilliant shine. Glitter is embedded in Poh Kong's core values and is evident in its products, its impeccable service and in the integrity of its people.

In our more than four decades as a successful company we have experienced many economic cycles of highs and lows and thrived through it all. Our business model relies on a precious metal that has been used since ancient times. The chemical symbol for gold Au (from Latin *aurum* meaning shining dawn), has always commanded high value. Its main use has been in the making of jewellery. 50% of the world's gold consumption is used to make jewellery, 40% is used in investments and 10% is employed for industrial use.

At Poh Kong our core business straddles the two major areas of gold utilisation; in the crafting and sale of jewellery and in offering gold investments. Gold does not corrode and has become a symbol of immortality and power. And it is these attributes that are reflected in the strength and resilience of our business.

The global economy was significantly disrupted by the COVID-19 pandemic with many countries, including Malaysia, closing their borders and implementing lockdowns to control the spread of the virus. Although Poh Kong saw a drop in revenue, net profit rose as a result of the prevailing gold prices and various mitigating measures undertaken by the Company. Poh Kong's business remains viable and provides our shareholders with continuing share value. We are cautiously optimistic about the Group meeting the challenges ahead.

This optimism is supported by market analysis. According to the World Gold Council's ("WGC") Retail Gold Insights 2019, market conditions continued to draw retail investors. The 12 Nov 2019 report says that gold was the third most consistently bought financial product at 46%, behind savings accounts (78%) and life insurance (54%). (*The Edge, 4 Dec 2019*). Poh Kong continued to profit from its bullion investment products and gold bars.

The WGC's Insight Report also observes that retail investors (navigating through unknown territory) made gold purchases as they needed to have confidence in an asset that would protect their wealth from heightened financial market uncertainty. Here in Malaysia, Poh Kong is still managing to ride the crest of the COVID-19 wave as gold investments continue to be made in response to a changing and challenging risk environment.

Caution and optimism remain the two guiding principles that craft Poh Kong's strategic direction. We stay abreast with all current global developments in the gold market. China is reporting that gold prices are already languishing at a six-year low due to global economic uncertainties. Therefore, with China and India, the largest and second largest gold markets going soft, it would mean that the Group needs to remain vigilant.

However, an industry expert offers another view. "It is good to remember one undeniable fact: new gold mined increases the total supply of gold by only 1% annually". The remaining 99% already exists, in large warehouses, jewellery, and people's homes around the world. The laws of supply and demand also move this 99%.

"If gold is not available, [it's because] the current owners believe the price of gold is too low or people simply do not want to exchange their gold for the weakening ringgit or [US] dollar. It is reasonable to assume that once the worst peak of the panic caused by the COVID-19 subsides, factories open, air traffic normalises, and the gold market will return to normal." (*The Edge, 6 April 2020*)

We believe what goes down must come up. Once the COVID-19 virus comes under control economies around the world will bounce back and Poh Kong is determined to be well-positioned for further success.

Corporate Information

AUDIT COMMITTEE

**Dato' Esther
Tan Choon Hwa,**
Chairperson

**Encik Fazrin Azwar
Bin Md Nor,**
Member

**Datin Shirley
Yue Shou How,**
Member

RISK MANAGEMENT COMMITTEE

**Encik Fazrin Azwar
Bin Md Nor,**
Chairman

**Dato' Esther
Tan Choon Hwa,**
Member

**Dato'
Choon Yee Seiong,**
Member

**Mr
Cheong Teck Chong,**
Member

**Datin Shirley
Yue Shou How,**
Member

NOMINATION COMMITTEE

**Encik Fazrin Azwar
Bin Md Nor,**
Chairman

**Dato' Esther
Tan Choon Hwa,**
Member

**Datin Shirley
Yue Shou How,**
Member

REMUNERATION COMMITTEE

**Datin Shirley
Yue Shou How,**
Chairperson

**Dato' Esther
Tan Choon Hwa,**
Member

**Encik Fazrin Azwar
Bin Md Nor,**
Member

**Dato'
Choon Yee Seiong,**
Member

COMPANY SECRETARY

Ng Yim Kong
(LS 0009297)
(PC No. 202008000309)

REGISTERED OFFICE

**Strategy Corporate
Secretariat Sdn Bhd**
200201001821 (569484-W)
Unit 07-02, Level 7
Persoft Tower
6B Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7804 5929
Fax: 03-7805 2559

CORPORATE OFFICE

No. 16-20, Jalan 52/4
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7940 3333
Fax: 03-7957 2404
03-7958 8398

AUDITORS

**Messrs Baker Tilly
Monteiro Heng PLT**
201906000600
**(LLP0019411-LCA) &
AF0117**
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: 03-2297 1000
Fax: 03-2282 9980

SOLICITORS

**Soo Thien Ming &
Nashrah**
No. 3, 1st Floor
Jalan SS23/15, Taman SEA
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7880 1212
Fax: 03-7880 9292

PRINCIPAL BANKERS

CIMB Bank Berhad
(13491-P)
17th Floor Menara CIMB
No. 1, Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel: 03-2261 8888

RHB Bank Berhad

(6171-M)
Level 7, Tower Three, RHB
Centre,
Jalan Tun Razak,
50400 Kuala Lumpur
Tel: 03-9287 8888

United Overseas Bank

(Malaysia) Bhd
(271809-K)
Level 11, Menara UOB
Jalan Raja Laut
50738 Kuala Lumpur
Tel: 03-2692 7722

Malayan Banking Berhad

(3813-K)
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: 03-2059 1888

SHARE REGISTRAR

**Broadroom Share
Registrars Sdn Bhd**
199601006647 (378993-D)
11th Floor, Menara Symphony
No.5, Jalan Professor Khoo
Kay Kim
Section 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7890 4700
Fax: 03-7890 4670

STOCK EXCHANGE LISTING

**Main Market of Bursa
Malaysia Securities
Berhad**
(Bursa Securities)
Stock Code: 5080



For more information please login to

 www.pohkong.com.my

 www.facebook.com/pohkongjewellers



Corporate Structure



POH KONG
POH KONG HOLDINGS BERHAD



* As a result of the restructuring exercise on internal reorganisation undertaken by the Group, the Subsidiaries are ceasing operations and under members' voluntary winding up



Significant Highlights

17th Annual General Meeting



17th Annual General Meeting @ Bukit Kiara Equestrian & Country Resort, Kuala Lumpur

Roadshows & Events

Roadshows were organised to promote Poh Kong's shopping campaigns and its latest jewellery collections at major malls.

Events include the Christmas Promotion @ Mahkota Parade Main Entrance, Malacca, Chinese New Year Bonanza @ Midvalley KL, Maybank Cardmember Event.



Christmas Promotion @ Mahkota Parade Main Entrance, Malacca.



Chinese New Year Bonanza @ Midvalley KL.



Maybank Cardmember Event.

Board of Directors

DATO' CHOON YEE SEIONG

Executive Chairman & Group Managing Director

MR CHEONG TECK CHONG

Executive Director

MADAM CHOON NEE SIEW

Executive Director

DATIN HON WEE FONG

Executive Director

MR CHOON YEE BIN

Executive Director

ENCIK FAZRIN AZWAR BIN MD NOR

Independent
Non-Executive Director

DATIN SHIRLEY YUE SHOU HOW

Independent
Non-Executive Director

DATO' ESTHER TAN CHOON HWA

Independent
Non-Executive Director



Profile of Board of Directors

DATO' CHOON YEE SEIONG

**Executive Chairman & Group
Managing Director since
13 January 2004**

Nationality :

Malaysian

Age :

66

Gender :

Male

BOARD COMMITTEE MEMBERSHIP

- Executive Committee (Chair)
- Risk Management Committee
- Remuneration Committee

OTHER LISTED DIRECTORSHIPS

OTHER NON-LISTED DIRECTORSHIPS

- Choon Yee Seiong Sdn Bhd

MEMBERSHIPS

- Malaysia Retailer-Chain Association

AWARDS

- Retailer of the Year 2018 – JNA Awards
- Outstanding Enterprise of the Year 2018 – JNA Awards
- Special Recognition Award 2016 – AEON Group
- Visionary Retailer and Exemplary Top Retailer 2016 – MRCA
- Outstanding Entrepreneur 2015 – MRCA Crown Awards
- 19 Years at the Top Award 2008 – Malaysian Tatler
- Superstar of the Year 2008 – Malaysia Retailer-Chain Association (MRCA)

Dato' Choon Yee Seiong was the founder of Poh Kong Jewellers Sdn Bhd (PKJ) in 1976 when at 22 years, he started a modest jewellery store in Petaling Jaya. Under his leadership, the Poh Kong Group has evolved into the largest jewellery retail chain store in Malaysia. He holds several directorships in the companies within the Group.

Dato' Choon is responsible for the Group's overall direction and strategy, marketing and management policies, business expansion and operations. His visionary leadership led to Poh Kong securing sole distributorship for world-renowned international jewellery brands including the Disney Collection, Schoeffel luxury pearls from Germany, Angel Diamond from Belgium, Luca Carati and Moragione diamonds and coloured gems jewellery from Italy and the exclusive Hemera diamond brand.

He has gained national recognition and prominence for his outstanding achievements as a leading jeweller and entrepreneur.

Dato' Choon was Founder President of the MRCA in 1992 and past president of goldsmith and jewellers associations in the country.

He is the spouse of Datin Hon Wee Fong who is also a PKHB Executive Director. His siblings Madam Choon Nee Siew, Dato' Choon Yoke Ying, Encik Mohd Annuar Choon Bin Abdullah, Madam Choon Wan Joo, Mr Choon Yee Bin and Madam Choon Ching Yih are shareholders of the Company. His brothers-in-law Mr Siow Der Ming and Mr Chang Kwong Him, and his son Mr Choon King Han and daughters, Ms Choon Ee Ling and Ms Choon Ee Teng are also shareholders.

He has attended all the four (4) Board meetings held during the financial period.

He has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.



MR CHEONG TECK CHONG

**Executive Director since
13 January 2004**

Nationality :

Malaysian

Age :

71

Gender :

Male

BOARD COMMITTEE MEMBERSHIP

- Executive Committee
- Risk Management Committee

OTHER LISTED DIRECTORSHIPS

OTHER NON-LISTED DIRECTORSHIPS

- Lian Sin Tang Sdn Bhd
- Heng Seng Sdn Bhd
- Pajak Gadai Rakyat Sdn Bhd

MADAM CHOON NEE SIEW

**Executive Director since
13 January 2004**

Nationality :

Malaysian

Age :

65

Gender :

Female

BOARD COMMITTEE MEMBERSHIP

- Executive Committee

OTHER LISTED DIRECTORSHIPS

OTHER NON-LISTED DIRECTORSHIPS

- Jungmax Property Sdn. Bhd.

Mr Cheong Teck Chong is an industry veteran with more than 53 years in the gold jewellery business. He was the co-founder of PKJ in 1976.

He began his career at Lian Sin Pawnshop 1967 and rose to the rank of General Manager. He was a Partner of Lian Yik Goldsmith from 1972 until 1980. In 1982, he was appointed Managing Director of PKJ (SS2) Sdn Bhd, Petaling Jaya. Mr Cheong assists in the growth, development and expansion of the Group.

He also sits as a Director of other companies within the Group.

Madam Choon Nee Siew brings more than 40 years of experience in the jewellery industry to the Board and has contributed extensively to the Group's growth and development.

She began her career in 1972 as a Sales Representative in Lian Yik Jewellery. In 1980, she joined PKJ as a Sales Manager. Two years later, she was appointed Director of PKJ (SS2) Sdn Bhd and in 1991 was promoted to Managing Director of PKJ (Subang Parade) Sdn Bhd.

She oversees the daily retail operations and development of the Group. She holds directorships of several other companies within the Group.

He is the spouse of Madam Pang Cheow Moi. His sibling Madam Cheong Siew Loi @ Chong Kim Looi is a shareholder of the Company, and his daughter Ms Cheong Poh See is also a shareholder.

He has attended all the four (4) Board meetings held during the financial period.

He has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Her siblings Dato' Choon Yee Seiong, Dato' Choon Yoke Ying, Encik Mohd Annuar Choon Bin Abdullah, Madam Choon Wan Joo, Mr Choon Yee Bin and Madam Choon Ching Yih are shareholders of the Company. Her brothers-in-law Mr Siow Der Ming, Mr Chang Kwong Him and sister-in-law Datin Hon Wee Fong are also shareholders. Her daughter Ms Cheong Poh See is a shareholder.

She has attended three (3) out of four (4) Board meetings held during the financial period.

She has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Profile of Board of Directors

MR CHOON YEE BIN Executive Director since 15 March 2012

Nationality :

Malaysian

Age :

52

Gender :

Male

BOARD COMMITTEE MEMBERSHIP

OTHER LISTED DIRECTORSHIPS

**OTHER NON-LISTED
DIRECTORSHIPS**

Mr Choon Yee Bin brings in-depth knowledge and extensive gold industry experience to the Board. He started his career as a "Goldsmith" with Poh Kong Jewellery Manufacturer Sdn Bhd (formerly known as Precious Jewellery (PJ New Town) Sdn Bhd in 1984. A year later he was promoted to Production Supervisor and then to Assistant Managing Director in 1991.

In 1994, he set up the entire wholesale department to provide a wide range of products to all retail outlets under the umbrella of the Poh Kong Group. He made significant improvements to the techniques used in the production of gold ornaments and the setting of precious/semi-precious stones. He was also responsible for the Production, Marketing and Human Resource Departments. He holds directorships in other companies within the Group.

His spouse Madam Wong Lai Meng is a shareholder of the Company. His siblings, Dato' Choon Yee Seiong, Madam Choon Nee Siew, Dato' Choon Yoke Ying, Encik Mohd Annuar Choon Bin Abdullah, Madam Choon Wan Joo and Madam Choon Ching Yih are shareholders. His brothers-in-law Mr Siow Der Ming, Mr Chang Kwong Him and sister-in-law Datin Hon Wee Fong are also shareholders.

He has attended three (3) out of four (4) Board meetings held during the financial period.

He has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

DATIN HON WEE FONG Executive Director since 11 April 2014

Nationality :

Malaysian

Age :

60

Gender :

Female

BOARD COMMITTEE MEMBERSHIP

OTHER LISTED DIRECTORSHIPS

**OTHER NON-LISTED
DIRECTORSHIPS**

- Choon Yee Seiong Sdn Bhd

During her 39 years in the jewellery business, Datin Hon has built up deep industry understanding and proven financial management experience. She joined Poh Kong Jewellers in 1980 as a partner and was appointed Finance Director of Poh Kong Jewellers Sdn Bhd in 1993. She is known for her financial stewardship, being primarily responsible for treasury, finance and administrative matters of the Company.

Datin Hon is a Director of other companies within the Group. She is also a substantial shareholder and a Director of Choon Yee Seiong Sdn Bhd, an investment holding company.

She is the spouse of Dato' Choon Yee Seiong and the sister-in-law of Madam Choon Nee Siew, Dato' Choon Yoke Ying, Madam Choon Wan Joo and Choon Ching Yih; brother in law of Encik Annuar Choon Bin Abdullah, Mr Choon Yee Bin, Mr Siow Der Ming and Mr Chang Kwong Him, who are shareholders. Her son Mr Choon King Han and daughters, Ms Choon Ee Ling and Ms Choon Ee Teng are also shareholders of the Company.

She has attended all the four (4) Board meetings held during the financial period.

She has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

**ENCIK
FAZRIN AZWAR
BIN MD NOR**

**Independent Non Executive
Director since
13 January 2004.
Senior Independent Director since
11 January 2019**

Qualification :

Advocate and Solicitor

Nationality :

Malaysian

Age :

54

Gender :

Male

BOARD COMMITTEE MEMBERSHIP

- Risk Management Committee (Chair)
- Nomination Committee (Chair)
- Audit Committee
- Remuneration Committee

OTHER LISTED DIRECTORSHIPS

- Benalec Holdings Berhad
- Mercury Industries Berhad
- Tong Herr Resources Berhad

**OTHER NON-LISTED
DIRECTORSHIPS**

- Kuchinta Holdings Sdn Bhd
- Times Offset (M) Sdn Bhd
- Optic Marine Services Sdn Bhd
- Creos (M) Sdn Bhd
- Smart Meters Technologies (M) Sdn
Bhd

MEMBERSHIPS

- Malaysian BAR
- Malaysian Institute of Directors
- Institute of Internal Auditors, Malaysia

Encik Fazrin Azwar Bin Md Nor, was first appointed to the Board of Directors of PKHB as a Non-Independent Non-Executive Director on 13 January 2004. He was later re-designated as an Independent Non-Executive Director in 2005.

An advocate and solicitor, Encik Fazrin Azwar was called to the Malaysian BAR in 1991 following his graduation with a Bachelor of Laws (LLB) Honours from University of Malaya in 1990. He is currently the Managing Partner of Messrs Azwar & Associates.

He does not have any conflict of interest with the Company nor has he any family relationship with any other Directors and/or major shareholders of the Company.

He has attended all the five (5) Board meetings held during the financial period.

He has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.



Profile of Board of Directors

DATO' ESTHER TAN CHOON HWA

**Independent Non-Executive
Director since
11 April 2014**

Qualification :

Partner- Assurance

Nationality :

Malaysian

Age :

70

Gender :

Female

BOARD COMMITTEE MEMBERSHIP

- Audit Committee (Chair)
- Risk Management Committee
- Nomination Committee
- Remuneration Committee

OTHER DIRECTORSHIPS

- M K Land Holdings Berhad
- Minda Global Berhad

**OTHER NON-LISTED
DIRECTORSHIPS**

- GEP Tax Services Sdn Bhd
- Perangsang Images (M) Sdn Bhd

MEMBERSHIPS

- Institute of Chartered Accountants in England and Wales, Fellow Member
- Malaysian Institute of Accountants, Member
- Chartered Tax Institute of Malaysia, Fellow Member

Dato' Esther Tan Choon Hwa was first appointed to the Board of Directors of PKHB as an Independent Non-Executive Director on 11 April 2014.

Dato' Esther graduated in London as a Chartered accountant with Grant Thornton and worked at Kingston Smith & Co before returning to Kuala Lumpur where she worked in various industries and organisations until she set up her own practice.

After the merger of her office, the practice changed its name to GEP Associates. GEP is a member firm of AGN International, an international organization headquartered in London. In 2008 and 2009, Dato' Esther became the first lady Chairperson of AGN International and the first person from the Asia Pacific to lead the organization. To date, she remains an active Board member of the Asia Pacific arm and a Partner of her firm.

Her vast experiences and exposures to the industries audited by her firm include Public Listed Companies, multinationals, SMEs and all kinds of industries, big and small.

In 2006, Dato' Esther was named "The woman Entrepreneur of the year (Finance)" by the National Association of Women Entrepreneurs Malaysia.

Dato' Esther does not have any conflict of interest with the Company nor has she any family relationship with any other Directors and/or major shareholders of the Company.

She has attended all the four (4) Board meetings held during the financial period.

She has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

**DATIN
SHIRLEY
YUE SHOU HOW**

**Independent Non-Executive
Director since
23 January 2009**

Nationality :

Malaysian

Age :

70

Gender :

Female

BOARD COMMITTEE MEMBERSHIP

- Remuneration Committee (Chair)
- Audit Committee
- Risk Management Committee
- Nomination Committee

OTHER LISTED DIRECTORSHIPS

**OTHER NON-LISTED
DIRECTORSHIPS**

- Olivest Engineering (M) Sdn Bhd
- Elbex Holdings Sdn Bhd

MEMBERSHIPS

- Malaysian Institute of Management
- Institute of International Auditors,
Malaysia

Datin Shirley Yue Shou How has 27 years' experience in retail, business development and consulting in the local and international luxury fashion industry, as well as the investment banking industry.

She was Managing Director/General Manager of Fine Lines, a company dealing with imported women's apparel and high-end bespoke creations, from 1985 to 1993. She then served as Investment Advisor with Credit Lyonnaise Securities (Asia) Ltd from 1993 to 1998 and was an Investment Banker at Salomon Smith Barney and Citibank Singapore from 2000 to 2003. She was the Boutique Manager for Chopard, Pavilion in Kuala Lumpur from 2007 to 2008.

Datin Yue holds a Graduate Diploma in Business Administration (post graduate degree) from the University of Western Sydney, Australia.

She has attended all the four (4) Board meetings held during the financial period.

She has not been convicted for any offences, other than traffic offences (if any) within the past five (5) years nor receive any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.



Profile of Key Senior Management

ENCIK MOHD ANNUAR CHOON BIN ABDULLAH

**Key Senior Management of Group
(Director of Subsidiaries)**

Nationality :

Malaysian

Age :

62

Gender :

Male

BOARD COMMITTEE MEMBERSHIP

- Executive Committee

OTHER LISTED DIRECTORSHIPS

**OTHER NON-LISTED
DIRECTORSHIPS**

MR CHANG KWONG HIM

**Key Senior Management of Group
(Director of Subsidiaries)**

Nationality :

Malaysian

Age :

70

Gender :

Male

BOARD COMMITTEE MEMBERSHIP

- Executive Committee

OTHER LISTED DIRECTORSHIPS

**OTHER NON-LISTED
DIRECTORSHIPS**

- Chang Kam Yee & Sons Sdn Bhd
- Ketyoh Sdn Bhd
- Rancang Duta Sdn Bhd
- Superior Valve Development Sdn Bhd
- Pakatan Ladang Mulia Sdn Bhd
- Etomo Sdn Bhd
- Julang Hormat Sdn Bhd
- Jungmax Property Sdn Bhd

Encik Mohd Annuar Choon bin Abdullah joined PKJ in 1977 and in 1984, he became a Sales Representative in the PKJ outlet in SS2 Sdn Bhd. In 1985, he was appointed Managing Director of PKJ (Great Wall) Sdn Bhd in Klang.

He manages the daily operations of several retail outlets including those in AEON Bukit Tinggi, AEON Shah Alam, AEON Anggun Rawang Shopping Centre, AEON Sri Manjung, Sungai Buloh Complex, Queensbay Mall Penang, and AEON Mall, Bukit Mertajam. He also holds directorships of several other companies within the Group.

Mr Chang Kwong Him joined Chang Kam Yee Sawmill in 1969 as Factory Manager. In 1982, he became a Director of PKJ (SS2) Sdn Bhd, then returned to Chang Kam Yee Sawmill as Factory Manager in 1985.

He was appointed Managing Director of PKJ (The Mall) Sdn Bhd in 1987 and manages several retail outlets namely Sunway Putra Mall, Kompleks Pernas Sogo and AEON Cheras Selatan Shopping Centre. He also holds directorships of other companies within the Group.

His spouse Madam Lee Ping Ping is a shareholder of the Company and siblings Dato' Choon Yee Seiong, Madam Choon Nee Siew, Dato' Choon Yoke Ying, Madam Choon Wan Joo, Mr Choon Yee Bin and Madam Choon Ching Yih are shareholders. His brothers-in-law Mr Siow Der Ming, Mr Chang Kwong Him and sister-in-law Datin Hon Wee Fong are also shareholders of the Company.

He is the spouse of Dato' Choon Yoke Ying whose siblings Dato' Choon Yee Seiong, Madam Choon Nee Siew, Encik Mohd Annuar Choon Bin Abdullah, Madam Choon Wan Joo, Mr Choon Yee Bin and Madam Choon Ching Yih are shareholders of the Company. He is also the brother-in-law of Mr Siow Der Ming and sister-in-law of Datin Hon Wee Fong who are also shareholders.

**MR
SIOW DER MING**

**Key Senior Management of Group
(Director of Subsidiaries)**

Nationality :

Malaysian

Age :

63

Gender :

Male

BOARD COMMITTEE MEMBERSHIP

- Executive Committee

OTHER LISTED DIRECTORSHIPS

**OTHER NON-LISTED
DIRECTORSHIPS**

MEMBERSHIPS

- Federation of Goldsmiths and Jewellers' Associations of Malaysia President (2014 - 2018), currently, Advisor FGJAM
- For Goldsmiths Association of KL, Selangor, Pahang and Negeri Sembilan, President (2010-2014)

Mr Siow Der Ming last served as Executive Director on the PKHB Board from 15 March 2012 to 27 January 2016. Previous to this, he was Executive Director of PKHB from 2004 to 2007.

Mr Siow graduated with a Bachelor of Science (Hons) degree majoring in chemistry from the University of Malaya in 1981. Soon after, he worked as a Chemist and Quality Control Executive with Kee Huat Industry Sdn Bhd in Shah Alam, a manufacturer of gas cookers and washing machines. In 1983, he left to join Metatrade Sdn Bhd as a Sales Marketing Executive responsible for the marketing of speciality and industrial chemicals. In 1986, he was promoted to Technical Manager at Metachem Sdn Bhd and was in charge of quality control, research and development in rubber chemicals.

He is a veteran in the jewellery industry with over 20 years' experience. He joined Poh Kong in 1989 and was appointed Managing Director of Poh Kong Jewellers (Maluri) Sdn Bhd.

In 2002, he was appointed Director of Poh Kong Jewellers (Franchise) Sdn Bhd in charge of the overall strategic management and operation of the Franchise Division. His main responsibility is managing daily operations at several retail outlets including AEON Maluri, Leisure Mall, Giant Kinrara and Sunway Velocity. He also holds directorships of other companies within the Poh Kong Group.

He was President of Federation of Goldsmith Association & Jewellers Association Malaysia (FGJAM) (2014 -2018).

He is currently Advisor of FGJAM.

He is the spouse of Madam Choon Wan Joo whose siblings Dato' Choon Yee Seiong, Madam Choon Nee Siew, Dato' Choon Yoke Ying, Encik Mohd Annuar Choon Bin Abdullah, Mr Choon Yee Bin and Madam Choon Ching Yih are shareholders of the Company. He is the brother-in-law of Mr Chang Kwong Him and sister-in-law of Datin Hon Wee Fong who are also shareholders.



Profile of Key Senior Management

DATO' CHOON YOKE YING

**Key Senior Management of Group
(Director of Subsidiaries)**

Nationality :

Malaysian

Age :

63

Gender :

Female

BOARD COMMITTEE MEMBERSHIP

- Executive Committee

OTHER LISTED DIRECTORSHIPS

**OTHER NON-LISTED
DIRECTORSHIPS**

Dato' Choon Yoke Ying last served as Executive Director of PKHB from 2008 to 2011 and from 2016 to 2018 She is the Assistant Managing Director of Poh Kong Jewellers Sdn Bhd.

She began her career in the gold jewellery industry in 1977 when she joined PKJ as a retail Sales Representative. In 1979, she became a Partner in PKJ and was appointed a Director of PKJ in 1993.

She is currently responsible for marketing and merchandising for the Group as well as for research and development. She attends trade fairs regularly to keep up-to-date on the latest technology, development and trends in the jewellery industry.

She is also a Director of various companies within the Group.

Dato' Choon Yoke Ying is the spouse of Mr Chang Kwong Him. Her siblings Dato' Choon Yee Seiong, Madam Choon Nee Siew, Encik Mohd Annuar Choon Bin Abdullah, Madam Choon Wan Joo, Mr Choon Yee Bin and Madam Choon Ching Yih are shareholders of the Company. Her brother-in-law Mr Siow Der Ming and sister-in-law Datin Hon Wee Fong are also shareholders.

MADAM CHOON WAN JOO

Key Senior Management of Group (Director of Subsidiaries)

Nationality :

Malaysian

Age :

58

Gender :

Female

BOARD COMMITTEE MEMBERSHIP

- Executive Committee

OTHER LISTED DIRECTORSHIPS

OTHER NON-LISTED DIRECTORSHIPS

Madam Choon Wan Joo previously served as Executive Director of PKHB from 2008 to 2011 and from 2016 to 2018.

She has been the Managing Director of Poh Kong Jewellery Manufacturer Sdn Bhd (PKJM) since 1991, overseeing the company's daily operations and decision making policies.

Madam Choon Wan Joo began her career in the gold jewellery industry in 1980 when she joined Precious Jewellery Sdn Bhd (Precious) as a retail Sales Representative. In 1981, she was promoted to Production Supervisor cum Designer and remained with the company until 1990. She set up the manufacturing plant and successfully steered its growth into a fully operational facility with a workforce strength of about 140.

She participates in trade exhibitions to keep abreast of the latest trends in product design and development and advanced manufacturing technologies. She oversees production, quality control, manufacturing techniques, marketing, design and administration. Her responsibilities also cover human resources, accounts and finance functions of the manufacturing facility. Madam Choon also heads the Group's research and development team and provides support in new product development and enhancing the manufacturing capabilities of the Group.

She is a Director of several other companies within the Group.

She is the spouse of Mr Siow Der Ming and her siblings Dato' Choon Yee Seiong, Madam Choon Nee Siew, Dato' Choon Yoke Ying, Encik Mohd Annuar Choon Bin Abdullah, Mr Choon Yee Bin and Madam Choon Ching Yih are shareholders of the Company. Her brother-in-law Mr Chang Kwong Him and sister-in-law Datin Hon Wee Fong are also shareholders.





Sustainability Drives Our Business

We believe sustainability is essential for the success and well-being of our business, our customers, stakeholders and the community. It is therefore embedded in every aspect of our economic, environmental and social performance.



Nurturing Our People

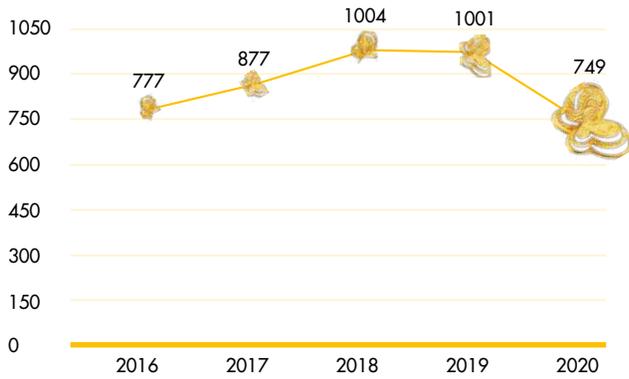
Our people are the backbone of our company. They work in concert to keep us in a leadership position with their drive, energy and creativity. We are committed to helping them become their best selves.

5-Year Group Financial Highlights

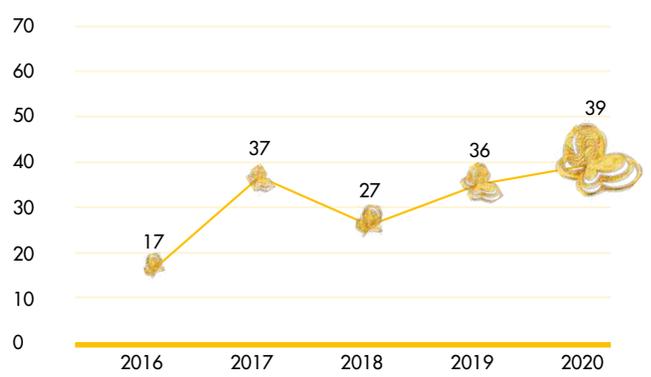
Although our business faces unprecedented challenges, we are encouraged by the economic forecast for Malaysia. The economy is predicted to rebound to between 5.5% to 8% in 2021.

FYE 31 JULY (RM'000)	2016	2017	2018	2019	2020
Revenue	776,533	876,996	1,003,522	1,000,514	748,802
Profit before tax	17,480	37,485	26,885	36,450	38,976
Income tax expense	(6,473)	(7,957)	(3,484)	(11,176)	(14,542)
Profit for the financial year	11,007	29,528	23,401	25,274	24,434
Profit after tax attributable to owners of the Company (RM'000)	11,007	29,528	23,401	25,274	24,434
Total equity (RM'000)	461,678	504,045	523,343	550,716	570,225
Basic earnings per share (sen)	2.68	7.20	5.70	6.16	5.95
Net dividend per share (sen)	1.00	1.00	1.00	1.20	1.20
Gearing ratio	0.30	0.22	0.24	0.28	0.25

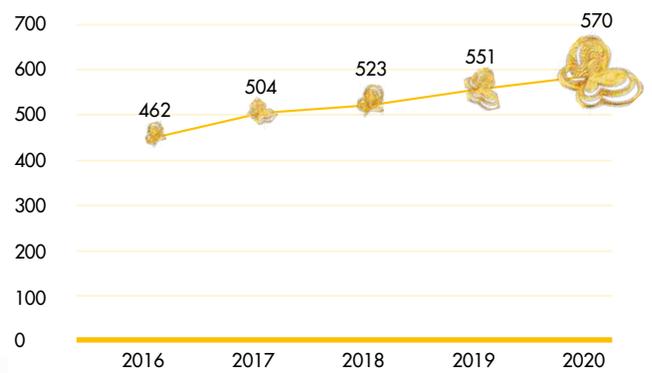
REVENUE
(RM'MILLION)



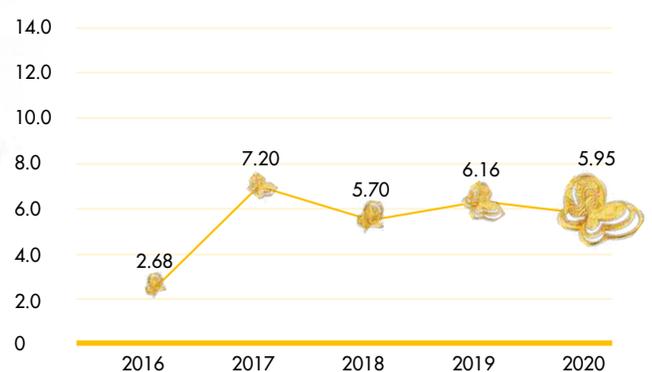
PROFIT BEFORE TAX
(RM'MILLION)



TOTAL EQUITY
(RM'MILLION)



BASIC EARNING PER SHARE
(SEN)



Chairman's Statement

Dear Valued Shareholders

On behalf of the Board of Directors ("Board") of Poh Kong Holdings Berhad ("PKHB" or "the Company" or "Poh Kong"), I am pleased to present the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 July 2020 ("FYE 2020").

The year in review

Malaysia, like the rest of the globe, faced one of the most daunting challenges with the disruptions created by the COVID-19 pandemic. Since 18 March 2020, Malaysia implemented various levels of Movement Control Orders ("MCO") to manage and contain the spread of the disease. This meant that the Group had to quickly re-strategise and change our immediate and near-term outlook of the impact the pandemic would have on our business operations.

Despite the unforeseen changes, the retail side of Poh Kong's business remains viable and its prospects good. Primarily, two factors helped mitigate the adverse impacts. Firstly, gold prices gathered momentum during the year, and reached an all-time high since 2011. Secondly, Bank Negara Malaysia's decision to cut the Overnight Policy Rate ("OPR") resulted in interest rates falling, driving people and institutions to invest in other products; gold was often the preferred choice. As a result, the Group managed to ride the crest of the COVID-19 wave, recording a profit despite the fall in revenue.

Financial performance

The Group registered a revenue of RM748.80 million as against RM1 billion in FYE 2019. The decrease of RM251.71 million or 25.16% was mainly due to the severe impact of COVID-19 and weak market sentiment.

Profit after tax was RM24.43 million in FYE2020 compared to RM25.27 million in the preceding year. Net profit dropped by 3.33% or RM0.84 million.

The Group's net assets stood at RM570.23 million as compared to RM550.72 million the previous year.

Dividend

The Board of Directors recommend a first and final Single-Tier Dividend of 1.20 sen per ordinary share in respect of FYE 2020 for shareholders' approval at the forthcoming Annual General Meeting.

Sustainability Statement

This is the second year of our sustainability report and we continue to roll out Group-wide measures including recycling, re-purposing, and reducing energy consumption, and embedding a sustainability mindset among all our staff, employees, vendors and other business associates. The Group's Sustainability Statement is set out in pages 46 to 52.

Business Prospects

Although our business faces unprecedented challenges, we are encouraged by the economic forecast for Malaysia. The economy is predicted to rebound to between 5.5% to 8% in 2021. This will impact positively on the Group's operations. This outlook is underpinned by the positive key indicators, particularly in the wholesale and retail trade. Although recovery will be gradual, according to Bank Negara, consumption and investment activity is projected to benefit from the wide range of measures in the fiscal stimulus packages and low interest environment.

Despite the current bleak economic outlook, PKHB's shares have continued to shine. This has resulted in the company being valued at RM322 million as at 31 July 2020 as compared to RM203 million the previous year. This surge in our share prices can be attributed to the current enthusiasm for gold bullion, as prices for

this precious metal has been rising. Gold prices have risen from USD1,431 per ounce on 31 July 2019 to a high of USD 1,971 in 30 July 2020.

In some ways adverse economic conditions and low interest rates have worked to our advantage as investments have fled from other stock into companies such as PKHB. This trend is expected to continue well into 2021 as gold is regarded as a safe haven at a time of great uncertainty. PKHB will continue to build on its strengths to craft a sustainable future for the Group.

