



SCC HOLDINGS BERHAD
200001008871 (511477-A)

GREEN SOLUTIONS

FOR THE FUTURE OF THE WORLD & MANKIND



www.scc.com.my



2019
ANNUAL REPORT

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Vision

Together we build green and wellness enterprises



Mission

We strive to lead more people towards green and healthy living



Objective

For the health of next generation and future earth



Our Core Values

► People

We believe in our workforce. "SCC People" have a strong work ethic, are passionate with dedication to every success, and are a bond of love and care. We are committed to expand the potential of "SCC People" through the support of continuous education & training.

► Innovation

We continuously develop and try out new ideas and concepts in anticipation of our customers present and future needs.

► Teamwork

Our company success is highly dependent on our dynamic team with mutual understanding, respect and full participation to attain a consensus for all tasks undertaken.

► Integrity

We hold strongly that our business reputation is built on the honesty in all our dealings with our business partners.

► Work Environment

We are dedicated to upkeep a safe, clean & healthy environment in order to create a harmonious workplace which is conducive to total job efficiency.

► Total Customer Satisfaction

We strive to delight our customers by providing valued quality products & services to sustain a long term business partnership.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chee Long Sing @ Cher Hwee Seng
Executive Chairman

Cher Sew Seng
Managing Director

Cher Chou Chiang
Alternate Director to Cher Sew Seng

Goh Ah Heng @ Goh Keng Chin
Executive Director

Cher Lip Chun
Executive Director

Chu Soo Meng
Executive Director

Dato' Ismail bin Hamzah
Independent Non-Executive Director

The Late Dato' Dr. Choong Tuck Yew
*Independent Non-Executive Director
(Demised on 20.5.20)*

Datuk Wira Dr. Goy Hong Boon
Independent Non-Executive Director

AUDIT COMMITTEE

The late Dato' Dr. Choong Tuck Yew
(Chairman) (Demised on 20.5.20)
Dato' Ismail bin Hamzah
Datuk Wira Dr. Goy Hong Boon

NOMINATION COMMITTEE

Dato' Ismail bin Hamzah
(Chairman)
The late Dato' Dr. Choong Tuck Yew
(Demised on 20.5.20)
Datuk Wira Dr. Goy Hong Boon

REMUNERATION COMMITTEE

The late Dato' Dr. Choong Tuck Yew
(Chairman) (Demised on 20.5.20)
Dato' Ismail bin Hamzah
Chee Long Sing @ Cher Hwee Seng

COMPANY SECRETARY

Wong Yuet Chyn (MAICSA 7047163)

AUDITORS

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan (KL)

SHARE REGISTRAR

ShareWorks Sdn Bhd (229948-U)
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 6201 1120
Fax : (603) 6201 3121

REGISTERED OFFICE

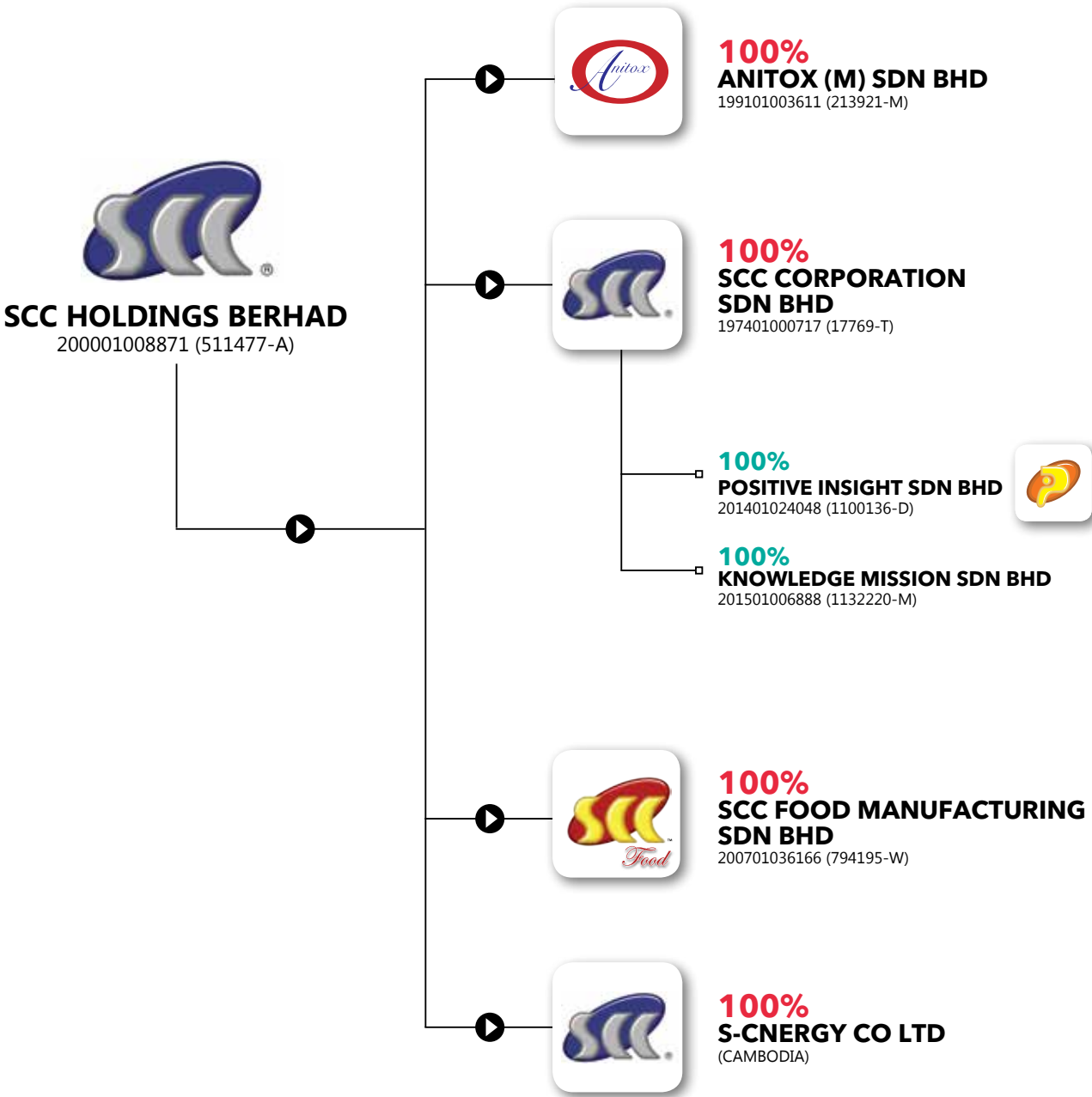
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 6201 1120
Fax : (603) 6201 3121

STOCK EXCHANGE LISTING

ACE Market
Bursa Malaysia Securities Berhad

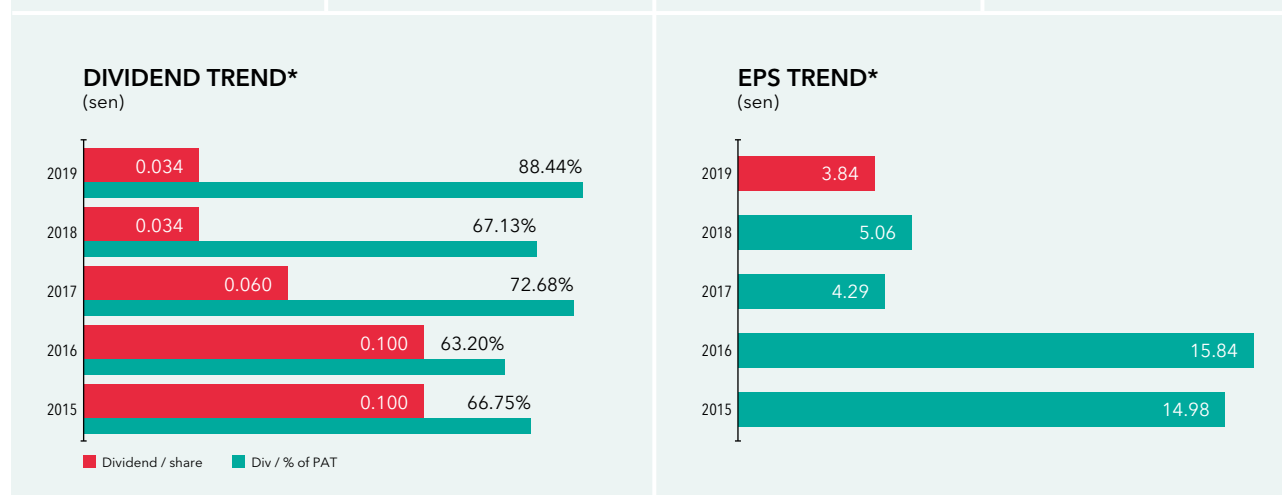
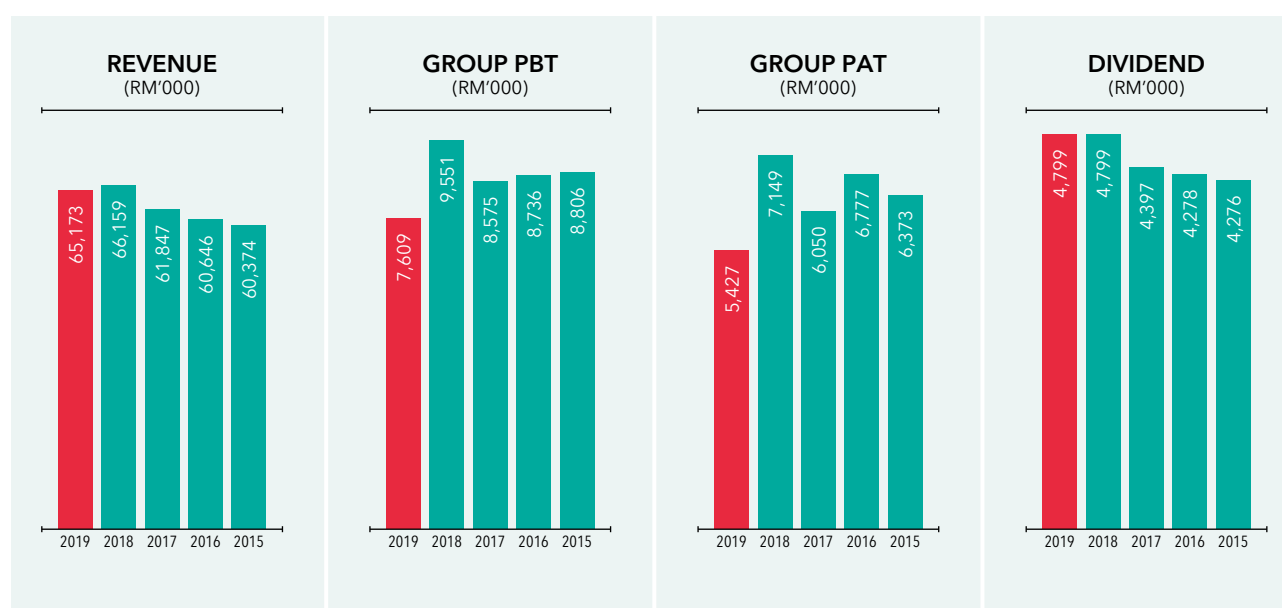
Listed on 3 August 2010

CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

	Unit	2019	2018	2017	2016	2015
Revenue	RM '000	65,173	66,159	61,847	60,646	60,374
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM '000	8,714	10,138	9,159	9,009	8,982
Profit for the Year Attributable to Equity Holders	RM '000	5,427	7,149	6,050	6,777	6,406
Profit for the Year Margin	%	8.33	10.81	9.50	11.17	10.61
Shareholders' Equity	RM '000	43,036	42,435	40,130	40,607	35,924
Return on Shareholders' Equity	%	12.61	16.85	15.08	16.69	17.83
Basic Earnings Per Share	sen	3.84	5.06	4.29	15.84	14.98
Interim and Special Dividend Per Share	sen	3.40	3.40	6.60	10.00	10.00



* Adjusted for bonus issue and share split exercise in 2017

DIRECTORS' PROFILE

Chee Long Sing @ Cher Hwee Seng (Ben Cher)

Malaysian, aged 76, Male, Executive Chairman

Mr Ben Cher was appointed to our Board on 17 April 2000 and was appointed as Executive Chairman and member of the Remuneration Committee on 1 April 2010. He is a co-founder of the Group. He is responsible for our Group's business development activities. He co-founded a partnership, Cheong Cheng Trading Co. in 1972, which was engaged in the provision of animal health products. In 1974, a private limited company, Syarikat Chang Cheng (M) Sdn Bhd, was formed to take over the business, which subsequently changed its name to SCC Corporation Sdn Bhd. He was appointed as the Managing Director in 1974 before being appointed to Executive Chairman in 1988. Mr Cher has more than 48 years of experience in the animal health products and foodservice equipment industries. Mr Ben Cher is the elder brother of Mr Francis Cher, uncle of Mr Chu Soo Meng and Ms Cheryl Cher and father of Mr Adam Cher. He has attended all five (5) Board meetings held during the financial year.

Cher Sew Seng (Francis Cher)

Malaysian, aged 70, Male, Managing Director

Mr Francis Cher was appointed to our Board on 17 April 2000 and was appointed as Managing Director on 1 April 2010. Mr Francis Cher is a co-founder of the Group. He is responsible for the overall business strategies and management. He joined Cheong Cheng Trading Co. as a Sales Executive in 1972. Later in 1974, a private limited company, Syarikat Chang Cheng (M) Sdn Bhd, was formed to take over the business, which subsequently changed its name to SCC Corporation Sdn Bhd. He was appointed as a Director in 1976 before being appointed as Managing Director in 1988. Mr Francis Cher has more than 47 years of experience in the animal health products and foodservice equipment industries. He is the younger brother of Mr Ben Cher, uncle of Mr Chu Soo Meng and Mr Adam Cher and father of Ms Cheryl Cher. He has attended all five (5) Board meetings held during the financial year.

Goh Ah Heng @ Goh Keng Chin

Malaysian, aged 74, Male, Executive Director

Mr Goh was appointed to our Board on 1 April 2010 and is our Executive Director. Mr Goh is a co-founder of the Group. He is responsible for the sales, marketing and overall management of our Animal Health Products Division ("AHPD"). He co-founded Cheong Cheng Trading Co. in 1972. In 1974, a private limited company, Syarikat Chang Cheng (M) Sdn Bhd, was formed to take over the business, which subsequently changed its name to SCC Corporation Sdn Bhd. Mr Goh was appointed as a Director in 1976 before being appointed to Sales Director in 1982. Mr Goh has more than 47 years of experience in the animal health products and foodservice equipment industry. He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any directors and/or major shareholders of the Company.

Chu Soo Meng

Malaysian, aged 55, Male, Executive Director

Mr Chu was appointed to our Board on 2 July 2012 and is our Executive Director. Mr Chu is responsible for the sales and marketing and overall management of Foodservice Equipment Division ("FSED"). He obtained his Sijil Pelajaran Malaysia from Sekolah Menengah Datuk Bentara Luar, Batu Pahat, Johor in 1983. He started his career with SCC Corporation Sdn Bhd as a Service Representative in FSED in 1984. He later served as a Sales Executive before being promoted to Regional Sales Executive in 1995. In 1998, he was promoted to Sales Manager and has been our FSED Division Manager since 2007. Mr Chu has more than 35 years of experience in foodservices equipment industry. He is the nephew of Mr Ben Cher and Mr Francis Cher, and cousin with Mr Adam Cher and Ms Cheryl Cher. He has attended four (4) Board meetings held during the financial year.

DIRECTORS' PROFILE

(CONT'D)

Cher Lip Chun (Adam Cher)

Malaysian, aged 44, Male, Executive Director

Mr Adam Cher was appointed to our Board on 2 July 2012 and is our Executive Director. He is responsible for the overall sales & administration of SCC Food Manufacturing Sdn Bhd and business development activities of the Group. He obtained his Bachelor of Business (Marketing/International Business Management) from Charles Sturt University, Australia in 2002. In 2005, he joined SCC Corporation Sdn Bhd as Assistant Marketing Manager in the Foodservice Equipment Division ("FSED"), where he was responsible for the management of FSED's key customers. In 2008, he was promoted to Personal Assistant to the Executive Chairman and Business Development Manager of the Group, for both AHPD and FSED. In 2010, Mr Adam Cher was appointed as Alternate Director to Chee Long Sing @ Cher Hwee Seng. Mr Adam has more than 15 years of experience in the animal health products and foodservice equipment industries. He is the son of Mr Ben Cher, nephew of Mr Francis Cher and cousin with Mr Chu Soo Meng. He has attended all five (5) Board meetings held during the financial year.

Dato' Ismail bin Hamzah

Malaysian, aged 74, Male, Independent Non-Executive Director

Dato' Ismail was appointed to our Board on 1 April 2010 and is our Independent Non-Executive Director. He is the Chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee. Dato' Ismail obtained his Bachelor of Economics (Hons) in Analytical Economics from the University of Malaya in 1970. Upon graduation, he joined the Administrative and Diplomatic Service and served in the Ministry of Finance as an Assistant Secretary. He has over 36 years of experience in economics and finance which he acquired from his previous key positions held in several Malaysian governmental agencies. Dato' Ismail is also the Independent Non-Executive Director of JKG Land Berhad, GUH Holdings Berhad and Jasa Kita Berhad. He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any directors and/or major shareholders of the company.

The Late Dato' Dr. Choong Tuck Yew (Demised on 20.5.2020)

Malaysian, aged 81, Male, Independent Non-Executive Director

Dato' Dr. Choong Tuck Yew was appointed to our Board on 1 April 2010 and is our Independent Non-Executive Director. He is the Chairman of our Audit and Remuneration Committees and a member of our Nomination Committee. Dato' Dr. Choong, who possesses a Master of Business Administration and a Doctor of Commercial Science from Oklahoma City University, USA, is a Chartered Accountant (Malaysian Institute of Accountants) as well as a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow of CPA Australia, the Malaysian Institute of Chartered Secretaries and Administrators, Chartered Tax Institute of Malaysia, and a Chartered Fellow, as well as a Chartered Audit Committee Director of the Institute of Internal Auditors Malaysia.

In the early years of his career, Dato' Dr. Choong worked as an Accountant in several private companies prior to his joining Bank Negara Malaysia (The Central Bank of Malaysia) in 1968. In 1987, he was promoted as the Chief Manager in charge of supervising all the branches of Bank Negara Malaysia. In 1990, he was seconded by Bank Negara Malaysia as the Managing Director of Visia Finance Berhad, a licensed finance company.

He has been a guest speaker at various conferences in Malaysia as well as abroad.

He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any directors and/or major shareholders of the company.

DIRECTORS' PROFILE

(CONT'D)

Datuk Wira Dr. Goy Hong Boon

Malaysian, Aged 48, Independent Non-Executive Director

He was appointed to our Board on 1 April 2010 and is our Independent Non-Executive Director and member of Audit Committee and Nomination Committee. He is a corporate consultant with vast experience in local and international capital markets, likewise in the field of information communication technology. He started his career as corporate finance manager with an International Investment Bank at the advisory division in Malaysia, where his last held position was head of corporate finance and advisory, where he assisted several large corporations and GLC on raising capital via international financial market. Later, he joined a leading local financial firm as Vice President for Business Development and Corporate Advisory. Subsequently, he ventured into various ICT businesses before setting up his own consulting business specializing in Mergers, Acquisitions, Corporate restructurings, Pre-Initial Public Offerings and project funding for SME company.

He graduated with a BBA degree in 1992 from American Intercontinental University of London (presently known as Regent's University London). He also holds an MBA from Oklahoma City University graduated in 1994. He also possesses a Doctorate degree (DBA) in Strategic Management. He was awarded Master of Financial Management (MFP) certification from American Academy of Financial Management. He is member of Chartered Audit Committee Director from The Institute of Internal Auditors Malaysia.

He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any directors and/or major shareholders of the company.

Cher Chou Chiang (Cheryl Cher)

Malaysian, aged 44, Female, Alternate Director to Cher Sew Seng

Ms. Cheryl Cher was appointed as Alternate Director to Cher Sew Seng on 28 May 2019. She is responsible for assisting the Managing Director in the overall administrative and foodservice equipment division of our Group. She obtained her Bachelor of Science in Business Administration from University of Nebraska Lincoln, College of Business Administration in 2000. In 2003, she joined SCC Corporation Sdn Bhd as Sales Executive in the Foodservice Equipment Division ("FSED"), where she was responsible for the management of FSED's key customers. In 2013, she was promoted to Division Manager of FSED. Ms Cheryl has more than 16 years of experience in the foodservice equipment industries. She is the daughter of Mr Francis Cher, niece of Mr Ben Cher and cousin with Mr Chu Soo Meng and Mr Adam Cher. She has attended two (2) Board meetings (after her appointment) held during the financial year.