The Group's products include gold bars, bullion, wafers and coins; a range of gold, white and rose gold, diamonds, pearls, jade and fine jewellery. We have observed that Poh Kong's customers are buying a combination of gold jewellery and gold investment products. We will continue to lean into this trend and build on our already wide spectrum of products and services.

The MCO interrupted our business operations especially from March 18 to May 3 2020. However, with the relaxing of the MCO, business has been picking up steadily. We have also seen an upsurge in our online retail business. With the updating and contemporising of our website we see a strengthening in our e-business sales.

For the near term, we have put in place several measures to streamline PKHB's business operations. By consolidating non-performing stores and focussing on outlets in high growth potential areas we aim to continue being prudent in the way we manage our business. Inventory management and cost control are set to further improve the group's efficiency and lift profits.

Moving forward, we will take as many pragmatic mitigating measures as needed to manage the peaks and troughs of our business. These will include analysing sales and inventory data, understanding customer flows and spending behaviour, creating flexible and optimum staffing arrangements as well as stringent control and monitoring of cash flow forecasts and projections on business operations.

Barring unforeseen circumstances, the Board of Directors is confident that the Group has put in place solid measures to meet the challenges ahead for FYE 2021.

Acknowledgments

I would like to express my sincere appreciation to all our shareholders, customers, strategic partners, financiers, suppliers, Government and regulatory authorities for their continued support and assistance to the Group. I would also like to acknowledge the contributions of my fellow Board members. They gave of their time, talent and wisdom which helped steer the Group through a turbulent business climate. To my Management Team and Staff, I would like to put on record that with your commitment to the task at hand, your vigilance and care in carrying out your duties, and by keeping a close eye on the Group's business objectives, we have in fact managed to keep our promise of delivering value to all our stakeholders.

Dato Choon Yee Seiong
Executive Chairman and
Group Managing Director

Date : 24 November 2020

Penyata Pengerusi

Pemegang-pemegang Saham Yang Dihormati

Bagi pihak Lembaga Pengarah ("Lembaga") Poh Kong Holdings Berhad ("PKHB" atau "Syarikat" atau "Poh Kong"), saya dengan sukacitanya mengemukakan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat dan Anak-anak Syarikatnya ("Kumpulan") bagi tahun kewangan berakhir 31 Julai 2020 ("FYE 2020").

Tahun di bawah kajian

Malaysia, seperti juga di lain-lain negara dalam dunia ini menghadapi salah satu cabaran yang paling getir dengan gangguan yang tercipta oleh pandemik COVID-19. Sejak 18 Mac 2020, Malaysia melaksanakan pelbagai peringkat Perintah Kawalan Pergerakan Pergerakan ("PKP") untuk mengurus dan membendung penebaran. Ini bermakna bahawa Kumpulan terpaksa dengan pantas menstrategi semula dan mengubah padangan serta-merta dan jangka masa terdekat tentang kesan pandemik yang akan ada ke atas operasi perniagaan kami.

Di sebalik cabaran di luar dugaan, bahagian runcit perniagaan Poh Kong kekal berdaya maju dan prospeknya baik. Secara utamanya, dua faktor membantu mengurangkan kesan buruk. Pertama, harga emas mengalami momentum menaik dalam tahun, dan mencapai harga tertinggi sejak 2011. Kedua, keputusan Bank Negara Malaysia untuk menurunkan Kadar Polisi Semalaman ("OPR") mengakibatkan kadar faedah jatuh, mendorong orang ramai dan institusi untuk melabur dalam lain-lain produk; emas kerap menjadi pilihan yang digemari. Akibat daripadanya, Kumpulan berjaya mengatasi kemuncak gelombang COVID-19, merekodkan keuntungan di sebalik kejatuhan dalam hasil.

Prestasi Kewangan

Kumpulan mencatat hasil sebanyak RM748.80 juta berbanding RM1 bilion pada FYE 2019. Penurunan sebanyak RM251.71 juta atau 25.16% adalah terutamanya akibat daripada kesan teruk COVID-19 dan sentimen pasaran yang lemah.

Keuntungan selepas cukai adalah RM24.43 juta pada FYE2020 berbanding dengan RM25.27 juta dalam tahun sebelumnya. Keuntungan bersih jatuh sebanyak 3.33% atau RM0.84 juta.

Aset bersih Kumpulan berada pada RM570.23 juta berbanding dengan RM550.72 juta pada tahun sebelumnya.

Dividen

Lembaga Pengarah mengesyorkan Dividen Satu-Tier pertama dan akhir sebanyak 1.20 sen setiap saham biasa berhubung dengan FYE 2020 bagi kelulusan pemegang-pemegang saham pada Mesyuarat Agung Tahunan akan datang.

Penyata Kelestarian

Ini adalah tahun kedua laporan kelestarian kami dan kami secara berterusan melancar langkah-langkah seluruh Kumpulan termasuk kitar semula, perancangan semula, dan mengurangkan penggunaan tenaga, dan menanam corak pemikiran kelestarian di kalangan pekerja, kakitangan, penjual dan lain-lain sekutu perniagaan. Penyata Kelestarian Kumpulan dikemukakan pada muka surat 46 hingga 52.

Prospek Perniagaan

Walaupun perniagaan kami menghadapi cabaran-cabaran yang belum pernah berlaku sebelum ini, kami mendapat galakan daripada ramalan ekonomi bagi Malaysia. Ekonomi diramal akan pulih di antara 5.5% hingga 8% pada 2021. Ini akan memberi kesan positif ke atas operasi Kumpulan. Pandangan ini disokong oleh petunjuk utama positif, khususnya dalam perdagangan jualan borong dan runcit. Walaupun pemulihan akan menjadi perlahan-lahan, mengikut Bank Negara, aktiviti penggunaan dan pelabur diunjur akan mendapat manfaat daripada rangkaian meluas langkah-langkah dalam pakej rangsangan fiskal dan persekitaran faedah rendah.

Di sebalik pandangan ekonomi malap pada masa ini, saham-saham PKHB terus cemerlang. Ini telah mengakibatkan syarikat dinilai pada RM322 juta pada 31 Julai 2020 berbanding dengan RM203 juta pada tahun lepas. Lonjakan dalam harga saham kami boleh dikatakan berpunca daripada kehairahan semasa bagi jongsong emas, memandangkan harga bagi logam berharga ini telah meningkat. Harga emas telah meningkat daripada USD1,431. setiap auns pada 31 Julai 2019 kepada setinggi USD 1,971 pada 30 Julai 2020.

Dalam beberapa cara keadaan ekonomi kurang baik dan kadar faedah yang rendah telah memberi kami kelebihan apabila pelaburan telah beralih daripada apabala pelaburan telah beralih daripada lain-lain stok kepada syarikat seperti PKHB. Trend ini dijangka akan berterusan sehingga 2021 memandangkan emas dianggap syurga yang selamat pada masa-masa yang amat tidak menentu. PKHB akan terus membina kekuatannya untuk mengukir masa depan yang mapan bagi Kumpulan.

Produk Kumpulan termasuk jongsong, bulion, wafer dan syiling emas; rangkaian emas kuning, emas putih dan ros, berlian, mutiara, jed dan barang kemas halus. Kami telah perhatikan bahawa pelanggan Poh Kong membeli kombinasi barang kemas emas dan produk pelaburan emas. Kami akan terus bersandar kepada trend ini dan membina spektrum produk dan perkhidmatan yang sudah pun meluas.

PKP mengganggu operasi perniagaan kami terutamanya dari 18 Mac hingga 3 Mei 2020. Walau bagaimanapun, dengan pelonggaran PKP, perniagaan mula meningkat secara stabil. Kami juga telah menyaksi lonjakan dalam perniagaan runcit dalam talian. Dengan mengemas kini dan mengkontemporariskan laman web kami, kami menyaksikan pengukuhan dalam jualan e-niaga kami.

Bagi tempoh terdekat, kami telah menyediakan beberapa langkah untuk mensejajarkan operasi perniagaan PKHB. Dengan menyatukan kedai yang operasinya kurang memuaskan dan menumpu ke atas kedai di kawasan berpotensi pertumbuhan tinggi kami berhasrat untuk terus berhemah dalam cara kami menguruskan perniagaan kami. Pengurusan inventori dan kawalan kos bersedia untuk meningkatkan lagi kecekapan kumpulan dan menambah keuntungan.

Maju ke hadapan, kami akan mengambil sebanyak mungkin langkah peringanan pragmatik sebagaimana diperlukan untuk mengurus kemuncakan dan penurunan perniagaan kami. Ini akan termasuk menganalisis data jualan dan inventori, memahami aliran pelanggan dan tabiat perbelanjaan mereka, mencipta

pengaturan kakitangan yang fleksibel dan optimum serta juga kawalan ketat dan mengawasi ramalan dan unjuran aliran tunai ke atas operasi perniagaan.

Dalam ketiadaan keadaan di luar jangkaan, Lembaga Pengarah yakin bahawa Kumpulan telah menyediakan langkah-langkah yang kukuh untuk memenuhi cabaran masa hadapan bagi FYE 2021.

Pengiktirafan

Saya ingin merakamkan ucapan terima kasih yang tidak terhingga saya kepada pemegang-pemegang saham, pelanggan-pelanggan, rakan-rakan strategik, pembiaya, pembekal, pihak-pihak berkuasa Kerajaan dan berperaturan bagi sokongan dan bantuan berterusan kepada Kumpulan. Saya juga ingin menyampaikan penghargaan saya kepada ahli-ahli felo Lembaga saya. Mereka menyumbang masa, bakat dan kebijaksanaan mereka yang membantu mengemudi Kumpulan mengharungi suasana perniagaan yang bergelora. Kepada Pasukan Pengurusan dan Kakitangan saya, saya ingin merakamkan, bahawa dengan komitmen anda dalam mengendalikan tugas anda, kewaspadaan dan keprihaninan anda dalam menjalankan tugas-tugas anda, dan dengan memberi perhatian penuh ke atas objektif perniagaan Kumpulan, kita telah sebenarnya berjaya memenuhi janji kita untuk memberi nilai kepada semua pemegang pelbagai kepentingan kami.

Dato Choon Yee Seiong
Pengerusi Eksekutif dan
Pengarah Urusan Kumpulan

Tarikh : 24 November 2020

主席报告

致尊敬的股东，

我谨代表宝光控股有限公司(“PKHB”或“本公司”或“宝光”)董事会(“董事会”)欣然提呈本公司及各子公司(“本集团”)截至2020年7月31日之财政年(“2020财政年”)的年度报告和已审计财务报告。

受检讨的年度

与全球各国一样，马来西亚无法倖免于新冠肺炎大流行所造成的破坏及面对其中一个最艰辛的挑战。自2020年3月18日以来，马来西亚实施了各等级的行动管制令(“MCO”)，以控制和抑制疫情的散播。这意味着本集团必须迅速重新制定策略和调整我们针对这场大流行可能对本公司业务运营之影响的近期和短期展望。

尽管面对这些不可预见的变化，宝光的零售业务如常运营和前景良好。这主要是因为有两个因素有助于减轻各项不利冲击。首先，黄金价格在本年度冲劲十足，并涨至2011年以来的历史新高。其次是马来西亚中央银行降低隔夜政策利率(“OPR”)的决定导致利率走低，而鼓舞人们和机构投资于其他产品；黄金通常是首选。因此，尽管营业额降低，本集团依然成功在新冠肺炎疫情肆虐之际取得盈利。

集团财务表现

本集团取得RM7亿4千8百80万的营业额，2019财政年则是RM10亿。营业额减少RM2亿5千1百71万或25.16%，主要是因为新冠肺炎造成严重打击和市场购兴不强。

2020财政年的扣税后盈利为RM2千4百43万，相较于前一年的RM2千5百27万。净盈利则降低了3.33%或RM84万。

本集团的净资产企稳于RM5亿7千零23万，相较于前一年的RM5亿5千零72万。



股息

董事会建议在2020财政年派发每一普通股1.20分的首期和终期单层次股息，并须在来临的股东年度大会上获得股东通过。

永续性声明

这是我们提呈永续性报告的第二年，我们将继续实施全集团的措施，包括再循环，重新利用，减少能源消耗，以及向我们的所有员工，雇员，供应商和其他来往商家灌输永续性的思维。本集团的永续性声明已列于第46至52页。

业务展望

尽管本公司的业务面对前所未有的挑战，马来西亚的经济预测令我们感到鼓舞。我国经济预测可在2021年回弹5.5%至8%之间。这项回弹对本集团的运营具有正面的影响。这个展望是由积极的关键指标支撑，特别是在批发和零售贸易的指标。尽管复苏将是渐进的，但是，据中央银行预测，消费和投资活动意料将因财政刺激配套和低利率环境等广泛措施而受惠。

尽管当下的经济展望黯淡，但宝光的股价依然继续走高。这使到截至2020年7月31日时本公司的市值达到RM3亿2千2百万，相较于前一年的RM2亿零3百万。本公司股价的飙升可归

功于当下人们对金条的购兴，而这种贵金属的价格一直在上涨。金价已从2019年7月31日的每安士1,431美元上涨至2020年7月30日每安士1,971美元的高位。

从不同角度看来，不利的经济状况和低利率环境反而对本公司有利，这是因为资金已从其他股项转移到宝光之类的公司。预料这种趋势将持续到2021年，因为黄金被视为高度不确定性时期的避风港。宝光控股有限公司将继续发挥本身的优势，为本集团打造一个永续的未来。

本集团的产品包括金条，金块，金片和金币；以及黄金，白金和玫瑰金，钻石，珍珠，玉石和高档珠宝等系列。根据我们的观察，除了黄金珠宝，宝光的顾客们也购买黄金投资产品。我们将继续配合这个潮流和增添本公司已经很广泛的产品和服务。

行动管制令对本公司的业务运营造成影响，尤其是在2020年3月18日至5月3日。然而，随着行动管制令的放宽，业务已稳健好转。我们也见证本公司零售业务的上扬。我们也通过更新和让网站与时并进而强化了本公司的电商销售额。

在短期内，我们已采取多项措施以精简宝光的业务运营。通过合并表现欠佳的分店和专注于具有高成长潜力地区的分

店，我们希望继续谨慎地管理本公司的业务。我们也注重库存管理和成本控制以进一步提升本集团的效率和增加盈利。

展望未来，我们将采取一些必需的务实缓解措施，以应对业务的高峰和低潮期。这将包括分析销售和库存数据，了解顾客流和消费行为，打造灵活和最佳的员工调遣安排，以及严格控制 and 监控现金流预测和业务运营预测。

若无出现不可预见的情况，董事会有信心本集团可在2021财政年部署好稳当的措施以应对未来的挑战。

鸣谢

我谨此衷心感谢本公司所有股东，顾客，策略伙伴，融资机构，供应商，政府和监管当局继续给予本集团支持和援助。我也要感谢各位董事。他们贡献了宝贵的时间，精力和智慧，以协助本集团克服动荡的营业环境。对于我们的管理层和员工们，我谨此感恩大家忠于职守，用心和谨慎地执行你们的职务，以及密切关注本集团的营业目标，实际上，我们已成功履行为本公司所有利益相关者创造价值的承诺。

拿督鍾义翔

执行主席兼集团董事经理
2020年11月24日

Management Discussion and Analysis

CORPORATE OVERVIEW

The logo for Poh Kong, featuring the words "POH KONG" in a bold, yellow, sans-serif font, with a registered trademark symbol (®) to the right. The logo is set against a white background with a light blue, watercolor-like border.

Poh Kong Holdings Berhad Or ("PKHB", "the Company" or "Poh Kong") is an investment holding company. Its subsidiaries ("the Group") are organized into an integrated one-stop jewellery business with operations in retailing and manufacturing of gold jewellery and related gold investment products. The retail and manufacturing operations are carried out through Poh Kong Jewellers Sdn Bhd, Poh Kong Bullion Sdn Bhd, Poh Kong Jewellery Manufacturer Sdn Bhd and Poh Kong Wholesale Sdn Bhd.

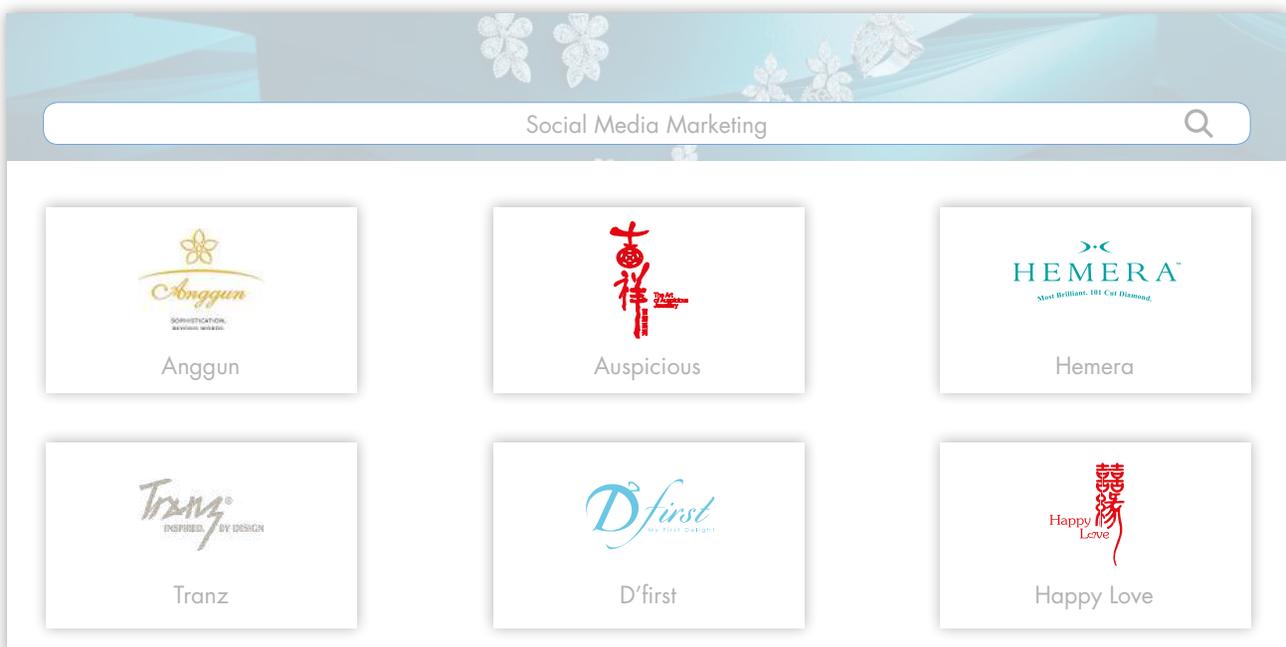
BUSINESS OVERVIEW

Poh Kong's success can be attributed to : driving force behind Poh Kong brand a comprehensive range of jewellery and gold products, reputation and market leadership, and its extensive retail network. It aims to sustain its leadership position in gold jewellery which has been the major contributor to its revenue, and to increase market share in the gemstones segment, particularly the diamond category.

During the year, the Group continued to strengthen its lead in the retail of yellow gold jewellery. Its broad range of exclusive in-house brands such as Anggun, Tranz, Auspicious and Happy Love, Disney and Miss Petite, as well as its Hemera and D'first diamond collections, found a loyal following among existing and new customers.

In a challenging market environment, the Group remained focused on building Poh Kong into a bigger and more powerful brand. Its initiatives and strategies for growth and greater customer loyalty gained momentum. It extended customer engagement and experience, offering greater accessibility through more efficient social media marketing.

In its efforts to step up its market share in the diamond category, the Group introduced a special upgrade scheme for customers. It also initiated special promotional events at selective outlets to showcase its range of jade and gemset jewellery.



Exclusive and Comprehensive Product Range

The Group's extensive range of jewellery includes gold, diamonds, jade, pearls and coloured gemstones to meet wide customer tastes and preferences.

Inhouse designers and craftsmen produce jewellery that is made available exclusively at Poh Kong's retail outlets. These are manufactured at its Shah Alam plant while the rest is sourced from approved external suppliers.

Poh Kong's team of designers, merchandisers and marketing specialists has a firm finger on the pulse of Malaysia's unique multi-ethnic and multi-generational market. It has an in-depth understanding of local tastes and preferences and keeps continuously focused on staying abreast with the latest jewellery trends and industry developments.

Reputation and Market Leadership

The importance of reputation is a key parameter for success in Malaysia's highly competitive jewellery industry. Over its 44 years, Poh Kong has built an enviable track record and established a nationwide retail footprint. The Group as well as the Executive Chairman have won numerous awards for outstanding and visionary leadership and the development of the retail chain industry.

The Group's reputation as a leading jeweller is reflected in the top sales revenue published for local public-listed jewellery companies in Malaysia.

Manufacturing

The Group established its manufacturing facility in 2001. This RM28 million plant brings the Group a strong competitive advantage in respect of quality control, design excellence, cost control and sustainable production. Its precision technology equipment is capable of mass produced designs as well as bespoke jewellery.

Ongoing measures to upgrade technology, machinery and IT systems are seen as strategic investments to maintain product excellence.

A dedicated floor for training purposes within this 4,000 sq ft facility, ensures that all employees have easy and convenient access to training and development that upgrades skills, builds knowledge and creates a highly productive and efficient workforce.



Management Discussion and Analysis

Retail

An incisive retail strategy underpins the Group's success in building enduring relationships with its customers and other stakeholders. Considerable attention and resources are invested into creating lasting impressions in an effort to make Poh Kong Malaysia's most loved and visited jewellery store.

Staff are trained to remain responsive to customer needs and develop a sensitivity to customers' needs and preferences. By building on their knowledge and skills, staff are able to communicate effectively about our products and services. Feedback from point of sale staff provides valuable inputs on which we can base our continuous improvement initiatives.

We have also put in place convenient operating hours, payment options and loyalty programmes.

During the year under review, the Covid 19 pandemic disrupted the way we live and socialise. Since 18 March 2020, Malaysia instituted various levels of Movement Control Orders to manage and contain the spread of the disease. This meant that our point-of-sales outlets, our promotional events and marketing initiatives were seriously curtailed. Weddings and other special events were either put on the back burner or carried out via virtual platforms.

In an effort to consolidate and streamline its business operations, the Group made a strategic decision to rationalize operations by closing down some of its retail outlets. However, the strength of our brand prompted landlords into giving us rental rebates to retain the Poh Kong presence, which impacted positively on our bottom line.



**Poh Kong Gallery
@ Pavilion KL Full Revamp.**



**Aeon Maluri Relocation to
1st Floor.**

Retail (Cont'd)

RETAIL STORES

Poh Kong's Outlets by Locations as at 31 July 2020

Locations	Number of Outlets
Selangor/ Kuala Lumpur	53
Johor	13
Malacca	4
Negeri Sembilan	5
Perak	8
Kedah	2
Pahang	3
Penang	3
Kelantan	2
Total	93

Poh Kong's retail concept stores nationwide occupy a total retail space of approximately 120,881 square feet. Retail outlets located within Kuala Lumpur and Selangor account for 57% of the total outlets and contributed 73% of the total revenue for FY 2020.

Going forward, Poh Kong will continue to adopt proactive business strategies and improved systems and processes to streamline its operations.

Marketing and Branding

Marketing plays a critical role in any business but at Poh Kong this has been taken to a level that has impacted both staff and customers very positively. Poh Kong's collections are extensively promoted through long-term brand building campaigns include advertising and promotion activities, road shows and ground events to reinforce the Poh Kong brand name in the marketplace.

In keeping with market trends, Poh Kong has adopted digital marketing to increase brand awareness, drive store visits and reinforce our brand image. It has created a strong online presence to tell a compelling brand story on both desktop and mobile. Its website topped the field in monthly visitors and recorded the highest traffic on mobile devices in Malaysia's jewellery and luxury product segment from July-Sep 2020 (SimilarWeb).

Management Discussion and Analysis

Marketing and Branding (Cont'd)



Poh Kong also actively engages with consumers via social media channels. as Poh Kong had started a series of Facebook Live videos to showcase its latest jewellery collections.

Online shopping has grown rapidly in Malaysia. Poh Kong's collections have been made available at the leading e-commerce sites including Lazada, and Shopee. Online sales grew by more than 23% during the year under review.



FINANCIAL REVIEW

The Group registered a revenue of RM748.80million for FYE 2020 as compared to RM1billion in FYE 2019 by sales volume.

The decrease in group revenue of RM251.71million or 25.16 % was mainly attributed to the severe impact of the COVID-19 pandemic and the resulting weaker consumer demand for gold jewellery. PKHB recorded a profit before tax of RM38.98 million in FYE 2020 compared to RM36.45 million in the preceding year. This was higher by RM2.53 million or 6.93%.

Profit for the financial year was RM24.43million for FYE 2020 compared to RM25.27 million in FYE 2019, representing a decrease of RM0.84million or 3.33%.

Going forward, PKHB remains optimistic about its prospects in the coming year. Investors will continue to be enamoured by gold and the demand for gold and gold jewellery (barring unforeseen circumstances) is expected to remain buoyant in the longer term.

While the higher gold prices have been a boost for the Company's profit, a weaker Ringgit affected the Group's operating profits during the financial year under review. However, the Company is determined to up the ante on its performance in the coming year. Gold jewellery is worn as an ornament and used also as a mode of investment. Malaysia's burgeoning middle class is expected to keep demand growing at a steady pace.

In 2021, gold prices will continue to rise as demand from Government vaults and central banks grow. Investment demand, especially from large ETFs (Exchange Trade Funds), is another factor that is expected to keep gold prices buoyant Consumer demand.

FINANCIAL SUMMARY

5-Year Group Financial Highlights (2016 – 2020)

FYE 31 JULY (RM'000)	2016	2017	2018	2019	2020
Revenue	776,533	876,996	1,003,522	1,000,514	748,802
Profit before tax	17,480	37,485	26,885	36,450	38,976
Income tax expense	(6,473)	(7,957)	(3,484)	(11,176)	(14,542)
Profit for the financial year	11,007	29,528	23,401	25,274	24,434
Basic earnings per share (sen)	2.68	7.20	5.70	6.16	5.95

The Group's financial profile is summarised below:

Profit Attributable to Owners of the Company/Earnings Per Share

	2020	2019
Average number of ordinary shares in issue (RM'million)	410.35	410.35
Profit attributable to owners of the Company (RM'million)	24.43	25.27
Basic earnings per share (sen)	5.95	6.16

The profit attributable to owners of the Company decreased by RM0.84 million or 3.33%.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)

	2020	2019
EBITDA (RM' million)	79.77	54.39

The Group's EBITDA increased by RM25.38 million or 46.66% as compared to the previous financial year was mainly due to the impact from adoption of MFRS16 *Leases*.

Financial Position

Property, plant and equipment (PPE)

	2020	2019
PPE (net carrying amount) (RM' million)	94.95	126.22

The Group's PPE decreased by RM31.27 million or 24.77% as compared to the previous financial year, due mainly to the adoption of MFRS16 *Leases*. The Group recognised the carrying amount of the leasehold land as right-of-use assets.

Management Discussion and Analysis

Cash and cash equivalents

	2020	2019
Cash and cash equivalents (RM' million)	33.15	28.01

The Group is in a healthy financial position with a cash reserve of RM33.15 million. The cash reserve was also attributable to the consolidation of unprofitable stores and stringent inventories management.

Gearing

	2020	2019
Total net debts (RM' million)	139.73	156.17
Total equity (RM' million)	570.23	550.72
Gearing ratio (times)	0.25	0.28

The cost control initiatives together with stringent inventories management resulted a decrease of RM16.44 million in its net debt level to RM139.73 million as at FYE 2020.

Consolidated Net Assets Per Share

	2020	2019
Share capital (RM' million)	205.18	205.18
Retained earnings (RM' million)	323.41	303.90
Revaluation reserve (RM' million)	41.64	41.64
Total Equity attributable to owners of the Company (RM' million)	570.23	550.72
Number of outstanding ordinary shares in issue (million)	410.35	410.35
Consolidated net assets per share attributable to owners of the Company (RM)	1.39	1.34

The increase in the equity attributable to owners of the Company was mainly due to increase in retained earnings as compared to the previous financial year.

RISKS MANAGEMENT AND MITIGATION

The Group faces numerous key risks that are generally related to business, financial, security and operational, as well as political, economic and regulatory issues. The management has developed plans and strategies to mitigate such risks.

BUSINESS & FINANCIAL RISKS

Competition Risk

The jewellery industry in Malaysia faces intense competition with approximately 3,500 jewellery retailers. This places significant pressure on the Group's business. However, the Group mitigates the competitive pressure with the following measures:-

- strengthening and reinforcing its reputation and market position
- offering a comprehensive product range
- creating an exclusive in-house product range
- maintaining an extensive distribution network
- operating a dedicated manufacturing plant to respond to changing market demands

Fluctuations in Gold Price 2019-2020.



Chart shows the 1 year gold prices.

Source: www.kitco.com



Management Discussion and Analysis



Chart shows the 5 year gold prices.

Source: www.kitco.com

As gold is a major raw material for the manufacturing of gold jewellery, the Group is exposed to volatility in global gold prices. Gold prices are affected by many factors and the precious metal is regarded as a safe haven to hedge against global uncertainties.

The changes in gold prices are passed on to the consumer at the point of purchase. In order to reduce the impact of gold price fluctuation on the margins, the Group exercises a natural hedge whereby it replenishes stocks as soon as they are sold.

Foreign Exchange Fluctuation 2019-2020

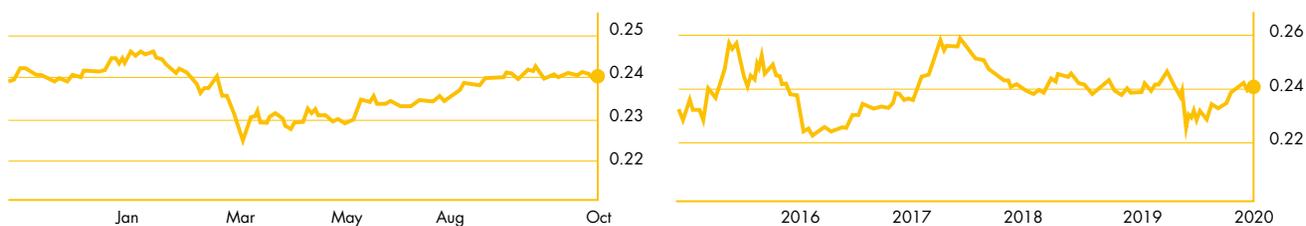


Chart shows foreign exchange for 5 years.

Source: www.bloomberg.com

The Ringgit depreciation against USD in the past year had a significant impact on the gold price in Ringgit terms. This is because purchases of raw materials such as gold bars, diamonds and loose stones are transacted in USD.

The Group has mitigated this with financial instruments in place to reduce the impact of foreign exchange fluctuations on its margins.

Security Risk

Security and operational risks involve the identification and assessment of risks to protect the Group's business' assets and inventories, mainly consisting of gold and gemstones from loss due to theft or robbery and other potential disasters.

The Group has taken preventive and precautionary measures by implementing security and surveillance measures – closed circuit television, grills on jewellery counters, security guard services, central monitoring system, strong rooms and safes, and insurance coverage of its assets.

The Company has invested in IT network security to strictly manage data processing and employees undergo training on data privacy in the processing of the customer personal data which can be considered as sensitive information under the Personal Data Protection Act 2010 (PDPA).

We have engaged legal consultants to guide us in formulating our human resources policy. Staff are continuously familiarised with requirements outlined in the Employment Handbook to protect the interests of both the Company and its employees.

Our ability to meet customers' needs and demand can be attributed to the review and audit of our Standard Operating Procedures ("SOP"), personal and skills development training, the upgrading of IT systems and infrastructure, that has ensured consistent and excellent customer service standards.

Economic and Regulatory Considerations

Poh Kong is also broadly exposed to adverse developments in the economic, business and consumer markets in a variety of risks. These range from economic cycles, consumer sentiments, rising cost-of-living, competition, proprietary rights against unauthorised third party copying, regulatory changes, such as compliance, labour shortage and approvals for financing of new ventures.

This is mitigated by the Group's constant surveillance and re-evaluation of its operations.

The AMLA (Anti-Money Laundering Act 2001) compliance, MACC (S17A Corporate Liability) compliance and other statutory compliances are regulatory changes that have been widely discussed in the public domain.

The Group is therefore diligent in working to enhance statutory and non-statutory compliance by implementing internal programmes, putting in place policies, procedures and controls to guard against any offence under AMLA. Programmes include employee training to enhance awareness and adopt digitalisation in its operations to improve compliance and internal controls.

IT Risk

The Group has invested in IT infrastructure and system in both hardware and software to meet operational challenges in the business environment.

Managing IT risks include updating anti-virus software and customer records, upgrading data servers, streamlining point-of-sales system for better customer experience and communication, updating accounting packages for efficient tracking of financials, updating human resources management systems (HRMS) and inventory system to streamline our supply chain management from ordering to replenishment of inventories and backup servers to ensure accuracy of records in the event of disruptions to its network.

Management Discussion and Analysis

IT Risk (Cont'd)

Our Disaster Recovery Centre is also in place to mitigate loss of data and ensure uninterrupted business continuity. The Group takes IT risks seriously and carries out regular testing and review of its IT system to ensure preparedness in such an unlikely event.

In the current age of information technology, various new risks have emerged through the use of social and digital media, and the management of current digital era risks has become critical. Therefore, the Group has put in place policies and procedures to mitigate these IT risks.

The Group manages its IT risk by regular change of passwords and periodical checking and monitoring of the effectiveness of the backups system.

Reputation Risk

Reputation risk is a threat or danger to the good name or standing of any business as a result of publicity that affects its image and reputation, reduces customer confidence in its products and patronage to its stores.

The Group sees reputational risk as a key priority and has taken preventive action to guard against adverse effects or damage, data loss or failure, product recall or boycott, social media backlash, including crisis and issues management.

It has engaged professionals for consultation and hired reputation management training experts including public relations, legal, personal data protection and safety risk specialists to ensure all customer information is managed on a strictly confidential basis.

DIVIDEND POLICY

The Group's dividend payout policy is to distribute a minimum of 10% of its annual net profit after income tax expense as dividends to shareholders, provided it would not be detrimental to its cash flow and business expansion.

The Board of Directors has recommended a first and final single-tier dividend of 1.20 sen per ordinary share in respect of FYE 2020 for shareholders' approval at the upcoming Annual General Meeting. (2019 : 1.20 sen single-tier dividend per ordinary share).

If approved, this would amount to a payout of RM4.92 million (2019 : RM4.92 million) that will allow shareholders to participate in the profits or approximately 20 % from the profit attributable to the owners of the Company.

Dividend Track Record

Financial Year	Profit After Tax (PAT) (RM'million)	Category Dividend	Dividend Distribution (RM'million)	% Dividend on Profit AfterTax(PAT)
2016	11.01	1.00 sen single-tier	4.10	37%
2017	29.53	1.00 sen single-tier	4.10	14%
2018	23.40	1.00 sen single-tier	4.10	18%
2019	25.27	1.20 sen single-tier	4.92	19%
2020	24.43	1.20 sen single-tier	4.92	20%

OUTLOOK & PROSPECTS

FORWARD LOOKING STATEMENT

Given the prevailing global conditions, the business environment will continue to present challenges well into the next financial year. According to Bank Negara, the Malaysian economy is expected to contract by 2% in 2021 on the back of the unexpected impacts on lives and livelihoods presented by the COVID-19 pandemic.

However, Poh Kong remains cautiously optimistic about our ability to improve our performance in FY 2021. Gold is seen as a strategic asset, outperforming many other asset classes. The World Gold Council (WGC) recommends a gold holding of between 2% and 10% to achieve a well-balanced and diversified investment portfolio.

Notwithstanding the volatility of gold price, the Group will continue to leverage its expertise and experience and prospect for new opportunities for business growth.

Prudent management, product excellence and customer-oriented marketing strategies will help the Group build on the positive momentum achieved to date.



Sustainability at Poh Kong

We believe sustainability is essential for the success and well-being of our business, our customers, employees and the community. It is embedded into everything we do and the ways in which we work to continually improve our economic, environmental and social performance. We remain fully committed to building a sustainable future on the back of the Group's strong track record and to continue creating long-term value for all our stakeholders.

Overall responsibility for the Group's Environmental, Social and Governance ("ESG") strategy and performance rests at the highest level with the Board of Directors. We have established an effective Sustainability Management System based on the internal and external environments as well as stakeholder needs. The system is supported by internal controls, risk management practices as well as clear accountability and reporting processes. This ensures the Board is kept updated in a meaningful and timely way on relevant changes and developments as and when necessary.