Other Information

a. Directorship in Public Companies and Listed Issuers

Save for Dato' Ismail and Datuk Wira Dr. Goy Hong Boon, none of the Directors has any directorship in Public Companies and listed Issuers.

b. Conflict of Interest

None of the Directors has any conflict of interest with SCC Holdings Berhad.

c. Conviction of Offences

None of the Directors has been convicted for any offences within the past 5 years other than traffic offences, if any.

CHAIRMAN'S STATEMENT



2019 surrounded with numerous unpredictable changes and challenges, including government policies and also changes within the industries. Some view them positively, others threaded the line with high cautions, while SCC treated them as opportunities to breakthrough, to develop and to motivate.

In this globalization era, information had no boundaries and the world changes rapidly, indirectly and directly affects the economy. We need to change the way we think, getting out of the usual boxes; the way we work, with the advancement of technology, taking the non-standard methods to achieve targeted results. These are the challenges we face every day and needed to be overcome day-in-day-out.

While we could not halt the time from moving forward, we will gain precious experiences during these rapid changing business environments, explore and improve SCC strategies and directions, and provide all members of SCC with suitable tools to be ready for whatever challenges coming our way.

In SCC, we strive to strengthen our business by taking every decision and approach carefully and confidently align with the industries' evolution. We believe that only with continuous training, improving and value adding, will equip us to face any future challenges.

On behalf of the Board, I would like to express our gratitude to the management team, employees, and agents for their hard work and commitment throughout the year. The Board would also like to extend appreciation to our business partners, shareholders, financiers and regulatory authorities for their continuous support and co-operation.

Last but not least, I would like to thank all my fellow colleagues on the Board for their valuable contributions to the Group. With all the hardworking, co-operation and never give up spirit of all colleagues, we wish to achieve many more milestones for SCC Group of companies in coming years.

Chee Long Sing @ Cher Hwee Seng
Executive Chairman

28 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS AND OPERATIONS

SCC Holdings Berhad ("SCC") and its subsidiary companies is involved in the business of distribution, sales and services of well-known industrial-grade foodservice equipment and food supplies to the F&B markets which are widely used in restaurants, cafes, quick service restaurants, food kiosks, cinemas and hypermarkets among others. We also supply animal health products to feed mills and livestock industries while our food manufacturing division produces food premixes for related industries.

WORKING CAPITAL, LIQUIDITY

The Group continues to maintain a healthy cash flows position in FYE2019 with near zero gearing which places it in a favourable financial position to capture any future opportunity and stayed one step ahead of the competition.

DIVIDEND POLICY

The Company does not have a formal dividend policy but the Management envisages a dividend payout ratio of approximately 35% of the company's profit after tax to shareholders in each financial year. Since its inception, the company has consistently payout dividend of more than 35% of the company's profit after tax to shareholders (please refer to page 3)

FINANCIAL PERFORMANCE REVIEW

Review on Statement of Comprehensive Income

During the year under review, the Group recorded total revenue of RM65.17m and profit after taxation of RM5.43m. This represent a 1.49% reduction compared with last year's revenue and a 24.09% reduce in profit after tax. The slight decrease in revenue was due to the huge price differences of amino acid that is 17.25% lower than average prices in 2018. The big reduction of profit after tax for the year are due to some bad debts written off, additional expenses for our newly setup overseas subsidiary and the impact of adopting the new MFRS 16, that made up of majority of the increased operating expenses.

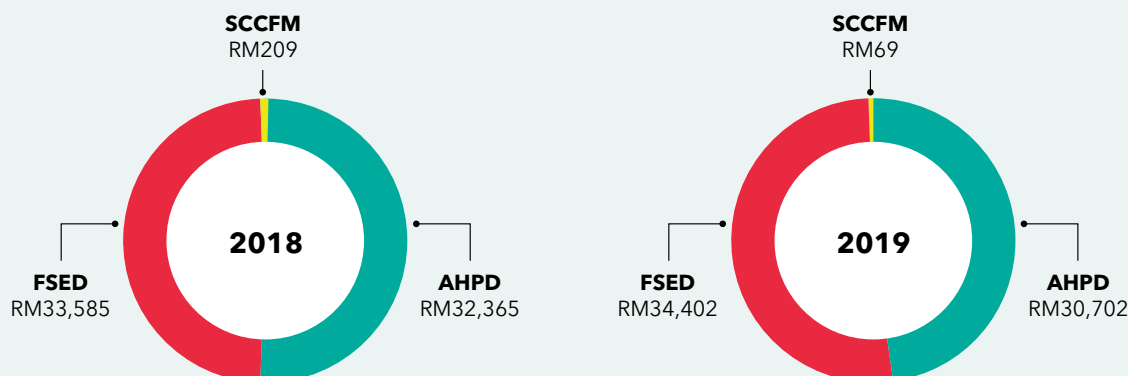
Review on Statement of Financial Position

Non-current assets increased by 11.02% mainly due to the adoption and implementation of the new MFRS 16 accounting standard which included the right of use assets as part of the non-current assets during the year under review.

The decrease in Trade Receivables by 12.01% is primarily due to improved collection during the financial year.

Inventories have increased mainly due to higher purchases towards end of the financial year in preparation of early festival season in 2020.

GROUP REVENUE BY BUSINESS SEGMENT ('000)



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

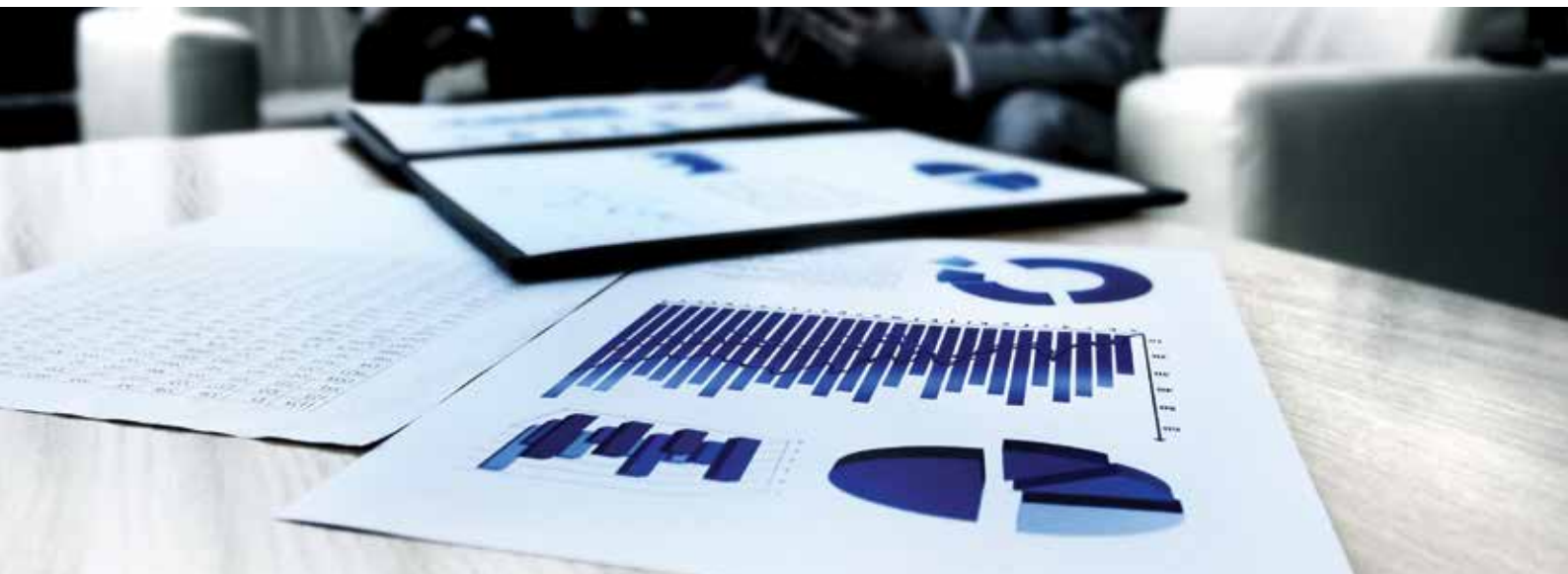
SEGMENTAL BUSINESS REVIEW/REVIEW OF OPERATING ACTIVITIES

Our business structure is divided into 3 segments:

	Revenue	Prospect
Animal Health Products Division ("AHPD")	<p>Revenue contribution from AHPD decreased by RM1.66m or 5.1%. Its total revenue contribution for the year represented approximately 47.1% of the Group's total revenue.</p> <p>The decrease is mainly due to lower market price of the amino acid which is 17.25% lower compared with average prices of 2018. The pathogen control products posted a growth of 15.9% while feed additives products contracted by 9.8%.</p>	<p>Domestically, according to statistic data from Department of Veterinary Services Malaysia, Malaysia had achieved self-sufficiency in livestock products for both poultry meat and chicken eggs since 2013 with 90.35% self-sufficient rate for pork in 2019.</p> <p>The livestock industry has a market size of approximately RM17 billion which 90% of the market control by a few big players. Penetrating into their supply network would require a lot of hard work and time consuming. The industry will also be affected by various diseases such as animal influenza etc. that could impact the productions and income of the customers. However, we have maintain very good relationship and with good quality products, also the non-antibiotic awareness by the consumers had ignite market players to look into better quality products and solutions to replace anti-biotic used for livestock industry. We have a range of very good products and also experiences in providing solutions to customers and thus a good opportunity for us to broaden our customer base in coming future.</p> <p>The division will continue to source new products to complement its existing range of products to enhance its product portfolio.</p>
Foodservice Equipment Division ("FSED")	<p>The segment saw an increase in revenue of RM0.82m and improved approximately 2.43% from FYE 2018 and contributed 52.8% to the overall revenue of the Group.</p> <p>The increase is mainly due to rapid expansion and replacement programs of some major customers for foodservice equipment which improved by 26.7% compared with 2018.</p> <p>The food supplies revenue dropped 3.2% compared with 2018 due to new supplies agreement with longer supply periods but lower price had been agreed with a major customer.</p>	<p>Statistic report from Department of Statistic Malaysia shows that the retail sector growth 7.52% y-o-y in a market worth RM537 billion in 2019 compared with 2018. Retail food and beverage (F&B) segment contributed for almost RM31 billion or 5.78% in 2019 in that sector. We foresee a continuous growth in F&B segment in Malaysia which would increase demand of foodservice equipment and food supplies for coming years. However, due to the impact from COVID-19, we would expect negative impact to the performance of the division as many would try to avoid mass gathering or crowded places for the first half of 2020.</p>
Food Manufacturing ("SCCFM")	<p>The food manufacturing arm of the group had passes on all domestic sales and marketing to its sister company during the year. This is reflected in the accounts as its revenue dropped from RM209,000 in 2018 to merely RM69,000 in 2019.</p>	<p>We received favorable responses for our in house developed food premixes and caramel products both domestically and overseas and started to receive orders from overseas customers for our food supplies from Cambodia, Singapore and Myanmar. The China markets development had been disrupted by the COVID-19 event and all progresses had been halted.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)



ANTICIPATED OR KNOWN RISKS

Foreign currency exchange fluctuation

The Group is exposed to currency exchange fluctuation as most of the Group's purchases are denominated in foreign currencies such as US Dollar.

In order to minimise exposure to significant fluctuations in the RM to USD, the Group hedges through foreign exchange forward contracts, options and dual currency investment.

Besides that, the risk is also mitigated through natural hedge between sales and purchases in USD, albeit to a limited extent.

The Management will continue to closely monitor our foreign exchange exposure by keeping abreast of the economic and political situations of the countries that we deal with.

Exposure to credit risk

The Group's exposure to credit risk arises primarily from trade receivables. It is the Group's objective to seek continuous revenue growth while minimising losses from impairment and bad debts by assessing and approving credit terms on a case-by case basis after taking into account customer's payment track record, financial standing and length of business relationship and size of transaction.

Our collections from customers are closely monitored on an on-going basis by the credit control committee.

FUTURE PROSPECTS AND OUTLOOK

The Ministry of Finance (MoF) has forecast a growth rate of 4.8% for Malaysia in 2020, spearhead by sound domestic spending of around 38.2% and export of 33.5%. The Economy Outlook 2020 also forecast that the service sector (which includes the wholesale and retail sub-sector) will be one of the main contributors to the nation's growth backed by robust household spending.

SCC had obtained new distributorship of fresh AHPD's products and will be introduced to the market by second half of 2020 which shall contribute to the division's long term prospect. Will the awareness of healthy and non-antibiotic livestock farming by both consumers and industries player, we are positively encourage to AHPD's future prospect.

The market is looking at the sustainability products and services with higher interest and as a company whose vision is to bring more green products and solution to the societies, we are heavily promoting cook and chill concepts and products to the markets to reduce food wastages and better time management. This will be a long term projects that while would not generate immediate returns, but it would bring better benefits to the Group for many years to come.

However, despite the positive signal from our planned projects and direction, uncertainties brought by the spread of COVID-19 to the world might impact our progresses and hurt our earnings for the first half of 2020. The recent political confusion and strengthen of US Dollars against Ringgit Malaysia only making the situation more muddy.

The Board of Directors would exercise extra caution in conducting their duties during these periods and are optimistic of the Group's long term prospect.

SUSTAINABILITY STATEMENT

Sustainability has always been an integral component in our Group's operations. We recognize our duty and responsibility to maintain a high standard of sustainability governance explicitly on the Economic, Environmental and Social (EES) areas to create continuous and long-term values for our stakeholders.

ECONOMICS

Our Group is committed to ensure that the interest of all its stakeholders is taken care of by emphasizing practices in good corporate governance, accountability and transparency. We strive to comply with laws and regulations and endeavour to conduct ourselves in a manner beyond reproach.

Stakeholders Engagement

To ensure that our shareholders and investors obtain pertinent information in an apt manner, we release timely and quality information on our financial performance and position via Bursa Quarterly Announcement. We hold Annual General Meeting which serves as a platform of communication on business operations and outlook with our shareholders. Our corporate website acts as a tool that enables our shareholders and investors to keep abreast of our financial performance and latest developments. Furthermore, the "Investor Relations" section is specially designed to ensure more effective dissemination of information.

Supply Chain Management

We actively streamline our procurement process to maximize our customer value and gain competitive advantages in the long run without compromising on the quality of our products and services. The Board and management team strongly believe that quality assurance will increase the competitive edge of the entire Group in the marketplace. Hence, our Group is committed to provide high quality products and services to our customers. To ensure that our standard is on par with the industry consensus standards, we have taken the initiative to adopt ISO standards in our day-to-day operations. Our quality management system is certified under ISO 9001:2015.

Future Prospects

We strive to enhance profitability and strengthen our market presence in order to support our long-term sustainability and growth. Hence, we place utmost importance on our products and services quality and we are committed to sustain this momentum and keep it going in order to expand our customer base and grow our business in the local and regional markets.

ENVIRONMENT

Environmental sustainability forms an intrinsic part of our Group's sustainability philosophy. We have been integrating best sustainability practices across our business operations and making headway to become a responsible establishment in conserving the environment. We are thrilled to have made a leap by assimilating the Cook-Chill system concept into our product portfolio. Cook-Chill is a simple, controlled system of advanced food preparation. Its technique involves the full cooking of food, followed by rapid chilling and storage at controlled temperature. Optimal food storage inhibits the growth of bacteria and thus promotes food safety. Moreover, Cook-Chill system has the added benefit of maintaining food quality, nutrition, flavour as well as appearance. Food wastage is a ubiquitous issue which rife across all aspects of the supply chain and every corner of the globe. The emission of methane from the food sitting in landfills is believed to be one of the key culprits of climate change. Through Cook-Chill system, food can be prepared according to consumer's desired portion and this will greatly reduce food wastage and carbon footprint.



SUSTAINABILITY STATEMENT

(CONT'D)

SOCIAL

Our Group believes that fit and zestful employees, in concert with a positive and conducive workplace culture, are the secret sauce for business success. To ensure high satisfaction of employees' needs, we consistently evaluate and review our company policies with reference to Maslow's Hierarchy of Needs - Physiology, Safety, Love/Belonging, Esteem and Self-Actualization.

Physiological needs allude to long-term, unchanging basic requirement of human life. The theory states that humans are compelled to fulfill physiological needs first in order to pursue intrinsic satisfaction on a higher level. To satisfy the employees' physiological needs, our Group assures prompt salary payment. In addition, we concur with the famous Chinese saying "hunger breeds discontentment" and hence provide pantry allowances to each and every department. We believe that by taking care of the well-being of the employee in such a way will in turn increase the productivity in the workplace. Once the physiological needs are relatively satisfied, the employees' safety needs take precedence. To instill safe practices and awareness among our employees, we took the initiative to regularly send them to attend safety trainings conducted by the likes of CIDB.

The third level of human needs is seemed to be interpersonal and involves feelings of belongingness. Our Group actively promotes employees' bonding and endeavours to cultivate a sense of camaraderie among them through activities such as birthday and festive celebrations. Esteem presents the typical human desire to be accepted and valued by others. This may include a need for status, recognition, fame, prestige, and attention. In our Group, staff contributions are being acknowledged via annual employee reward and recognition programs. Various awards such as long service, healthiest staff and incentives for meeting individual or departmental sales target are being given out to express our gratitude towards our employees. Self-realization refers to the realization of an individual's full potential. As part of the human capital development, our employees are given opportunities to attend trainings and personal development programs conducted by professional bodies such as MIA and CTIM to enhance their skills and knowledge. We believe that a skillful and dedicated workforce is crucial in sustaining growth and bringing success to the Group.



SUSTAINABILITY STATEMENT

(CONT'D)



SIX REASONS WHY HAVING AN IRINOX BLAST CHILLER IN YOUR KITCHEN

Having a blast chiller in your kitchen or professional laboratory means raising the level of your food preparation, storage and service methodologies. The Cook & Chill and Cook & Freeze methodologies are cutting-edge techniques that have the advantage of standardizing the quality of the foods that are prepared in advance. In this way, we safeguard the organoleptic aspects, guaranteeing, at the same time, the slowing down of the bacteria proliferation process. Food lasts longer: less waste, better work organization, more margins.

1 You can optimize the management of processes in the kitchen or laboratory, increasing the economic return of your company.

The increase in the spread of professional blast chillers is often associated with the spread of new trends in the kitchen which see the use of raw meat and fish, cutting-edge trends such as molecular cuisine and modern pastry techniques. All true, but there is much more. The modern entrepreneur in catering has understood the importance and the help that these equipment can offer to production, attributing them the role of "central pivot" from which preparations in the kitchen pass. The blast chiller is known as the "time machine" capable of "photographing" semi-finished food (pre-cooked or prepared), increasing its shelf life.

With the blast chiller we are able to avoid all that uncertainty due to a last minute order or a very extensive a la carte menu, organizing production regardless of what the "expected sales" will be in the subsequent services. You can cook away from the hectic weekend service (using all the baking trays of the oven) and cut everything in less than 90', keeping the line in advance for the following days. This offers your restaurant or laboratory the opportunity to take advantage of moments of lesser operation to concentrate the preparations.

2 Serve healthier foods, preserving nutrients and organoleptic properties.

The global trends in the field of food require serious reflection. According to a prestigious survey conducted on a global scale (30,000 individuals from 61 countries), 53% of respondents say they are willing to spend more on buying healthier foods.

It is therefore necessary, for each company that produces food, to adopt an integrated production system and a set of processes capable of guaranteeing healthy food (which comply with all HACCP standards) and constant quality, optimizing the management of processes from an economic and energy point of view.

All this is impossible without an adequate killing and conservation system. Many university studies have scientifically shown that foods treated with the blast chiller have a bacterial load up to 33 times less than those that have not undergone heat treatment.

Furthermore, the tests and tests carried out have shown a higher concentration of nutrients (vit. C) in blast chilled foods compared to those not blast chilled, thus confirming the better nutritional quality of the foods treated with the blast chiller.

SUSTAINABILITY STATEMENT

(CONT'D)

3 Increase the shelf life of foods, or less waste.

The traditional production method involves two simple steps: cook and serve. This entails having to manage a substantial load of unpredictability and stress, generated by the difficulty of weighting:

- the correct quantity and type of orders and which will arrive during the service
- the amount of preparations to be made in advance and live
- purchases to support those preparations.

Only through the blast chiller is it possible to get out of the cook and serve perspective (cook and serve), extending the duration of your preparations. An example? You can go from 3 days to 5 days (70% more) of your preparations (shelf life) or, with the blast chilling and vacuum system, over 15 days (500% more). If we think of the cook and freeze, we can keep the products longer by reducing the waste almost to zero. All this has a positive impact on waste, and on the income statement.

5 Dramatically increase service speed.

Technology in the kitchen is fundamental as it impacts the issue of speed in a devastating way.