Environmental



Social



Governance

Reporting Period and Scope

This report covers the Company's sustainability efforts and initiatives between August 2019 and July 2020 (FY2020) unless otherwise specified. Our main purpose is to disclose the Group's economic, environmental and social performance during the reporting period. The report is prepared in accordance with the Global Reporting Initiative ("GRI") Standards.

Our Approach

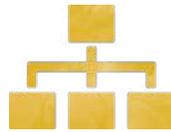
We take a holistic approach to operating a sustainable business that will continue to produce high quality products, build craftsmanship and creativity, and develop the capabilities of our employees. Our focus is on sustainability issues that are of the greatest importance to our business and its stakeholders. Our major stakeholder groups are employees, customers and suppliers.



Employees



Customers



Suppliers

In the previous financial year, the Group undertook a materiality assessment and identified key priorities based on inputs from stakeholders. The process was supported by an independent consultant and involved stakeholder consultations, workshops for senior management, an assessment of long-term global trends and an internal review of our business. These were mapped on a materiality matrix. The material ESG issues were reviewed by the Board and deemed to be relevant. We will review these issues annually to keep abreast of changes in the business environment, stakeholder opinions and evolving global and local trends.

Based on the materiality assessment, sustainability at Poh Kong focusses around five key areas: Governance, People, Quality & Service, Supply Chain and Environment.



Sustainability at Poh Kong

Governance



Poh Kong continually strives to strengthen its corporate governance system. The Board of Directors ensures the Group maintains a sound and transparent governance framework. The Audit Committee supports the Board and drives efforts towards effective regulatory compliance. At the operational level, the various business divisions and departments are responsible for consistently evaluating the adequacy and effectiveness of their risk management and mitigating measures.

Ethics & Compliance

We believe it is crucial to uphold the highest standards of ethics and corporate governance in order to operate a sustainable, successful business. Trust, honesty and integrity are the cornerstones of our company culture, and we expect our employees and business partners to uphold the highest ethical and professional standards.

Information Security

The trust of customers, employees and business partners is very important to us. All data provided to us is protected by an efficient and continually strengthened information security system in accordance with the Personal Data Protection Act 2010. To safeguard the privacy of our customers, we collect and maintain a minimal amount of their personal details. Even within the Group, customer data is released on strictly a need-to-know basis, and never without their prior consent. Relevant details of our privacy policy are available on our website.

Anti-Bribery and Corruption

We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations. This commitment is central to our approach to corporate responsibility. We monitor compliance and ensure awareness of the risks of violation across the Group.



Our people are our most valuable resource and drive our success. Poh Kong's employees represent diverse ethnic communities, and we are fully committed to providing them with a supportive and dynamic work environment, and giving them a sense of belonging to the Group. As a result, more than 66% of our staff have been with the Group for over 6 years and above.

Labour Practices

The Group prioritises employment practices that are fair, non-discriminatory and merit-based. We uphold human rights, offer competitive remuneration and develop our employees based on performance, ability and skills. As of 31 July 2020, the Group has 1,090 employees and staff turnover stood at 10.64%.

We believe strongly that a diverse workforce with varying skills, approaches and experiences, creates long term value for the business. Across the Group, our equal opportunity policy offers the same possibilities for growth and development to all staff regardless of ethnicity, gender, nationality, age or disability. This has helped motivate employees, strengthened staff retention and boosted creativity.

We maintain a zero tolerance for unethical labour practices. Our Code of Business Conduct and Ethics provides the framework to guide the actions and behaviour of our employees.



Sustainability at Poh Kong

Health & Safety

We are fully committed to providing a safe and healthy workplace environment. This is seen as fundamental to the future of our business. Our Health & Safety Environment Management System (“HSEMS”) provides an effective framework to foster a strong HSE culture throughout the Group. Processes and systems are in place to identify, mitigate and report risks and communicate best practices. We put a strong emphasis on engagement and collaborative working to ensure that our employees, contractors and subcontractors understand our requirements and expectations. The Health and Safety Committee oversees compliance with the Occupational Safety and Health Act, 1994.

During the year under review, the Group faced unprecedented HSE challenges with the global COVID 19 pandemic which has driven us all to a ‘new normal’ way of work and interaction. In support of the Government’s efforts to contain the spread of the coronavirus, we put in place measures to protect our employees, partners, customers and their families. Strict protocols were implemented at all retail outlets, manufacturing plants, warehouses and administrative offices. These included hand sanitising, wearing of masks, physical distancing, sanitising all our showrooms 3 times a day and the recording of temperatures and information for each person entering the workplace.

There were no Lost Term Injuries and Lost Time Accidents recorded during the financial year.

Learning & Development

We respect and support each employee’s ambitions and empower them to make the most of their individual strengths and capabilities. We believe it is crucial to ensure that they are equipped with future-proof skills and capabilities to help them meet the challenges of an evolving and changing business landscape. The Learning & Development Department evaluates training needs and recommends relevant programmes.

On average, our employees dedicate 262 hours annually to training. During the year under review, we invested RM175,486 in giving employees at all levels the opportunities to upgrade their skills and craftsmanship.



Product Training



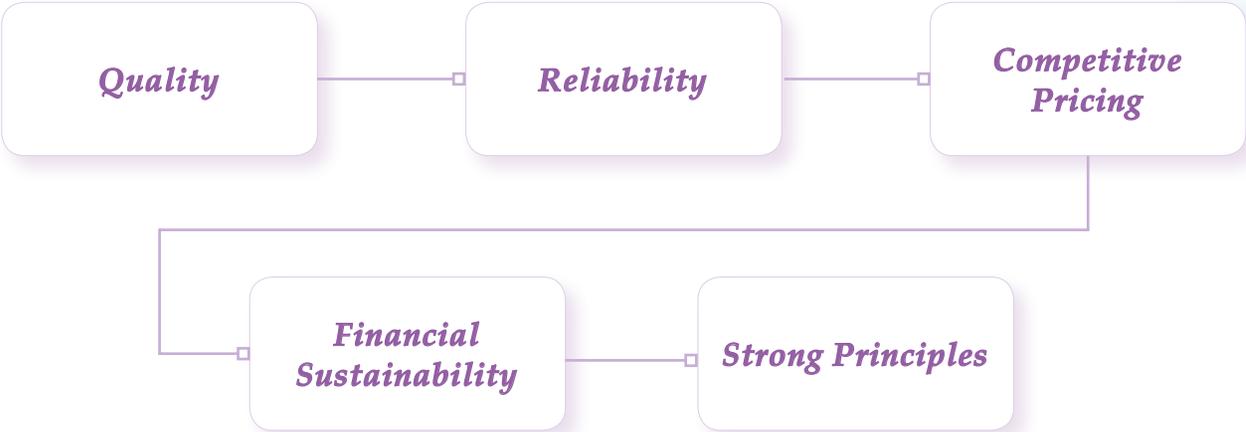
Teambuilding and personal development training

Quality & Service



The Group is committed to excellence across its operations in our efforts to build enduring relationships with our customers and other key stakeholders. We uphold the highest standards, producing beautiful, timeless pieces of jewellery to meet the wide-ranging expectations of our cross-section of customers. Our range of products reflects creativity and experienced craftsmanship and has reinforced our reputation as a premier jewellery manufacturer in Malaysia.

Our customer-centric approach and focus on service excellence, reliability and consistently high standards have helped the Group build strong and long-standing relationships. Quality is assured through strict measures to ensure compliance with both local and international standards of jewellery production.



Supply Chain



Our emphasis is on optimising our supply chain management to increase our competitiveness and customer satisfaction. We select key suppliers who have a solid reputation and track record of quality, reliability, competitive pricing, financial sustainability and strong principles of responsible corporate governance.

Poh Kong has a clear and transparent procurement policy that ensures we conduct business in an ethical, legal and socially responsible way. We believe that a strong local supply chain is vital to the long-term development of our business and creates sustainable economic value for the nation as a whole. In cases where we have no alternative but to source internationally, we select partners with high standards in areas such as ethical behaviour, environmental stewardship and workplace practices.

Sustainability at Poh Kong

Environment



We are very serious about the management of our environmental impact in the way we operate our business and are constantly looking at how we can integrate the best sustainability practices and compliance across our operations.

Waste Management at PKHB's Jewellery Manufacturing Facilities, Shah Alam

We adopt a stringent water management system to prevent the contamination of local water supplies. Wastewater may contain acids, alkali, various chemicals and heavy metals. Our onsite facility is responsible for the neutralisation, deionisation and sedimentation of wastewater from the plants.

Treated water is certified safe before discharge in accordance with Peraturan-Peraturan Kualiti Alam Sekeliling (Efluen Perindustrian) 2009, and the slag is properly handled by licensed operators – Midas Utara Engineering Sdn Bhd. At the smaller plant, wastewater is safely stored for removal by Midas Utara Engineering at regular intervals.

The Group has taken significant steps to reduce and recycle waste. Packaging is re-used wherever possible and we are moving steadily towards a paperless work environment.

Energy Efficiency

We are very mindful of the need to boost the Group's energy efficiency. Measures we have introduced to conserve energy include the use of LED lightings in all our showrooms and the switching off of electrical devices during lunch hours. Plans are underway to kick off further initiatives to reduce the use of energy across our operations.

Compliance

Poh Kong complies with all local environmental laws and regulations; all our employees, contractors and consultants are encouraged to be proactive in managing and reporting environment related issues and complaints. During the year under review, there were no cases of non-compliance.

Statement on Corporate Governance

The Board of Directors (“the Board”) of Poh Kong Holdings Berhad (“the Company”) recognises the critical importance of maintaining the highest standards of corporate governance to sustain long-term business success and protect shareholder value and the interests of other stakeholders. The Board is committed to apply the recommendations of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017” or “the Code”) throughout the Company and its subsidiaries (“the Group”).

This statement provides an overview of the Company’s application of the 3 key principles of good corporate governance set out in the Code that have been in place during the financial year ended 31 July 2020 (“FYE 2020”), except as disclosed otherwise. Details of the Company’s application and the explanation for departures, alternative practices and timeframe for measures to be taken, where applicable, are set out in the Corporate Governance Report 2020 (“CG Report”) which is available on the Company’s website at www.pohkong.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

CLEAR FUNCTION OF THE BOARD AND MANAGEMENT

The Board is the ultimate decision-making body of the Company and is responsible for the strategic direction and oversight of the Group.

It enforces standards of accountability, with a view to enabling Management to execute its responsibilities effectively and efficiently to meet the long-term business goals. The Board has overall responsibility for putting in place a framework of good corporate governance within the Group, including the processes for financial reporting, risk management, internal control and compliance.

Board Committees

The following diagram shows an overview of the four (4) main Board Committees of the Group, each of which is listed with its major responsibilities:



Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Committees (Cont'd)

The Board has established four Board Committees: Audit, Risk Management, Nomination and Remuneration Committees to support it in discharging its responsibilities.

Each of these committees has specific terms of references and operating procedures that are approved by the Board and reviewed periodically. The Board is informed of the Committees' deliberations and recommendations through reports by the Chairs of the respective Committees. The minutes of the various Board Committee meetings are circulated to all Board members.

The Board retains full responsibility for guiding, monitoring and directing the Company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. Key areas of focus include:

1. Determining and establishing vision, mission and values of the Company;
2. Determining and setting the Company's structure, business and corporate strategy, goals and policies;
3. Delegating authority to management, monitoring and evaluating the implementation of policies, strategies and business plans; and
4. Exercising accountability to shareholders and stakeholders.

Board meetings are held regularly to ensure directors can discharge their responsibility to manage and review the Company's overall performance, strategy and policy, and to monitor closely the exercise of any delegated authority, and for individual directors to report on their areas of responsibility and duties. In addition to operational and financial issues, the Board also deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.

For day-to-day operations, the Board has delegated authority and power to Senior Management including the Group Managing Director ("GMD") and Executive Directors ("EDs").

Role of Chairman and Group Managing Director

The Chairman's role is to facilitate the effective conduct of the business of the Board and ensure its smooth functioning. This includes:

- Determining Board composition;
- Clarifying Board and management responsibilities;
- Planning and managing Board and Board Committee meetings; and
- Developing and evaluating the effectiveness of the Board.

The Chairman has to ensure that the agenda covers all matters required to be discussed, considered and resolved and that the meetings convened are properly attended by all Directors who are given the opportunity to express their views and that decisions made during all meetings adequately reflect the views of the meeting as a whole.

The GMD assisted by the Executive Committee ensures the smooth running of the Company's day-to-day operations, monitors and evaluates the implementation of policies, strategies and business plans, to guide and set the pace for its current operations and future development including the continuous review of the Company's goals.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Role of Executive Committee (“EC”)

The role of the EC is to act as a steering committee and to collaborate with the Management in articulating the Group’s vision, mission, values and strategies. It develops the Group’s strategy, direction and business plan together with the GMD for the Board’s approval, to manage and drive the daily operational activities, important critical matters and set priorities to achieve the business objectives, including looking into manpower requirements, compliance with and amendments of the SOP and succession planning. The EC comprises Executive Directors from the Company and its subsidiary companies and Key Senior Management and is led by the GMD. Executive Directors take on the primary responsibility for implementing the Group’s business plans and managing its business activities.

Role of Independent Directors

The role of the Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advice and judgment, and play a pivotal role in decision making and corporate accountability. Independent Non-Executive Directors ensure that the business plans proposed by the Management are fully deliberated and examined objectively, taking into perspective the long-term interests of the Company, its shareholders, other stakeholders and the community at large.

Role of Senior Independent Director

In compliance with the best practice in corporate governance, Encik Fazrin Azwar Bin Md Nor was appointed as the Company’s Senior Independent Director (“SID”) in 2019. The SID is the main channel between the Independent Non-Executive Directors and the Chairman on matters that may be deemed sensitive. It provides an alternative avenue for shareholders and stakeholders to convey their concerns and raise issues pertaining to the Company.

All queries relating to the Group can be addressed at the Company’s corporate website www.pohkong.com.my.

For the financial period under review, no shareholder has asked or communicated with the SID.

CLEAR ROLES AND RESPONSIBILITIES

In fulfilling its fiduciary, stewardship and leadership responsibilities, the Board meets regularly to:

Review and Adopt the Company’s Strategy and Business Plan

The Board approves the strategy and business plan presented by the Management, which incorporates a realistic view of the expectations and the objectives of the Company and outlines key operational elements.

Upon adopting the business plans approved by the Board, the Management monitors and reviews them on a regular basis and aligns timelines as outlined in the original business plans to conduct a comparative analysis.

A fully integrated set of projections incorporating monthly profit and loss accounts, cash flows and balance sheets is set up to efficiently update and reflect changes of these projections on a monthly or quarterly basis against actual performance.

Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Review and Adopt the Company's Strategy and Business Plan (Cont'd)

The management will use these reports against its annual operational plans to review progress towards meeting the strategic aims and objectives by ensuring:

- activities are in line with the Company's strategic aims and objectives and remain flexible to withstand unforeseen internal and external challenges; and
- activities are consistent with the organisation's vision, mission and values.

Overseeing the Conduct of the Company's Business

To ensure the effective discharge of its functions and responsibilities, the Board delegates the day-to-day management of the Group's business to the Management. The GMD, who is also Chairman of the EC, is responsible for the implementation of the Board's decisions and drives operational efficiency and the day-to-day operations of the Group.

Identifying Principal Risks and Ensuring the Implementation of Appropriate Systems to Manage them

The Risk Management Committee ("RMC") headed by an Independent Non-Executive Director, reviews the risks identified by the Management and advises the Board on the principal risks that could have a significant impact on the Group's business and the adequacy of compliance and control throughout the Group. The Risk Management Working Group ("RMWG") comprising senior managers and heads of departments, was formed to actively review and identify business and other risks, and recommend control measures to mitigate these risks. The RMWG's findings relating thereto are reported to the RMC, and after deliberation, to the Board twice a year.

The Group has established an Enterprise Risk Management ("ERM") framework to identify, evaluate and manage the risks. Details of the RMC and the Company's ERM are set out in the Statement on Risk Management and Internal Control in this Annual Report on pages 83 to 89.

The members of the RMC are:

Encik Fazrin Azwar Bin Md Nor

Chairman, Independent Non-Executive Director

Dato' Esther Tan Choon Hwa

Member, Independent Non-Executive Director

Dato' Choon Yee Seiong

Member, Executive Chairman & Group Managing Director

Mr Cheong Teck Chong

Member, Executive Director

Datin Shirley Yue Shou How

Member, Independent Non-Executive Director

The Terms of Reference of the RMC are available at www.pohkong.com.my.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Succession Planning

The Board has established a Succession Planning Framework for key management positions to ensure continuity and sustainable growth in meeting the Group's long-term business objectives.

Succession planning for Senior Management staff includes various programs, such as Senior Management development and individual development plans. This ensures a steady pool of experienced and Senior Management staff to fill vacancies for Executive Directorship appointments.

Succession planning for the Board comes under the purview of the NC and RMC, while the Senior Management staff is managed by the Group Human Resource function.

Communicating with Shareholders and Investors

The Board recognises the importance of effective engagement and communication with shareholders and investors and maintains high standards of disclosure.

The Company arranges informal meetings and dialogues with fund managers, analysts, potential shareholders and research houses periodically. While it endeavours to provide as much information as possible, the Company is aware of the legal and regulatory framework governing the release of material and price sensitive information.

Corporate information, financial data, stock exchange announcements, annual reports, quarterly results are disseminated via press releases and announcements. Poh Kong's Investor Relations ("IR") ensures this information is uploaded on the website at www.pohkong.com.my in a timely manner for access by shareholders and the public.

During the financial period under review, the Company was involved in IR activities, such as dialogues with analysts and fund managers.

Matters Reserved for the Board's Decisions

The responsibility for matters material to the Group rests in the hands of the Board, with no individual Director having unfettered powers to make decisions. Matters reserved for the Board include discussions on matters of significance, such as change of direction in strategy, changes related to structure and capital, changes in Board members, disposal and procurement of assets, Executive and Non-Executive Directors' remuneration packages, approval of preliminary announcement of interim and final results and declaration of dividends that need authorisation from time to time.

Code of Conduct and Ethics/ Whistle-Blowing Policy/ Anti-Corruption

The Board has adopted a Code of Conduct and Ethics for Directors and employees towards their customers, business partners, communities and shareholders. It sets out the standards and underlying core values to guide the actions and behavior of all Directors and employees in conducting their day-to-day duties and operations of the Group.

Management and employees are expected to observe high standards of integrity and fair dealing in relation to customers, business partners, staff and regulators wherever the Company operates.

Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Code of Conduct and Ethics/ Whistle-Blowing Policy/ Anti-Corruption (Cont'd)

In order to strengthen corporate governance practices across the Group, a Whistle-Blowing Policy to provide employees with an easily accessible platform to report fraud, corruption, dishonest practices or other similar matters.

The aim of this policy is to encourage employees to disclose such matters in good faith and the confidence that the staff making such reports will be protected from any retaliation in the form of dismissal, harassment or discrimination at work, or any action in court, in respect of disclosure made by the whistle blower to the regulators.

In 2020, the Board has also established policies, procedures, and controls:

- (a) a defense against corporate liability and potential corrupt practices of employees and/or associated persons in relation to the Group's business activities; and
- (b) pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act ("MACC Act") 2018 relating to corporate liability.

The Code of Conduct and Ethics, whistle-blowing policy and anti-corruption policy are published on the Company's website at www.pohkong.com.my. The Board will review the Code when necessary to ensure it remains relevant and appropriate.

Sustainability Management

The Board adopted its first Sustainability Statement for the Group in FY2019. The main purpose of the statement is to disclose the Group's current management approach and strategies for creating a positive economic, environmental and social impact, as well as enhancing business sustainability. Management regularly reviews the material matters across the business and ensures implementation of initiatives and achievement of targets.

Further details are set out in the Sustainability Statement of the Company on pages 46 to 52 of this Annual Report and at the Company's website.

Supply and Access to Information

The Board recognises that effective decision-making is highly dependent on the quality of information furnished. In furtherance of this, every Director has access to all information within the Company through the following:

- Members of Senior Management attend Board and Board Committee meetings by invitation to report on areas of their responsibility including financial, marketing, operational, corporate, regulatory, business development, internal audit matters and information technology updates, for the Board's decision making and effective discharge of its responsibilities. Meetings with the External Auditors are also held without the presence of Management and Executive Directors. There were two (2) meetings held for this purpose in the financial year under review.
- The Board and Board Committee papers are prepared and circulated to the Directors or Board Committee members at least seven (7) days before the Board and Board Committee meetings.
- The Audit Committee meets with the Management, Internal Auditors and External Auditors regularly to review their audit plans and reports, and obtain updates and observations on internal control system and financial reporting matters.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Qualified and Competent Company Secretary

The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and knowledgeable on statutory and regulatory requirements relating to the Companies Act 2016, the Main Market Listing Requirements of Bursa Securities ("MMLR") and Corporate Governance practices and guidelines ("the Code") and related legislations and requirements, and the implications of such Acts, requirements, rules and regulations to the Company and the Directors in relation to their duties and responsibilities. The Company Secretary facilitates the flow of information to the Board and its committees especially regarding statutory updates and training, briefings, and talks organised by the authorities.

The Directors have ready and unrestricted access to the advice and services of the Company Secretary in respect of Board policies, procedures, the Companies Act 2016, the MMLR, the Code, and timing of material announcements, to enable them to discharge their duties effectively. The Company Secretary also keeps the Directors and Principal Officers informed of the closed period for trading in the Company's shares and of briefings, talks and updates received via Bursa Malaysia's administrators. The Company Secretary assists the Chairman of the Board and committees in the preparation of the agenda for their meetings.

Besides direct access to the Management, Directors may obtain independent professional advice at the Company's expense, if deemed necessary.

The Company Secretary maintains all secretarial and statutory records of the Company.

Throughout the year under review, the Directors were furnished with reports and updates.



Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Charter

The Directors are expected to maintain the highest levels of integrity, honesty and accountability and a strong commitment to sound corporate governance practices. The Board Charter was formalised and adopted in 2014 by the Board. It outlines the roles, responsibilities, authorities and operation of the Board and Board Committees. All Board members are aware of their duties and responsibilities.

The Board Charter also outlines:

- The division of responsibilities and powers between the Board and Management, the different committees established by the Board, and position of the Chairman and the Group Managing Director;
- The processes and procedures for convening Board meetings;
- The Board's commitment in upholding integrity in financial reporting, conflict of interest situations and related party transactions;
- The list of matters reserved for decision by the Board;
- The Board's access to information and independent advice;
- The role of the Company Secretary; and
- Zero tolerance to corrupt practices by employees and/or associates.

The Board Charter serves as a reference providing guidance to prospective and existing Board members and Management on the fiduciary and stewardship functions of the Company's Directors. It also entrusts Board members and employees to apply the principles and practices of good Corporate Governance in all their dealings in respect of and on behalf of the Company; to help foster a culture of honesty and accountability and uphold the core values of integrity when dealing with ethical issues.

Poh Kong's Board Charter is available on the Company's website and is reviewed annually to ensure the Board Charter remains consistent with the Board's objectives, current law and practices.

Board Composition and Management

The Board sets the tone for the Group and the control environment is driven by an effective Board consisting of competent individuals with appropriate specialised skills and knowledge to ensure capable management of the Group. The appointment of Independent and Non-Independent Directors is carefully considered to ensure that the Board is well balanced on views, advice, judgment and decision made. The Board comprises professionals from various backgrounds, with the relevant experience and expertise that would add value to the Group. The mix of experience and talent is vital for the strategic success of the Group.

The Board comprises eight (8) members, of whom five (5) are Executive Directors and three (3) are Independent Non-Executive Directors, the latter representing 37.5% of the total number of Board members. The Board has met the MMLR's requirement that at least one third of the number of Directors shall be Independent Non-Executive Directors. The Board is cognizant of Practice 4.1 which recommends that at least half of the Board shall comprise Independent Directors. The Board will review the size of the Board in relation to the proportion of the Executive Directors to Independent Non-Executive Directors from time to time.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition and Management (Cont'd)

The Board has exceeded gender recommendation that one-third (1/3 or 33.33%) of its Board members should be women, as it has four women Board Directors. The Board has a gender diversity of 50%. The Board has also met the diversity in age and ethnicity in varying degrees.

The Board delegates the implementation of its strategy to the Company's Management. However, the Board remains ultimately responsible for corporate governance and the performance of the Group.

Nomination Committee

The Nomination Committee ("NC") comprises three (3) Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director in accordance with practice 4.7 of the Code. The members of NC are as follows:-

Encik Fazrin Azwar Bin Md Nor

Chairman, Independent Non-Executive Director

Datin Shirley Yue Shou How

Member, Independent Non-Executive Director

Dato' Esther Tan Choon Hwa

Member, Independent Non-Executive Director

The Terms of Reference of the NC can be found in the Company's Corporate Governance in the investors' section of the website at www.pohkong.com.my.

The NC assists the Board in its annual review of the required mix of skills and experience and other qualities including core competencies which Directors should bring to the Board and in the Board's annual evaluation of performance of Directors, and assessment of the effectiveness of committees and the Board as a whole. The NC also looks into succession planning, board diversity, recruitment and retention of talents on the Board and Senior Management and the training needs of Directors and Senior Management.

Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee

The NC met two (2) times during the financial year.

Nomination Committee	Dates of Meetings		Total
	No. 1/2019/2020 NCM 22/10/2019	No. 2/2019/2020 NCM 02/12/2019	
Encik Fazrin Azwar Bin Md Nor	√	√	2/2
Datin Shirley Yue Shou How	√	√	2/2
Dato' Esther Tan Choon Hwa	√	√	2/2

Appointment, Selection and Assessment of Directors

The NC is responsible for reviewing recommendations of any new appointments to the Board. In reviewing these recommendations, the NC considers amongst others the gender diversity and required mix of skills and experiences which the Directors would bring to the Board and his or her time commitment. Any new nomination received, shall be reviewed by the NC and subsequently submitted to the Board for assessment and approval.

The key task of the NC is to ensure that the Company recruits and retains the best available Executive and Non-Executive Directors who are competent and are able to guide the Company to meet its strategy and business plan.

The NC is responsible for making recommendations to the Board on the most appropriate Board size and composition. In discharging its responsibilities, the NC has developed a set of criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the NC considers the following factors, as detailed in the Terms of Reference of the NC which is available for reference at the Company's website, www.pohkong.com.my.

Specific qualities of new nominations to the Board sought after by the NC include:

- skills, knowledge, expertise and experience;
- professionalism and integrity;
- commitment (including time commitment) and contribution;
- background, character and competence;
- boardroom diversity; and
- in the case of candidates for the position of Independent Non-Executive Directors, the NC also evaluate the candidates' ability to discharge such responsibilities/functions impartially and in the best interest of the Company as are expected from Independent Non-Executive Directors.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Appointment, Selection and Assessment of Directors (Cont'd)

The responsibility of the NC includes making recommendations on the desirable competencies, experience and attributes of Board members and on strategies to address the Board's diversity. The NC may recommend that the Board appoint an individual to be Director by following a set of criteria for the new appointee who will stand for election at the next Annual General Meeting ("AGM") in accordance with the Constitution of the Company.

The Committee will seek nomination of suitable candidates from the Directors, Management and shareholders of the Company and also from third parties for their assessment before recommending to the Board based on the criteria set.

Re-election of Directors

The Constitution of the Company provides that one-third (1/3) of the Directors are required by rotation to submit themselves for re-election by Shareholders at every AGM at least once in every three (3) years.

The NC has noted the contribution of each of the following Directors who will be retiring by rotation under Clause 97 and, where eligible, have consented to be re-elected. The NC has recommended to the Board for their re-election at the forthcoming AGM of the Company.

Retiring Directors:

- (a) Dato' Choon Yee Seiong
- (b) Datin Hon Wee Fong
- (c) Datin Shirley Yue Shou How
- (d) Dato' Esther Tan Choon Hwa

Diversity Policy

The Group is an equal opportunity employer and does not practise discrimination of any form, regardless of age, gender or ethnicity throughout the organisation.

The Board recognises the value of a broad range of skills, experience, background and expertise. Although there is no formalised policy on women directors, out of a total of eight (8) Directors, four are women.

The Group will continue to identify suitable candidates, whenever a vacancy arises, for appointment to the Board based on merit, competence and the contribution that each potential candidate can bring to the Board. In identifying candidates for appointment of Directors, the Board has so far relied on the recommendation from existing Board members, Management, or major shareholders. The Board may follow the recommendation of Practice 4.5 and utilise independent sources to identify suitably qualified candidates when the circumstances arise.

Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Annual Assessment

Annually, the NC conducts the following:

- Board and Board Committee Evaluation;
- Internal Audit Function Evaluation;
- External Audit or Performance and Independence Evaluation;
- Independent Directors' Self-Assessment;
- Directors and Key officers' Evaluation;
- The Audit Committee Evaluation; and
- The Internal Audit Function Evaluation.

All assessments and evaluations carried out by the NC are properly documented. The Company Secretary summarises and compiles the assessments with comments by the Directors. The summaries are tabled at an NC meeting for the NC's assessment and evaluation. The NC Chairman will then report to the Board on the results of the Directors' assessment and evaluation and the NC's recommendation(s).

Remuneration Committee

In compliance with the Code the Remuneration Committee ("RC") was established on 8 March 2004. The Terms of Reference of the RC are found on the Company's website, www.pohkong.com.my.

With the authority delegated to it by the Board to assist and advise its members, the RC has instituted its own Terms of Reference and guidelines structured to align and complement the strategic direction and objectives of the Company. This is to ensure its long-term success through the recruitment and retention of Directors and Key Management staff.

The RC is responsible for setting up a remuneration policy for the Chairman, CEO and Executive Directors.

Also stipulated within this policy are guidelines on compensation payments, rewards and retirement benefits based on several criteria, such as seniority, competencies, experience, responsibilities, business acumen and performance. In determining the balance between fixed and performance related packages, the RC further plays a crucial role in ensuring these packages are compatible with HR policies within Poh Kong, at the same time striking an appropriate balance between the interests of shareholders, the Directors, senior executives, employees and Poh Kong's culture and values.

In discharging its duties, the RC ensures that all recommendations and decisions made regarding remuneration and incentive packages are conducted in a transparent, fair and responsible manner and in accordance with the guidelines as stipulated in the remuneration policy.

The RC also makes certain that no Directors, both executive and non-executive take part in the discussion and decision making of his or her own remuneration or salary to avoid potential conflict of interest.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee (Cont'd)

Non-Executive Directors receive fees that are not linked to profits and performance of the Company but in consideration of their crucial roles in corporate governance, fiduciary duties, responsibilities and time commitments.

Non-Executive Directors' fees and benefits are subjected to the approval of shareholders at the AGM.

The RC must continuously review the appropriateness and relevance of its Remuneration Policies, Procedures and Guidelines taking into account the demands, complexities and performance of the Company as well as the skills and experience required to meet challenges both within the organisation and the external environment.

The RC comprises four (4) Directors, the majority of whom are Independent Non-Executive Directors. The members of the RC are as follows:-

Datin Shirley Yue Shou How

Chairperson, Independent Non-Executive Director

Encik Fazrin Azwar Bin Md Nor

Member, Independent Non-Executive Director

Dato' Esther Tan Choon Hwa

Member, Independent Non-Executive Director

Dato' Choon Yee Seiong

Member, Executive Chairman & Group Managing Director



Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee (Cont'd)

In compliance with Practice 7.1, the detailed disclosure on named basis for the remuneration of individual Directors of the Company for FYE 2020 which includes the remuneration breakdown into fees, salary, bonus, benefits-in-kind and other emoluments is as follows:

	The Company				The subsidiaries of the Company			
	Fees (RM'000)	Salaries & Bonuses (RM'000)	Other Emoluments (RM'000)	Total (RM'000)	Fees (RM'000)	Salaries & Bonuses (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
Executive Directors								
1) Dato' Choon Yee Seiong	-	2,062	686	2,748	6	538	-	544
2) Cheong Teck Chong	-	-	-	-	6	648	187	841
3) Choon Nee Siew	-	-	-	-	-	1,251	211	1,462
4) Choon Yee Bin	-	-	-	-	3	736	784	1,523
5) Datin Hon Wee Fong	-	934	10	944	3	-	-	3
Total	-	2,996	696	3,692	18	3,173	1,182	4,373
Independent Non-Executive Directors								
1) Fazrin Azwar Bin Md. Nor	48	-	43	91	-	-	-	-
2) Datin Shirley Yue Shou How	48	-	36	84	-	-	-	-
3) Dato' Esther Tan Choon Hwa	48	-	42	90	-	-	-	-
Total	144	-	121	265	-	-	-	-
Grand Total	144	2,996	817	3,957	18	3,173	1,182	4,373

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

The disclosure of the remuneration for the top five management of the Group for FYE 2020 on a named basis in bands of RM50,000 is as follows:

Name	Range of Remuneration
Chang Kwong Him	RM400,001 to RM450,000
Siow Der Ming	RM850,001 to RM900,000
Dato' Choon Yoke Ying	RM1,450,001 to RM1,500,000
Choon Wan Joo	RM1,550,001 to RM1,600,000
Mohd Annuar Choon Bin Abdullah	RM1,750,001 to RM1,800,000

This disclosure is a departure from the recommendation of Practice 7.3 – Step Up which encourages the Company to fully disclose the detailed remuneration of each member of the senior management on a named basis. The Board is of the view that the departure from Practice 7.3 is necessary on the following grounds:

- Create dissention among the senior management;
- Encourage staff pinching and poaching of senior executives in the industry;
- Security concerns for the senior management; and
- Confidentiality and sensitivity of personal information.

The RC met once (1) during the financial year ended 23 September 2019 to deliberate on remuneration matters of the Group.

Assessment of Independence

The Board recognises the importance of independence and objectivity in the decision-making process as advocated in the Code. It is committed to ensure that the independent directors are capable of exercising impartial judgment always in the best interests of the Company and are not involved in any other relationship with other Directors, Major Shareholders and/or Management of the Group.

The Independent Directors of the Company fulfilled the criteria of "Independence" as prescribed under the MMLR. The Board, via the NC, has developed the criteria to assess independence and formalised the current independence assessment practice. In addition, the Independent Directors signed a confirmation of independence annually.

Tenure of Independent Directors

The Board is aware of the recommended tenure of an Independent Director which should not exceed a cumulative term limit of nine (9) years as recommended by Practice 4.2 of the Code and that such a Director may, however, continue to serve on the Board if the Independent Director is re-designated as an Independent Non-Executive Director upon completion of the nine (9) years tenure.

Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Tenure of Independent Directors (Cont'd)

Practice 4.2 further advises that if the Board intends to retain an Independent Director beyond nine years, it should seek annual Shareholders' approval. If the Board continues to retain the Independent Director after twelve (12) years, the Board will seek annual shareholders' approval at its annual general meeting through a two-tier voting process. However the Board has opted to do this by single-tier polling.

The Board does not presently have a term limit on the tenure of an Independent Director so long as he can amongst other things satisfy Paragraph 1.01 of the Main Market Listing Requirements.

Shareholders' Approval for the Appointment as an Independent Director after serving twelfth (12) years in that capacity

The Board, based on the review and recommendation made by the NC, considers Encik Fazrin Azwar Bin Md Nor ("Encik Fazrin Azwar"), to be independent and recommends that he should continue to act as Independent Director of the Company based on the following justification:

- The Group has benefited from his long tenure as an Independent Director as he possesses detailed knowledge of the Group's business, SOP, internal controls and risk profile, proven commitment, integrity, experience, competence and wisdom to effectively advise the Board from time to time.
- Encik Fazrin Azwar is independent in character and judgment, independent of management and free from any relationship or circumstances which are likely to affect or could affect his judgment or decisions making in the best interest of the Company.
- Encik Fazrin Azwar is independent in character and impartial in his judgment, independent of management and free from any relationship or circumstances which are likely to affect or could affect his judgment or decisions making in the best interest of the Company. He has always given his comment, opinion or judgment impartially and will challenge any proposal or decision which he believes is not to the best interest of the Company.
- Encik Fazrin Azwar's business acumen, legal, professional and entrepreneurial experience has provided invaluable feedback, check and balance and constructive participation and leadership in discussion have contributed to the success of the Company. His timely advice has proven to be invaluable to the Group's strategy, direction and planning during the past financial crisis, recession, global economic slowdown and the current Covid-19 pandemic.

Encik Fazrin Azwar has fulfilled the criteria under the definition of Independent Directors as stated in the MMLR. He has provided a check and balance, and brought an element of objectivity to the Board, having served the Group for more than sixteen (16) years and has agreed to be retained as Independent Non-Executive Director.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Separation of positions of the Chairman and the Group Managing Director

According to Practice 1.3 of the Code, the positions of Chairman and CEO are held by different individuals.

We recognise that the roles of the Chairman and the Group Managing Director are distinct and separate with a clear division of responsibilities to ensure a balance of authority, increased accountability and a greater capacity for independent decision-making.