Let's think about the service. If we had to carry out all the live cooking (cook and serve, cook and hold method), we will have full ovens for a long time, with difficulty meeting all requests in a short time. Traditional entrepreneurs and chefs would choose the following solutions: add staff and ovens to the kitchen. Result: higher operating costs, higher energy consumption. With the blast chiller the concept changes. 90% of the cooking time is done earlier (in the previous days, in the most drained moments) and, during the service, we must exclusively regenerate the product for about 10% of the time. It means 90% freer ovens during service, as well as an unparalleled speed of exit of the dishes!



4 Reduce the food cost.

To optimally manage a restaurant or production laboratory, it is essential to carry out a good control of all those costs related to food (food cost). After all, let's talk about one of the biggest expenses for a restaurant business. Its impact on total management costs can amount to a percentage ranging between 25 and 40%. Only personnel costs manage to approach these percentages. No other item has such an impressive impact on the company's income statement.

The blast chiller, combined with a first level preservation, allows you to reduce the food cost by 10% on average. Like?

- Allowing you to purchase raw materials according to better price availability, in greater quantities. As soon as they arrive in the kitchen I cook them and chill / freeze them, for the stock (positive or negative).
- By allowing you to keep those raw materials longer, you make them less perishable, reducing waste to zero with the cook and freeze system.

6 Make your kitchen more flexible, innovative, adaptable to changes.

Numerous world experts in the field of cutting-edge kitchens and laboratories design, on several occasions underline the importance of acquiring multifunction equipment, flexibility, which allow to change the production and service rhythms according to customer needs, which are constantly changing. Since 2009, blast chillers have been on the market with specific functions for each product and extreme versatility. In addition to the "cold" functions mentioned above, in fact, it is possible to use the blast chiller with cycles dedicated to leavening, defrosting, pasteurization, cooking at low temperature and keeping warm.

In this case we are talking about a "multifunction" blast chiller.

The blast chiller can therefore be transformed, if necessary, into a leavening compartment or a warm keeper during service (between 65 ° and 85 ° in the room), or act as a cooking chamber at low night temperature and then blast chill directly the product in the same work cycle.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of SCC Holdings Berhad ("Group") recognises the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance to be practiced throughout the Group in order to deliver a long term sustainable value to the shareholders and other stakeholders.

This statement is prepared in compliance with Bursa Malaysia Securities Berhad Ace Market Listing Requirements ("BMSB AMLR") and it is to be read together with the Corporate Governance Report ("CG Report") 2019 of the Company which is available on SCC Holdings' website: <http://www.sccholdings.com.my>.

The CG Report provides the details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") during the financial year ended 2019 ("FYE 2019").

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. Board responsibilities

The Board is responsible to provide stewardship of the Company and direction for the Management. It is collectively responsible and accountable to the Company's stakeholders for the long term sustainable success of the Group.

Each director contributes his vast experience and astute insights to enable the Board to function effectively in discharging its duties and responsibilities as required of them with due care and diligence.

The Group has documented clear policies for identifying and separating the functions and responsibilities of the Board and the Management, Executive Chairman as well as the Managing Director in ensuring the smooth running of the Group's business and operations.

Their responsibilities are guided by the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG 2017 and the Companies Act, 2016, a copy of which is made available to all Directors of the Company. The Board Charter is disclosed in the SCC Holdings' CG Report which can be downloaded from SCC Holdings' corporate website at www.sccholdings.com.my.

II. Roles of Chairman, Managing Director and Independent Non-Executive Directors

The roles of the Chairman of the Board, Managing Director, Executive Director and the Independent Non-Executive Directors (INEDs) are kept separate with a clear division of responsibilities in line with best practices. The functions of the Chairman as well as those of the Managing Director are clearly segregated to ensure that there is a balance of power and authority.

Mr. Ben Cher as the Executive Chairman continues to lead the Board by providing oversight leadership on the strategies and business affairs of the Group.

Mr. Francis Cher, the Managing Director of the Company, is responsible for leading the Management in the execution of board policies, strategies and action plans approved by the Board. He is actively involved in the Board to report and discuss the Group's business performance, direction and development, including all strategic matters affecting the Group.

The Board has established a Corporate Governance Model for the Group where specific powers of the Board are delegated to the respective Board Committees which function with clearly defined terms of reference.

III. Company Secretary

The Board is grateful to be supported by a very experienced, knowledgeable, qualified and competent Company Secretary. Her expertise, clear and sound advice has enabled the Board to comply with the regulatory requirements, new statutes and directives issued by the regulatory authorities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

IV. Board Composition

The Board currently comprises 8 (Eight) members, i.e. 3 (Three) Independent Non-Executive Directors ("INEDs") and 5 (Five) Executive Directors. It complies with the BMSB AMLR. The size and the composition of the Board remains adequate to provide diversity of views, skills, knowledge and experience to facilitate effective decision making and appropriate balance of executive independent and non-independent directors.

The profile of each of the Member of the Board is presented from Page 4 to Page 6.

The Board acknowledges the importance of board diversity, including gender diversity, to the effective functioning of the Board. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based on merit and are not driven by any racial or gender bias.

Female representation will be considered when vacancies arise and suitable candidates identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's objectives.

The Board, through the Nomination Committee ("NC"), undertakes a yearly evaluation in order to assess how well the Board, its Committees, the Directors and the Chairman are performing, including assessing the independence of Independent Directors, taking into account the individual Director's capability to exercise independent judgement at all times

The activities of the NC are further elaborated in the CG Report under Practices 4.4 to 4.7 of the MCCG 2017.

Tenure of Independent Directors

As at the reporting date, Dato' Ismail bin Hamzah and Datuk Wira Dr. Goy Hong Boon have served more than nine (9) years as Independent Directors. The Board through its NC had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the BMSB AMLR and are able to provide objective and independent judgement in deliberation of the Board's agenda. Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting ("AGM") to retain them as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under the MCCG.

The Board's and NC's justification to retain Dato' Ismail and Datuk Wira Dr. Goy Hong Boon are premised on the following:-

- Dato' Ismail and Datuk Wira Dr. Goy Hong Boon continues to fulfil the criteria and definition of an Independent Director as set out under Rule 1.01 of Bursa Malaysia Listing Requirement.
- During their tenure in office, Dato' Ismail and Datuk Wira Dr. Goy Hong Boon have not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director(s), major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their respective duties.
- During their tenure, Dato' Ismail and Datuk Wira Dr. Goy Hong Boon have never transacted or entered into any transactions with, nor provide any services to the Company and its subsidiaries, the Executive Director(s), major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under paragraph 5 of the practice Note 13 of the Listing Requirements;
- During their tenure, Dato' Ismail and Datuk Wira Dr. Goy Hong Boon have not been offered or granted any options by the Company. Other than directors' fees paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to them by the Company;
- During their tenure, Dato' Ismail and Datuk Wira Dr. Goy Hong Boon have demonstrated consistently their integrity, commitment and contributed effectively to the Board's decision-making processes; and

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

IV. Board Composition (cont'd)

Tenure of Independent Directors (cont'd)

- During their tenure, Dato' Ismail and Datuk Wira Dr. Goy Hong Boon have gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strength and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer.

V. Board Remuneration

The Board has established a Remuneration Committee ("RC") to assist the Board in establishing formal and transparent remuneration packages for the Directors and believes that the levels of remuneration offered by the Group are sufficient to attract directors of calibre with sufficient experience and talent to contribute to the performance of the Group.

The INEDs' remuneration comprises annual fees that reflect their expected roles and responsibilities. The Company has obtained approval from the shareholders at the 19th AGM held on 28 May 2019 to pay the Directors Fees to the INEDs for the FYE 2018.

The remuneration packages applicable for the Executive Chairman, Managing Director and Executive Director has the underlying objective of attracting and retaining an Executive Director needed to manage the Company successfully. The remuneration packages of the Managing Director and Executive Director are structured to commensurate with the achievement of corporate targets set by the Board and their individual performance. Their remuneration packages have been reviewed by the RC and approved by the Board.

The remuneration of the Executive Chairman, Managing Director and Executive Directors consists of basic salary and other emoluments. Further, benefits customary to the Group are also made available as appropriate.

The Group operates a bonus scheme for all its employees including Executive Directors. The performance of the Group along with assessment of the individual's performance forms the criteria for the scheme.

The details of the remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2019 are as follows:

Director's Name	Director Fee	Salary and emoluments	Bonuses	EPF (Employer)	SOCSSO/EIS (Employer)	Benefits in Kind	Total
Chee Long Sing @ Cher Hwee Seng	-	360,000	112,400	7,200	1,186	21,250	502,036
Cher Sew Seng	-	480,000	144,326	24,974	1,186	10,625	661,111
Goh Ah Heng @ Goh Keng Chin	-	360,000	108,076	18,724	1,186	21,250	509,236
Chu Soo Meng	-	355,400	83,839	52,709	924	3,541	496,412
Cher Lip Chun	-	318,000	83,839	48,221	924	21,250	472,233
Dato' Ismail bin Hamzah	24,000	-	-	-	-	-	24,000
The late Dato' Dr. Choong Tuck Yew	24,000	-	-	-	-	-	24,000
Datuk Wira Dr. Goy Hong Boon	24,000	-	-	-	-	-	24,000
Total	72,000	1,873,400	532,480	151,828	5,404	77,916	2,713,028

Note: The above mentioned Directors' remuneration is the total sum of the remuneration received by the Directors from the Company and its subsidiaries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

VI. Board Commitment

The Directors are aware of the time commitment expected from them to attend matters of the Group in general, including attending Board and Board Committees meetings.

The Board meets on a quarterly basis, with additional meetings being convened when necessary to address issues deemed urgent. The Board met on five (5) occasions during the financial year and the details of attendance at Board Meetings held during the financial year are set out below.

Name of Directors	Meetings attended	% of attendance
Chee Long Sing @ Cher Hwee Seng	5/5	100
Cher Sew Seng	5/5	100
Goh Ah Heng @ Goh Keng Chin	5/5	100
Dato' Ismail bin Hamzah	5/5	100
The late Dato' Dr. Choong Tuck Yew	5/5	100
Datuk Wira Dr. Goy Hong Boon	5/5	100
Cher Lip Chun	5/5	100
Chu Soo Meng	4/5	80

VII. Training

The Board encourages Directors to continuously upgrade their knowledge and expertise, whether through the training programme provided in house or external trainers. Some of the Directors have from time to time also attended various relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment. All Directors have completed the Mandatory Accreditation Programme as stipulated in AMLR.