However, it has been the practice of the Group to combine the responsibility of the Chairman and the GMD due to his vast experience and the in-depth industry knowledge that Dato' Choon Yee Seiong ("Dato' Choon") has of the business. Dato' Choon's extensive expertise and his combined role as Executive Chairman and GMD have proven beneficial and appropriate for the Group. The Board has therefore agreed that the two roles of the Chairman and the GMD shall remain vested in Dato' Choon for business efficiency and effectiveness even though this practice is a departure from Practice 1.3.

As the Chairman, Dato' Choon is pivotal in creating the conditions for overall Board and individual Director's effectiveness. His responsibility is to run the Board and set its agenda taking into account the issues and concerns of all Board members. He ensures Board Members receive accurate, timely and clear information about the Company's performance to enable the Board to make sound decisions, and encourages active engagement of all Board Members. He also ensures the orderly conduct and management of the Board and Board Committees' performance. Dato' Choon is an effective Chairman who upholds the highest standards of integrity and provides coherent leadership that reflects the Company's vision and mission and a keen understanding of the needs of various stakeholders.

As the GMD, he is responsible for developing the Group's objectives and strategies for approval by the Board having regard to the Group's responsibilities to its various stakeholders. He is also responsible for all Group policies, ensuring that they are adhered to and conform to the highest standards. He recommends to the Board an annual budget and ensures its achievements following the Board's approval. Dato' Choon also implements the Board's directions, manages the day-to-day business operations, including chairing the Executive Committee meetings and communicating its decisions and recommendations to the Board. His duties include driving the Group's performance and reviewing its operational results and strategic directions. He has the responsibility of identifying and executing new business opportunities. Dato' Choon and the Group Accountant, Mr Koh Sze Haw, assure the Board that appropriate risks and internal controls are in place. In summary, Dato' Choon has upheld his duties as the Chairman and the GMD respectively as separate and distinct roles with clear division of responsibilities.

Although the Chairman is also the GMD, all decisions of the Board are based on the decision of the majority of the Board Members and matters are deliberated with strong active participation of the three (3) Independent Non-Executive Directors expressing their impartial, independent opinions, without fear or favour on important issues that affect the Company and/or the interest of the various stakeholders. Therefore, no individual Director dominates the decision-making process.

Nevertheless, functionally and for all intent and purpose, the responsibilities of the GMD are executed by delegating authority to designated Senior Management to ensure that division of responsibility and accountability in essence are separated. Further, all decisions on matters reserved for the Board are made after due deliberation by the Board and the Board Committees, where required.

Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Composition of the Board

Presently, the Board comprises three (3) Independent Non-Executive Directors and five (5) Executive Directors. This composition complies with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent. However, this is a departure from Practice 4.1 of the Code which recommends that the Board of a listed company should comprise 50% of Independent Non-Executive Directors. The higher number of Executive Directors to Independent Non-Executive Directors in the Company is reflective of the various stakeholders' interest which the Board will be looking into, going forward in relation to the needs of an efficient and effective Board. The profiles of the Directors are set out on pages 14 to 19 of this Annual Report 2020.

The Executive Directors are primarily responsible for the day-to-day running of the Group's business, as well as implementing the policies and decisions of the Board. Cumulatively, the Executive Directors have a wealth of industry knowledge and experience, insights from different fields and expertise that includes retailing, merchandising, manufacturing, research and development. They each uphold different functions of the Company and contribute cohesively to the success and well-being of the Group.

The Independent Non-Executive Directors act independently of management, do not participate in any business dealings and are not involved in any other relationship with the Group that may impair their independent judgment and decision-making. They provide a broader view and independent assessment to the Board's decision making process by acting as an effective check and balance.

Together, the five (5) Executive Directors and three (3) Independent Non-Executive Directors constitute a balanced Board and comprise professionals from various backgrounds with depth and breadth of experience, expertise and perspectives which add value to the Group. Given the diverse backgrounds, professional experience and wide mix of skills of its members, the Board oversees the Group's operations effectively and efficiently.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Board Meetings and Time Commitments

The Board met four (4) times during the financial year ended 31 July 2020. Details of Directors' attendance are set out as follows:

	Date of Meetings				Total
	No. 1/2019/2020 BODM 26/09/2019	No. 2/2019/2020 BODM 23/10/2019	No. 3/2019/2020 BODM 23/12/2019	No. 4/2019/2020 BODM 18/06/2020	
Board of Directors					
Dato' Choon Yee Seiong (Executive Chairman & Group Managing Director)	√	√	√	√	4/4
Executive Directors:					
Cheong Teck Chong	√	√	√	√	4/4
Choon Nee Siew	√	×	√	√	3/4
Datin Hon Wee Fong	√	√	√	√	4/4
Choon Yee Bin	×	√	√	√	3/4
Independent Non-Executive Directors:					
Fazrin Azwar Bin Md Nor	√	√	√	√	4/4
Dato' Esther Tan Choon Hwa	√	√	√	√	4/4
Datin Shirley Yue Shou How	√	√	√	√	4/4

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, one of the criteria is that they must not hold directorships of more than five (5) public listed companies. The Directors are required to submit an update on their other directorships annually. The Directors are also required to notify the Chairman before accepting any new directorship. Refer to the Directors' Profile for other directorships held by the Directors on pages 14 to 19.

Statement on Corporate Governance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Meetings and Time Commitments (Cont'd)

The Board, via the NC, reviews the time commitment of the Directors annually and ensures that they are able to carry out their own responsibilities and contributions to the Board.

The Directors also make familiarisation visits to existing stores and/or new locations from time to time and meet with senior management periodically to actively discuss the Group's financial and operational matters.

Continuing education programmes and training are provided to equip them with the relevant knowledge and skills to meet the prevailing business challenges. The Directors have devoted sufficient time to training courses.

Directors' Training

During the year, the Directors attended the following training programmes:-

Dato' Choon Yee Seiong	On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin.
Datin Hon Wee Fong	On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin.
Mr Cheong Teck Chong	On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin.
Madam Choon Nee Siew	On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin.
Mr Choon Yee Bin	On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin.
Encik Fazrin Azwar Bin Nor	<ol style="list-style-type: none">1. Risk Management Conference 2019 by the Malaysian Institute of Accountants (MIA) on 05 September 2019.2. Corporate Board Leadership Symposium by the Malaysian Institute of Accountants on 12 February 2020.3. On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Directors' Training (Cont'd)

Encik Fazrin Azwar Bin Nor	<ol style="list-style-type: none"> 4. Corporate Liability Provision Under MACC Amendment Act 2018 on 25 June 2019 5. Mind The Gap! Audit your Anti Bribery and Corruption Program effectively by IIA on 29 May 2020
Datin Shirley Yue Shou How	<p>On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin.</p>
Dato' Esther Tan Choon Hwa	<ol style="list-style-type: none"> 1. On 18 June 2020, a training cum update on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 was conducted by Strategy Corporate House Sdn Bhd in English and Mandarin. 2. Financial Oversight and Assurance Post Covid by ICDM 19 on 30 June 2020 3. Tax Audit and Investigation by CTIM on 7 July 2020 4. Unclaimed Money Act 1965 by MIA on 10 September 2020 5. Modified Audit Report 1965 by MIA on 9 October 2020

NOTE: Besides their individual training as per listed, the Board members are also briefed and updated by both the Company Secretary and External Auditors, when appropriate, on changes and developments relating to their respective scope and areas of specialisation. These briefings would include subject matter in relation to Company law and regulations, corporate procedures, SSM requirements, BURSA's advisory on rules and regulations, BURSA listing requirements, Corporate Governance and new auditing standards under MFRS.



Statement on Corporate Governance

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by making sure that the financial statements and quarterly announcements are prepared in accordance with the provisions of the Companies Act 2016, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

The Board is assisted by the AC in reviewing the appropriateness of accounting policies applied by the Group, as well as the changes in these policies.

The AC also assists the Board in overseeing the financial reporting process and ensuring the quality of the financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements for announcements made to the public within the stipulated time frame.

The activities of the AC in terms of financial reporting and how the AC discharged its oversight role are cross-referenced to pages 78 and 80 of the Annual Report 2020.

Statement on Directors' Responsibility

In reviewing all the published annual and quarterly financial statements during the financial year ended 31 July 2020, the Directors took due care and reasonable steps to ensure compliance with the applicable accounting standards in all material aspects. For this purpose, the Directors are updated and briefed by the external auditors on the current accounting practices, new MFRS and amendments/improvements to MFRS that have been issued but are yet to be effective.

A statement made by the Directors on their responsibilities for preparing the financial statements is set out under the Statement on Directors' Responsibility on page 91 of this Annual Report 2020.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors through the AC.

The criteria for the external auditors' assessment include quality of services, sufficiency of resources, communication and interaction, audit planning, independence, objectivity and professional skepticism. In determining the independence of the external auditors, the AC reviewed and assessed all aspects of their relationships with them including the processes, policies and safeguards adopted by the Group and the external auditors relating to audit independence. The AC also reviewed and assessed the external auditor's performance and independence.

The Group's external auditors are invited to attend the AC meetings on a quarterly basis. Copies of the internal audit report are given to the external auditors before the meeting for their comments and notation. The AC meets the external auditors to review the scope and adequacy of the audit process, updates on the financial reporting standards, the financial statements and their audit findings.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Relationship with External Auditors (Cont'd)

In addition, the external auditors are invited to attend the Company's AGM so that they are available to answer any questions from shareholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.

The AC also met with the external auditors without the presence of the EDs two (2) times on 24 September 2019 and 16 June 2020.

The Audit Oversight Board requires that the engagement partner involved in the external audit should not remain in a key audit role beyond five (5) years and cannot be re-engaged to play a significant role in the audit of the Company for at least another two (2) successive years. The external auditors have declared their independence to the Group and their compliance with current By-Laws (on professional ethics, conduct and practice) of the Malaysian Institute of Accountants – Section 290.

Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal controls in the Company and the Group. These internal controls provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The risk management and internal control covers the financial and non-financial aspects including risks assessment. It also encompasses compliance and operational controls, as well as risks management matters. The Group has formalised SOP which take into consideration the adequacy and integrity of the system of internal control. It is subject to review by the Executive Committee and endorsed by the AC and subsequently approved by the Board.

In addition to SOP, the Group has a formalised Whistle Blowing Policy and established a risk management framework to identify, evaluate and manage key risks that may affect the achievement of the business objectives of the Group. With the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 regarding Corporate Liability, risk management also reviewed the actual or potential risks identified relating to Section 17A and the recommended action to prevent and/or mitigate these risk exposures.

Internal Audit Function

The Group's internal audit function is carried out independently, impartially and free from management control by the Company's in-house Internal Audit Department using a risk-based approach to assist the AC and Board in providing independent assessment and assurance on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal audit function is carried out in accordance with the International Professional Practice Framework ("IPPF"). All the Internal Audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence.

Details of the Company's internal control processes are set out in the Statement on Risk Management and Internal Control and in the Audit Committee Report in this Annual Report 2020. The total cost of the internal audit function for the financial year ended 31 July 2020 amounted to RM1,081,561 (2019: RM1,027,806).

Statement on Corporate Governance

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

Corporate Disclosure Policy

The Board has ensured a timely disclosure of material information pertaining to the Company's performance and operations to the public, in accordance with the disclosure requirements under the MMLR and other applicable laws. It has formalised a written Corporate Disclosure Policy for the Group, a copy of which is available on the Company's website at www.pohkong.com.my.

Leveraging on Information Technology for Effective Dissemination of Information

The Board has established a dedicated section on the Company's website for corporate information on the Company's announcements, financial information, annual reports, quarterly reports, dividend paid, share prices and analysts' reports which can be accessed. The website is the key communication channel for the Company to reach its shareholders and the general public.

The interactive IR section in the website at www.pohkong.com.my enhances the IR function and includes a corporate newsroom investment calculator of stocks, and a mechanism for enquiries. Shareholders and the general public may direct their enquiries via "Information Request" and the Company's IR contact will endeavor to reply to their queries. Shareholders can also access historical data and stocks chart information by clicking on the subject matter in the website.

There is also a section focusing on corporate governance that includes the Company's Statement on Corporate Governance, Terms of Reference of the Board Committees, Board Charter which contains the Whistleblowing Policy, Adequate Policies relating to Section 17A Corporate Liability of the MACC Act 2009, Policies and Procedures relating to Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLA"), Code of Conduct and Ethics, Sustainability Statement and various corporate governance initiatives.

Encourage Shareholder Participation at General Meeting

The Code recommends at least 28 days notice to be given to shareholders. The Company has complied with the Code by despatching its notice of AGM and related papers to shareholders on this year 24 November 2020, a total of 51 days notice before the date of the AGM on 13 January 2021 to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed.

During the AGM, the Executive Chairman provides shareholders with a brief overview of the financial year's performance and operations of the Company.

The AGM serves as the principal forum for direct interaction and dialogue between the shareholders, the Board and the management. It also provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance and other matters of concern.

Shareholders are encouraged to participate actively in the question and answer session. The Board, senior management and the external auditors will be present to answer and provide appropriate clarifications at the meeting.

A press conference is held after the AGM, briefing the media on the resolutions passed by shareholders, the operations, performance and financial results of the Group for the year under review, followed by a question and answer session to clarify issues posed. Copies of the press kit and Annual Report are also given to the media.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Poll Voting

The MMLR requires any resolution set out in the notice of any general meeting (including any addendum, errata or amendment to the earlier notice of general meeting) or notice of resolution be voted by poll. Hence, all the resolutions as set out in the notice of the Company's forthcoming AGM will be voted by poll.

Effective Communication and Proactive Engagement

It has always been the Company's practice to maintain a good relationship with its shareholders. Major corporate developments and happenings have always been duly and promptly announced to all shareholders in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices.

The Company's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly performance, annual report, corporate announcements to Bursa Securities and press conferences. Further updates of the Company's activities and operations are also disseminated to shareholders and investors through dialogue with analysts, fund managers, investor relations and the media.

Besides highlighting retail business promotional activities, the Company's website www.pohkong.com.my also contains all announcements made to Bursa Securities, as well as the contact details of the contact designated to respond to any queries.

COMPLIANCE STATEMENT

The Board is of the view that the Group is generally in compliance with the Principles and Recommendations of the Code. Where a specific Recommendation of the Code has not been observed during the financial period under review, the non-observance has been explained and the reasons thereof have been included in this Statement.

This Statement was made in accordance with a resolution of the Board dated 20 October 2020.



Audit Committee Report

1. COMPOSITION

The Audit Committee ("AC") comprises three (3) members, all of whom are Independent Non-Executive Directors appointed by the Board of Directors. All members of the AC have extensive experience and a wide range of the knowledge and skills necessary in discharging their roles and responsibilities. The AC Chairperson is a member of the Malaysian Institute of Accountants ("MIA").

The AC comprises the following:-

Dato' Esther Tan Choon Hwa

Chairperson, Independent Non-Executive Director

Encik Fazrin Azwar Bin Md Nor

Member, Independent Non-Executive Director

Datin Shirley Yue Shou How

Member, Independent Non-Executive Director

2. TERMS OF REFERENCE

The AC's key function is to review the adequacy and effectiveness of internal control and governance systems of the Group and present its findings to the Board. The Board-approved Terms of Reference including the roles and responsibilities of the AC are available at www.pohkong.com.my.

3. INTERNAL AUDIT FUNCTION

The Internal Audit Function is performed in-house by the Group Internal Audit Function.

The total cost incurred for the Internal Audit function in respect of the financial year ended 31 July 2020 amounted to RM1,081,561 (2019: RM1,027,806) which covered the running cost of an in-house Internal Audit Department. The function is performed with impartiality, effectiveness and professionalism.

The Internal Audit Function reports directly to the AC Chairperson and the committee regularly reviews and appraises the Group's key operations to ensure that key risks and control concerns are being effectively managed.

The Internal Audit Function provides independent and reasonable assurance to improve the operations of the Company. Its primary role is to examine and evaluate the adequacy, integrity and effectiveness of the Company's overall system of internal control, risk management and governance. It also assists the Board of Directors and Management amongst others, to review compliance matters as required by the Code and by the Group's standard of operations. In order to maintain its independence and objectivity, the Internal Audit Function has no operational responsibility and authority over the activities it audits.

Reviews are carried out based on the annual Audit Plan which is approved by the AC in alignment with the prevailing business and environmental risk.

The Internal Audit Function also reviews related party transactions to ensure that the review procedures established to monitor the related party transactions have complied with the Main Market Listing Requirements of Bursa Securities (“MMLR”).

For each audit, a systematic methodology is adopted, which primarily includes performing risk assessment, developing audit planning memorandum, conducting audit, convening exit meeting and finalising the audit reports. The audit reports detail the objectives, scope of audit work, findings, management responses and auditors recommendations and ensure these are distributed to the responsible parties in a timely manner.

During the year, a summary of the audit reports incorporating findings and Management’s remedial actions, was issued to the AC on a quarterly basis.

All audit findings were highlighted to relevant Management team members responsible for ensuring that corrective actions according to the recommendations by the Internal Auditors on reported weaknesses had been implemented within the required timeframe.

4. ACTIVITIES OF THE AC FOR THE FINANCIAL YEAR

During the financial year, the activities of the AC included the following:-

Financial Reporting

Reviewed and discussed the quarterly financial results of the Group particularly in relation to:

- Compliance to accounting standards and regulatory requirements;
- Any major changes in accounting policies; and
- Significant and unusual items and events prior to recommending them to the Board of Directors for approval and subsequent release to the Bursa Securities and the Securities Commission.

Internal Audit

- Reviewed the Internal Audit Reports, the auditors’ findings and recommendations, the response from Management and the reports of the follow-up audit in respect of compliance and actions taken to implement the recommendations.
- Reviewed and approved the Internal Audit Plan for the year 2019/2020 having taken into account the number of outlets, the nature of the Group’s business and the Group’s budget.
- Reviewed the related party transactions and reports to ascertain that the disclosure procedures established to monitor the related party transactions have complied with the MMLR.

The internal audits conducted during the financial period did not reveal material weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

Audit Committee Report

4. ACTIVITIES OF THE AC FOR THE FINANCIAL YEAR (CONT'D)

External Audit

Reviewed the audit strategy, scope of work and plan of the External Auditors, particularly in relation to:-

- Independence of the External Auditors;
- Consideration of fraud in audited financial statements;
- Related party disclosures procedure;
- Audit process;
- Risk assessment and audit approach;
- Engagement team;
- Proposed audit fee;
- Reviewed the External Auditors' reports in relation to audit and accounting issues arising from the audit, updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board and updates of the new auditing standards;
- Met with the External Auditors two (2) times during the Financial Year without the presence of the Executive Directors and the Management; and
- Reviewed the audited financial statements of the Group and the Company.

Related Party Transactions

Reviewed the related party transactions on a quarterly basis and also the internal audit reports to ensure that the disclosure procedures established to monitor the related party transactions had been complied with in accordance to the MMLR.

5. ATTENDANCE

The AC convened five (5) meetings during the financial year ended 31 July 2020. The details of meeting attendance are set out below:

Audit Committees	Dates of Meetings					Total
	No. 1/2019/2020 ACM	No. 2/2019/2020 ACM	No. 3/2019/2020 ACM	No. 4/2019/2020 ACM	No. 5/2019/2020 ACM	
Dato' Esther Tan Choon Hwa	√	√	√	√	√	5/5
Datin Shirley Yue Shou How	√	√	√	√	√	5/5
Encik Fazrin Azwar Bin Md Nor	√	√	√	√	√	5/5

This Report was made in accordance with a resolution of the Board dated 20 October 2020.

Nomination Committee Statement

1. COMPOSITION

The Nomination Committee ("NC") comprises three (3) Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. Practice 4.7 of the Code applied. The members of NC are as follows:-

Encik Fazrin Azwar Bin Md Nor

Chairman, Independent Non-Executive Director

Datin Shirley Yue Shou How

Member, Independent Non-Executive Director

Dato' Esther Tan Choon Hwa

Member, Independent Non-Executive Director

2. TERMS OF REFERENCE

The Terms of Reference of the NC can be found in the Company's Corporate Governance in the investors' section of the website at www.pohkong.com.my.

3. ATTENDANCE AT NC MEETINGS

The NC met two (2) times during the financial year.

Nomination Committee	Dates of Meetings		Total
	No. 1/2019/2020 NCM 22/10/2019	No. 2/2019/2020 NCM 02/12/2019	
Encik Fazrin Azwar Bin Md Nor	√	√	2/2
Datin Shirley Yue Shou How	√	√	2/2
Dato' Esther Tan Choon Hwa	√	√	2/2

Nomination Committee Statement

4. ACTIVITIES OF THE NC FOR THE FINANCIAL YEAR

The NC carried out the following activities during the financial year ended 31 July 2020:-

- Conducted via questionnaires the evaluation of performance of Directors and Key Officers, Board and Board Committees, Audit Committee as a whole and the Audit Committee Members, Internal Audit Function, External Audit Function and External Auditors' performance and independence, and subsequently reviewed the summary of the aforesaid evaluation of performance and reported to the Board the outcome and recommended actions to be approved by the Board, where appropriate.
- Considered and recommended the re-election of Directors in accordance with Article 80 of the Company's Articles of Association.
- Considered and recommended the re-appointment of Encik Fazrin Azwar Bin Md Nor who had served as an Independent Director of the Company for a cumulative term of more than twelve (12) years in accordance with the criteria of "Independent Director" as set out in Chapter One of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and with the appropriate justifications as follows:
 - (a) He complies with the Independent criteria set out in Paragraph 1.01 of Chapter One of the Main Market Listing Requirements.
 - (b) He has always provided wise, effective, and practical advice to the Board throughout his tenure as Independent Director.
 - (c) He has always given his comment, opinion or judgement impartially and will challenge Management on matters which he believes to be not in the best interest of the Company.
 - (d) His invaluable feedback/check and balance, constructive participation and leadership in the decision-making process have contributed to the success of the Company.
- Reviewed and assessed the character, experience, integrity, competence and time commitment of the Group Accountant and found that he had effectively discharged his role pursuant to Paragraph 2.20A of the MMLR.
- Carried out an annual review of the Terms of Reference of the NC and recommended it to remain unchanged.
- Reviewed the Succession Plan of the Directors and noted that it is in place with the second liners already attending many Board meetings by invitation and are exposed to various job scopes and experiences.
- Reviewed the training needs and the training budgets for Directors and recommended more in-house training for the Directors' continuous education to be organised to enhance the financial knowledge and skills of the Directors, and to enable the Directors to keep abreast with the relevant development in Malaysian Business Reporting Standards and to maintain a sound understanding of the Company's business.
- Reviewed the selection process of the Board to ensure that the Board recruits and retains the best available talents as Executive Directors and Independent Directors.
- Reviewed the Diversity Policy and confirmed that the Company has a gender policy which requires at least 30% of the board of directors to be women directors. For the financial year ended 31 July 2020, 50% of the Board of Directors of the Company comprise women directors. This board composition even exceeded Practice 4.5 recommendation for Large Companies to have at least 30% women directors.
- Reviewed two nomination letters received from the shareholders of the Company to appoint two new Directors, and concluded that these two nominees although are deemed fit and proper to be considered as Executive Directors of the Company are subject to the Board's approval.
- Reviewed the extension of employment contract of an Executive Director of the Company and recommended the subject matter for the Board's consideration.
- Reviewed the Board size and composition of the Board, and found them to be appropriate.

Statement on Risk Management and Internal Control

INTRODUCTION

In accordance with the Malaysian Code on Corporate Governance 2017 (“MCCG 2017” or “the Code”), the Board of Directors (“the Board”) of Poh Kong Holdings Berhad (“PKHB”) is pleased to present the nature and scope of risk management and internal control of the Group’s operations for the financial year ended 31 July 2020.

BOARD RESPONSIBILITY

The Board recognises its responsibilities over the Group’s system of internal controls, covering all its financial and operating activities to safeguard shareholders’ investments and the Group’s assets.

The Board has a comprehensive internal control system which identifies, evaluates and manages significant risks encountered by the Group.

In view of the limitations inherent in any system of internal controls, the system is designed to manage risks, rather than to eliminate them, to achieve the Group’s corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, loss or irregularities.

The Audit Committee (“AC”) and Risk Management Committee (“RMC”) have been constituted to assist the Board in reviewing the adequacy and effectiveness of the system of internal controls and to ensure that a mix of techniques is used to obtain the level of assurance required by the Board.

The Board has received assurance from the Group Managing Director and the Group Accountant that the Group’s risk management and internal control system will operate adequately and effectively, in all material aspects, based on the risk management and internal control system.

RISK MANAGEMENT FRAMEWORK

The Board has established the Enterprise Risk Management (“ERM”) framework to identify, measure and manage the principal risks that may impede the achievement of the Group’s business objectives.

The key features of the ERM framework are as follows:

- It outlines the ERM methodology on the identification of key business risks through a structured approach and to determine if controls are in place in mitigating the risks identified.
- It establishes guidelines to enable the Management to prioritise the risks and allocation of resources to manage the risks.

The Board is supported by the RMC, headed by an Independent Non-Executive Director as Chairman in reviewing the risk management efforts within the Group. The RMC comprises the Group Managing Director, one Executive Director and three Independent Non-Executive Directors to ensure that the risk management and control framework is embedded into the culture, processes and structure of the Group.

Statement on Risk Management and Internal Control

RISK MANAGEMENT FRAMEWORK (CONT'D)

The key aspects of the risk management process:-

- Business/Operations/Departmental Heads are accountable for all risks assumed under their respective areas of responsibility. They undertake to update their risk profiles on a regular basis and incorporate any new risk factor, review the risk profiles, ratings and update the management action plans;
- The RMC will review the updated Risk Register and evaluate the effectiveness of action plans in mitigating the risks identified;
- The RMC meets periodically to discuss principal business risks in critical areas, assess the likelihood and impact of material exposures and determine its corresponding risk mitigation measures; and
- The RMC Chairman will update the Board on the key risk related issues and shall report on the status of the risk management and measures taken to mitigate all the risks.

The Board is fully responsible for the risk management of the Group and holds regular Board meetings to review and approve business strategies, risk management policies and business performance of the Group.

The RMC's key function is to review the adequacy and effectiveness of risk management of the Group. It is responsible for identifying the key potential risks of all operating units within the Group. Identified risks and the management action plans to mitigate these risks are reported to the Board to ensure that the risk policies and procedures are aligned to the Group's business strategies. It also reviews the framework for risk identification, measurement, monitoring and control on a regular basis to ensure it remains effective and relevant.

Risk Management And Internal Control System

The Board is responsible for managing the key business risks of the Group and implementing an appropriate internal control system to manage those risks. The Board reviewed the adequacy and effectiveness of the system of internal control during the year under review.

Key elements of the Groups risk management and system of internal control are as follows:-

- The organisational structure of the Group formally defines lines of responsibility and delegation of authority for all aspects of the Group's affairs. Senior management and business unit managers review operational performance, as well as business plans and strategic measures in Divisional Heads and Branch Managers meetings;
- The Board approves the annual budget, reviews key business indicators and monitors the achievements of the Group's performance on a quarterly basis;
- The authorisation limits and approvals authority threshold of the Group encompass internal control procedures. These procedures are subject to review by the Management to incorporate changing business risks and operational efficiency;
- The AC is responsible for reviewing the statutory annual financial statements and the quarterly announcements, and recommending them to the Board for approval prior to submission to Bursa Malaysia Securities Berhad;

RISK MANAGEMENT FRAMEWORK (CONT'D)

Risk Management And Internal Control System (Cont'd)

- The Internal Audit Department periodically audits the effectiveness and evaluates the proper functioning of the internal control system to ascertain compliance with the control procedures and policies of the Group. The Head of Internal Audit reports to the AC on a quarterly basis;
- Project teams are set up from time to time to address business and operational issues to meet the business objectives and operational requirements of the Group; and
- The Risk Management Working Group Committee has been established to review the risk management processes with the business operating units which include risk identification, assessment, mitigation and monitoring.

All the above-mentioned processes have been in place and provide reasonable assurance on the effectiveness of the risk management and internal control systems.

Composition Of RMC

The RMC comprises the following members:-

Encik Fazrin Azwar Bin Md Nor

Chairman, Independent Non-Executive Director

Dato' Esther Tan Choon Hwa

Member, Independent Non-Executive Director

Dato' Choon Yee Seiong

Member, Executive Chairman & Group Managing Director

Mr Cheong Teck Chong

Member, Executive Director

Datin Shirley Yue Shou How

Member, Independent Non-Executive Director



Statement on Risk Management and Internal Control

RISK MANAGEMENT FRAMEWORK (CONT'D)

Composition Of RMC (Cont'd)

During the financial year ended 31 July 2020, a total of two (2) meetings were held. Details of the attendance were as follows:-

	Dates of Meetings		Total
	No. 1/2019/2020 RMCM 02/12/2019	No. 2/2019/2020 RMCM 17/06/2020	
Board of Directors			
Encik Fazrin Azwar Bin Md Nor	√	√	2/2
Dato' Esther Tan Choon Hwa	√	√	2/2
Dato' Choon Yee Seiong	√	√	2/2
Mr Cheong Teck Chong	√	√	2/2
Datin Shirley Yue Shou How	√	√	2/2



KEY INTERNAL CONTROL PROCESSES

The Board is committed to maintain a strong control structure whereby internal control is embedded in the business processes for the Group to pursue its objectives. The key features of the Group's internal control system are:-

Control Environment

1. Organisation Structure and Authorisation Procedures

The Group maintains formal and structured lines of reporting that include a clear definition of responsibilities and delegation of authority. It sets out the roles and responsibilities, review and approval procedures to enhance the Internal Control system of the Group's various operations. Limits of authority are imposed for capital expenditure for all operating units to keep potential exposure under control. Capital expenditure, acquisition and disposal of investments are duly approved by the Board before they are carried out.

2. Annual Budget

Budgetary control is applied to every Company in the Group and actual performance is closely monitored against budgets to identify significant variances. Discussions are held regularly between the Management and the Head of Operating Units to ensure the budgets are attainable and realistic.

3. Active Involvement by Executive Directors

The Executive Directors are actively involved in the running of the business and operations and they report to the Board on significant changes in the business and external environment, which affect the operations of the Group at large.

4. Policies and Procedures

Operational policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses. These include SOP, memoranda, manuals and handbooks that are periodically updated when the needs arise to meet the changing environment.

5. Trained Personnel

Emphasis is placed on enhancing the quality and ability of employees through a wide variety of training programmes and workshops to enhance their knowledge and expand the employees' competency level in executing daily functions. Relevant training and courses have been provided to employees across all functions to maintain a high level of competency.

6. Board Committees

The Board is supported by several Committees, namely the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. Each Committee has clearly defined terms of reference outlining their functions and duties as delegated by the Board. The Board Committees assist the Board to review the effectiveness of the on-going monitoring processes on risk and control matters for areas within their scope of work.

Statement on Risk Management and Internal Control

KEY INTERNAL CONTROL PROCESSES (CONT'D)

Control Environment (Cont'd)

7. Code of Conduct

A Code of Conduct has been established for all employees, outlining the acceptable business behaviour and conduct, and provides guidance on how to demonstrate a culture of excellence while performing their duties. The Code of conduct is available on the company website at www.pohkong.com.my.

8. Insurance

Sufficient insurance coverage on major assets classes is in place to ensure the Group's assets are adequately covered against risks that can result in material losses. The assets are insured at "replacement cost" and reviewed regularly to ensure adequate insurance coverage to protect the Group from potential claims and loss.

9. Whistle Blowing Policy

The Whistle Blowing Policy was established to provide employees with an accessible avenue to report fraud, corruption, dishonest practices or other similar matters.

The aim of this policy is to promote and encourage the reporting of such matters in good faith with the confidence that the staff making such reports will be protected from any retaliation in the form of dismissal, harassment or discrimination at work, or any action in court, in respect of disclosure made by the whistle blower to the regulators.

Internal Audit Function

The Internal Audit Department independently reviews the risk identification procedures and control processes implemented by the Management, conducts audits that encompass reviewing critical areas of the Group's operations, and reports to the AC on a quarterly basis.

The Internal Audit Department also conducts internal control reviews on key activities of the Group's business on the basis of an annual internal audit plan that is presented and approved by the AC.

The Group internal audit function is carried out by in-house internal audit department to assist the AC and the Board in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 July 2020, 59 out of a total of 93 outlets were audited by the Internal Audit Function in accordance with the internal audit plans approved by the AC. The internal audit reviews and recommendations for improvement were presented to the AC at their quarterly meetings.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

KEY INTERNAL CONTROL PROCESSES (CONT'D)

Information and Communication

Information critical to the achievement of the Group's business objectives is communicated through established reporting lines across the Group. This is to ensure that matters requiring Board and the Senior Management's attention are highlighted for review, deliberation, decision and implementation on a timely basis.

Monitoring and Review

Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. The Senior Management Team meets regularly to review the reports, monitors business developments and resolves key operational and management issues. The quarterly financial statements containing key financial results and comparisons are presented to the Board for review.

WEAKNESSES IN INTERNAL CONTROLS

There were no major weaknesses in internal control which resulted in material losses during the current financial period.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have performed a limited assurance engagement on this Statement on Risk Management and Internal Control for inclusion in the Annual Report 2020 for the financial year ended 31 July 2020. Their engagement was performed in accordance with the Audit and Assurance Practice Guide 3 (previously RPG 5 (Revised 2015)) issued by the Malaysian Institute of Accountants which does not require the auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. Based on their procedures performed, the external auditor has reported to the Board that nothing has come to their attention that causes them to believe this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the "Statement on Risk Management and Internal Control : Guideline for Directors of Listed Issuers" nor is the same factually inaccurate.

CONCLUSION

The Board is of the view that the Group's systems of risk management and internal controls are adequate in achieving its business objectives. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changes and challenges of the business environment. Therefore, the Board and the Management maintain an on-going commitment to continue taking appropriate measures to enhance and strengthen the risk management and internal controls of the Group.

The Board is aware of the need to have in place a formalised risk management and internal control framework to safeguard shareholders' investments, interests of the customers, regulators and employees, and the Groups assets. The processes as outlined in the Statement on Risk Management and Internal Control for identifying, evaluating and managing risks have been in place for the year under review.

This Statement was made in accordance with a resolution of the Board dated 20 October 2020.

Other Compliance Information

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad

1) Utilisation of Proceeds

No proceeds were raised by the Company during the financial year ended 31 July 2020 (“financial year”).

2) Share Buy-Back

There was no share buy-back of the Company’s shares during the financial year.

3) Options, Warrant or Convertible Securities

There were no options, warrants or convertible securities issued to any parties during the financial year.

4) Depository Receipt Programme

During the financial year, the Company did not sponsor any Depository Receipt Programme.

5) Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory authorities during the financial year.

6) Non-Audit Fees

Non-audit fees amounting to RM24,600 were paid to the External Auditors agreed-upon procedures on the examination of the annual audit sales report and review of statements and other information during the financial year.

7) Variation in Results

There was no material variance between the results for the financial year and the unaudited results previously announced.

8) Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

9) Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and/or major shareholders and/or related parties at the end of the financial year.

10) Recurrent Related-Party Transactions

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 37 to the Financial Statements.

Statement on Directors' Responsibility

The Companies Act 2016 ("the Act") requires the Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results of their operations, changes in equity and of the cash flows of the Group and of the Company for the period then ended. As required by the Act and the Listing Requirements of Bursa Securities, the financial statements have been prepared in accordance with the applicable Financial Reporting Standards in Malaysia and the provisions of the Act.

In preparing the financial statements for the year ended 31 July 2020, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable Financial Reporting Standards have been followed; and
- prepared the financial statements on a going concern basis.

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

This Statement was made in accordance with a resolution of the Board dated 20 October 2020.



Financial Statements

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Directors' Report

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of management services, distributor and supplier of jewellery, precious stones, semi-precious stones and gold ornaments. The principal activities of the subsidiaries are disclosed in Note 8 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/(Loss) for the financial year, net of tax	24,433,706	(3,023,806)
Attributable to: Owners of the Company	24,433,706	(3,023,806)

DIVIDENDS

The amount of dividends declared and paid by the Company since the end of the previous financial year was as follows:

	RM
Single tier first and final dividend of 1.20 sen on 410,351,752 ordinary shares in respect of the financial year ended 31 July 2019, paid on 13 March 2020	4,924,221

At the forthcoming Annual General Meeting, a single tier final dividend of 1.20 sen on 410,351,752 ordinary shares amounting to RM4,924,221 in respect of the current financial year, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2021.

Directors' Report

RESERVES OR PROVISIONS

There were no material transfer 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 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 have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS OF THE COMPANY

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

Dato' Choon Yee Seiong*
Cheong Teck Chong*
Choon Nee Siew*
Datin Hon Wee Fong*
Choon Yee Bin*
Dato' Esther Tan Choon Hwa
Fazrin Azwar Bin Md. Nor
Datin Shirley Yue Shou How

* Directors of the Company and certain subsidiaries

In accordance with the Company's Constitution, Dato Choon Yee Seiong, Datin Hon Wee Fong, Datin Shirley Yue Shou How and Dato' Tan Choon Hwa @ Esther Tan Choon Hwa will be retiring at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS OF THE SUBSIDIARIES OF THE COMPANY

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

Dato' Choon Yoke Ying
 Choon Wan Joo
 Ong Han Woon
 Mohd Anuar Choon Bin Abdullah
 Siow Der Ming
 Chang Kwong Him
 Saw Eng Hooi

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	At 1 August 2019	Number of ordinary shares		At 31 July 2020
		Bought	Sold	
The Company				
Poh Kong Holdings Berhad				
<i>Direct interests:</i>				
Dato' Choon Yee Seiong	11,600,246	-	-	11,600,246
Cheong Teck Chong	2,011,028	-	(748,700)	1,262,328
Choon Nee Siew	3,732,242	900,000	(1,600,000)	3,032,242
Choon Yee Bin	140,030	-	(140,000)	30
Datin Hon Wee Fong	2,079,710	80,000	-	2,159,710
Fazrin Azwar Bin Md. Nor	35,000	-	-	35,000
<i>Indirect interests:</i>				
Dato' Choon Yee Seiong	(i) 249,603,028	1,005,000	(2,115,000)	248,493,028
Cheong Teck Chong	(ii) 239,356,648	-	(34,750)	239,321,898
Choon Nee Siew	(ii) 254,711,072	-	(494,750)	254,216,322
Choon Yee Bin	(i) 258,430,034	900,000	(1,920,000)	257,410,034
Datin Hon Wee Fong	(i) 251,634,544	25,000	(55,000)	251,604,544

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares		At 31 July 2020
	At 1 August 2019	Bought Sold	
Holding company Poh Kong Sdn. Bhd.			
<i>Direct interests:</i>			
Dato' Choon Yee Seiong	38,648,796	-	38,648,796
Cheong Teck Chong	20,021,228	-	20,021,228
Choon Nee Siew	16,861,008	-	16,861,008
Choon Yee Bin	3,000,000	-	3,000,000
Datin Hon Wee Fong	3,808,850	-	3,808,850

- (i) Held by spouse and persons connected to the director and holding company.
(ii) Held by persons connected to the director and holding company.

By virtue of their interests in the ordinary shares in the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Choon Yee Seiong, Cheong Teck Chong, Choon Nee Siew, Choon Yee Bin and Datin Hon Wee Hong are deemed to have an interest in shares in the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 32 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, other than any deemed benefits which may arise from transactions entered into the ordinary course of business as disclosed in Note 37 to the financial statements.

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

INDEMNITY TO DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for, any director and officer of the Company.

Directors' Report

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

Other than those subsidiaries without auditors' reports as disclosed in Note 8 to the financial statements, the available auditors' reports on the accounts of the remaining subsidiaries did not contain any qualification.

HOLDING COMPANY

The directors regard Poh Kong Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the holding company.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF REPORTING PERIOD

Details of significant event during and subsequent to the financial year are disclosed in Note 41 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 31 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company up to RM310,000 as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

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

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

DATO' CHOON YEE SEIONG

Director

CHEONG TECK CHONG

Director

Date: 20 October 2020

Statements of Financial Position

AS AT 31 JULY 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	94,948,491	126,222,604	1,728,042	2,506,747
Right-of-use assets	6	60,847,863	-	1,293,322	-
Investment properties	7	13,966,581	14,404,687	-	-
Investment in subsidiaries	8	-	-	159,506,275	159,355,852
Investment in an associate	9	8,296,123	7,747,730	-	-
Club memberships	10	228,000	228,000	-	-
Goodwill on consolidation	11	1,485,140	1,485,140	-	-
Deferred tax assets	12	14,161,098	17,517,800	10,619,989	14,418,185
Total non-current assets		193,933,296	167,605,961	173,147,628	176,280,784
Current assets					
Inventories	13	548,913,843	573,625,997	18,248,389	16,286,764
Current tax assets		953,134	575,651	67,336	67,336
Trade and other receivables	14	5,120,561	3,684,358	17,952,636	12,646,281
Deposits and prepayments	15	10,226,020	10,451,956	512,521	578,752
Amount due by subsidiaries	16	-	-	244,340,903	274,265,501
Fixed deposits placed with licensed banks	17	23,234,777	17,197,727	-	-
Cash and bank balances		11,198,030	12,057,946	392,653	1,522,985
		599,646,365	617,593,635	281,514,438	305,367,619
Asset classified as held for sale	18	-	1,470,000	-	-
Total current assets		599,646,365	619,063,635	281,514,438	305,367,619
TOTAL ASSETS		793,579,661	786,669,596	454,662,066	481,648,403

Statements of Financial Position

AS AT 31 JULY 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	19	205,175,876	205,175,876	205,175,876	205,175,876
Reserves	20	365,049,289	345,539,804	42,973,130	50,921,157
TOTAL EQUITY		570,225,165	550,715,680	248,149,006	256,097,033
Non-current liabilities					
Loan and borrowings	21	54,021,438	42,332,460	787,118	26,640
Deferred tax liabilities	12	14,256,745	15,972,250	-	-
Total non-current liabilities		68,278,183	58,304,710	787,118	26,640
Current liabilities					
Loan and borrowings	21	120,142,794	143,091,869	663,284	273,371
Provision for restoration costs	22	400,000	400,000	-	-
Current tax liabilities		7,890,206	4,361,117	-	-
Trade and other payables	23	9,472,184	11,503,842	8,148,473	20,007,123
Deposits and accruals	24	6,674,689	8,438,019	500,327	546,821
Amount due to holding company	25	1,316,494	1,296,640	1,316,494	1,296,640
Amount due to subsidiaries	16	-	-	193,971,822	202,415,213
Amount due to directors	26	2,125,137	1,797,308	1,125,542	985,562
Contract liabilities	27	7,054,809	6,760,411	-	-
Total current liabilities		155,076,313	177,649,206	205,725,942	225,524,730
TOTAL LIABILITIES		223,354,496	235,953,916	206,513,060	225,551,370
TOTAL EQUITY AND LIABILITIES		793,579,661	786,669,596	454,662,066	481,648,403

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

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	28	748,801,630	1,000,514,281	300,283,978	454,669,189
Cost of sales		(550,015,652)	(791,631,454)	(279,665,614)	(417,182,803)
Gross profit		198,785,978	208,882,827	20,618,364	37,486,386
Other income		4,849,963	1,174,413	271,031	9,500,110
Administrative expenses		(92,996,503)	(69,107,323)	(19,612,447)	(20,083,163)
Selling and distribution expenses		(63,437,082)	(97,110,530)	-	-
Net impairment loss on receivables		(39,311)	(8,117)	-	-
Operating profit		47,163,045	43,831,270	1,276,948	26,903,333
Finance income	29	533,595	1,967,384	24,183	1,384,718
Finance costs	30	(9,568,908)	(10,165,278)	(118,733)	(989,432)
Share of results of an associate, net of tax		848,391	817,089	-	-
Profit before tax	31	38,976,123	36,450,465	1,182,398	27,298,619
Income tax expense	33	(14,542,417)	(11,175,569)	(4,206,204)	(323,577)
Profit/(Loss) for the financial year		24,433,706	25,274,896	(3,023,806)	26,975,042
Other comprehensive loss, net of tax					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Revaluation of property, plant, and equipment		-	(1,029,378)	-	-
Other comprehensive loss for the financial year		-	(1,029,378)	-	-
Total comprehensive income/(loss) for the financial year		24,433,706	24,245,518	(3,023,806)	26,975,042

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) attributable to:					
Owners of the Company		24,433,706	25,274,896	(3,023,806)	26,975,042
Non-controlling interests		-	-	-	-
		24,433,706	25,274,896	(3,023,806)	26,975,042
Total comprehensive income/(loss) attributable to:					
Owners of the Company		24,433,706	24,245,518	(3,023,806)	26,975,042
Non-controlling interests		-	-	-	-
		24,433,706	24,245,518	(3,023,806)	26,975,042
Earnings per share (sen)					
- basic	34	5.95	6.16		
- diluted	34	5.95	6.16		

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

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	← Attributable to owners of the Company →			Total equity RM
		Share capital RM	Revaluation reserve RM	Retained earnings RM	
Group					
At 1 August 2019		205,175,876	41,634,971	303,904,833	550,715,680
Total comprehensive income for the financial year					
Profit for the financial year		-	-	24,433,706	24,433,706
Other comprehensive income for the financial year		-	-	-	-
Total comprehensive income		-	-	24,433,706	24,433,706
Transactions with owners					
Dividends	35	-	-	(4,924,221)	(4,924,221)
Total transaction with owners		-	-	(4,924,221)	(4,924,221)
At 31 July 2020		205,175,876	41,634,971	323,414,318	570,225,165

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Note	← <i>Attributable to owners of the Company</i> →				Total equity RM
	Share capital RM	Fair value reserve of financial assets at DFVOCI RM	Revaluation reserve RM	Retained earnings RM	
Group					
At 31 July 2018					
- As previously reported	205,175,876	-	42,664,349	275,502,817	523,343,042
- Effect of transition to MFRS 9	-	7,230,638	-	-	7,230,638
Restated balance at 1 August 2018	205,175,876	7,230,638	42,664,349	275,502,817	530,573,680
Total comprehensive income for the financial year					
Profit for the financial year	-	-	-	25,274,896	25,274,896
Other comprehensive loss for the financial year	-	-	(1,029,378)	-	(1,029,378)
Total comprehensive income	-	-	(1,029,378)	25,274,896	24,245,518
Transferred upon derecognition of other investment	-	(7,230,638)	-	7,230,638	-
Transactions with owners					
Dividends	35	-	-	(4,103,518)	(4,103,518)
Total transaction with owners	-	-	-	(4,103,518)	(4,103,518)
At 31 July 2019	205,175,876	-	41,634,971	303,904,833	550,715,680

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

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	← Attributable to owners of the Company →		Total equity RM
		Share capital RM	Retained earnings RM	
Company				
At 1 August 2018		205,175,876	28,049,633	233,225,509
Total comprehensive income for the financial year		-	26,975,042	26,975,042
Transactions with owners				
Dividends	35	-	(4,103,518)	(4,103,518)
Total transaction with owners		-	(4,103,518)	(4,103,518)
At 31 July 2019		205,175,876	50,921,157	256,097,033
Total comprehensive loss for the financial year		-	(3,023,806)	(3,023,806)
Transactions with owners				
Dividends	35	-	(4,924,221)	(4,924,221)
Total transaction with owners		-	(4,924,221)	(4,924,221)
At 31 July 2020		205,175,876	42,973,130	248,149,006

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

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from operating activities					
Profit before tax		38,976,123	36,450,465	1,182,398	27,298,619
Adjustments for:					
Depreciation of:					
- property, plant and equipment		6,932,431	9,095,409	667,716	885,342
- right-of-use assets		24,409,915	-	469,097	-
- investment properties		438,106	651,474	-	-
Dividend income		-	-	-	(17,663,000)
Loss/(Gain) on dissolution of subsidiaries		24,340	79,893	4,906	(9,294,858)
Net gain on disposal of property, plant and equipment		(174,415)	(152,050)	-	-
Impairment loss on:					
- trade receivables		47,428	8,117	-	-
- property, plant and equipment		-	955	-	-
Interest expense		9,568,908	10,165,278	118,733	989,432
Interest income		(533,595)	(1,967,384)	(359,183)	(1,700,242)
Written off of:					
- inventories		87,719	19,035	-	-
- property, plant and equipment		387,004	721,039	-	-
- trade receivables		26,099	11,443	-	-
Reversal of impairment loss on trade receivables		(8,117)	-	-	-
Share of results of an associate		(848,391)	(817,089)	-	-
Unrealised gain on foreign exchange		(2,316)	(51,375)	-	-
Write down of inventories		4,648,999	-	-	-
Gain on lease modification		(16,284)	-	-	-
COVID-19-related rent concession income		(2,364,820)	-	(2,000)	-
		81,599,134	54,215,210	2,081,667	515,293

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Changes in working capital:					
Inventories		19,975,436	(14,851,401)	(1,961,625)	(5,310,987)
Receivables		(1,273,361)	15,522,971	(5,240,124)	9,800,092
Payables		(3,794,988)	(10,619,899)	(11,905,144)	(5,434,835)
Contract liabilities		294,398	(606,332)	-	-
		96,800,619	43,660,549	(17,025,226)	(430,437)
Tax paid		(10,637,322)	(8,463,727)	(408,008)	(1,046,116)
Tax refunded		887,708	225	-	-
Net cash from/(used in) operating activities		87,051,005	35,197,047	(17,433,234)	(1,476,553)
Cash flows from investing activities					
Dividend received		299,998	599,996	-	17,663,000
Proceeds from disposal of property, plant and equipment		175,303	152,515	-	-
Net proceeds from disposal of asset held for sale		1,470,000	-	-	-
Net outflows arising from dissolution of subsidiaries		(24,340)	(79,893)	-	-
Purchase of investment properties		-	(767,580)	-	-
Purchase of property, plant and equipment	5(a)	(3,942,246)	(6,126,342)	(67,203)	(151,256)
Interest received		533,595	1,967,384	359,183	1,700,242
Net repayment from subsidiaries		-	-	29,695,295	18,392,002
Net cash (used in)/from investing activities		(1,487,690)	(4,253,920)	29,987,275	37,603,988

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash flows from financing activities	(a)				
Net repayment of banker's acceptance		(30,556,000)	(12,363,000)	-	-
Net (repayment)/drawdown of revolving credit		(12,000,000)	2,000,000	-	-
Net (repayment)/drawdown term loans		(2,498,578)	25,400,710	-	-
Net repayment of ICP/IMTN		-	(50,000,000)	-	(50,000,000)
Net repayment of lease liabilities/finance lease liabilities		(21,186,157)	(4,977,600)	(431,836)	(468,427)
Interest paid		(9,568,908)	(10,165,278)	(118,733)	(989,432)
Dividend paid		(4,924,221)	(4,103,518)	(4,924,221)	(4,103,518)
Advances from/(Repayment to) directors		327,829	(1,748,696)	139,980	(240,114)
Advances from/(Repayment to) holding company		19,854	(22,665)	19,854	(2,200)
Repayment to subsidiaries		-	-	(8,369,417)	(98,364)
Uplift of sinking funds		-	20,000,000	-	20,000,000
(Placement)/Uplift of fixed deposits		(37,050)	(12,950)	-	30,000
Net cash used in financing activities		(80,423,231)	(35,992,997)	(13,684,373)	(35,872,055)
Net increase/(decrease) in cash and cash equivalents		5,140,084	(5,049,870)	(1,130,332)	255,380
Cash and cash equivalents at the beginning of the financial year		28,007,946	33,057,816	1,522,985	1,267,605
Cash and cash equivalents at the end of the financial year		33,148,030	28,007,946	392,653	1,522,985

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Cash and cash equivalents including in statements of cash flows comprise following amounts:					
Cash and bank balances		11,198,030	12,057,946	392,653	1,522,985
Fixed deposits placed with licensed banks		23,234,777	17,197,727	-	-
		34,432,807	29,255,673	392,653	1,522,985
Less: fixed deposits pledged to licensed banks		(1,284,777)	(1,247,727)	-	-
		33,148,030	28,007,946	392,653	1,522,985

(a) Changes in liabilities arising from financing activities

	1 August RM	Effect of adoption MFRS 16 RM	Cash Flows RM	Non-cash		31 July RM
				Acquisition RM	Others RM	
2020						
Group						
Revolving credit	12,000,000	-	(12,000,000)	-	-	-
Term loan	66,175,165	-	(2,498,578)	-	-	63,676,587
Bankers' acceptance	100,962,000	-	(30,556,000)	-	-	70,406,000
Lease liabilities	6,287,164	50,282,666	(21,186,157)	7,467,480	(2,769,508)	40,081,645
	185,424,329	50,282,666	(66,240,735)	7,467,480	(2,769,508)	174,164,232
Company						
Lease liabilities	300,011	430,089	(431,836)	1,154,138	(2,000)	1,450,402

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

(a) Changes in liabilities arising from financing activities (Cont'd)

	1 August RM	Cash Flows RM	Non-cash Acquisition RM	31 July RM
2019				
Group				
Revolving credit	10,000,000	2,000,000	-	12,000,000
Term loan	37,427,758	25,400,710	3,346,697	66,175,165
ICP/IMTN	50,000,000	(50,000,000)	-	-
Bankers' acceptance	113,325,000	(12,363,000)	-	100,962,000
Finance lease liabilities	8,573,059	(4,977,600)	2,691,705	6,287,164
	219,325,817	(39,939,890)	6,038,402	185,424,329
Company				
ICP/IMTN	50,000,000	(50,000,000)	-	-
Finance lease liabilities	768,438	(468,427)	-	300,011
	50,768,438	(50,468,427)	-	300,011

(b) Total cash outflows for leases

During the financial year, the Group and the Company had total cash outflows for leases of RM25,988,262 and RM1,141,099.

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

Poh Kong Holdings 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 Unit 07-02, Level 7, Persoft Tower, 6B, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 16-20, Jalan 52/4, 46200 Petaling Jaya, Selangor Darul Ehsan.

The holding company, Poh Kong Sdn. Bhd. is incorporated and domiciled in Malaysia.

The principal activities of the Company are investment holding, provision of management services, distributor and supplier of jewellery, precious stones, semi-precious stones and gold ornaments. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

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 20 October 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”)

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

New MFRS

MFRS 16 Leases

Amendments/Improvements to MFRSs

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

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

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

MFRS 16 Leases

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

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

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

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

Definition of a lease

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

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

Impact of the adoption of MFRS 16

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

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 16 Leases (Cont'd)

Impact of the adoption of MFRS 16 (Cont'd)

(i) Classification and measurement

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

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

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

For leases that were classified as operating lease under MFRS 117

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

The right-of-use assets were measured at:

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

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

- (a) applied a single discount rate to a portfolio of leases with similar characteristics;
- (b) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- (c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (d) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 16 Leases (Cont'd)

Impact of the adoption of MFRS 16 (Cont'd)

(i) Classification and measurement (Cont'd)

For leases that were classified as finance lease under MFRS 117

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

For leasehold land that were classified as property, plant and equipment under MFRS 116

The Group recognised the carrying amount of the leasehold land under MFRS 116 *Property, plant and equipment* immediately before transition as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

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

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 16 Leases (Cont'd)

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

	Group Increase/ (Decrease) RM	Company Increase/ (Decrease) RM
Assets		
Non-current assets		
Property, plant and equipment	(31,006,516)	(566,779)
Right-of-use assets	81,289,182	996,868
Total non-current assets	50,282,666	430,089
Total assets	50,282,666	430,089
Non-current liability		
Loan and borrowings	29,671,197	241,665
Total non-current liability	29,671,197	241,665
Current liability		
Loan and borrowings	20,611,469	188,424
Total current liability	20,611,469	188,424
Total liabilities	50,282,666	430,089

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

MFRS 16 Leases (Cont'd)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 August 2019 is 8.81%.

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

	Group RM	Company RM
Assets		
Operating lease commitments as at 31 July 2019	47,965,347	226,462
Adjustment for discounting based on weighted average incremental borrowing rate as at 1 August 2019	(4,972,873)	(69,527)
Discounted operating lease commitments as at 1 August 2019	42,992,474	156,935
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 July 2019	7,290,192	273,154
Lease liabilities as at 1 August 2019	50,282,666	430,089

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

[^] The Annual Improvements to MFRSs 2018-2020

^{*} Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020

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

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 (Cont'd)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS, and amendments/improvements to MFRSs 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 a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combinations

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

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

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

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

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

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

2. BASIS OF PREPARATION (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 31 July 2021.

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

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

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

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.

2.3.2 The Group and the Company are currently assessing the impact of initial application of the above amendments/improvements to MFRSs. Nevertheless, the Group and the Company expects that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and the Company.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONT'D)

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 to the financial statements.

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 financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

Subsidiaries are entities (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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(a) Subsidiaries and business combination (Cont'd)

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

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

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

The accounting policy for goodwill is disclosed in Note 3.4 to the financial statements.

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

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

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

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

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(a) Subsidiaries and business combination (Cont'd)

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit 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) Associates

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

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

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

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

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

When the Group's interest in an associate decrease 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 gain 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.

(c) Transactions eliminated on consolidation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(c) Transactions eliminated on consolidation (Cont'd)

Unrealised gains arising from transaction with equity-accounted associates is 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 are measured at cost less any accumulated impairment losses. 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 is disclosed in Note 3.9(b) to the financial statements.

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

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 dates of the transactions.

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

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).

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Goodwill

Goodwill arising on business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 3.9(b) to the financial statements.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment (other than land and buildings) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 3.9(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs 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.

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.

Freehold land, leasehold land and buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on leasehold land and buildings and any accumulated impairment losses recognised after the date of valuation.

Valuations are performed with sufficient regularity to ensure that the fair value of the freehold land, leasehold land and buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained profits on retirement or disposal of the asset.

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.

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (Cont'd)

(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 over the estimated useful lives at the following principal annual rate:

Buildings	2%
Equipment, furniture and fittings	10% – 33.33%
Plant and machinery	20%
Motor vehicles	20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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

3.6 Investment properties

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

Investment properties are measured initially at cost, including transaction cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any identified impairment losses. The policy for the recognition and measurement of impairment losses in accordance with Note 3.9(b) to the financial statements.

Depreciation of investment properties is provided for on a straight-line basis over their estimated useful lives, at the following principal annual rates:

Buildings	2%
Leasehold land	remaining lease period ranges from 39 to 75 years

Building-in-progress is stated at cost and not depreciated. Depreciation on building-in-progress commence when the assets are ready for their intended use.

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

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Investment properties (Cont'd)

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

3.7 Non-current asset held for sale

Non-current assets 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 is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset 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.

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.

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

3.8 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (Cont'd)

(a) Subsequent measurement

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

(i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- 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.

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. The Group and the Company classify their debt instruments as follows:

- **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 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 follows:

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 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.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (Cont'd)

(d) Derecognition (Cont'd)

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.

(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.

3.9 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

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 counterparty is unable to pay its credit obligations to the Group and to 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.

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.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of assets (Cont'd)

(a) Impairment of financial assets (Cont'd)

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

- significant financial difficulty of 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; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The amount of impairment 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 statements 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.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount. For goodwill, the recoverable amount is estimated at each reporting date.

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"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets (Cont'd)

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

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 Inventories

Inventories are valued at the lower of the cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Trading

- raw materials and finished goods: costs are determined on a first-in-first out basis.

Manufacturing

- raw materials, work-in-progress and finished goods: costs are assigned on a weighted average cost basis. Work-in-progress and finished goods include costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits (other than deposits pledged with financial institutions), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts and exclude deposits pledged to secure banking facilities.

3.12 Contract liabilities

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

3.13 Leases

(a) Definition of lease

Accounting policies applied from 1 August 2019

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

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

Accounting policies applied until 31 July 2019

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (Cont'd)

(b) Lessee accounting

Accounting policies applied from 1 August 2019

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

The Group and the Company present right-of-use as separate lines in the financial statements of financial position.

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 (other than leasehold land) is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

Leasehold land is subsequently measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on leasehold land and any accumulated impairment losses recognised after the date of valuation.

The right-of-use asset (other than leasehold land) 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. Leasehold land is depreciated on straight-line basis over the remaining lease period ranges from 33 to 94 years. If the lessee 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 3.9(b) to the financial statements.

Lease liability

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

Accounting policies applied from 1 August 2019 (Cont'd)

Lease liability (Cont'd)

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- 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 "administrative 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.

Accounting policies applied until 31 July 2019

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

Accounting policies applied until 31 July 2019 (Cont'd)

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

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

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

Any upfront lease payments are classified as land use rights within intangible assets.

(c) Lessor accounting

Accounting policies applied from 1 August 2019

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

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.13(b), then it classifies the sub-lease as an operating lease.

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

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

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

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Leases (Cont'd)

(c) Lessor accounting (Cont'd)

Accounting policies applied until 31 July 2019

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

3.14 Borrowing costs

Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(a) Site restoration cost

A provision for restoration is recognised when the Group has the obligation to return its rented premises to its original state upon expiry of the lease term.

(b) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Provisions (Cont'd)

(b) Contingent liabilities (Cont'd)

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3.16 Employee benefits

(a) Short term employee benefits

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

(b) Defined contribution plans

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

3.17 Share capital

Ordinary shares

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

3.18 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 same customer (or related parties of the customer).

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Revenue and other income (Cont'd)

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

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

Financing components

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

(a) Sales of goods - manufacturing

The Group manufactures and sells a range of jewellerys, precious stones and gold ornaments. Revenue from sale of manufactured goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term ranging from 11 to 15 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

(b) Sales of goods

The Group and the Company sell a range of jewellerys, precious stones and gold ornaments. Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made either in cash term or with credit term of 7 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Where consideration is collected from customer in advance for sale of goods, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of goods to the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Revenue and other income (Cont'd)

(c) Rendering of services and repairs

Revenue from a contract to provide services and repairs is recognised at a point in time when the services and repairs were completed and delivered to the customers.

(d) Dividend income

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

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

(g) Management income

Management income is recognised in the profit or loss as it accrues.

3.19 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.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Income tax (Cont'd)

(b) Deferred tax (Cont'd)

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, 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

(c) Sales and services tax ("SST")

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 amount of sales and services tax payable to, the taxation authority is included as part of payables in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which is the Group Managing Director, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.21 Earnings per share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by 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 weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

3.22 Fair value measurements

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for the 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.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Net realisable values of inventories (Note 13)

Reviews are made periodically by directors on design of inventories coupled with market knowledge of retail department and the valuation of inventories which is subject to the fluctuation of the market price. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The economic uncertainties resulting from the COVID-19 pandemic may continue to impact the saleability of inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

4.2 Right-of-use assets and lease liabilities (Note 6 and Note 21.2)

During the financial year, the Group adopted MFRS 16 *Leases* and recognised right-of-use ("ROU") assets and lease liabilities on the date of initial application. In measuring ROU assets and lease liabilities, significant judgement is required in determining the lease term, lease payments and incremental borrowing rate. Any changes in the estimates may have significant effect on the Group's performance and financial position.

4.3 Deferred tax assets (Note 12)

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance and taxable profit of the Group and the Company, after taking into consideration of the possible near-term impact of the COVID-19 pandemic. Any changes in these estimates or future actual financial performance of the Group and the Company will have an impact on the carrying amount of deferred tax assets.

Assumptions about generation of future taxable profits depend on directors' estimate of future cash flows. These depend on estimates of future income, operating costs, capital expenditure and dividends. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Buildings-in-progress RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Total RM
2020								
Cost/Valuation								
At 31 July 2019								
- As previously reported	26,510,000	22,200,979	43,153,221	-	93,504,157	7,876,765	12,091,783	205,336,905
- Effect of adoption of MFRS 16	-	(22,200,979)	-	-	(8,215,515)	-	(8,343,545)	(38,760,039)
Adjusted balance at 1 August 2019	26,510,000	-	43,153,221	-	85,288,642	7,876,765	3,748,238	166,576,866
Additions	-	-	-	2,231,360	1,457,821	76,635	176,430	3,942,246
Disposals	-	-	-	-	(2,880)	-	(897,717)	(900,597)
Written off	-	-	-	-	(1,874,700)	(3,200)	-	(1,877,900)
Reclassification	-	-	829,580	(2,231,360)	1,401,780	-	-	-
Reclassified from right-of-use assets (Note 6)	-	-	-	-	4,846,323	-	63,511	4,909,834
At 31 July 2020	26,510,000	-	43,982,801	-	91,116,986	7,950,200	3,090,462	172,650,449
Representing:								
- cost	-	-	-	-	91,116,986	7,950,200	3,090,462	102,157,648
- valuation	26,510,000	-	43,982,801	-	-	-	-	70,492,801
	26,510,000	-	43,982,801	-	91,116,986	7,950,200	3,090,462	172,650,449

Notes to the Financial Statements

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Buildings-in-progress RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Total RM
2020								
Accumulated depreciation								
At 31 July 2019								
- As previously reported	-	534,213	1,372,475	-	61,000,042	6,762,850	9,233,742	78,903,322
- Effect of adoption of MFRS 16	-	(534,213)	-	-	(1,447,930)	-	(5,560,401)	(7,542,544)
Adjusted balance at 1 August 2019	-	-	1,372,475	-	59,552,112	6,762,850	3,673,341	71,360,778
Depreciation for the financial year	-	-	1,016,122	-	5,559,240	300,161	56,908	6,932,431
Disposals	-	-	-	-	(1,992)	-	(897,717)	(899,709)
Written off	-	-	-	-	(1,487,696)	(3,200)	-	(1,490,896)
Reclassified from right-of-use assets (Note 6)	-	-	-	-	1,735,843	-	63,511	1,799,354
At 31 July 2020	-	-	2,388,597	-	65,357,507	7,059,811	2,896,043	77,701,958

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Leasehold land RM	Buildings- Buildings progress RM	in- progress RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Total RM
2020								
Accumulated impairment losses								
At 31 July 2019								
- As previously reported	-	210,979	-	-	-	-	-	210,979
- Effect of adoption of MFRS 16	-	(210,979)	-	-	-	-	-	(210,979)
Adjusted balance at 1 August 2019/ 31 July 2020	-	-	-	-	-	-	-	-
Carrying amount								
At 1 August 2019 (Adjusted)	26,510,000	-	41,780,746	-	25,736,530	1,113,915	74,897	95,216,088
At 31 July 2020	26,510,000	-	41,594,204	-	25,759,479	890,389	194,419	94,948,491
Representing:								
- cost	-	-	-	-	25,759,479	890,389	194,419	26,844,287
- valuation	26,510,000	-	41,594,204	-	-	-	-	68,104,204
	26,510,000	-	41,594,204	-	25,759,479	890,389	194,419	94,948,491

Notes to the Financial Statements

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Buildings-in-progress RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Total RM
2019								
Cost/Valuation								
At 1 August 2018	26,510,000	24,100,979	39,209,850	427,951	89,371,209	7,482,213	12,713,507	199,815,709
Additions	-	-	4,643,371	-	7,144,061	394,552	182,760	12,364,744
Disposals	-	-	-	-	(3,100)	-	(804,484)	(807,584)
Written off	-	-	-	(427,951)	(3,008,013)	-	-	(3,435,964)
Transfer to asset classified as held for sale (Note 18)	-	(1,900,000)	(700,000)	-	-	-	-	(2,600,000)
At 31 July 2019	26,510,000	22,200,979	43,153,221	-	93,504,157	7,876,765	12,091,783	205,336,905
Representing:								
- cost	-	-	-	-	93,504,157	7,876,765	12,091,783	113,472,705
- valuation	26,510,000	22,200,979	43,153,221	-	-	-	-	91,864,200
	26,510,000	22,200,979	43,153,221	-	93,504,157	7,876,765	12,091,783	205,336,905

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Buildings-in-progress RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Total RM
2019								
Accumulated depreciation								
At 1 August 2018	-	266,008	984,196	-	56,548,248	6,409,221	8,794,000	73,001,673
Depreciation for the financial year	-	341,038	415,113	-	6,741,403	353,629	1,244,226	9,095,409
Disposals	-	-	-	-	(2,635)	-	(804,484)	(807,119)
Written off	-	-	-	-	(2,286,974)	-	-	(2,286,974)
Transfer to asset classified as held for sale (Note 18)	-	(72,833)	(26,834)	-	-	-	-	(99,667)
At 31 July 2019	-	534,213	1,372,475	-	61,000,042	6,762,850	9,233,742	78,903,322

Notes to the Financial Statements

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Buildings-in-progress RM	Equipment, furniture and fittings RM	Plant and machinery RM	Motor vehicles RM	Total RM
2019								
Accumulated impairment losses								
At 1 August 2018	-	210,979	-	427,951	-	-	-	638,930
Impairment for the financial year	-	752,936	277,397	-	-	-	-	1,030,333
Transfer to asset classified as held for sale (Note 18)	-	(752,936)	(277,397)	-	-	-	-	(1,030,333)
Written off	-	-	-	(427,951)	-	-	-	(427,951)
	-	210,979	-	-	-	-	-	210,979
Carrying amount								
At 31 July 2019	26,510,000	21,455,787	41,780,746	-	32,504,115	1,113,915	2,858,041	126,222,604
Representing:								
- cost	-	-	-	-	32,504,115	1,113,915	2,858,041	36,476,071
- valuation	26,510,000	21,455,787	41,780,746	-	-	-	-	89,746,533
	26,510,000	21,455,787	41,780,746	-	32,504,115	1,113,915	2,858,041	126,222,604

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture and fittings RM	Motor vehicles RM	Total RM
2020			
Cost			
At 31 July 2019			
- As previously reported	7,759,040	502,287	8,261,327
- Effect of adoption of MFRS 16	(705,777)	(156,537)	(862,314)
Adjusted balance at 1 August 2019	7,053,263	345,750	7,399,013
Additions	67,203	-	67,203
Reclassified from right-of-use assets (Note 6)	705,777	-	705,777
At 31 July 2020	7,826,243	345,750	8,171,993
Accumulated depreciation			
At 31 July 2019			
- As previously reported	5,356,650	397,930	5,754,580
- Effect of adoption of MFRS 16	(243,355)	(52,180)	(295,535)
Adjusted balance at 1 August 2019	5,113,295	345,750	5,459,045
Depreciation for the financial year	667,716	-	667,716
Reclassified from right-of-use assets (Note 6)	317,190	-	317,190
At 31 July 2020	6,098,201	345,750	6,443,951
Carrying amount			
Adjusted balance at 1 August 2019	1,939,968	-	1,939,968
At 31 July 2020	1,728,042	-	1,728,042

Notes to the Financial Statements

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture and fittings RM	Motor vehicles RM	Total RM
2019			
Cost			
At 1 August 2018	7,607,784	502,287	8,110,071
Additions	151,256	-	151,256
At 31 July 2019	7,759,040	502,287	8,261,327
Accumulated depreciation			
At 1 August 2018	4,507,338	361,900	4,869,238
Depreciation for the financial year	849,312	36,030	885,342
At 31 July 2019	5,356,650	397,930	5,754,580
Carrying amount			
At 31 July 2019	2,402,390	104,357	2,506,747

- (a) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM3,942,246 (2019: RM12,364,744) and RM67,203 (2019: RM151,256) respectively of which Nil (2019: RM200,000) of the Group was provision for restoration costs.

The aggregate cost of property, plant and equipment acquired by means of:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Addition to property, plant and equipment	3,942,246	12,364,744	67,203	151,256
Provision for restoration cost	-	(200,000)	-	-
Financed by:				
- finance lease	-	(2,691,705)	-	-
- term loan	-	(3,346,697)	-	-
Cash payments on on purchase of property plant and equipment	3,942,246	6,126,342	67,203	151,256

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Assets held for sale

Properties transferred to the asset classified as held for sale amounting to Nil (2019: RM1,470,000) relate to the assets of Poh Kong Jewellers (Klang) Sdn. Bhd., a subsidiary of the Company. Refer to Note 18 to the financial statements for further details on the disposal of asset classified as held for sale.

(c) Assets under finance leases

The carrying amount of assets under finance lease arrangements are as follows:

	Group	Company
	2019	2019
	RM	RM
Equipment, furniture and fittings	3,884,410	462,422
Motor vehicles	2,858,041	104,357
	6,742,451	566,779

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 21 to the financial statements.

(d) Assets pledged as security

Carrying amount of properties pledged as securities for bank borrowings as disclosed in Note 21 to the financial statements are as follows:

	Group	
	2020	2019
	RM	RM
At valuation		
- Freehold land	4,250,000	4,250,000
- Leasehold land	-	11,527,796
- Buildings	3,322,495	3,392,818

Notes to the Financial Statements

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (e) Had the revalued land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the land and buildings that would have been included in the financial statements of the Group is as follows:

	Group	
	2020 RM	2019 RM
- Freehold land	4,353,093	4,353,093
- Leasehold land	-	4,086,202
- Buildings	26,826,140	26,579,916

(f) **Fair value information**

Fair value of land and buildings are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2020				
- Freehold land	-	27,230,000	-	27,230,000
- Buildings	-	35,050,000	-	35,050,000
	-	62,280,000	-	62,280,000
2019				
- Freehold land	-	27,520,000	-	27,520,000
- Leasehold land	-	21,450,000	-	21,450,000
- Buildings	-	41,560,000	-	41,560,000
	-	90,530,000	-	90,530,000

Level 2 fair value

The fair value on freehold land and buildings of the Group were revalued on 31 July 2020 using the sales comparison and cost approach based on valuation performed by independent firms of professional valuers.