During the financial period under review, the training programmes attended by the Directors were as follows:

No.	Programme	Programme
1.	Chee Long Sing @ Cher Hwee Seng	• Corporate Liability under the MACC Act : Building Adequate Procedures for your Organisation
2.	Cher Sew Seng	• Corporate Liability under the MACC Act : Building Adequate Procedures for your Organisation
3.	Goh Ah Heng @ Goh Keng Chin	• Special voluntary disclosure programme seminar • National Economic Forum 2019
4.	Dato' Ismail bin Hamzah	• Audit Committee Institute Breakfast Roundtable 2019 on Corporate liability, Governance Revelations from Inquest Reports and Business Continuity Management
5.	The late Dato' Dr. Choong Tuck Yew	• Toastmasters Club District International Speech and table topics contest 2018/2019 • Taman Indrahana Toastmasters club various meetings and activities
6.	Datuk Wira Dr. Goy Hong Boon	• Invest Malaysia 2019
7.	Cher Lip Chun	• Corporate Liability under the MACC Act : Building Adequate Procedures for your Organisation
8.	Chu Soo Meng	• Power Talk#5 - Say on pay: What do Boards need to know? • Hong Leong Bank Connect First Training

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company ("AC") comprises three (3) INEDs. The Chairman of the AC, Dato' Dr. Choong Tuck Yew is a member of the Malaysian Institute of Accountants and the rest of the members are financially literate, possess the appropriate levels of expertise and experience.

NC had conducted an annual assessment to ensure the independence, objectivity and effectiveness of the AC.

II. Risk Management and Internal Control Framework

The Board is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. These controls provide reasonable but not absolute assurance against material misstatements, loss or fraud.

The Directors are responsible for the Group's system of internal control. The internal control covers the financial and non-financial aspects including risk assessment. It also emphasises compliance and operational controls, as well as risk management matters. The Group has formalised a set of Standard Operating Procedures and ISOs for its business and supporting units, which takes into consideration the adequacy and integrity of the system of internal control, and is subject to review by Management. A Risk Management and Internal Controls Committee (RMC), chaired by the Managing Director have been set up for this purpose. The members of the RMC include 3 Executive Directors, 2 Heads of Business Divisions (HODs), Human Resources Manager, Finance Manager and Assistant General Manager.

The RMC meetings have been incorporated into bi-monthly Management meetings where Executive Directors, the Assistant General Manager, the Finance Manager and 3 (three) Head of four (4) Department. Risk matters are discussed after scheduled bi-monthly management meeting agendas. Respective HODs are to report any foreseeable upcoming/current risk and provide proposed countermeasures and highlight on its impact to the Group. Closed monitoring and follow up are done by the RMC on the identified risks and the matter gets closed when the risks became non-material or low impact to the Group.

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

I. Communication with Stakeholders

Information on the Group's activities is provided in the Annual Report and Financial Statements in hard copy, which are despatched to shareholders. Dialogues are also held by the Group with investment analysts and fund managers to keep them abreast of corporate and financial developments within the Group.

The Company also encourages the shareholders and investors to participate in online access of the Company's Annual Report and all up to date announcements from time to time, which are made available instantly at both Bursa Securities and the company's website at www.sccholdings.com.my.

Investors and the general public who wish to contact the Group on any enquiry, comment or proposal can channel them through e-mail at ir@scc.com.my.

II. Conduct of General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders. The Board is committed to provide shareholders with comprehensive, timely information about the Group's activities and performance to enable easy investment decisions for the shareholders and investors.

Shareholders are notified of the meeting and provided with a copy of the Notice of AGM and Annual Report 28 days before the meeting. At each AGM, the shareholders are encouraged to use the opportunity to ask questions on resolutions being proposed during the meeting and also on the progress, performance and future prospects of the Company. The Chairman and Board members, with the assistance of the External Auditors are available to respond and provide explanations during the question and answer session.

In line with the revised AMLR of Bursa Securities, all resolutions put to the general meeting for the 19th AGM was voted by poll. An independent scrutineer was appointed to validate the votes cast at the AGM. The decision for each resolution and the name of the independent scrutineer were announced to Bursa Securities on the same day.

AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee is to assist and support the Board of SCC in fulfilling its fiduciary responsibilities to ensure strong corporate governance. The Committee is responsible for assessing the risk and control environment, overseeing financial reporting and evaluating the management and audit process within the Group.

COMPOSITION AND MEETINGS

The members of the Audit Committee ("AC") comprise three (3) members, all of whom are Independent Non-Executive Director. The AC Chairman, the late Dato' Dr Choong Tuck Yew, is a Chartered Member of the Malaysia Institute of Accountants ("MIA"), and a member of the Malaysian Institute of Certified Public Accountants.

At the end of financial year ended 31 December 2019, the members of the AC are:

Name	Designation	Directorship
The late Dato' Dr. Choong Tuck Yew	Chairman	Independent Non-Executive Director
Dato' Ismail bin Hamzah	Member	Independent Non-Executive Director
Datuk Wira Dr. Goy Hong Boon	Member	Independent Non-Executive Director

Meetings

During the financial year under review, the Committee convened five (5) meetings and the records of attendance are shown below.

The meetings are pre-structured through the use of agendas, which were distributed to members prior to the meetings.

The Managing Director, the Executive Directors, Finance Manager, Assistant General Manager, Internal Auditors and External Auditors were present as and when invited.

The AC also met the External Auditors in two (2) private sessions without the presence of Management to discuss audit related matters that the Auditors wish to raise directly with the Committee.

The Company Secretary who is also the secretary to the AC has attended all the meetings.

Details of attendance are listed below:

Name of members	Attendance
The late Dato' Dr. Choong Tuck Yew	5/5
Dato' Ismail bin Hamzah	5/5
Datuk Wira Dr. Goy Hong Boon	5/5

Terms of Reference

The details of the terms of reference of the AC are available for reference at www.sccholdings.com.my.

AUDIT COMMITTEE REPORT

(CONT'D)

SUMMARY OF ACTIVITIES

The AC carried out its duties in accordance with the Terms of Reference during the financial year with the key responsibilities listed as below:-

Financial Reporting

- a. Reviewed the quarterly unaudited financial results of the Company and Group before recommending to the Board for consideration and approval.
- b. Reviewed the audited financial statements of the Company and Group prior to submission to the Board for consideration and approval.
- c. Discussed the impact and circumstances with the implementation of new MFRS accounting standards especially MFRS 16: Leases
- d. Ensured that the financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable approved accounting standards by confirming with the Management.

External Audit

- e. Evaluated the technical competencies, adequacy of specialist support and partners/directors accessibility and time commitment.
- f. Ascertained the independence of the external auditor with the auditors and confirmed their independence status before conducting the audit.
- g. Reviewed the external auditors' scope of work, audit plan and strategy for the year.
- h. Reviewed with the external auditors, the results of the annual audit, audit report, including the management's response.
- i. Met with the External Auditors two (2) times without the presence of the Executive Directors and the Management to discuss matters that need to be highlighted to the AC.
- j. Evaluated auditor's performance and recommendations for re-appointment in AGM.

Internal Audit

- k. Reviewed with the Internal Auditor, the internal audit plans, the internal audit reports, their evaluation of system of internal controls and the follow-up on the audit findings.
- l. Reviewed the adequacy of the scope and coverage of work and instructed specific audit area to be performed when needs arises.
- m. Received and discussed the internal audit reports after conclusion of every internal audit being carried out.

Related Party Transactions

- n. Reviewed related party transactions within the Group on a quarterly basis.

Others

- o. Reviewed the AC Report, Corporate Governance Statement and Statement on Risk Management and Internal Control prior to the submission of the said documents to the Board for consideration and approval so as to be included in the Annual Report for financial year ended 31 December 2019.

AUDIT COMMITTEE REPORT

(CONT'D)

INTERNAL AUDIT FUNCTION

The Company engaged Messrs. CGRM Infocomm Sdn Bhd ("CGRM") as outsources Internal Auditors to carry put the internal audit function of the Company and its subsidiaries ("Group") for the financial year ended 31 December 2019.

The internal auditor reports directly to the AC on a half-yearly basis by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by internal auditor for the purpose of reporting at the subsequent AC meeting.

On 28 May 2019, CGRM tabled a report for AC's review covering the Internal Audit of FSED (Sales Processing and Billing Management, and Collection Management) and follow up on Internal Audit Report Issued in September 2018 for AHPD on Sales Processing Management, Logistic Management, Collections Management.

On 21 November 2019, CGRM tabled a report for AC's review in respect of the Spare Parts Management, and Warranty Management of the Technical Service Division ("TSD"); and follow-up on Internal Audit Report Issued in May 2019 on FSED (Sales Processing and Billing Management, and Collection Management).

The reports outlined the audit objective, scope of work, timeline, summary of tests and results, summary of effective controls, summary list of finding, detail findings together with the Internal Auditors' recommendations and the Management's responses.

The cost incurred for the outsourced independent internal audit services in respect of the financial year ended 31 December 2019 was RM31,800.00 (FYE 2018 - RM31,485.00).

ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the Bursa Securities AMLR:

1. AUDIT AND NON-AUDIT FEES

External auditors' remuneration are set at RM64,000.00 for the financial year ended 31 December 2019.

There were no non-audit fees paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group for the financial year ended 31 December 2019.

2. MATERIAL CONTRACTS INVOLVING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

There was no material contract entered into by the Company and/or its subsidiaries involving Directors and Substantial Shareholders' interests for the financial year ended 31 December 2019.

3. DEFERMENT OF ANNUAL GENERAL MEETING

As a consequence of the implementation of the Movement Control Order ("MCO") and Conditional MCO until 9 June 2020, the 20th Annual General Meeting of the Company will be deferred to a future date to be determined.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Statement on Risk Management and Internal Control by the Board on the Group is made pursuant Rule 15.26(b) of the Bursa Securities AMLR and in accordance with the Principles and Recommendations relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") under Practice 9.1 and 9.2.

MCCG 2017 sets out the principles that the board of directors of a listed company should establish a sound risk management framework and internal controls system to safeguard shareholders' investment, stakeholders' interest and assets of the Group.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility to observe the MCCG 2017 in maintaining a sound system of risk management and internal control throughout the operations of the Group in order to safeguard shareholders' investments, stakeholders' interest and the assets of the Group.

The Board is responsible for identifying, evaluating and managing the significant risk of the Group, as well as reviewing adequacy and effectiveness of the risk management and internal control on an ongoing basis.

The Board believes the risk management and internal control system are adequate and effective to manage the risk of the Group. Nevertheless, due to the inherent limitations of any system, such systems are designed to mitigate rather than eliminate the likelihood of fraud and error. In addition, it should be noted that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

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

RISK MANAGEMENT

The Board reviews internal control issues identified by the management and the internal auditors, as well as evaluates the adequacy and effectiveness of the Group's risk management and internal control system.

A Risk Management Committee ("RMC") comprises the Managing Director, three (3) Executive Directors and five (5) management staffs which include the Finance Manager. The responsibilities of RMC include assisting in development of risk management framework, policies, processes and procedures; maintaining the risk register for the Group; monitoring operating unit's compliance with Group's policies and procedures; monitoring and reporting of the key risks as identified by the Management.

The RMC meetings are consolidate with bi-monthly management meeting since all the RMC members attended the management meetings.

Risk Management matters were being discussed during bi-monthly management meetings on the current and possible future issues that might affect the business of the Group with attending HODs and tasks had been assigned to relevant personnel to follow up.

Special ad-hoc RMC meeting will be called should urgent matters arises.

The responsibility for day to day risk management resides with the HOD of each division/department where they are the risk owners and are accountable for the risks identified and assessed.

In managing the risks of the Group, Management team works closely with the RMC to ascertain that there is on-going monitoring and review of risks and related controls and that action plans are developed and implemented to manage these risks.

Minutes of the meeting are recorded, and progress and outcome are being closely monitored by the RMC.

Activities of the RMC are also being highlighted during Board meetings to the AC.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

RISK MANAGEMENT (CONT'D)

Risk identification and assessment

Risks identified are assessed to determine their impact on the relevant business strategies / objectives and their likelihood of occurrence. The outcome of the risk assessment process at respective functional or business unit levels will then be consolidated at the Group level in a risk scorecard which enables divisions/departments/subsidiaries within the Group to report risks and risk status using a common platform.

A Risk Profile and Action Plan, which registered the nature and extent of risks the division/department/subsidiaries and the Group is willing to accept or retain to achieve its goals and objectives, are reviewed by the RMC from time to time.

KEY ELEMENTS OF THE INTERNAL CONTROL SYSTEM

Internal controls are embedded in the Group's operations as follows:

Organisational Structure

The Group has in place an organisational structure with clearly defined lines of responsibilities and functionalities which promotes appropriate levels of accountability for risk management, control procedures and effectiveness of operations. All new employees are required to undergo an orientation programme and the job function is clearly written for transparency and better accountability.

Board and Management Meetings

Strategic planning and detailed target setting for each area of business are established during the year end.

Business unit conducted their monthly departmental meeting discussing departmental progress and planning for future including any departmental risk management matters.

The management will meet on a bi-monthly basis to monitor the Company's actual results against targeted and previous year's results, whereby significant variances are being investigated and management action is taken, where necessary as well as to obtain feedbacks on daily operational issues.

The Board meets on a quarterly basis to review agendas which amongst others include periodically internal audit reports.

Performance Management Framework

Management reports are generated on monthly and quarterly basis to allow the Board and the Group's management to monitor the performance of its respective business units. The Group's management information system is designed to provide the management with better reporting and review encompasses financial and non-financial matters for compliance and daily operational use.

Limits of Authority

The level of authorities and lines of responsibilities from business divisions up to the Board level are well-defined to ensure accountabilities and responsibilities for risk management and control activities.

Operational policies and procedures

The Group's policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses and to ensure that the daily operations are running smoothly. Regular reviews are performed to maximise operation efficiency.

Operation control procedures have been established in accordance to ISO 9001 standard. This is to ensure that the business processes flow is being executed as per best practices recommended by the standard.

We have updated to the new ISO9001:2015 standard which have a section that covers risk management during the year.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

AUDIT COMMITTEE AND INTERNAL AUDIT

The Company adopts a risk-based approach to the implementation and monitoring of relevant internal controls. The Audit Committee was entrusted by the Board to ensure that an effective and adequate internal control system is in place at all times. To assist the Audit Committee in discharging its duties and responsibilities, the internal audit function was outsourced to an independent professional service firm to take charge of the Group's internal audit function during the financial year. The report is submitted to the Audit Committee, whom reviews the findings with Management at the Audit Committee Meeting. In assessing the adequacy and effectiveness of the system of internal controls of the Group, the Audit Committee reports to the Board its activities, significant results, findings and the necessary recommendations or changes.

There are 2 internal audits being conducted during the year and recommended improvements were implemented on advice of the internal auditor and approval of the Audit Committee.

During the financial year under review, the Board was satisfied that there were continuous efforts by the Management to address and resolve areas with control weaknesses and that the control procedures were in place and were being followed.

WEAKNESSES IN INTERNAL CONTROL

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the AMLR of Bursa Securities, this Statement has been reviewed by the External Auditors for inclusion in the Annual Report of the Group for the period ended 31 December 2019. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

CONCLUSION

The Board is of the view that the Group's system of risk management and internal control is sound and adequate in all material aspects, and has received the same assurance from the Managing Director of the Group. The Board ensures that the risk management process in identifying, evaluating and managing significant risks is operating adequately and effectively throughout the financial year up to the date of approval of this Statement. However, the Board is also mindful of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging 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 control of the Group.

This Statement was approved by the Board on 28 May 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

For the Audited Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards and to give a true and fair view of the state of affairs of the Group and the Company at the financial year end and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have carried out their responsibilities by:

- adopting suitable accounting policies and applied them consistently;
- making judgements and estimates that are reasonable and prudent;
- ensuring that all applicable accounting standards have been complied with; and
- preparing financial statements on a going concern basis, as the Board has reasonable expectations, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have the overall responsibility of taking such steps as are reasonably available to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to owners of the Company	5,427	4,138

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares and debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIVIDENDS

Since the end of the last financial year, the Company paid:

	RM'000
An interim single-tier dividend of RM0.017 per ordinary share in respect of the financial year ended 31 December 2018 on 22 January 2019	2,400
An interim single-tier dividend of RM0.017 per ordinary share in respect of the financial year ended 31 December 2019 on 19 July 2019	2,399
	<u>4,799</u>

The Directors do not recommend a final dividend to be paid in respect of the financial year ended 31 December 2019.

DIRECTORS' REPORT

(CONT'D)

DIRECTORS

The Directors in office during the financial year until the date of this report are:

Chee Long Sing @ Cher Hwee Seng*
 Cher Sew Seng*
 Goh Ah Heng @ Goh Keng Chin*
 Cher Lip Chun*
 Chu Soo Meng*
 Dato' Ismail bin Hamzah
 Datuk Wira Dr. Goy Hong Boon
 Cher Chou Chiang (alternate Director to Cher Sew Seng) (appointed on 28.5.2019)
 Dato' Dr. Choong Tuck Yew (demised on 20.5.2020)

* Director of the Company and its subsidiary companies

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Interests in the Company				
Direct interests:				
Chee Long Sing @ Cher Hwee Seng	30,686,784	-	-	30,686,784
Cher Lip Chun	824,802	200,000	-	1,024,802
Cher Sew Seng	19,397,847	-	-	19,397,847
Goh Ah Heng @ Goh Keng Chin	11,810,445	-	-	11,810,445
Chu Soo Meng	99,000	-	-	99,000
Dato' Dr. Choong Tuck Yew	66,000	-	-	66,000
Indirect interests:				
Chee Long Sing @ Cher Hwee Seng #	618,489	186,760	-	805,249
Cher Sew Seng *	1,482,500	-	-	1,482,500
Cher Lip Chun ^	66,000	-	-	66,000

Deemed interest by virtue of his direct shareholdings in Kumsan Enterprise (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 in Malaysia and by virtue of his spouse's and child's direct shareholding in the Company.

* Deemed interest by virtue of his spouse's and children's direct shareholdings in the Company.

^ Deemed interest by virtue of his spouse's direct shareholdings in the Company.

By virtue of their interests in the shares of the Company, Chee Long Sing @ Cher Hwee Seng, Cher Sew Seng and Cher Lip Chun are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act 2016 in Malaysia.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

(CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 29(c) 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 Director who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29(b) to the financial statements.

Neither during nor at the end of the financial year, was the Group or the Company a party to any arrangement whose object was 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 AND INSURANCE COSTS

There was no indemnity given to or insurance effected for the Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act 2016 in Malaysia.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) 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 satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
 - (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) 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; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;
 - (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and
 - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

(CONT'D)

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

SUBSEQUENT EVENT

The details of the subsequent event is disclosed in Note 33 to the financial statements.

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 May 2020.

CHEE LONG SING @ CHER HWEE SENG

CHER SEW SENG

KUALA LUMPUR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016 IN MALAYSIA

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 37 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and their cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 May 2020.

CHEE LONG SING @ CHER HWEE SENG

CHER SEW SENG

KUALA LUMPUR

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016 IN MALAYSIA

I, LIM THIAM YONG (MIA Membership No: 13032), being the Officer primarily responsible for the financial management of SCC HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 37 to 97 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.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in the)
Federal Territory on 28 May 2020) LIM THIAM YONG

Before me,

No. W710
MOHAN A.S. MANIAM
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCC HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SCC HOLDINGS BERHAD, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other 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 37 to 97.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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.