The significant inputs into this valuation approach are location/floor, size, time lapse, tenure and market sentiment, if any.

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(f) Fair value information (Cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between levels of fair value hierarchy

There were no transfer between level 1 and level 2 during the financial year ended 31 July 2020 and 31 July 2019.

6. RIGHT-OF-USE ASSETS

The Group and the Company leases several assets including leasehold land, buildings, equipment, furniture and fittings, plant and machinery and motor vehicles.

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

	Leasehold land RM	Buildings RM	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Group					
Cost/Valuation					
At 31 July 2019					
- As previously reported	-	-	-	-	-
- Effect of adoption of MFRS 16	22,200,979	50,282,666	8,215,515	8,343,545	89,042,705
Adjusted balance at 1 August 2019	22,200,979	50,282,666	8,215,515	8,343,545	89,042,705
Additions	-	6,568,730	898,750	-	7,467,480
Modification of lease	-	(525,200)	-	-	(525,200)
Written off	-	(1,451,338)	-	-	(1,451,338)
Reclassified to property, plant and equipment (Note 5)	-	-	(4,846,323)	(63,511)	(4,909,834)
At 31 July 2020	22,200,979	54,874,858	4,267,942	8,280,034	89,623,813
Representing:					
- cost	-	54,874,858	4,267,942	8,280,034	67,422,834
- valuation	22,200,979	-	-	-	22,200,979
	22,200,979	54,874,858	4,267,942	8,280,034	89,623,813

Notes to the Financial Statements

6. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land RM	Buildings RM	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Group					
Accumulated depreciation					
At 31 July 2019					
- As previously reported	-	-	-	-	-
- Effect of adoption of MFRS 16	534,213	-	1,447,930	5,560,401	7,542,544
Adjusted balance at 1 August 2019	534,213	-	1,447,930	5,560,401	7,542,544
Depreciation for the financial year	149,811	22,165,413	994,010	1,100,681	24,409,915
Modification of lease	-	(136,796)	-	-	(136,796)
Written off	-	(1,451,338)	-	-	(1,451,338)
Reclassified to property, plant and equipment (Note 5)	-	-	(1,735,843)	(63,511)	(1,799,354)
At 31 July 2020	684,024	20,577,279	706,097	6,597,571	28,564,971
Accumulated impairment loss					
At 31 July 2019					
- As previously reported	-	-	-	-	-
- Effect of adoption of MFRS 16	210,979	-	-	-	210,979
Adjusted balance at 1 August 2019/ 31 July 2020	210,979	-	-	-	210,979
Carrying amount					
At 1 August 2019 (Adjusted)	21,455,787	50,282,666	6,767,585	2,783,144	81,289,182
At 31 July 2020	21,305,976	34,297,579	3,561,845	1,682,463	60,847,863
Representing:					
- cost	-	34,297,579	3,561,845	1,682,463	39,541,887
- valuation	21,305,976	-	-	-	21,305,976
	21,305,976	34,297,579	3,561,845	1,682,463	60,847,863

6. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land RM	Buildings RM	Equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Company					
Cost/Valuation					
At 31 July 2019	-	-	-	-	-
- Effect of adoption of MFRS 16	-	430,089	705,777	156,537	1,292,403
Adjusted balance at 1 August 2019	-	430,089	705,777	156,537	1,292,403
Additions	-	524,138	630,000	-	1,154,138
Reclassified to property, plant and equipment (Note 5)	-	-	(705,777)	-	(705,777)
At 31 July 2020	-	954,227	630,000	156,537	1,740,764
Representing:					
- cost	-	954,227	630,000	156,537	1,740,764
- valuation	-	-	-	-	-
	-	954,227	630,000	156,537	1,740,764
Accumulated depreciation					
At 31 July 2019	-	-	-	-	-
- Effect of adoption of MFRS 16	-	-	243,355	52,180	295,535
Adjusted balance at 1 August 2019	-	-	243,355	52,180	295,535
Depreciation for the financial year	-	290,455	147,335	31,307	469,097
Reclassified to property, plant and equipment (Note 5)	-	-	(317,190)	-	(317,190)
At 31 July 2020	-	290,455	73,500	83,487	447,442
Carrying amount					
At 1 August 2019 (Adjusted)	-	430,089	462,422	104,357	996,868
At 31 July 2020	-	663,772	556,500	73,050	1,293,322

Notes to the Financial Statements

6. RIGHT-OF-USE ASSETS (CONT'D)

- (a) The Group and the Company lease land and buildings for their office space and operation site. The leases for office space and operation site generally have lease term between 2 to 94 years.

The Group and the Company also lease equipment, furniture and fittings, plant and machinery and motor vehicles with lease term of 2 to 5 years.

- (b) Leasehold land with net carrying amount of RM11,291,693 were pledged as security for borrowings as disclosed in Note 21 to the financial statements.

- (c) Had the revalued leasehold land been carried at historical cost less accumulated depreciation, the carrying amount of the leasehold land that would have been included in the financial statements of the Group is as follows:

	Group	
	2020 RM	2019 RM
- Leasehold land	3,997,326	-

(d) Fair value information

Fair value of land and buildings are categorised as follows:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
- Leasehold land	-	25,270,000	-	25,270,000

Level 2 fair value

The fair value on leasehold land of the Group were revalued on 31 July 2020 using the sales comparison and cost approach based on valuation performed by independent firms of professional valuers.

The significant inputs into this valuation approach are location/floor, size, time lapse, tenure and market sentiment, if any.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between levels of fair value hierarchy

There was no transfer between level 1 and level 2 during the financial year ended 31 July 2020.

7. INVESTMENT PROPERTIES

Group	Leasehold land RM	Buildings RM	Buildings-in- progress RM	Total RM
2020				
At cost				
At 1 August 2019/31 July 2020	7,360,000	8,966,638	-	16,326,638
Accumulated depreciation				
At 1 August 2019	469,199	1,161,552	-	1,630,751
Depreciation for the financial year	78,200	359,906	-	438,106
At 31 July 2020	547,399	1,521,458	-	2,068,857
Accumulated impairment losses				
At 1 August 2019/31 July 2020	-	291,200	-	291,200
Carrying amount				
At 31 July 2020	6,812,601	7,153,980	-	13,966,581
2019				
At cost				
At 1 August 2018	7,360,000	6,843,000	1,356,058	15,559,058
Additions	-	-	767,580	767,580
Reclassification	-	2,123,638	(2,123,638)	-
At 31 July 2019	7,360,000	8,966,638	-	16,326,638
Accumulated depreciation				
At 1 August 2018	390,999	588,278	-	979,277
Depreciation for the financial year	78,200	573,274	-	651,474
At 31 July 2019	469,199	1,161,552	-	1,630,751
Accumulated impairment losses				
At 1 August 2018/31 July 2019	-	291,200	-	291,200
Carrying amount				
At 31 July 2019	6,890,801	7,513,886	-	14,404,687

Notes to the Financial Statements

7. INVESTMENT PROPERTIES (CONT'D)

- (a) The investment properties comprise of shop lots and condominium.
- (b) Investment properties with aggregate carrying amount of RM10,081,454 (2019: RM10,214,821) are pledged as securities for bank borrowings facilities granted to the Group as disclosed in Note 21 to the financial statements.
- (c) The following are recognised in profit or loss in respect of investment properties:

	Group	
	2020 RM	2019 RM
Rental income	390,947	396,420
Direct operating expenses from income generating investment properties	263,669	285,265

- (d) Fair value information of investment properties are categorised as follows:

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2020				
- Leasehold land	-	6,400,000	-	6,400,000
- Buildings	-	6,730,000	-	6,730,000
2019				
- Leasehold land	-	7,360,000	-	7,360,000
- Buildings	-	8,750,545	-	8,750,545

Level 2 fair value

The fair value on leasehold land and buildings of the Group is determined based on sales comparison approach based on valuation performed by independent firms of professional property valuers.

The significant inputs into this valuation approach are location/floor, size, time lapse, tenure and market sentiment, if any.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between levels of fair value hierarchy

There were no transfer between level 1 and level 2 during the financial year ended 31 July 2020 and 31 July 2019.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Unquoted shares - at cost	143,967,817	144,046,697
Loans that are part of net investments	15,538,458	15,309,155
	159,506,275	159,355,852

Loans that are part of net investments represent amount owing by subsidiaries which is unsecured. The settlement of the amount 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 this amount is, in substance, a part of the Company's net investment in the subsidiaries, it is stated at cost less accumulated loss, if any.

Details of the subsidiaries are as follows:

Name of Company	Ownership interest		Principal Activities
	2020 %	2019 %	
Poh Kong Jewellers Sdn. Bhd.	100	100	Suppliers and retailers of jewellery, precious stones and gold ornaments
Poh Kong Jewellery Manufacturer Sdn. Bhd.	100	100	Manufacturer and dealers of jewellery, precious stones and gold ornaments
Poh Kong Jewellers (Franchise) Sdn. Bhd.	100	100	Franchise management services
Poh Kong Properties Sdn. Bhd.	100	100	Property investment
Poh Kong Wholesale Sdn. Bhd.	100	100	Investment holding, suppliers and retailers of packing and utility products, wholesaler of jewellery, precious stones and gold ornaments
PK Jewellery Export Sdn. Bhd.	100	100	Trading of bullion
Poh Kong International Sdn. Bhd.	100	100	Overseas investment holding
Poh Kong Bullion Sdn. Bhd.	100	100	Suppliers and retailers of gold bullion, gold coins, gold ingots and gold investment products

Notes to the Financial Statements

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Ownership interest		Principal Activities
	2020 %	2019 %	
Poh Kong Jewellers (Klang) Sdn. Bhd.*	100	100	Ceased operation
Poh Kong Jewellers (SS2) Sdn. Bhd.*	100	100	Ceased operation
Poh Kong Jewellers (Jaya) Sdn. Bhd.#	100	100	Under members' voluntary winding up
Poh Kong Jewellers (Maluri) Sdn. Bhd.#	100	100	Under members' voluntary winding up
Poh Kong Jewellers (Shah Alam) Sdn. Bhd.#	100	100	Under members' voluntary winding up
Poh Kong Jewellers (The Mall) Sdn. Bhd.#	100	100	Under members' voluntary winding up
Poh Kong Jewellers (Wangsa Maju) Sdn. Bhd.#	100	100	Under members' voluntary winding up
Poh Kong Jewellers (Bangsar) Sdn. Bhd.#	-	100	Dissolved during the financial year

All subsidiaries in the Group are incorporated in Malaysia.

As a result of the restructuring exercise on internal reorganisation undertaken by the Group and the Company, these subsidiaries ceased operations and are under members' voluntary winding up or has been dissolved during the financial year. The audited financial statements and auditors' report of the subsidiaries are not available. The management accounts have been used for the purpose of consolidation.

* *As a result of the restructuring exercise on internal reorganisation undertaken by the Group and the Company, these subsidiaries ceased operations and will place under members' voluntary winding up.*

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Dissolution of subsidiaries

During the financial year, 1 subsidiary (2019: 4 subsidiaries) have been dissolved. The Group has deconsolidated these former subsidiaries. The deconsolidation had the following effects on the financial position of the Group at the end of the financial year:

	Group	
	2020 RM	2019 RM
Carrying amount, at the date of deconsolidation		
Asset		
Cash and bank balances	25,153	90,287
Net asset deconsolidated	25,153	90,287
Total final distribution	813	10,394
Loss on dissolution of subsidiaries	(24,340)	(79,893)
The effect of deconsolidation on cash flows is as follows:		
Final distribution	813	10,394
Less: Cash and cash equivalents of subsidiaries dissolved	(25,153)	(90,287)
Net outflows arising from dissolution of subsidiaries	(24,340)	(79,893)

9. INVESTMENT IN AN ASSOCIATE

	Group	
	2020 RM	2019 RM
Unquoted shares, in Malaysia		
At cost	7,530,637	7,530,637
Group's share of post-acquisition reserves, net of dividends received	765,486	217,093
	8,296,123	7,747,730

Notes to the Financial Statements

9. INVESTMENT IN AN ASSOCIATE (CONT'D)

Details of associate are as follows:

Name of Company	Ownership interest		Principal Activities
	2020 %	2019 %	
Lian Sin Tang Sdn. Bhd.*#	14.29	14.29	Pawnshop owners and suppliers of goldsmiths and jewellers

* Audited by audit firm other than Baker Tilly Monteiro Heng PLT

Financial year end of 31 December

The Group's interest in the above investment is regarded as associate although the Group holds less than 20% of the equity interest in the entity. The directors have assessed the existence of significant influence with the appointment of a director of the Company as the corporate representative with five (5) members on the Board of Directors of Lian Sin Tang Sdn. Bhd.. Accordingly, this entity is accounted for using the equity method in the consolidated financial statements.

For the purpose of applying the equity method for associated company with financial year end of 31 December, the last audited financial statements available and the management account for the financial statements to 31 July of the associate company have been used.

Summarised financial information of material associate

The following table illustrates the summarised financial information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate:

Group	Lian Sin Tang Sdn. Bhd. RM
2020	
Assets and liabilities	
Current assets	27,115,810
Non-current assets	24,378,506
Current liabilities	(517,369)
Net assets	50,976,947

9. INVESTMENT IN AN ASSOCIATE (CONT'D)

Lian Sin
Tang Sdn. Bhd.
RM

Results:

Revenue	69,102,287
Profit for the financial year	5,936,961
Total comprehensive income	5,936,961

Reconciliation of net assets to carrying amount as at year end:

Share of net assets at initial recognition date, at fair value	7,530,637
Share of post-acquisition profit (cumulative)	1,665,480
Dividend paid (cumulative)	(899,994)

Carrying amount in the statements of financial position	8,296,123
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Group's share of results:

Group's share of profit	848,391
Group's share of other comprehensive income	-

Carrying amount in the statements of financial position	848,391
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Dividend paid during the year	(299,998)
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2019

Assets and liabilities

Current assets	38,877,021
Non-current assets	8,316,360
Current liabilities	(53,395)

Net assets	47,139,986
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Results:

Revenue	70,482,269
Profit for the financial year	5,719,646
Total comprehensive income	5,719,646

Reconciliation of net assets to carrying amount as at year end:

Share of net assets at initial recognition date, at fair value	7,530,637
Share of post-acquisition profit (cumulative)	817,089
Dividend paid (cumulative)	(599,996)

Carrying amount in the statements of financial position	7,747,730
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Notes to the Financial Statements

9. INVESTMENT IN AN ASSOCIATE (CONT'D)

	Lian Sin Tang Sdn. Bhd. RM
Group's share of results:	
Group's share of profit	817,089
Group's share of other comprehensive income	-
Carrying amount in the statements of financial position	817,089
Dividend paid during the year	(599,996)

10. CLUB MEMBERSHIPS

	Group	
	2020 RM	2019 RM
At cost:		
Club memberships	233,000	233,000
Less: Accumulated impairment losses	(5,000)	(5,000)
	228,000	228,000

11. GOODWILL ON CONSOLIDATION

	Group	
	2020 RM	2019 RM
Carrying amount		
At 31 July	1,485,140	1,485,140

(a) The carrying amount of goodwill allocated to the cash-generating unit ("CGU") is as follows:

	Group	
	2020 RM	2019 RM
Trading	1,485,140	1,485,140

11. GOODWILL ON CONSOLIDATION (CONT'D)

(b) The Group has assessed the recoverable amount of goodwill allocated and determined that no impairment is required. The recoverable amount of the CGU is determined using the value in use approach and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by directors covering a period of five years.

(c) The key assumptions used in the determination of the recoverable amount are as follows:

(i) Discount rate

The discount rates used are determined using a pre-tax discount rate of 16.45% (2019: 12.40%).

(ii) Growth rate

The average growth rate used of 4% (2019: 2%) over five-year projection period and it is based on average growth levels experienced over the past ten years.

The values assigned to the above key assumptions represent directors' assessment of future trends in the industry and are based on both external sources and internal source of information.

(d) With regard to the assessment of value in use of the trading unit, the directors believe that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 August	1,545,550	1,285,599	14,418,185	14,741,762
Recognised in profit or loss (Note 33)	(1,641,197)	259,951	(3,798,196)	(323,577)
At 31 July	(95,647)	1,545,550	10,619,989	14,418,185
Presented after appropriate offsetting:				
Deferred tax assets	14,161,098	17,517,800	10,619,989	14,418,185
Deferred tax liabilities	(14,256,745)	(15,972,250)	-	-
	(95,647)	1,545,550	10,619,989	14,418,185

Notes to the Financial Statements

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(a) Deferred tax assets

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 August	17,517,800	16,676,531	14,418,185	14,741,762
Recognised in profit or loss	(3,356,702)	841,269	(3,798,196)	(323,577)
At 31 July	14,161,098	17,517,800	10,619,989	14,418,185

The estimated deferred tax assets of the Group and of the Company arising from temporary differences recognised in the financial statements are as follows:

	At 1 August 2018 RM	Recognised in profit or loss RM	At 31 July 2019 RM	Recognised in profit or loss RM	At 31 July 2020 RM
Group					
Unrealised profits arising from intercompany transaction	1,934,769	1,164,846	3,099,615	441,494	3,541,109
Unutilised tax losses	13,309,699	(366,750)	12,942,949	(3,550,861)	9,392,088
Unabsorbed capital allowances	1,600,446	1,480	1,601,926	(348,682)	1,253,244
Excess of capital allowances over depreciation	(168,383)	41,693	(126,690)	101,347	(25,343)
	16,676,531	841,269	17,517,800	(3,356,702)	14,161,098
Company					
Unutilised tax losses	13,309,699	(366,750)	12,942,949	(3,550,861)	9,392,088
Unabsorbed capital allowances	1,600,446	1,480	1,601,926	(348,682)	1,253,244
Excess of capital allowances over depreciation	(168,383)	41,693	(126,690)	101,347	(25,343)
	14,741,762	(323,577)	14,418,185	(3,798,196)	10,619,989

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(a) Deferred tax assets (Cont'd)

The recognition of the deferred tax assets of the Group and of the Company are based on the projection of financial budget approved by directors to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

The unutilised tax losses are available for offset against future taxable profit of the Group and the Company which will expire in the following financial year:

	2020		2019	
	Group RM	Company RM	Group RM	Company RM
Year of assessment 2025	39,133,700	39,133,700	53,928,954	53,928,954

(b) Deferred tax liabilities

	Group	
	2020 RM	2019 RM
At 1 August	15,972,250	15,390,932
Recognised in profit or loss	(1,715,505)	581,318
At 31 July	14,256,745	15,972,250

The estimated deferred tax liabilities of the Group arising from temporary differences recognised in the financial statements are as follows:

Group	At 1 August 2018 RM	Recognised in profit or loss RM	At 31 July 2019 RM	Recognised in profit or loss RM	At 31 July 2020 RM
Property, plant and equipment	3,279,750	581,318	3,861,068	(1,715,505)	2,145,563
Revaluation	12,111,182	-	12,111,182	-	12,111,182
	15,390,932	581,318	15,972,250	(1,715,505)	14,256,745

Notes to the Financial Statements

13. INVENTORIES

	Group		Comapany	
	2020 RM	2019 RM	2020 RM	2019 RM
At cost				
Raw material	25,388,264	18,182,056	2,047,610	516,538
Work-in-progress	16,502,503	16,739,041	-	-
Finished goods	507,023,076	538,704,900	16,200,779	15,770,226
	548,913,843	573,625,997	18,248,389	16,286,764

During the financial year, the cost of inventories recognised as cost of sales in the Group and the Company amounted to RM550,015,652 (2019: RM791,631,454) and RM279,665,614 (2019: RM417,182,803) respectively.

14. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade					
Trade receivables	(a)	3,081,076	1,741,134	-	285,210
Amount due by subsidiaries	(b)	-	-	17,952,636	12,361,071
Less:					
Impairment for trade receivables		(47,428)	(70,310)	-	-
		3,033,648	1,670,824	17,952,636	12,646,281
Non-trade					
Other receivables	(c)	2,086,913	2,013,534	-	-
		2,086,913	2,013,534	-	-
Total trade and other receivables		5,120,561	3,684,358	17,952,636	12,646,281

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Trade receivables are non-interest bearing and the Group's and the Company's normal trade credit terms range from 7 to 30 days (2019: 7 to 30 days). Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of the trade receivables are as follows:

	Group	
	2020 RM	2019 RM
At 1 August	70,310	62,193
Charge for the financial year		
- Individually assessed	47,428	8,117
Reversal of impairment losses	(8,117)	-
Written off	(62,193)	-
At 31 July	47,428	70,310

Trade receivables that are individually impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral.

The information about the credit exposures are disclosed in Note 39(b) to the financial statements.

Offsetting of financial assets and financial liabilities:

	Note	Gross amount RM	Balances that are set off RM	Net carrying amount in the statements of financial position RM
Group				
2019				
Trade receivables		15,790,552	(14,049,418)	1,741,134
Trade payables	23	(20,954,863)	14,049,418	(6,905,445)
Company				
2019				
Trade receivables		14,334,628	(14,049,418)	285,210
Trade payables	23	(33,401,211)	14,049,418	(19,351,793)

Notes to the Financial Statements

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Amount due by subsidiaries

The amount due by subsidiaries are trade in nature and non-interest bearing the Company's normal trade credit terms range from 7 to 30 days (2019: 7 to 30 days).

(c) Other receivables

The Group's and the Company's amounts owing by other receivables are unsecured, interest free and are repayable on demand.

Included in other receivables of the Group are amounts of RM370,000 (2019: RM412,956) due by fellow subsidiaries of holding company. The amounts due are unsecured, interest free, repayable on demand and is expected to be settled in cash.

15. DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Deposits	(a)	8,745,071	8,668,529	29,954	29,954
Prepayments		1,480,949	1,783,427	482,567	548,798
		10,226,020	10,451,956	512,521	578,752

(a) Deposits

Included in deposits of the Group are deposits in relation to rental and utilities deposits for retail spaces and staff hostels amounted to RM7,851,366 (2019: RM7,855,220).

16. AMOUNT DUE BY/(TO) SUBSIDIARIES

The amount due by/(to) subsidiaries are unsecured, interest free, repayable on demand and is expected to be settled in cash.

17. FIXED DEPOSITS PLACED WITH LICENSED BANKS

The fixed deposits of the Group earn weighted average effective interest rate ranging from 0.9% to 2.9% (2019: 2.30% to 3.15%) per annum respectively.

Included in fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM1,284,777 (2019: RM1,247,727), which have been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

18. ASSET CLASSIFIED AS HELD FOR SALE

On 1 July 2019, the Group has initiated a plan to sell the leasehold land and building known as PN 54882, Lot 130 Seksyen 9, Bandar Shah Alam, District of Petaling, Negeri Selangor Darul Ehsan, measuring approximately 1,646 square metre. The fair value less cost to sell of the leasehold land and building is at RM1,470,000.

Subsequent to the financial year end on 5 August 2019, the Group has entered into Sale and Purchase Agreement with third parties for the disposal of leasehold land and building for a total consideration of RM1,500,000. The disposal was completed during the year.

	Group	
	2020 RM	2019 RM
Valuation		
At 1 August	-	-
Transfer from property, plant and equipment (Note 5)	-	1,470,000
At 31 July	-	1,470,000

19. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up:				
At 1 August/31 July	410,351,752	205,175,876	410,351,752	205,175,876

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

Notes to the Financial Statements

20. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revaluation reserve	41,634,971	41,634,971	-	-
Retained earnings	323,414,318	303,904,833	42,973,130	50,921,157
	365,049,289	345,539,804	42,973,130	50,921,157

Revaluation reserve

The revaluation reserve of the Group represents increases in the fair value of freehold land, leasehold land and buildings of the Group in years 2003, 2008, 2013 and 2017, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

21. LOAN AND BORROWINGS

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Non-current					
Secured					
Term loans	21.1	34,080,894	39,363,268	-	-
Lease liabilities/Finance lease liabilities	21.2	19,940,544	2,969,192	787,118	26,640
		54,021,438	42,332,460	787,118	26,640
Current					
Secured					
Term loans	21.1	29,595,693	26,811,897	-	-
Lease liabilities/Finance lease liabilities	21.2	20,141,101	3,317,972	663,284	273,371
Bankers' acceptance	21.3	70,406,000	100,962,000	-	-
Revolving credit	21.4	-	12,000,000	-	-
		120,142,794	143,091,869	663,284	273,371

21. LOAN AND BORROWINGS (CONT'D)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Total loan and borrowings					
Term loans	21.1	63,676,587	66,175,165	-	-
Lease liabilities/Finance lease liabilities	21.2	40,081,645	6,287,164	1,450,402	300,011
Bankers' acceptance	21.3	70,406,000	100,962,000	-	-
Revolving credit	21.4	-	12,000,000	-	-
		174,164,232	185,424,329	1,450,402	300,011

21.1 Term loans

Term loan facilities of the Group are mature between year 2020 and year 2036 and denominated in RM.

Term loan 1 of a subsidiary of RM2,056,443 (2019: RM2,177,655) bears interest at BLR – 2.00% (2019: BLR – 2.00%) per annum and is repayable by monthly instalments of RM17,826 over twenty years commencing from the day of first drawdown and is secured and supported as follows:

- (a) A legal charge over properties of the subsidiary as disclosed in Note 7 to the financial statements; and
- (b) Corporate guarantee and indemnity provided by the Company.

Term loan 2 of a subsidiary of RM3,717,849 (2019: RM4,181,540) bears interest at BLR – 2.40% (2019: BLR – 2.40%) per annum and is repayable by monthly instalments of RM70,517 over ten years commencing from one month after the full release of the loan and is secured and supported as follows:

- (a) Principal instrument of a facilities agreement for the sum of RM6,900,000;
- (b) Equitable Assignment of rental proceeds is to be created over property as disclosed in Note 5 and Note 6 to the financial statements;
- (c) Corporate guarantee provided by the Company; and
- (d) Where security is taken over property without individual title:
 - (i) A deed of assignment to be executed by the subsidiary in assigning all the rights and title, interests and benefits under the Sales and Purchase Agreement in respect of the property.
 - (ii) Irrevocable Power of Attorney from the subsidiary to enable the Bank to deal with the security offered.

Notes to the Financial Statements

21. LOAN AND BORROWINGS (CONT'D)

21.1 Term loans (Cont'd)

Term loan 3 of a subsidiary of RM426,546 (2019: RM434,785) bears interest at BLR – 2.20% (2019: BLR – 2.20%) per annum and is repayable by monthly instalments of RM3,080 over twelve years commencing from the day of first drawdown and is secured and supported as follows:

- (a) Principal instrument of facilities agreement for the sum of RM480,000;
- (b) Corporate guarantee provided by the Company; and
- (c) Where security is taken over property without individual title:
 - (i) A registered open all monies first party charge stamped nominally over the property.
 - (ii) A close charge over property created as security for facility granted as disclosed in Note 5 to the financial statements.

Term loan 4 of a subsidiary of RM1,349,572 (2019: RM1,395,047) bears interest at BLR – 2.00% (2019: BLR – 2.00%) per annum and is repayable by monthly instalments of RM11,651 over twenty years commencing from one month after the full release of the loan and is secured and supported as follows:

- (a) Facilities agreements for the sum of RM2,000,000 as principal instruments;
- (b) A first party legal charge over the properties of the subsidiary as disclosed in Note 5 to the financial statements; and
- (c) Corporate guarantee provided by the Company.

Term loan 5 of subsidiaries of RM20,561,984 (2019: RM16,042,248) bears interest at 2.80% (2019: 2.80%) per annum is repayable on demand and is secured and supported as follows:

- (a) Fixed deposit placed with a licensed bank of the Company as disclosed in Note 17 to the financial statements;
- (b) Corporate guarantee provided by the Company.

Term loan 6 of subsidiaries of RM3,737,637 (2019: RM3,795,810) bears interest at BLR – 0.75% (2019: BLR – 0.75%) per annum and is repayable by monthly instalments of RM32,903 over fifteen years commencing from the day of first drawdown and is secured and supported as follows:

- (a) Principal instrument of facilities agreement for the sum of RM4,207,500; and
- (b) Corporate guarantee provided by the Company.

21. LOAN AND BORROWINGS (CONT'D)

21.1 Term loans (Cont'd)

Term loan 7 of subsidiaries of RM27,407,420 (2019: RM33,333,340) bears interest at BR + 1.00% (2019: BR + 1.00%) per annum and is repayable by 54 equal monthly instalments with the first instalment commencing 6 months from the date of first drawdown and is secured and supported as follows:

- (a) Fixed deposit placed with a licensed bank of the Company as disclosed in Note 17 to the financial statements;
- (b) Irrevocable and unconditional letter of undertaking from the immediate holding company to cover any shortfall in any payment obligations in relation to the facility; and
- (c) Corporate guarantee provided by the Company.

Term loan 8 of subsidiaries of RM3,010,697 (2019: RM3,346,697) bears interest at 6.81% (2019: 6.81%) per annum is repayable by monthly instalments of RM56,000 over five years commencing from 1 February 2020 and is secured by corporate guarantee provided by the company.

Term loan 9 of subsidiaries of RM704,921 (2019: RM734,558) bears interest at BFR - 1.50% (2019: 1.50%) per annum is repayable by monthly instalments of RM6,027 over sixteen years commencing from first day after the full release and is secured and supported as follows:

- (a) A first party legal charge over the properties of the subsidiary as disclosed in Note 7 to the financial statements; and
- (b) by corporate guarantee provided by the Company.

Term loan 10 of subsidiaries of RM703,518 (2019: RM733,485) bears interest at BFR - 1.50% (2019: 1.50%) per annum is repayable by monthly instalments of RM6,027 over sixteen years commencing from first day after the full release and is secured and supported as follows:

- (a) A first party legal charge over the properties of the subsidiary as disclosed in Note 7 to the financial statements; and
- (b) by corporate guarantee provided by the Company.

Notes to the Financial Statements

21. LOAN AND BORROWINGS (CONT'D)

21.2 Lease liabilities/Finance lease liabilities

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Minimum lease payments:				
- not later than one year	22,758,847	3,589,065	738,784	293,971
- later than one year but not later than five years	22,121,722	3,138,522	856,240	29,224
	44,880,569	6,727,587	1,595,024	323,195
Less: Future finance charges	(4,798,924)	(440,423)	(144,622)	(23,184)
Present value of minimum lease payments	40,081,645	6,287,164	1,450,402	300,011
Present value of minimum lease payments				
- not later than one year	20,141,101	3,317,972	663,284	273,371
- later than one year but not later than five years	19,940,544	2,969,192	787,118	26,640
	40,081,645	6,287,164	1,450,402	300,011
Less: Amount due within 12 months	(20,141,101)	(3,317,972)	(663,284)	(273,371)
Amount due after 12 months	19,940,544	2,969,192	787,118	26,640

Certain equipment, furniture and fittings, plant and machinery and motor vehicles of the Group and the Company as disclosed in Note 5 and Note 6 are pledged for leases. Such leases give the Group and the Company an option to purchase at the end of lease term. The effective interest rate implicit in the leases of the Group and the Company are at a ranging from 2.33% to 6.00% (2019: 2.33% to 3.52%) and 3.23% to 4.86% (2019: 2.95% to 3.51%) per annum respectively.

The incremental borrowing rate applied to the other lease liabilities of the Group and the Company are ranges from 7.56% to 8.81% (2019: Nil) and 8.81% (2019: Nil) per annum respectively.

21.3 Bankers' acceptance

The bankers' acceptance of the Group are denominated in RM and are secured by a combination of the following:

- Corporate guarantees and indemnity provided by the Company; and
- Fixed deposits place with licensed banks of the Group as disclosed in Note 17 to the financial statements.

21. LOAN AND BORROWINGS (CONT'D)

21.3 Bankers' acceptance (Cont'd)

The Group's effective interest rates at the end of the reporting period for bankers' acceptance was as follows:

	Group	
	2020 %	2019 %
Bankers' acceptance	3.30 - 4.05	4.00 - 5.01

21.4 Revolving credit

The revolving credit of the subsidiary is denominated in RM and is secured and supported as follows:

- (a) Fixed deposits placed with a licensed bank of the subsidiary as disclosed in Note 17 to the financial statements;
- (b) Irrevocable and unconditional letter of undertaking from the immediate holding company to cover any shortfall in any payment obligations in relation to the facility; and
- (c) Corporate guarantee provided by the Company.

The Group's effective interest rates at the end of the reporting period for revolving credit was as follow:

	Group	
	2020 %	2019 %
Revolving credit	-	5.45

22. PROVISION FOR RESTORATION COSTS

	Group	
	2020 RM	2019 RM
At 1 August	400,000	200,000
Provisions made for the financial year	-	200,000
At 31 July	400,000	400,000

The provision is in relation to restoration costs for the Group's rented premises and is made based on historical expenses incurred and directors' best estimate in relation to restoration cost. The Group expects to incur the liability when the leases are terminated.

Notes to the Financial Statements

23. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Trade payables	(a)	3,922,456	6,905,445	7,607,069	19,351,793
Other payables	(b)	5,549,728	4,598,397	541,404	655,330
		9,472,184	11,503,842	8,148,473	20,007,123

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group and the Company range from 1 to 180 days (2019: 1 to 180 days) and 1 to 180 days (2019: 1 to 180 days) respectively.

Included in trade payables of the Company are amounts due to subsidiaries of RM4,921,397 (2019: RM14,927,257).

The currency profile of trade payables is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
United States Dollar	196	786,066	-	-
Hong Kong Dollar	90,323	483,066	-	-
Singapore Dollar	273,535	-	-	-
Ringgit Malaysia	3,558,402	5,636,313	7,607,069	19,351,793
	3,922,456	6,905,445	7,607,069	19,351,793

(b) Other payables

The Group's and the Company's amounts owing to other payables are unsecured, interest free and are repayable on demand.

Included in other payables of the Group is an amount of RM805,000 (2019: RM850,000) due to family members of a deceased director.

24. DEPOSITS AND ACCRUALS

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Deposits		181,751	242,873	-	-
Accruals	(a)	6,492,938	8,195,146	500,327	546,821
		6,674,689	8,438,019	500,327	546,821

(a) Accruals

Included in accruals of the Group is salary payable amounted to RM4,249,948 (2019: RM6,046,487).

25. AMOUNT DUE TO HOLDING COMPANY

The amount due to holding company is non-trade in nature, unsecured, bears effective interest at rate of 6.00% (2019: 6.00%) per annum, repayable on demand and is expected to be settled in cash.

26. AMOUNT DUE TO DIRECTORS

The amount due to directors are non-trade in nature, unsecured, interest free, repayable on demand and is expected to be settled in cash.

27. CONTRACT LIABILITIES

	Note	Group	
		2020 RM	2019 RM
Customer deposits	(a)	5,950,180	5,703,961
Unutilised cash vouchers	(b)	926,282	1,056,450
Loyalty programme	(c)	178,347	-
		7,054,809	6,760,411

- (a) Balance relates to customer deposits received. The amount will be recognised as revenue when the goods and services are delivered to the customers.
- (b) Amount relates to unutilised cash vouchers. The amount will be recognised as revenue when the cash vouchers are utilised by customers.
- (c) Amount relates to the value of awarded points under Poh Kong Jeweland Loyalty Programme.

Notes to the Financial Statements

27. CONTRACT LIABILITIES (CONT'D)

Significant changes in contract liabilities

	Group	
	2020 RM	2019 RM
Revenue recognised that was included in contract liability at the beginning of the financial year	6,760,411	5,654,403
Increases due to consideration received from customers, but revenue not recognised	(7,054,809)	(6,760,411)

28. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contract customers:				
Sale of goods	748,801,630	1,000,514,281	285,729,057	422,503,999
Management fee	-	-	14,219,921	14,186,666
	748,801,630	1,000,514,281	299,948,978	436,690,665
Revenue from other sources:				
Dividend income	-	-	-	17,663,000
Interest income	-	-	335,000	315,524
	748,801,630	1,000,514,281	300,283,978	454,669,189

28. REVENUE (CONT'D)

(a) Disaggregation of revenue

The Group and the Company report the following major segments: trading, manufacturing and others in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into major goods or services, timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

	Trading RM	Manufacturing RM	Total RM
Group - 2020			
Major goods or services			
Sale of goods	723,002,990	25,798,640	748,801,630
Timing of revenue recognition			
At a point in time	723,002,990	25,798,640	748,801,630
Group - 2019			
Major goods or services			
Sale of goods	962,986,119	37,528,162	1,000,514,281
Timing of revenue recognition			
At a point in time	962,986,119	37,528,162	1,000,514,281
Company - 2020			
Major goods or services			
Interest income	-	335,000	335,000
Management fee received	-	14,219,921	14,219,921
Sale of goods	285,729,057	-	285,729,057
	285,729,057	14,554,921	300,283,978
Timing of revenue recognition			
At a point in time	285,729,057	335,000	286,064,057
Over time	-	14,219,921	14,219,921
	285,729,057	14,554,921	300,283,978
Company - 2019			
Major goods or services			
Dividend income	-	17,663,000	17,663,000
Interest income	-	315,524	315,524
Management fee received	-	14,186,666	14,186,666
Sale of goods	422,503,999	-	422,503,999
	422,503,999	32,165,190	454,669,189
Timing of revenue recognition			
At a point in time	422,503,999	17,978,524	440,482,523
Over time	-	14,186,666	14,186,666
	422,503,999	32,165,190	454,669,189

Notes to the Financial Statements

29. FINANCE INCOME

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest income from fixed deposits	192,059	228,785	-	-
Interest income from banks	341,536	1,738,599	24,183	1,384,718
	533,595	1,967,384	24,183	1,384,718

30. FINANCE COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest expenses on:				
- Bankers' acceptance	3,369,723	5,850,457	-	-
- Bank overdraft	28,903	22,805	-	-
- ICP/IMTN	-	934,918	-	934,918
- Revolving credit	388,050	749,069	-	-
- Term loans	1,722,759	2,041,247	-	-
- lease liabilities/finance lease liabilities	3,927,075	410,621	93,325	34,714
- Others	132,398	156,161	25,408	19,800
	9,568,908	10,165,278	118,733	989,432

31. PROFIT BEFORE TAX

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Auditors' remuneration	310,000	310,000	60,000	60,000
Depreciation of:				
- property, plant and equipment	6,932,431	9,095,409	667,716	885,342
- investment properties	438,106	651,474	-	-
- right of-use-assets	24,409,915	-	469,097	-
Employee benefits expenses (Note 32)	82,903,340	91,037,847	11,665,929	11,668,658
Impairment losses on:				
- property, plant and equipment	-	955	-	-
- trade receivables	47,428	8,117	-	-
Loss/(Gain) on dissolution of subsidiaries (Note 8)	24,340	79,893	4,906	(9,294,858)
Written off of:				
- inventories	87,719	19,035	-	-
- property, plant and equipment	387,004	721,039	-	-
- trade receivables	26,099	11,443	-	-
Write down of inventories	4,648,999	-	-	-
Realised loss foreign exchange	-	5,871	-	-
Rental expense on:				
- equipments	-	965,345	-	959,220
- retail spaces and staff hostels	-	26,677,026	-	465,282
Expenses relating to:				
- low value leases	802,257	-	797,052	-
- short term leases	523,475	-	14,000	-
Car rental income	-	-	(5,500)	(6,000)
Dividend income	-	-	-	(17,663,000)
Equipment rental income	-	-	(275)	(400)
Premises rental income	(575,257)	(332,020)	-	-
COVID-19-related rent concession income	(2,364,820)	-	(2,000)	-
Gain on disposal of property, plant and equipment	(174,415)	(152,050)	-	-
Gain on inventory recovery	-	(4,000)	-	-
Gain on lease modification	(16,284)	-	-	-
Realised gain on foreign exchange	(520,846)	(621,851)	(175,735)	(166,146)
Reversal of impairment loss on trade receivables	(8,117)	-	-	-
Unrealised gain on foreign exchange	(2,316)	(51,375)	-	-

Notes to the Financial Statements

32. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, bonus, overtime and allowances	71,305,990	76,972,768	10,313,634	10,316,656
Defined contribution plan	6,964,046	6,824,556	1,131,112	1,131,572
Other staff related expenses	4,633,304	7,240,523	221,183	220,430
	82,903,340	91,037,847	11,665,929	11,668,658

Included in employee benefits expenses are directors' remuneration as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<u>Executive directors</u>				
- Salaries and other emoluments	8,046,871	8,738,425	3,750,308	3,774,352
- Fees	18,000	21,000	-	-
	8,064,871	8,759,425	3,750,308	3,774,352
<u>Non-executive directors</u>				
- Fees	144,000	168,000	144,000	168,000
- Allowance	120,800	131,800	120,800	131,800
	264,800	299,800	264,800	299,800
Total directors' remuneration	8,329,671	9,059,225	4,015,108	4,074,152

33. INCOME TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Income tax				
- current year	12,696,259	11,488,381	-	-
- prior years	204,961	(52,861)	408,008	-
	12,901,220	11,435,520	408,008	-
Deferred tax (Note 12)				
- current year	1,937,247	(1,084,925)	3,816,061	(98,538)
- prior years	(296,050)	824,974	(17,865)	422,115
	1,641,197	(259,951)	3,798,196	323,577
Income tax expense recognised in profit or loss	14,542,417	11,175,569	4,206,204	323,577

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

The reconciliations of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	38,976,123	36,450,465	1,182,398	27,298,619
Tax at Malaysian statutory income tax rate of 24% (2019: 24%)	9,354,270	8,748,112	283,776	6,551,669
Share of results of associate	(203,614)	(196,101)	-	-
Reversal of deferred tax assets recognised in prior financial year	3,550,861	-	3,550,861	-
Deferred tax assets not recognised	164,027	-	-	-
Tax effects arising from:				
- non-deductible expenses	1,958,651	2,442,934	67,628	227,737
- non-taxable income	(190,689)	(591,489)	(86,204)	(6,877,944)
- prior years	(91,089)	772,113	390,143	422,115
Income tax expense for the financial year	14,542,417	11,175,569	4,206,204	323,577

Notes to the Financial Statements

34. EARNINGS PER SHARE

- (a) The basic earnings per share is calculated by dividing the Group's net profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2020 RM	2019 RM
Profit attributable to owners of the Company	24,433,706	25,274,896
Weighted average number of ordinary shares in issue	410,351,752	410,351,752
Basic earnings per share (sen)	5.95	6.16

- (b) The diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any potential ordinary shares outstanding at the end of the reporting period.

35. DIVIDENDS

	Group and Company	
	2020 RM	2019 RM
Single tier first and final dividend of 1.00 sen on 410,351,752 ordinary shares in respect of the financial year ended 31 July 2018, paid on 8 March 2019	-	4,103,518
Single tier first and final dividend of 1.20 sen on 410,351,752 ordinary shares in respect of the financial year ended 31 July 2019, paid on 13 March 2020	4,924,221	-

At the forthcoming Annual General Meeting, a single tier final dividend of 1.20 sen on 410,351,752 ordinary shares amounting to RM4,924,221 in respect of the current financial year, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2021.

36. OPERATING LEASE ARRANGEMENTS

(a) Lease commitments - as lessee

The Group has entered into several tenancy agreements for the rental of retail spaces and staff hostels, resulting in future rental commitments which may, subject to certain terms in the agreements, be revised accordingly or upon its maturity based on prevailing market rates.

36. OPERATING LEASE ARRANGEMENTS (CONT'D)

(a) Lease commitments - as lessee (Cont'd)

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group	Company
	2019	2019
	RM	RM
Future minimum rental payments:		
Not later than one year	25,417,606	220,462
Later than one year but not later than five years	22,547,741	6,000
	47,965,347	226,462

(b) Operating lease commitments - as lessor

The Group leases several of its investment properties which have remaining lease term between one to three years.

The maturity analysis of the Group's lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	Group	
	2020	2019
	RM	RM
- Not later than one year	286,400	490,440
- one to two years	55,500	231,900
- two to three years	-	55,500
	341,900	777,840

37. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group and to the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company are subject to common control. Related parties may be individuals or other entities.

Notes to the Financial Statements

37. RELATED PARTIES (CONT'D)

(a) Identity of related parties (Cont'd)

Related parties of the Group include:

- (i) Holding company;
- (ii) Subsidiaries;
- (iii) Associate; and
- (iv) Key management personnel, comprise persons (including the directors of the Company) who have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Dividend income received and receivable from subsidiaries	-	-	-	17,663,000
Interest income received and receivable from subsidiaries	-	-	335,000	315,524
Management fee received and receivable from subsidiaries	-	-	14,219,921	14,186,666
Car rental received and receivable from subsidiaries	-	-	5,500	6,000
Shop rental received and receivable from a company connected to directors of the Company	36,000	31,500	-	-
Equipment rental charges received and receivable from subsidiaries	-	-	275	400
Sale of goods to				
- certain directors of the Company	114,686	119,169	-	-
- certain directors of subsidiaries	73,006	124,205	-	-
- key management personnel	56,390	65,709	-	-
- subsidiaries	-	-	169,942,108	232,938,480

37. RELATED PARTIES (CONT'D)

(b) Significant related party transactions (Cont'd)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Hostel rental paid to				
- certain directors of the Company	144,000	144,000	114,000	114,000
- certain directors of subsidiaries	108,000	108,000	-	-
Purchase of goods from				
- certain directors of the Company	7,183	2,407	-	-
- certain directors of subsidiaries	3,033	59,326	-	-
- key management personnel	2,969	8,468	-	-
- subsidiaries	-	-	39,655,893	40,039,608
Legal and professional fees paid to a firm connected to a director of the Company	179,680	185,984	-	-
Interest expenses paid to holding company	19,854	19,800	19,854	19,800
Dividend received from associate	299,998	599,996	-	-

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 14, Note 16, Note 23, Note 25 and Note 26 to the financial statements.

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries as disclosed in Note 39(b)(i) to the financial statements.

(c) Key management personnel remuneration

The remuneration of the key management personnel during the financial year is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company and subsidiaries				
Short-term employment benefits (including estimated monetary value of benefits-in-kind)	7,413,970	7,800,966	3,451,652	3,457,045
Post employment benefits	632,901	937,459	298,656	317,307
	8,046,871	8,738,425	3,750,308	3,774,352

Notes to the Financial Statements

37. RELATED PARTIES (CONT'D)

(c) Key management personnel remuneration (Cont'd)

The remuneration of the key management personnel during the financial year is as follows (Cont'd):

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other key management personnels				
Short-term employment benefits (including estimated monetary value of benefits-in-kind)	19,814,252	17,754,263	2,226,992	2,167,837
Post employment benefits	1,653,388	1,471,217	237,024	229,008
	21,467,640	19,225,480	2,464,016	2,396,845

38. SEGMENTS REPORTING

The information reported to the Group Managing Director, as the chief operating decision maker, in making decisions to allocate resources to segments and to assess their performance is based on the nature of the industry (business segments) of the Group.

Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Transactions between reportable segments are measured on the basis that is similar to those external customers.

Segment statements of comprehensive income are profit earned or loss incurred by each segment without allocation of central administrative costs, non-operating investment revenue, finance costs and income tax expense. There are no significant changes from previous financial year in the measurement methods used to determine reported segment statements of comprehensive income.

All the Group's assets are allocated to reportable segments.

All the Group's liabilities are allocated to reportable segments.

(a) Business segments

The Group is organised into three major business segments:

- (i) Trading : suppliers and retailers of jewellerys, precious stones, gold ornaments and gold bullion
- (ii) Manufacturing : manufacturer and dealers of jewellerys, precious stones and gold ornaments
- (iii) Others : investment holding

38. SEGMENTS REPORTING (CONT'D)

(a) Business segments (Cont'd)

	Trading RM	Manufacturing RM	Others RM	Eliminations RM	Note	Group RM
2020						
Revenue						
External sales	723,002,990	25,798,640	-	-		748,801,630
Inter-segment sales	330,966,414	203,661,104	15,935,732	(550,563,250)	38(b)	-
Total Revenue	1,054,304,404	229,459,744	15,600,732	(550,563,250)		748,801,630
Results						
Segment results	46,393,539	8,992,219	(5,560,762)	(2,661,951)	38(c)	47,163,045
Results from operating activities	46,393,539	8,992,219	(5,560,762)	(2,661,951)		47,163,045
Interest income	233,623	274,935	25,037	-	38(d)	533,595
Finance costs	(8,731,615)	(400,465)	(918,502)	481,674	38(d)	(9,568,908)
Share of results of an associate, net of tax	848,391	-	-	-		848,391
Profit/(Loss) before tax	38,743,938	8,866,689	(6,454,227)	(2,180,277)		38,976,123
Income tax (expense)/income	(8,108,021)	(2,505,785)	(4,370,106)	441,495	38(d)	(14,542,417)
Profit/(Loss) for the financial year	30,635,917	6,360,904	(10,824,333)	(1,738,782)		24,433,706
Assets						
Segment assets	851,465,775	136,995,709	446,060,860	(640,942,683)	38(e)	793,579,661
Total assets	851,465,775	136,995,709	446,060,860	(640,942,683)		793,579,661
Liabilities						
Segment liabilities	471,545,922	22,148,428	208,801,835	(479,141,689)	38(f)	223,354,496
Total liabilities	471,545,922	22,148,428	208,801,835	(479,141,689)		223,354,496
Other information						
Additions of :						
- property, plant and equipment	1,303,169	2,639,077	-	-	38(d)	3,942,246
- right-of-use assets	9,684,159	194,185	-	(2,410,864)	38(d)	7,467,480
Depreciation of:						
- property, plant and equipment	5,021,170	1,126,059	-	785,202	38(d)	6,932,431
- investment properties	134,711	-	665,633	(362,238)	38(d)	438,106
- right-of-use assets	25,347,302	488,122	-	(1,425,509)	38(d)	24,409,915

Notes to the Financial Statements

38. SEGMENTS REPORTING (CONT'D)

(a) Business segments (Cont'd)

	Trading RM	Manufacturing RM	Others RM	Eliminations RM	Note	Group RM
2020						
Other material non-cash items other than depreciation						
Write down of inventories	-	(4,648,999)	-	-		(4,648,999)
Net gain on disposal of property, plant and equipment	(69,000)	(105,415)	-	-		(174,415)
Loss on dissolution of subsidiaries	(1,147,819)	-	-	1,172,159		24,340
Written off of:						
- Inventories	-	87,719	-	-		87,719
- Property, plant and equipment	386,972	32	-	-		387,004
- Receivables	26,099	-	-	-		26,099
Impairment loss on trade receivables	47,428	-	-	-		47,428
2019						
Revenue						
External sales	962,986,119	37,528,162	-	-		1,000,514,281
Inter-segment sales	406,780,881	311,197,801	33,661,615	(751,640,297)	38(b)	-
Total Revenue	1,369,767,000	348,725,963	33,661,615	(751,640,297)		1,000,514,281
Results						
Segment results	68,064,309	15,555,843	22,832,391	(62,621,273)	38(c)	43,831,270
Results from operating activities	68,064,309	15,555,843	22,832,391	(62,621,273)		43,831,270
Interest income	356,136	226,530	1,384,718	-	38(d)	1,967,384
Finance costs	(7,916,978)	(733,905)	(1,829,917)	315,522	38(d)	(10,165,278)
Share of results of an associate, net of tax	817,089	-	-	-		817,089
Profit before tax	61,320,556	15,048,468	22,387,192	(62,305,751)		36,450,465
Income tax (expense)/ income	(8,152,404)	(3,761,576)	(426,435)	1,164,846	38(d)	(11,175,569)
Profit for the financial year	53,168,152	11,286,892	21,960,757	(61,140,905)		25,274,896

38. SEGMENTS REPORTING (CONT'D)

(a) Business segments (Cont'd)

	Trading RM	Manufacturing RM	Others RM	Eliminations RM	Note	Group RM
2019						
Assets						
Segment assets	842,375,740	136,029,676	482,522,142	(674,257,962)	38(e)	786,669,596
Total assets	842,375,740	136,029,676	482,522,142	(674,257,962)		786,669,596
Liabilities						
Segment liabilities	502,057,919	27,543,299	217,484,294	(511,131,596)	38(f)	235,953,916
Total liabilities	502,057,919	27,543,299	217,484,294	(511,131,596)		235,953,916
Other information						
Additions of :						
- property, plant and equipment	5,994,799	6,209,736	160,209	-	38(d)	12,364,744
- investment properties	-	-	767,580	-	38(d)	767,580
Depreciation of:						
- property, plant and equipment	6,495,422	1,387,843	1,053,722	158,422	38(d)	9,095,409
- investment properties	134,711	-	516,763	-	38(d)	651,474
Other material non-cash items other than depreciation						
Net gain on disposal of property, plant and equipment	(83,000)	(69,050)	-	-		(152,050)
Loss on dissolution of subsidiaries	(22,698,509)	-	(14,655,760)	37,434,162		79,893
Written off of:						
- Inventories	-	19,035	-	-		19,035
- Property, plant and equipment	719,099	216	1,724	-		721,039
- Receivables	11,443	-	-	-		11,443
Impairment loss on trade receivables	8,117	-	-	-		8,117

Notes to the Financial Statements

38. SEGMENTS REPORTING (CONT'D)

- (b) Inter-segment revenue are eliminated on consolidation.
- (c) Inter-segment profits are eliminated on consolidation.
- (d) Inter-segment transactions or balances are eliminated on consolidation.
- (e) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Investment in subsidiaries	(161,190,950)	(162,816,014)
Inter-segment assets elimination	(479,751,733)	(511,441,948)
	(640,942,683)	(674,257,962)

- (f) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Inter-segment liabilities elimination	(479,141,689)	(511,131,596)

(g) Geographical segments

No geographical segment is presented as the Group operates principally in Malaysia.

(h) Major customers

There is no single customer that contributed 10% or more to the Group's revenue.

39. 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) Amortised cost

2020	Carrying amount RM	Amortised costs RM
Financial assets		
Group		
Trade and other receivables	5,120,561	5,120,561
Deposits	8,745,071	8,745,071
Fixed deposits placed with licensed banks	23,234,777	23,234,777
Cash and bank balances	11,198,030	11,198,030
	48,298,439	48,298,439
Company		
Trade and other receivables	17,952,636	17,952,636
Deposits	29,954	29,954
Amount due by subsidiaries	244,340,903	244,340,903
Cash and bank balances	392,653	392,653
	262,716,146	262,716,146
Financial liabilities		
Group		
Loan and borrowings	174,164,232	174,164,232
Trade and other payables	9,472,184	9,472,184
Deposits and accruals	6,674,689	6,674,689
Amount due to holding company	1,316,494	1,316,494
Amount due to directors	2,125,137	2,125,137
	193,752,736	193,752,736
Company		
Loan and borrowings	1,450,402	1,450,402
Trade and other payables	8,148,473	8,148,473
Accruals	500,327	500,327
Amount due to holding company	1,316,494	1,316,494
Amount due to subsidiaries	193,971,822	193,971,822
Amount due to directors	1,125,542	1,125,542
	206,513,060	206,513,060

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

2019	Carrying amount RM	Amortised costs RM
Financial assets		
Group		
Trade and other receivables	3,684,358	3,684,358
Deposits	8,668,529	8,668,529
Fixed deposits placed with licensed banks	17,197,727	17,197,727
Cash and bank balances	12,057,946	12,057,946
	41,608,560	41,608,560
Company		
Trade and other receivables	12,646,281	12,646,281
Deposits	29,954	29,954
Amount due by subsidiaries	274,265,501	274,265,501
Cash and bank balances	1,522,985	1,522,985
	288,464,721	288,464,721
Financial liabilities		
Group		
Loan and borrowings	185,424,329	185,424,329
Trade and other payables	11,503,842	11,503,842
Deposits and accruals	8,438,019	8,438,019
Amount due to holding company	1,296,640	1,296,640
Amount due to directors	1,797,308	1,797,308
	208,460,138	208,460,138
Company		
Loan and borrowings	300,011	300,011
Trade and other payables	20,007,123	20,007,123
Accruals	546,821	546,821
Amount due to holding company	1,296,640	1,296,640
Amount due to subsidiaries	202,415,213	202,415,213
Amount due to directors	985,562	985,562
	225,551,370	225,551,370

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management

The Group and the Company seek to manage effectively the various risks namely credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risks, to which the Group and the Company are exposed to in their daily operations. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's Senior Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's and the Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables and amount due by subsidiaries. The Group and the Company manage their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an on-going basis.

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 amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group 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 and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group and the Company determine concentrations of credit risk by monitoring the ageing profile of its trade receivables on an on-going basis. The Group's and the Company's trade receivables credit risk is concentrated in Malaysia.

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the impairment losses, trade receivable have been grouped based on shared credit risk characteristics and day past due. The impairment losses also incorporate forward looking information.

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

The information about the credit risk exposure on the Group's and the Company's trade receivables as at 31 July 2020 are as follows:

	Gross carrying amount RM	ECL allowance RM	Net balance RM
2020			
Group			
Trade receivables			
Current (not past due)	1,608,389	-	1,608,389
1 to 30 days past due	1,309,278	-	1,309,278
31 to 60 days past due	14,390	-	14,390
91 to 120 days past due	2,827	-	2,827
More than 120 days past due	98,764	-	98,764
Credit impaired:			
- Individually assessed	47,428	(47,428)	-
	3,081,076	(47,428)	3,033,648
Company			
Trade receivables			
Current (not past due)	3,300,289	-	3,300,289
1 to 30 days past due	13,768,658	-	13,768,658
31 to 60 days past due	29,450	-	29,450
More than 120 days past due	854,239	-	854,239
	17,952,636	-	17,952,636

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

The information about the credit risk exposure on the Group's and the Company's trade receivables as at 31 July 2019 are as follows:

	Gross carrying amount RM	ECL allowance RM	Net balance RM
2019			
Group			
Trade receivables			
Current (not past due)	981,860	-	981,860
1 to 30 days past due	545,959	-	545,959
61 to 90 days past due	26,380	-	26,380
91 to 120 days past due	4,110	-	4,110
More than 120 days past due	112,515	-	112,515
Credit impaired:			
- Individually assessed	70,310	(70,310)	-
	1,741,134	(70,310)	1,670,824
Company			
Trade receivables			
Current (not past due)	1,634,707	-	1,634,707
1 to 30 days past due	3,507,853	-	3,507,853
31 to 60 days past due	6,666,167	-	6,666,167
61 to 90 days past due	479,685	-	479,685
91 to 120 days past due	5,631	-	5,631
More than 120 days past due	352,238	-	352,238
	12,646,281	-	12,646,281

The significant changes in gross carrying amount of trade receivables do not contribute to changes in impairment losses during the financial year.

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Other receivables and other financial assets

For other receivables and other financial assets (including fixed deposits placed with licensed banks, cash and bank balances and related company 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 of 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.

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, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the related company does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.9(a) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.

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.

Financial guarantee contracts

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by subsidiaries.

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loan granted to subsidiaries.

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

The maximum exposure to credit risk representing the maximum amount the Company could pay if the guarantee is called as follows:

	Company	
	2020	2019
	RM	RM
<u>Secured</u>		
Guarantees given in support of banking facilities granted to subsidiaries	229,987,160	231,877,159
<u>Unsecured</u>		
Guarantees given to third parties in respect of leasing facilities granted to the Company and its subsidiaries	11,000,000	11,000,000
Guarantees given to third parties in respect of rental deposits of retail spaces	1,317,576	3,157,362

Generally, the Company considers the financial guarantees have low credit risk. As at reporting date, there was no 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 as the guarantees are provided as credit enhancement to the subsidiaries' borrowings.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company practise prudent risk management by maintaining sufficient cash balances and the continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage their operating cash flows by maintaining sufficient level of cash to meet its working capital requirements and availability of funding through an adequate amount of credit facilities.

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting date based on contractual undiscounted repayment obligations are as follows:

Group	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	One to five years RM	Over five years RM
2020					
Financial liabilities					
Trade and other payables	9,472,184	9,472,184	9,472,184	-	-
Deposits and accruals	6,674,689	6,674,689	6,674,689	-	-
Term loans	63,676,587	70,229,717	31,174,795	31,513,160	7,541,762
Lease liabilities	40,081,645	44,880,569	22,758,847	22,121,722	-
Bankers' acceptance	70,406,000	70,406,000	70,406,000	-	-
Amount due to holding company	1,316,494	1,395,484	1,395,484	-	-
Amount due to directors	2,125,137	2,125,137	2,125,137	-	-
	193,752,736	205,183,780	144,007,136	53,634,882	7,541,762
2019					
Financial liabilities					
Trade and other payables	11,503,842	11,503,842	11,503,842	-	-
Deposits and accruals	8,438,019	8,438,019	8,438,019	-	-
Term loans	66,175,165	70,898,721	28,955,726	35,597,301	6,345,694
Finance lease liabilities	6,287,164	6,727,587	3,589,065	3,138,522	-
Bankers' acceptance	100,962,000	100,962,000	100,962,000	-	-
Revolving credit	12,000,000	12,649,800	12,649,800	-	-
Amount due to holding company	1,296,640	1,374,438	1,374,438	-	-
Amount due to directors	1,797,308	1,797,308	1,797,308	-	-
	208,460,138	214,351,715	169,270,198	38,735,823	6,345,694

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(ii) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Company	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	One to five years RM
2020				
Financial liabilities				
Trade and other payables	8,148,473	8,148,473	8,148,473	-
Accruals	500,327	500,327	500,327	-
Lease liabilities	1,450,402	1,595,024	738,784	856,240
Amount due to holding company	1,316,494	1,395,484	1,395,484	-
Amount due to subsidiaries	193,971,822	193,971,822	193,971,822	-
Amount due to directors	1,125,542	1,125,542	1,125,542	-
Financial guarantee contracts	-	242,304,736	242,304,736	-
	206,513,060	449,041,408	448,185,168	856,240
2019				
Financial liabilities				
Trade and other payables	20,007,123	20,007,123	20,007,123	-
Accruals	546,821	546,821	546,821	-
Finance lease liabilities	300,011	323,195	293,971	29,224
Amount due to holding company	1,296,640	1,376,770	1,376,770	-
Amount due to subsidiaries	202,415,213	202,415,213	202,415,213	-
Amount due to directors	985,562	985,562	985,562	-
Financial guarantee contracts	-	246,034,521	246,034,521	-
	225,551,370	471,689,205	471,659,981	29,224

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) 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 arises primarily from interest-bearing financial assets and liabilities. The Group's and the Company's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group and of the Company will be placed with licensed financial institutions to generate interest income.

Interest rate profile

At the end of the reporting period, the interest rate profile of the interest-bearing financial instruments is as follows:

Group	Effective interest rate %	Within one year RM	One to five years RM	Over five years RM	Total RM
2020					
Financial asset					
Fixed deposits placed with licensed banks	0.90 - 2.90	23,234,777	-	-	23,234,777
Financial liabilities					
Amount due to holding company	6.00	1,316,494	-	-	1,316,494
Term loans	2.80 - 6.81	29,595,693	26,187,924	7,892,970	63,676,587
Lease liabilities	2.33 - 8.81	20,141,101	19,940,544	-	40,081,645
Bankers' acceptance	3.30 - 4.05	70,406,000	-	-	70,406,000
2019					
Financial asset					
Fixed deposits placed with licensed banks	2.30 - 3.15	17,197,727	-	-	17,197,727
Financial liabilities					
Amount due to holding company	6.00	1,296,640	-	-	1,296,640
Term loans	2.80 - 7.00	26,811,897	33,452,459	5,910,809	66,175,165
Finance lease liabilities	2.33 - 3.52	3,317,972	2,969,192	-	6,287,164
Bankers' acceptance	4.00 - 5.01	100,962,000	-	-	100,962,000
Revolving credit	5.45	12,000,000	-	-	12,000,000

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest rate profile (Cont'd)

Company	Effective interest rate %	Within one year RM	One to five years RM	Over five years RM	Total RM
2020					
Financial liabilities					
Amount due to holding company	6.00	1,316,494	-	-	1,316,494
Lease liabilities	3.23 - 8.81	787,118	663,284	-	1,450,402
2019					
Financial liabilities					
Amount due to holding company	6.00	1,296,640	-	-	1,296,640
Finance lease liabilities	2.95 - 3.51	273,371	26,640	-	300,011

The Group and the Company manage their interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group and the Company actively review their debt portfolio, taking into account the investment holding period and nature of their assets. This strategy allows them to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. As at 31 July 2020, the Group and the Company have not entered into any hedging instruments arrangement to minimise their exposure to interest rate volatility.

Borrowings at floating rates of the Group are amounting to RM110,509,904 (2019: RM159,748,219) respectively are exposed to cash flow interest rate risk. Whilst, borrowings of the Group and of the Company at fixed rate amounting to RM64,970,820 and RM2,766,896 (2019:RM26,972,750 and RM1,596,651) respectively are exposed to the fair value interest rate risk.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonable possible change in interest rate of the floating rate borrowings, with all other variables held constant on the Group's profit for the financial year.

	Change in gold price	Profit for the year RM
Group		
31 July 2020	+ 1%	839,875
	- 1%	(839,875)
31 July 2019	+ 1%	1,214,086
	- 1%	(1,214,086)

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iv) 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 change in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the functional currencies of Group entities. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entity are kept to an acceptable level.

Sensitivity analysis for foreign currency risk

The directors believe that the impact of foreign currency fluctuation will not significantly affect the profitability of the Company. As such, sensitivity analysis is not presented.

(v) Market price risk

Market price risk is the risk of fluctuation in fair value or future cash flows of the Group's and of the Company's financial instruments as a result of changes in market prices.

The Group and the Company are exposed to the fluctuation of gold price arising from purchase of gold from suppliers. There are no hedging transactions entered into for price volatility in gold.

Sensitivity analysis for market price risk

The following table demonstrates the sensitivity to a reasonable change in gold price, with all other variables held constant on the Group's and the Company's profit for the financial year.

	Change in gold price	Profit for the year RM
Group		
31 July 2020	+ 5%	15,132,705
	- 5%	(15,132,705)
31 July 2019	+ 5%	15,515,159
	- 5%	(15,515,159)
Company		
31 July 2020	+ 5%	692,400
	- 5%	(692,400)
31 July 2019	+ 5%	614,870
	- 5%	(614,870)

39. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values of measurements

The carrying amount of financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Total carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2020										
Financial liabilities										
Amount due to holding company	-	-	-	-	-	-	1,316,494	1,316,494	1,316,494	1,316,494
Lease liabilities	-	-	-	-	-	-	40,081,645	40,081,645	40,081,645	40,081,645
	-	-	-	-	-	-	41,398,139	41,398,139	41,398,139	41,398,139
2019										
Financial liabilities										
Amount due to holding company	-	-	-	-	-	-	1,296,640	1,296,640	1,296,640	1,296,640
Finance lease liabilities	-	-	-	-	-	-	6,287,164	6,287,164	6,287,164	6,287,164
	-	-	-	-	-	-	7,583,804	7,583,804	7,583,804	7,583,804

39. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values of measurements (Cont'd)

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2020										
Financial liabilities										
Amount due to holding company	-	-	-	-	-	-	1,316,494	1,316,494	1,316,494	1,316,494
Lease liabilities	-	-	-	-	-	-	1,450,402	1,450,402	1,450,402	1,450,402
	-	-	-	-	-	-	2,766,896	2,766,896	2,766,896	2,766,896
2019										
Financial liabilities										
Amount due to holding company	-	-	-	-	-	-	1,296,640	1,296,640	1,296,640	1,296,640
Finance lease liabilities	-	-	-	-	-	-	300,011	300,011	300,011	300,011
	-	-	-	-	-	-	1,596,651	1,596,651	1,596,651	1,596,651

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair values of measurements (Cont'd)

Fair value hierarchy

The fair value hierarchy has the following levels:

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

- (c) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest/cash flows, discounted at the market rate of interest by reference to similar borrowing arrangements.

There has been no transfer between Level 1 and Level 2 during the financial year (2019: no transfer in either direction).

40. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group and the Company manage their capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Company and its subsidiaries may adjust the dividend payment to the shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies and processes during the financial years ended 31 July 2020 and 31 July 2019.

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by equity. Net debts comprise lease liabilities/finance lease liabilities, bank overdrafts, term loans and other borrowings less cash and bank balances and fixed deposits placed with licensed banks whilst total capital is the shareholders' funds of the Group and of the Company.

Notes to the Financial Statements

40. CAPITAL MANAGEMENT (CONT'D)

The gearing ratio for the Group and for the Company respectively as at 31 July 2020 and 31 July 2019, are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Loans and borrowings	174,164,232	185,424,329	1,450,402	300,011
Less:				
Fixed deposits placed with licensed banks	23,234,777	17,197,727	-	-
Cash and bank balances	11,198,030	12,057,946	392,653	1,522,985
Net debts	139,731,425	156,168,656	1,057,749	-
Equity	570,225,165	550,715,680	248,149,006	256,097,033
Gearing ratio	0.25	0.28	#	-

Represent less than 0.01

The Group is also required to maintain Debt Services Coverage Ratio and Current Ratio to comply with a bank covenant, failing which, the bank may consider this as an event of default. This externally imposed capital requirement has been complied with for the financial years ended 31 July 2020 and 31 July 2019.

41. SIGNIFICANT EVENT DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as pandemic as a result of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments of 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 measurements of assets and liabilities, and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 July 2020.

Given the fluidity of the situation, the Group and the Company will continuously monitor the impact of Covid-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

Statement by Directors

(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **DATO' CHOON YEE SEIONG** and **CHEONG TECK CHONG**, being two of the directors of Poh Kong Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 99 to 212 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2020 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATO' CHOON YEE SEIONG

Director

CHEONG TECK CHONG

Director

Petaling Jaya

Date: 20 October 2020

Statutory Declaration

(PURSUANT TO SECTION 251(1) OF COMPANIES ACT 2016)

I, **KOH SZE HAW**, being the officer primarily responsible for the financial management of Poh Kong Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 99 to 212 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.

KOH SZE HAW

Officer

(MIA Membership No: 23386)

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in State of Selangor Darul Ehsan on 20 October 2020.

Before me,

Commissioner for Oaths

Independent Auditors' Report

TO THE MEMBERS OF POH KONG HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Poh Kong Holdings Berhad, which comprise the statements of financial position as at 31 July 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 99 to 212.

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 July 2020, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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.

Independent Auditors' Report

TO THE MEMBERS OF POH KONG HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (Cont'd)

Group

Inventories (Note 4.1 and Note 13 to the financial statements)

Risk:

As at 31 July 2020, the Group's inventories amounted to RM548.91 million, representing 69% of the Group's total assets. The Group measures inventories at the lower of cost and net realisable value. Judgement is required in estimating their net realisable value.

Our response:

Our audit procedures included, among others:

- understanding the design of controls associated with monitoring and detection and write down/off of slow-moving inventories as at 31 July 2020;
- attending year end physical inventory count to observe physical existence and condition of the raw material, work-in progress and finished goods and reviewing the design and assessing the implementation of controls during the count;
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on selected samples of inventory items; and
- evaluating whether the inventories have been written down to their net realisable values for slow-moving inventories items.

Right-of-use assets and lease liabilities (Note 4.2, Note 6 and Note 21.2 to the financial statements)

Risk:

During the financial year, the Group has adopted MFRS 16 Leases and has recognised right-of-use ("ROU") assets and lease liabilities on the date of initial application. We focused on this area because the measurement of the right-of-use assets and lease liabilities requires the application of significant judgement by the Group in determining the lease term, lease payment and incremental borrowing rate.

Our response:

Our audit procedures included, among others:

- evaluating the Group's assessment on the MFRS 16 impact arising from initial application;
- reading the salient terms of the lease agreements;
- obtaining an understanding on the judgement and estimates made by the Group on key inputs in the computation of ROU assets and lease liabilities; and
- testing the mathematical accuracy of the computation of the ROU assets and lease liabilities.

Key Audit Matters (Cont'd)

Group and Company

Deferred tax assets (Note 4.3 and Note 12 to the financial statements)

Risk:

As at 31 July 2020, the Group and the Company have recognised deferred tax assets for unused tax losses and deductible temporary differences amounting to RM14.16 million. The recognition of deferred tax assets is dependent on the Group's and the Company's ability to generate future taxable profits sufficient to be utilised against the unused tax losses and the deductible temporary differences.

We focused on this area because judgement is made by the Group and the Company in estimating the realisation of these deferred tax assets which is dependent on future taxable profits and there are inherent uncertainties involved in projecting the amount.

Our response:

Our audit procedures included, among others:

- comparing the actual results with previous projections to assess the performance of the business and historical accuracy of the projections;
- reviewing the profit projections by assessing key inputs such as growth rate, inflation rate and profit margin; and
- testing the mathematical accuracy of the profit projection calculations.

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.

Independent Auditors' Report

TO THE MEMBERS OF POH KONG HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Responsibilities of the Directors for the Financial Statements (Cont'd)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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 of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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, actions taken to eliminate threats or safeguards applied.

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.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Andrew Choong Tuck Kuan
No. 03264/04/2021 J
Chartered Accountant

Kuala Lumpur

Date: 20 October 2020

Analysis of Shareholdings

AS AT 30 OCTOBER 2020

POH KONG HOLDINGS BERHAD

Paid-up & Issued Share Capital	:	RM205,175,876
Total Number of Issued Shares	:	410,351,752
Class of Share	:	Ordinary Share
Voting Right	:	1 vote per Ordinary Share

ANALYSIS OF SHAREHOLDINGS AS AT 30 OCTOBER 2020

Size of shareholdings	No. of Shareholders	%	No. of Shareholdings	%
1 - 999	1,223	13.61	354,740	0.09
1,000 - 10,000	5,828	64.84	25,407,916	6.19
10,001 - 100,000	1,755	19.53	52,098,904	12.70
100,001 - 20,517,586(*)	181	2.01	93,281,306	22.73
20,517,587 and above (**)	1	0.01	239,208,886	58.29
Total	8,988	100.00	410,351,752	100.00

REMARK : * - LESS THAN 5% OF ISSUED HOLDINGS
 ** - 5% AND ABOVE OF ISSUED HOLDINGS

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2020

No.	Names	No. of Shares	Percentage(%)
1.	POH KONG SDN BHD	239,208,886	58.29
2.	CHOON YEE SEIONG	11,512,746	2.81
3.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR YEOMAN 3-RIGHTS VALUE ASIA FUND (PTSL)	10,000,000	2.44
4.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	9,925,900	2.42
5.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	6,511,200	1.59
6.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG CONSUMER PRODUCTS SECTOR FUND	4,000,000	0.97
7.	SUSY DING	3,700,000	0.90

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2020 (CONT'D)

No.	Names	No. of Shares	Percentage(%)
8.	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR LIM MEE HWA	2,450,000	0.60
9.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LEANG KOK	1,350,000	0.33
10.	CHOON WAN JOO	1,300,080	0.32
11.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOON YOKE YING (M&A)	1,300,000	0.32
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NG WEI KING	1,122,900	0.27
13.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LENG KOK LIANG (E-PRA/BTW)	1,100,000	0.27
14.	CHOON NEE SIEW	1,062,242	0.26
15.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VELOO A/L KARUPAYAH	1,000,000	0.24
16.	VM TEAM ENGINEERING SDN BHD	1,000,000	0.24
17.	HON WEE FONG	903,266	0.22
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NGU DIEN HUAT	671,800	0.16
19.	CHEN HEEN CHONG	650,000	0.16
20.	YONG KOON WOUI	607,000	0.15
21.	LINDA CHUO SIIK ING	600,000	0.15
22.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	546,700	0.13
23.	YEONG HUEI WEU	505,400	0.12
24.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KARICH SDN BHD	500,000	0.12

Analysis of Shareholdings

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2020 (CONT'D)

No.	Names	No. of Shares	Percentage(%)
25.	TEH KOK HIN @ TEH KOK CHIN	500,000	0.12
26.	TAN LEANG KOK	458,000	0.11
27.	OOI SOON BEE	434,000	0.11
28.	TAN GUAT YONG	431,760	0.11
29.	PHANG KIN CHEONG @ PHANG NGOK KEE	420,000	0.10
30.	YONG KOK VAI	420,000	0.10
	Total	304,191,880	74.13

SUBSTANTIAL SHAREHOLDERS' AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 OCTOBER 2020

	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%
Poh Kong Sdn Bhd	239,208,886	58.29	0	0.00
Dato' Choon Yee Seiong	11,600,246	2.81	245,383,028 ⁽¹⁾	59.80
Cheong Teck Chong	2,328	0.00	239,411,898 ⁽²⁾	58.34
Datin Hon Wee Fong	903,310	0.22	251,234,544 ⁽³⁾	61.22
Choon Nee Siew	1,062,242	0.26	253,516,322 ⁽⁴⁾	61.78
Dato' Choon Yoke Ying	1,305,072	0.32	253,468,498 ⁽⁵⁾	61.77
Choon Wan Joo	1,300,080	0.32	253,178,502 ⁽⁵⁾	61.70
Choon Yee Bin	30	0.00	254,650,034 ⁽⁶⁾	62.06
Mohd Annuar Choon Bin Abdullah	30	0.00	254,506,534 ⁽⁶⁾	62.02
Estate of Choon Yee Fook	82	0.00	254,478,482 ⁽⁷⁾	62.02
Choon Ching Yih	1,896	0.00	254,476,668 ⁽⁸⁾	62.01
Choong Bee Chu	0	0.00	254,478,564 ⁽⁹⁾	62.01
Chong Siew Loi @ Chong Kim Loi	103,012	0.03	239,211,214 ⁽¹⁰⁾	58.29
Cheong Poh See	100,000	0.02	240,280,456 ⁽¹¹⁾	58.55
Cheong Chee Kong	7,000	0.00	240,373,456 ⁽¹¹⁾	58.58
Cheong Chee Khoon	0	0.00	240,380,456 ⁽¹¹⁾	58.58
Choon King Han	166,000	0.04	251,941,442 ⁽¹¹⁾	61.40
Elizabeth Choon Ee Ling	11,000	0.00	252,096,442 ⁽¹¹⁾	61.43
Choon Ee Teng	218,000	0.05	251,889,442 ⁽¹¹⁾	61.38
Pang Cheow Mooi	0	0.00	239,211,214 ⁽¹²⁾	58.29
Chang Kwong Him	295,006	0.07	240,513,958 ⁽¹²⁾	58.61
Siow Der Ming	18	0.00	240,508,966 ⁽¹²⁾	58.61

Notes:

- (1) Deemed interest by virtue of the direct shareholding of his spouse, children, siblings and his indirect interest in PKHB via Poh Kong Sdn Bhd ("PKSB") pursuant to Sections 59(1)(c), 8 and 197 of the Companies Act 2016 ("the Act").
- (2) Deemed interest by virtue of the direct shareholding of his sibling and children's in PKHB and his indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (3) Deemed interest by virtue of the direct shareholding of her sibling, spouse, and children's shareholding in PKHB and her indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (4) Deemed interest by virtue of the direct shareholding of her siblings and children's shareholding in PKHB and her indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (5) Deemed interest by virtue of the direct shareholding of her spouse and siblings and her indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (6) Deemed interest by virtue of the direct shareholding of his spouse and siblings and his indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (7) Deemed interest by virtue of the direct shareholding of his siblings and the indirect interest of his siblings in PKHB via PKSB pursuant to Sections 8 and 197 of the Act.
- (8) Deemed interest by virtue of the direct shareholding of her siblings and her indirect interest in PKHB via PKSB pursuant to Sections 8 and 197 of the Act.
- (9) Deemed interest by virtue of the direct shareholding of her siblings and her children and her indirect interest in PKHB via PKSB pursuant to Sections 8 and 197 of the Act.
- (10) Deemed interest by virtue of her brother's direct shareholding in PKHB and her indirect interest in PKHB via PKSB pursuant to Sections 8 and 197 of the Act.
- (11) Deemed interest by virtue of the direct shareholding of his/her parent(s)' and siblings in PKHB and indirect interest in PKHB via PKSB pursuant to Sections 8 and 197 of the Act.
- (12) Deemed interest by virtue of his/her spouse's direct shareholding in PKHB and indirect interest in PKHB via PKSB pursuant to Sections 8 and 197 of the Act.

Analysis of Shareholdings

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 OCTOBER 2020

	← Direct →		← Indirect →	
	No. of Shares	%	No. of Shares	%
Dato' Choon Yee Seiong	11,600,246	2.81	245,383,028 ⁽¹⁾	59.80
Cheong Teck Chong	2,328	0.00	239,411,898 ⁽²⁾	58.34
Choon Nee Siew	1,062,242	0.26	253,516,322 ⁽³⁾	61.78
Datin Hon Wee Fong	903,310	0.22	251,234,544 ⁽⁴⁾	61.22
Choon Yee Bin	30	0.00	254,650,034 ⁽⁵⁾	62.06
Fazrin Azwar Bin Md. Nor	35,000	0.01	-	-
Datin Shirley Yue Shou How	-	-	-	-
Dato' Esther Tan Choon Hwa	-	-	-	-

Notes:

- (1) Deemed interest by virtue of the direct shareholding of his spouse, children, siblings and his indirect interest in PKHB via Poh Kong Sdn Bhd ("PKSB") pursuant to Sections 59(1)(c), 8 and 197 of the Companies Act 2016 ("the Act").
- (2) Deemed interest by virtue of the direct shareholding of his sibling and children's in PKHB and his indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (3) Deemed interest by virtue of the direct shareholding of her siblings and children's in PKHB and her indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (4) Deemed interest by virtue of the direct shareholding of her sibling, spouse, and children's shareholding in PKHB and her indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.
- (5) Deemed interest by virtue of the direct shareholding of his spouse and siblings and his indirect interest in PKHB via PKSB pursuant to Sections 59(1)(c), 8 and 197 of the Act.

List of Properties

HELD BY THE GROUP AS AT 31 JULY 2020

Location of properties	Description	Tenure	Existing use	Land Area/ Built-up Area	Age of building (years)	Net Carrying amount RM	Date of Acquisition
POH KONG JEWELLERS SDN BHD							
Lot 10, PN3792, Section 9 Township of Petaling Jaya Selangor Darul Ehsan No.7, Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan	Single storey detached house incorporating attic floor	Leasehold (Expiring in 2053)	Residential	1,024.6 square metres	Approximately 48 years	3,314,700	27.12.94
Lot 10, PN7185, Section 25 Township of Petaling Jaya District of Petaling Selangor Darul Ehsan No.20, Jalan 52/4 46200, Petaling Jaya Selangor Darul Ehsan	4-storey shopoffice	Leasehold (Expiring in 2094)	Shophouse	174.1875 square metres	Approximately 48 years	4,483,500	5.1.95
G-23 & G-25 Ground Floor, Amcorp Mall 46050 Petaling Jaya Selangor Darul Ehsan	Commercial shoplot	Leasehold (Expiring in 2088)	Shopping Complex Lot	G-23: 517 sq ft G-25: 495 sq ft	22 years	2,385,423	20.6.95
G27 and G53 Star Parade, Alor Setar	Commercial shoplot	Leasehold (Master Title Expiring in 2094 - pending issuance of strata title)	Shopping Complex Lot	G27: 463 sq ft G27: 452 sq ft	23 years	1,118,000	4.2.03
H.S.(D) 153914, PT10 Bandar Petaling Jaya Daerah Petaling Selangor Darul Ehsan No.10, Jalan 52/4 46200 Petaling Jaya Selangor Darul Ehsan	4-storey shopoffice	Leasehold (Expiring in 2067)	Shophouse	174.1875 square metres	Approximately 48 years	3,153,602	14.8.09
No.3, Jalan OZ 17 Ozana Impian Bukit Katil 75450 Melaka	Double storey house	Leasehold (Expiring in 2094)	Residential	143 square metres	Approximately 20 years	278,220	25.8.14

List of Properties

HELD BY THE GROUP AS AT 31 JULY 2020

Location of properties	Description	Tenure	Existing use	Land Area/ Built-up Area	Age of building (years)	Net Carrying amount RM	Date of Acquisition
POH KONG JEWELLERS (SS2) SDN BHD							
Lot 25674, HS(D) 87319 Bandar Petaling Jaya District of Petaling Selangor Darul Ehsan	An intermediate unit of 3-storey shophouse	Freehold	Shophouse	156.07 square metres	Approximately 43 years	4,626,000	15.5.89
No.21, Jalan SS2/55 47300 Petaling Jaya Selangor Darul Ehsan							
Lot 25673, HS(D) 174414 Bandar Petaling Jaya District of Petaling Selangor Darul Ehsan	An intermediate unit of 3-storey shophouse	Freehold	Shophouse	156.07 square metres	Approximately 43 years	4,626,000	28.8.08
No.23, Jalan SS2/55 47300 Petaling Jaya Selangor Darul Ehsan							
POH KONG JEWELLERY MANUFACTURER SDN BHD							
PT 17654, HS(D) 142709 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Double-storey detached with basement	Freehold	Office cum Factory	7,570.31 square metres	19.5 years	28,574,182	1.9.95
Lot 1, Jalan Astaka U8/81 Seksyen U8 40150 Shah Alam Selangor Darul Ehsan							
PT 3867, HS(M) 10549 Mukim of Sungai Buluh District of Petaling Selangor Darul Ehsan	Agricultural land with a detached building	Leasehold (Expiring in 2070)	Residential	0.7179 hectare	31 years	5,485,469	15.8.97
No.276, Jalan 4D Kampung Baru Subang 40100 Shah Alam Selangor Darul Ehsan							

Location of properties	Description	Tenure	Existing use	Land Area/ Built-up Area	Age of building (years)	Net Carrying amount RM	Date of Acquisition
POH KONG PROPERTIES SDN BHD							
LG-48, Lower Ground Floor The Summit, Subang USJ 47600 Subang Jaya Selangor Darul Ehsan	Commercial shoplot	Freehold	Shopping Complex Lot	54 square metres	23 years	649,230	6.2.95
G-13, Ground Floor Summit Parade 83000 Batu Pahat Johor Darul Takzim	Commercial shoplot	Freehold	Shopping Complex Lot	100 square metres	27 years	437,295	30.8.94
G-14, Ground Floor Mahkota Parade Jalan Merdeka 75000 Melaka	Commercial shoplot	Leasehold (Expiring in 2101)	Shopping Complex Lot	83.98 square metres	28 years	2,726,000	3.3.99
G-29, Ground Floor Mahkota Parade Jalan Taman 75000 Melaka	Commercial shoplot	Leasehold (Expiring in 2101)	Shopping Complex Lot	103.96 square metres	28 years	2,946,900	13.3.99
Parcel No. GF119 and GF120 Ground Floor Queensbay Shopping Mall	Commercial shoplot	Freehold	Shopping Complex Lot	GF119: 56 square metres GF120: 56 square metres	14 years	4,079,600	10.6.96
Lot 27 and G28 Ground Floor Kuantan Parade Jalan Haji Abdul Rahman 25000 Kuantan	Commercial shoplot	Leasehold (Expiring in 2092)	Shopping Complex Lot	GF27: 451 sq ft GF28: 484 sq ft	Approximately 22 years	2,162,000	21.4.08
Lot G-19, Ground Floor Subang Parade 47500 Subang Jaya Selangor Darul Ehsan	Commercial shoplot	Freehold Complex Lot	Shopping	139.3 square metres	Approximately 36 years	3,760,000	26.1.99
Unit No.8-10, 8th Floor Pangsapuri Seri Indah Jalan Sungai Besi Indah 3 Taman Sungai Besi Indah Section U6 43300 Sri Kembangan Selangor Darul Ehsan	Condominium	Leasehold (Expiring in 2090)	Residential	108.41 square metres	20 years	235,000	17.2.01
No. 1C-9-20, 9th Floor Pearl Point Condominium Jalan Sepadu 3, Block C Batu 5, Jalan Kelang Lama 58000 Kuala Lumpur	Condominium	Freehold	Residential	101 square metres	23 years	390,100	21.11.94

List of Properties

HELD BY THE GROUP AS AT 31 JULY 2020

Location of properties	Description	Tenure	Existing use	Land Area/ Built-up Area	Age of building (years)	Net Carrying amount RM	Date of Acquisition
6352, PN 11986 Mukim of Bukit Baru District of Melaka Tengah Melaka	An intermediate unit of single-storey terrace house	Leasehold (Expiring in 2086)	Residential	130 square metres	Approximately 28 years	170,946	15.8.97
302-L, Taman Bukit Baru 75450 Bukit Beruang Melaka							
PT 16, HS(D) 143184 Township of Petaling Jaya District of Petaling Selangor Darul Ehsan	4-storey shopoffice	Leasehold (Expiring in 2059)	Shophouse	174.1875 square metres	Approximately 48 years	4,285,144	6.6.00
No.16, Jalan 52/4 46200 Petaling Jaya Selangor Darul Ehsan							
Lot 18, HS(D) 142695 (formerly QT(R)84/60) Section 25 (formerly PJ 24/60) Township of Petaling Jaya District of Petaling Selangor Darul Ehsan	4-storey shopoffice	Leasehold (Expiring in 2060)	Shophouse	174.1875 square metres	Approximately 48 years	3,909,144	17.2.89
No.18, Jalan 52/4 46200 Petaling Jaya Selangor Darul Ehsan							
1262 Lorong S2 A35/1 Central Park Seremban 70300 Seremban Negeri Sembilan	Double storey house	Freehold	Residential	154 square metres	Approximately 20 years	354,600	12.11.09
PT 16955, HS(M) 9168 Mukim of Damansara District of Petaling Selangor Darul Ehsan	An intermediate unit of double-storey terrace house	Leasehold (Expiring in 2095)	Residential	160 square metres	Approximately 25 years	871,390	11.7.97
No.36, Jalan PJS 9/26 Bandar Sunway 46150 Petaling Jaya Selangor Darul Ehsan							
PT 1113 (Lot 7027) HS(D) 6774 Mukim of Damansara District of Petaling Selangor Darul Ehsan	An intermediate unit of double-storey terrace house	Freehold	Residential	163 square metres	Approximately 35 years	871,600	10.6.95
No.87, Jalan SS17/2 47500 Subang Jaya Selangor Darul Ehsan							

Location of properties	Description	Tenure	Existing use	Land Area/ Built-up Area	Age of building (years)	Net Carrying amount RM	Date of Acquisition
POH KONG PROPERTIES SDN BHD (CONT'D)							
Lot 26451 PN807/M7/4/241 Mukim of Ampang District of Hulu Langat Selangor Darul Ehsan	Apartment	Leasehold (Expiring in 2088)	Residential	95 square metres	28 years	282,000	15.7.97
No.33, 3rd Floor, Block Melor Apartment Desa 288 Persiaran Memanda 1 Taman Dato' Ahmad Razali 68000 Ampang, Selangor Darul Ehsan							
No.33-A-8-7, 8th Floor Villa Putra Condominium Jalan Tun Ismail 50480 Kuala Lumpur	Condominium	Freehold	Residential	107 square metres	26 years	432,400	27.3.00
No.33-A-17-5, 17th Floor Villa Putra Condominium Jalan Tun Ismail 50480 Kuala Lumpur	Condominium	Freehold	Residential	107 square metres	26 years	432,400	6.4.96
PN10310, Lot 73 Seksyen 20 Bandar Petaling Jaya Selangor Darul Ehsan	Semi-Detached Corporate Factory	Leasehold (Expiring in 2114)	Factory	12,959 square feet	6 years	7,981,918	30.5.13
Lot No.18 Section 51 Petaling Jaya Selangor Darul Ehsan							
Unit 10G Block A Mawar Apartment Taman Gohtong Jaya Genting Highlands 69000 Pahang	Apartment	Freehold	Residential	105 square metres	9 years	770,800	9.9.15
No 6 Jalan 52/4 46200 Petaling Jaya Selangor Darul Ehsan	4-storey shopoffice	Leasehold (Expiring 2069)	Shop	174.1875 square metres	48 years	4,694,250	18.8.17
E3-20-02 Ion Delemen Serviced Apartment Block No E3 Genting Highlands Benteng	Serviced Apartment	Freehold	Residential	1,304 square feet	2 years	1,025,221	1.9.15
E3-21-02 Ion Delemen Serviced Apartment Block No E3 Genting Highlands Benteng	Serviced Apartment	Freehold	Residential	1,304 square feet	2 years	1,027,629	1.9.15

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of **POH KONG HOLDINGS BERHAD** will be conducted entirely through live streaming from the Broadcast Venue at No.16-20, Jalan 52/2, 46200 Petaling Jaya, Selangor on Wednesday, 13 January 2021 at 1.00 p.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 July 2020 together with the Reports of the Directors and Auditors thereon.
2. To declare a First and Final Single-Tier Dividend of 1.20 sen per Ordinary Share in respect of the financial year ended 31 July 2020.
3. To approve Directors' Fees and Allowances of an amount not exceeding RM500,000.00 from 1 August 2020 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service of the Directors.
4. To re-elect the following Directors retiring under Clause 97 of the Constitution of the Company:
 - (a) Dato' Choon Yee Seiong
 - (b) Datin Hon Wee Fong
 - (c) Datin Shirley Yue Shou How
 - (d) Dato' Esther Tan Choon Hwa
5. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

**Please refer to Note C
on the Agenda**

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

Resolution 7

SPECIAL BUSINESS

6. To consider and, if thought fit, pass with or without modifications, the following Resolution:-

Authority for Encik Fazrin Azwar Bin Md Nor to Continue In Office as Independent Non-Executive Director

Resolution 8

"THAT authority be and is hereby given to Encik Fazrin Azwar Bin Md Nor who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the Nineteenth Annual General Meeting of the Company in accordance with the Malaysian Code on Corporate Governance 2017.

ANY OTHER BUSINESS

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Single-Tier Dividend of 1.20 sen per Ordinary Share in respect of the financial year ended 31 July 2020 will be payable on 12 March 2021 to Depositors registered in the Record of Depositors at the close of business on 19 February 2021.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred to the Depositor's Securities Account before 4:00 pm on 19 February 2021 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

**BY ORDER OF THE BOARD
POH KONG HOLDINGS BERHAD**

.....
NG YIM KONG (LS 0009297)
SSM Practicing Certificate No.: 202008000309
Company Secretary
Petaling Jaya

24 November 2020

Notes:-

A. BROADCAST VENUE

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

Neither shareholders nor proxy holders from the public shall be physically present at or be admitted to the Broadcast Venue on the day of the AGM. Therefore, members are strongly advised to participate and vote remotely at the AGM through live streaming and online remote voting using the Remote Participation and Voting facilities provided by the Company's Share Registrar, namely Boardroom Share Registrars Sdn Bhd.

Notice of Annual General Meeting

B. APPOINTMENT OF PROXY

1. A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A proxy appointed to attend, speak, participate and vote at a meeting of a Company shall have the same rights as the member to attend speak, participate and vote at the meeting.
3. A member may appoint more than one (1) but not exceeding two (2) proxies to attend the same meeting, provided that he specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.
5. Where a Member is an Authorised Nominee as defined under SICDA it may appoint at least one (1) proxy in respect of each Securities Account it holds with Ordinary Shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple Beneficial Owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The appointment of a proxy may be made in a hard copy form and submit to the Company's Share Registrar, namely Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. In the case of an appointment made via Boardroom Smart Investor Portal, the proxy form must be deposited at <https://boardroomlimited.my>. Please refer to the Administrative Guide for further information on submission via Boardroom Smart Investor Portal. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote.
8. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar, namely Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
9. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
10. Last date and time for lodging the proxy form is Monday, 11 January 2021 at 1.00 p.m.
11. Please read the Administrative Guide regarding the Revocation of Proxy.

C. AUDITED FINANCIAL STATEMENTS

This agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1) of the Companies Act 2016 do not require a formal approval of the members/shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

Explanatory Notes on Special Business of the Agenda

Item 6 of the Agenda (Resolution 8)

(i) **Authority for Encik Fazrin Azwar Bin Md Nor to continue to act as an Independent Non-Executive Director of the Company pursuant to the Code**

Encik Fazrin Azwar Bin Md Nor has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and has met the definition of “independent director” as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as an Independent Non-Executive Director of the Company. Refer to the rationale supporting the re-appointment of Encik Fazrin Azwar Bin Md Nor in Nomination Committee Statement on pages 81 to 82 of the Annual Report.

The proposed Resolution 8, if passed, will enable Encik Fazrin Azwar Bin Md Nor to continue to act as an Independent Non-Executive Director of the Company until the end of the next Annual General Meeting of the Company.

GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 68(d) of the Company’s Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 6 January 2021. Only a depositor whose name appears on the Record of Depositors as at 6 January 2021 shall be entitled to participate, attend, speak and vote at this AGM or appoint proxy/proxies, corporate representative(s) or power of attorney to attend and/or vote in his stead.

Form of Proxy

I/We _____ NRIC/Co. No. _____
of _____
Tel. No _____ being a member of **POH KONG HOLDINGS BERHAD**
hereby appoint:

Full Name (in Block) and as per NRIC/Passport	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and

Full Name (in Block) and as per NRIC/Passport	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the meeting as my/our Proxy(ies) to vote for me/us and act on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at No. 16-20, Jalan 52/4, 46200 Petaling Jaya, Selangor on Wednesday, 13 January 2021 at 1.00 p.m. and at any adjournment thereof for/against * the resolution(s) to be proposed thereat.

*My/*our Proxy(ies) is/are to vote as indicated below:-

Resolutions	Ordinary Business	For	Against
1.	To declare a First and Final Single-Tier Dividend of 1.20 sen per Ordinary Share in respect of the financial year ended 31 July 2020.		
2.	To approve Directors' Fees and Allowances of an amount not exceeding RM500,000.00 from 1 August 2020 until the next Annual General Meeting of the Company, to be paid monthly in arrears after each month of completed service of the Directors.		
3.	To re-elect Dato' Choon Yee Seiong retiring under Clause 97 of the Company's Constitution.		
4.	To re-elect Datin Hon Wee Fong retiring under Clause 97 of the Company's Constitution.		
5.	To re-elect Datin Shirley Yue Shou How retiring under Clause 97 of the Company's Constitution.		
6.	To re-elect Dato' Esther Tan Choon Hwa retiring under Clause 97 of the Company's Constitution.		
7.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.		
Resolutions	Special Business		
8.	To authorise Encik Fazrin Azwar Bin Md Nor to continue in office as Independent Non-Executive Director.		

* Strike out whichever not applicable

[Please indicate with (X) in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy will vote or abstain at his/her discretion]

Dated this _____ day of _____ 2020/2021

[Signature/Common Seal of Shareholder]

CDS Account No.	
Number of shares held:	

Notes:

A. BROADCAST VENUE

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

Neither shareholders nor proxy holders from the public shall be physically present at or be admitted to the Broadcast Venue on the day of the AGM. Therefore, members are strongly advised to participate and vote remotely at the AGM through live streaming and online remote voting using the Remote Participation and Voting facilities provided by the Company's Share Registrar, namely Boardroom Share Registrars Sdn Bhd.

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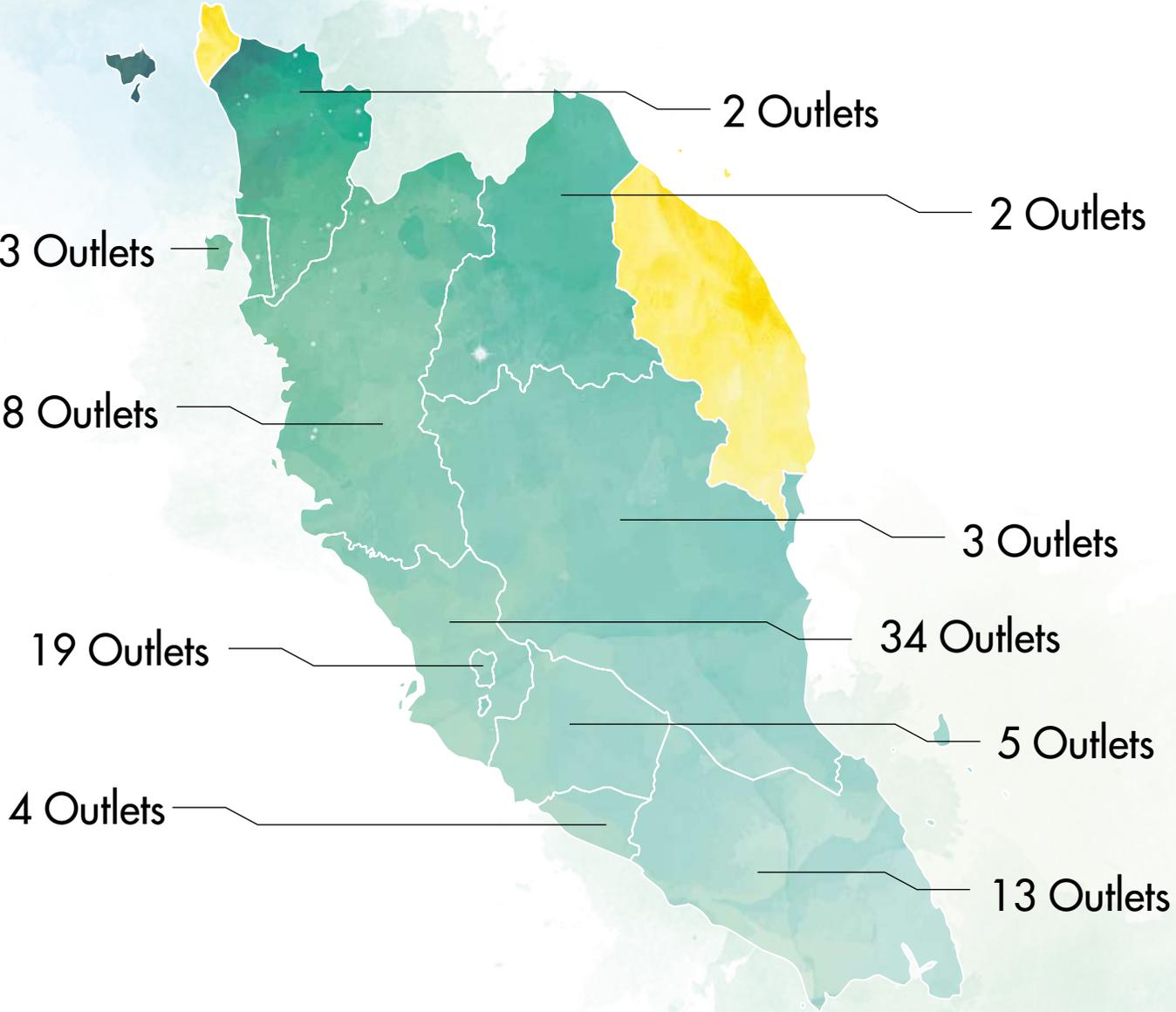
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STAMP

The Share Registrar
Poh Kong Holdings Berhad
(200201018476/586139-K)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan

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Our Locations



“Founded in 1976 and headquartered in Petaling Jaya Malaysia, continues to be at the forefront of growth.”

RETAIL CONCEPT STORES

DIAMOND BOUTIQUE

- Sunway Pyramid Shopping Mall, PJ
T: 603-7492 0973
- AEON Bukit Indah Shopping Centre Lot G36, JB
T: 607-236 9499
- AEON Tebrau City Shopping Centre, Ground Floor, JB
T : 607-353 6497

DIAMOND & GOLD

- 1 Utama Shopping Centre (Oval), PJ
T: 603-7710 7260
- Mid Valley Mega Mall, KL
T: 603-2282 8850
- Mahkota Parade, G14, Malacca
T : 606-283 2470
- AEON Bukit Tinggi Shopping Centre, Klang
T: 603-3326 2821
- Tesco Ampang, KL
T: 603-9282 5857
- Tesco Klang
T: 603-3323 9021
- IOI Mall Puchong
T: 603-8071 0340

GOLD BOUTIQUE

- Sunway Pyramid Shopping Mall, PJ
T: 603-7492 0973

ORO BIANCO

- AEON Bukit Indah Shopping Centre, Lot G35, JB
T: 607-236 9484

POH KONG GALLERY

- 16-20, Jalan 52/4 46200 Petaling Jaya
T: 603-7940 3333
- Pavilion, Kuala Lumpur
T: 603-2141 7919

POH KONG RETAIL STORES

PETALING JAYA

- 19-23, Jalan SS2/55
T: 603-7874 7863
- Subang Parade
T: 603-5635 1087
- 1 Utama Shopping Centre
T: 603-7726 3868
- Sunway Pyramid Shopping Mall
T: 603-7492 0972
- Da Men USJ
T: 603-8011 6747
- Giant Hypermarket, Bandar Kinrara
T: 603-8075 5349
- Tropicana City Mall
T: 603-7728 2191
- Paradigm Mall
T: 603-7886 7475
- Atria Shopping Gallery
T: 603-7732 5442
- IOI Mall Puchong
T: 603-8074 9875

KUALA LUMPUR

- AEON Taman Maluri
T: 603-9285 8566
- AEON Wangsa Maju
T: 603-4142 1688
- AEON Metro Prima
T: 603-6258 6088
- AEON Cheras Selatan Shopping Centre
T: 603-9076 9781

- AEON Taman Equine Shopping Centre
T: 603-8941 6204
- Sunway Putra Mall
T: 603-4050 2017
- AEON AU2 (Setiawangsa)
T: 603-4257 4282

- AEON Big Kepong
T: 603-6259 3809
- Kompleks Pernas Sogo
T: 603-2698 5275
- Ampang Point Shopping Centre
T: 603-4252 7375

- Pearl Point Shopping Mall
T: 603-7981 3798
- Leisure Mall
T: 603-9132 2417

- Spectrum Shopping Mall
T: 603-4270 1039
- Selayang Mall
T: 603-6136 7813

- Bangsar Shopping Centre
T: 603-2093 3161
- The Mines Shopping Fair
T: 603-8943 0759

- Mid Valley Mega Mall
T: 603-2284 9636

- Plaza OUG, Old Klang Road
T: 603-7981 7819

- Pavilion, Lot 1.40.00
T: 603-2141 9090
- Pandan Kapital
T: 603-4297 5301
- Sunway Velocity Mall
T: 603-9201 7548/
603-9201 2094

PUTRAJAYA

- IOI City Mall
T: 603-8940 6025

SHAH ALAM

- Plaza Alam Sentral
T: 603-5518 6116
- AEON Mall Shah Alam
T: 603-5523 8370

KLANG

- AEON Bukit Raja Shopping Centre
T: 603-3342 8863
- Shaw Centre Point
T: 603-3344 2488
- G07 - G09, Klang Parade
T: 603-3344 1488

SUNGAI BULOH

- The Store
T: 603-6157 6598

BANGI

- Bangi Utama Shopping Complex
T: 603-8210 0500

KAJANG

- Plaza Metro Kajang
T: 603-8734 7233

BANTING

- The Store
T: 603-3187 0543

RAWANG

- AEON Rawang Anggun Shopping Centre
T: 603-6093 3098

IPOH

- AEON Kinta City Shopping Centre
T: 605-547 0013

- AEON Big Midtown
T: 605-281 3417

- AEON Ipoh Station 18 Shopping Centre
T: 605-322 3618

SRI MANJUNG

- AEON Sri Manjung Shopping Centre
T: 605-687 0866

TELUK INTAN

- The Store
T: 605-621 6024

TAIPING

- AEON Mall Taiping
T: 605-801 2460
- Taiping Mall
T: 605-805 1430

NILAI

- Giant Superstore
T: 606-799 1650
- AEON Nilai
T: 606-797 1660

SEREMBAN

- The Store Seremban
T: 606-762 4315
- Terminal One
T: 606-762 7933

- AEON Seremban 2 Shopping Centre
T: 606-601 5505

BUKIT MERTAJAM

- AEON Mall Bukit Mertajam
T: 604-548 5980

PENANG

- Queensbay Mall Lot GF119 & GF120
T: 604-641 1560
- Mydin, Kompleks Bukit Jambul
T: 604-641 3977

ALOR SETAR

- Alor Star Mall
T: 604-772 5351
- Aman Central
T: 604-731 3728

MELAKA

- AEON Melaka Shopping Centre
T: 606-232 5188
- Mahkota Parade G29
T: 606-282 1922

- AEON Bandaraya Melaka Shopping Centre, Melaka
T: 606-286 3120

KUANTAN

- East Coast Mall
T: 609-560 9988
- Kuantan Parade Shopping Mall
T: 609-513 6299

KELANTAN

- KB Mall, Kota Bahru
T: 609-741 2166
- AEON Mall Kota Bahru
T: 609-740 5667

MUAR

- Wetex Parade
T: 606-951 7718

JOHOR BAHRU

- AEON Taman Universiti Shopping Centre
T: 607-521 3482
- AEON Permas Jaya Shopping Centre
T: 607-388 9958

- AEON Tebrau City Shopping Centre
T: 607-354 7691

- AEON Bukit Indah Shopping Centre, Lot G37
T: 607-236 9033

- AEON Mall Kulaijaya
T: 607-660 6000

- AEON Mall Bandar Dato' Onn
T: 607-361 8446

- Paradigm Mall, Johor Bahru Lot UE-06, Upper Ground Floor
T: 607-244 0463/
607-244 8721

- Mid Valley Southkey Megamall
T: 607-336 1433

GENTING

- Sky Avenue Genting Highlands Resort
T: 605-6101 2485

BATU PAHAT

- Batu Pahat Mall
T: 607-433 1918

POH KONG®

DIAMOND & GOLD
by **POH KONG**

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diamond
B O U T I Q U E

G O L D
B O U T I Q U E

ORO BIANCO
by **POH KONG**



Scan this to view our Annual Report 2020.

Our Annual Report, financial and other information about Poh Kong Holdings Berhad can also be found at www.pohkong.com.my

No. 16-20 Jalan 52/4, 46200 Petaling Jaya,
Selangor Darul Ehsan
Tel : 603-7940 3333 Fax : 603-7957 2404