Key audit matters	How our audit addressed the key audit matters
<p>Trade receivables</p> <p>Please refer to Significant Accounting Judgements, Estimates and Assumptions in Note 2(c) and the disclosures of trade receivables and credit risk in Note 10 and Note 31(b)(i) to the financial statements respectively.</p> <p>We focused on this area given the use of significant estimates and judgement in determining the appropriate level of impairment for trade receivables.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Developing understanding of the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculation; • Developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports or other collection reports; • Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables; • Critically assessed recoverability of receivables that were past due but not impaired with reference to their historical records and repayment trends; • Reviewing receipts of collections subsequent to the financial year end, customer correspondence, and considering level of activity with the customer and explanation on recoverability with significantly past due balances; and • Assessing the reasonableness of impairment charges for identified credit exposures.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCC HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA) (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCC HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA) (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

DATUK TEE GUAN PIAN
Approved Number: 01886/05/2022 J
Chartered Accountant

KUALA LUMPUR

28 May 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	4	5,341	5,542	-	-
Right-of-use assets	5	814	-	-	-
Investments in subsidiary companies	6	-	-	16,343	16,300
Goodwill on consolidation	7	8	8	-	-
Investment securities	8	72	66	-	-
		<u>6,235</u>	<u>5,616</u>	<u>16,343</u>	<u>16,300</u>
Current Assets					
Inventories	9	10,858	7,948	-	-
Trade receivables	10	13,212	15,015	-	-
Other receivables	11	1,303	3,215	47	66
Amounts due from subsidiary companies	12	-	-	7,466	6,632
Tax recoverable		67	126	14	35
Other investments	13	14,725	13,697	5,031	6,284
Cash and bank balances		<u>5,764</u>	<u>6,769</u>	<u>429</u>	<u>678</u>
		<u>45,929</u>	<u>46,770</u>	<u>12,987</u>	<u>13,695</u>
Total Assets		<u>52,164</u>	<u>52,386</u>	<u>29,330</u>	<u>29,995</u>
EQUITY					
Share capital	14	24,079	24,079	24,079	24,079
Reserves	15	<u>18,957</u>	<u>18,356</u>	<u>2,729</u>	<u>3,390</u>
Total Equity		<u>43,036</u>	<u>42,435</u>	<u>26,808</u>	<u>27,469</u>
LIABILITIES					
Non-current Liabilities					
Lease liabilities	16	499	-	-	-
Deferred tax liabilities	17	<u>86</u>	<u>92</u>	<u>-</u>	<u>-</u>
		<u>585</u>	<u>92</u>	<u>-</u>	<u>-</u>
Current Liabilities					
Trade payables	18	3,632	5,044	-	-
Other payables	19	3,870	3,787	2,522	2,526
Lease liabilities	16	355	-	-	-
Bank borrowings	20	-	127	-	-
Tax payables		<u>686</u>	<u>901</u>	<u>-</u>	<u>-</u>
		<u>8,543</u>	<u>9,859</u>	<u>2,522</u>	<u>2,526</u>
Total Liabilities		<u>9,128</u>	<u>9,951</u>	<u>2,522</u>	<u>2,526</u>
Total Equity and Liabilities		<u>52,164</u>	<u>52,386</u>	<u>29,330</u>	<u>29,995</u>

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	21	65,173	66,159	8,389	8,921
Cost of sales		(42,921)	(42,698)	-	-
Gross profit		22,252	23,461	8,389	8,921
Other income		1,165	1,046	155	216
Selling and distribution expenses		(5,583)	(5,136)	(40)	(38)
Administrative expenses		(9,984)	(9,815)	(4,366)	(4,353)
Net impairment loss on trade receivables	23	(170)	(5)	-	-
Finance costs	22	(71)	-	-	-
Profit before taxation	23	7,609	9,551	4,138	4,746
Taxation	24	(2,182)	(2,402)	-	8
Net profit for the financial year		5,427	7,149	4,138	4,754
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
- Exchange translation differences for foreign operations		3	-	-	-
- Fair value loss of fair value through other comprehensive income		(6)	(2)	-	-

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(CONT'D)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other comprehensive loss for the financial year		(3)	(2)	-	-
Total comprehensive income for the financial year		5,424	7,147	4,138	4,754
Net profit for the financial year attributable to:					
Owners of the Company		5,427	7,149	4,138	4,754
Total comprehensive income attributable to:					
Owners of the Company		5,424	7,147	4,138	4,754
Earnings per share:					
- Basic	25	3.84	5.06		
- Diluted	25	3.84	5.06		

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to Owners of the Parent				
	Non-Distributable		Distributable		
	Share Capital	Foreign Currency Translation Reserves	Fair value Reserve	Retained Earnings	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019, as previously stated	24,079	-	70	18,286	42,435
Effect of adopting MFRS 16	-	-	-	(24)	(24)
At January 2019, as restated	24,079	-	70	18,262	42,411
Net profit for the financial year	-	-	-	5,427	5,427
Other comprehensive income/(loss) for the financial year	-	3	(6)	-	(3)
Total comprehensive income/(loss) for the financial year"	-	3	(6)	5,427	5,424
Transaction with owners:					
Dividends paid/payable	-	-	-	(4,799)	(4,799)
Total transactions with owners	-	-	-	(4,799)	(4,799)
At 31 December 2019	24,079	3	64	18,890	43,036

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STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

Group	Note	Attributable to Owners of the Parent					Total RM'000
		Non-Distributable		Distributable			
		Share Capital RM'000	Foreign Currency Translation Reserves RM'000	Fair value Reserve RM'000	Retained Earnings RM'000		
At 1 January 2018		24,079	-	72	15,936		40,087
Net profit for the financial year		-	-	-	7,149		7,149
Other comprehensive loss for the financial year		-	-	(2)	-		(2)
Total comprehensive (loss)/income for the financial year"		-	-	(2)	7,149		7,147
Transactions with owners:							
Dividends paid/payable	26	-	-	-	(4,799)		(4,799)
Total transactions with owners		-	-	-	(4,799)		(4,799)
At 31 December 2018		24,079	-	70	18,286		42,435

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

Company	Note	Attributable to Owners of the Parent		
		Non-Distributable	Distributable	Total
		Share Capital RM'000	Retained Earnings RM'000	
At 1 January 2019		24,079	3,390	27,469
Net profit for the financial year, representing total comprehensive income for the financial year		-	4,138	4,138
Transaction with owners:				
Dividends paid/payable	26	-	(4,799)	(4,799)
At 31 December 2019		<u>24,079</u>	<u>2,729</u>	<u>26,808</u>
At 1 January 2018		24,079	3,435	27,514
Net profit for the financial year, representing total comprehensive income for the financial year		-	4,754	4,754
Transactions with owners:				
Dividends paid/payable	26	-	(4,799)	(4,799)
At 31 December 2018		<u>24,079</u>	<u>3,390</u>	<u>27,469</u>

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
Profit before taxation	7,611	9,551	4,138	4,746
Adjustments for:				
Amortisation of right-of-use assets	335	-	-	-
Bad debts written off	-	7	-	-
Depreciation of property, plant and equipment	699	587	-	-
Dividend income	-	-	(4,801)	(5,333)
Fair value gain of financial assets	(481)	(602)	(148)	(207)
Impairment losses on trade receivables	278	103	-	-
Interest expense	71	-	-	-
Plant and equipment written off	2	5	-	-
Gain on disposal of property, plant and equipment	(87)	(14)	-	-
Interest income	(86)	(74)	(6)	(9)
Reversal of impairment losses on trade receivables	(109)	(98)	-	-
Unrealised gain on foreign exchange	(223)	(5)	(2)	-
Operating profit before working capital changes	8,010	9,460	(819)	(803)
Changes in working capital:				
Inventories	(2,910)	(1,107)	-	-
Trade receivables	1,634	332	-	-
Other receivables	1,912	(2,641)	19	(64)
Investment Securities	(14)	-	-	-
Trade payables	(1,412)	1,304	-	-
Other payables	83	(110)	(4)	(220)
	(707)	(2,222)	15	(284)
Cash generated from/(used in) operations	7,303	7,238	(804)	(1,087)
Tax refund	186	130	37	18
Tax paid	(2,530)	(2,335)	(16)	(18)
	(2,344)	(2,205)	21	-
Net cash from/(used in) operating activities	4,959	5,033	(783)	(1,087)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows From Investing Activities				
Interest received	86	74	6	9
Dividend received	-	-	4,801	5,333
Purchase of property, plant and equipment	(501)	(1,239)	-	-
Net changes in investment securities and other investments	(547)	1,229	1,400	550
Proceeds from disposal of property, plant and equipment	88	15	-	-
Increase in investment in a subsidiary	-	-	(41)	-
Net cash (used in)/from investing activities	(874)	79	6,166	5,892
Cash Flows From Financing Activities				
Subsidiary companies	-	-	(833)	(365)
Interest paid	(71)	-	-	-
Dividend paid	(4,799)	(4,657)	(4,799)	(4,657)
Repayment of lease liabilities	(319)	-	-	-
Repayment of finance lease liabilities	-	(25)	-	-
Net cash used in financing activities	(5,189)	(4,682)	(5,632)	(5,022)
Net changes in cash and cash equivalents	(1,104)	430	(249)	(217)
Cash and cash equivalents at beginning at beginning of the of the financial year	6,642	6,167	678	895
Effect of exchange translation differences on cash and cash equivalent	226	45	-	-
Cash and cash equivalents at end of the financial year	5,764	6,642	429	678
Cash and cash equivalents at the end at the end of the financial of the financial year comprises:				
Cash and bank balances	5,764	6,769	429	678
Bank overdraft	-	(127)	-	-
	5,764	6,642	429	678

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 21, Jalan Hujan, Taman Overseas Union, 5th Mile, Jalan Kelang Lama, 58200 Kuala Lumpur.

The registered office of the Company is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and 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.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below:

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new MFRSs, new interpretations and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures
Annual Improvements to	Amendments to MFRS 3
MFRSs 2015 - 2017 Cycle:	Amendments to MFRS 11
	Amendments to MFRS 112
	Amendments to MFRS 123

The adoption of the new MFRSs, new interpretations and amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company, except for:

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, IC Interpretation 4 Determine whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

MFRS 16 Leases (cont'd)

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight on determining lease terms for contracts that contain options for extension or termination.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

MFRS 16 Leases (cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements:

Statements of financial position

Group	As at 31.12.2018 RM'000	MFRS 16 Adjustment RM'000	As at 1.1.2019 RM'000
Right-of-use-assets	-	521	521
Retained earnings	(18,286)	24	(18,262)
Lease liabilities	-	(546)	(546)

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

	Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those accounting standards, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17 Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM, unless otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgement

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options - Group as lessee

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of land and building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Useful lives/amortisation of property, plant and equipment and right-of-use assets ("ROU")

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Note 4 and 5 respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9 to the financial statements.

Provision for expected credit loss of financial assets at amortised cost

The Group review the recoverability of its receivables at each reporting date to assess whether an impairment loss should be recognised. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit loss for trade and other receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed, if any.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. Information about the expected credit loss is disclosed in Note 31(b)(i) to the financial statements.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the expected value method, whereby the transaction price is determined by reference to the sum of probability-weighted amounts in a range of possible consideration amounts.

There is no significant financing as the period between the transfer of control of good or service to a customer and the payment date is always less than one year, and no non-cash consideration noted in the contracts with customers.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions

Key sources of estimation uncertainty (cont'd)

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Group has approximate tax payable and recoverable of RM686,000 (2018: RM901,000) and RM67,000 (2018: RM126,000).

Customer loyalty programme

The Group operates a customer loyalty programme that provide points awards to customers based on accumulated purchase made which entitled to redeem gift. A portion of the revenue attributable to the awards of point for is deferred until they are utilised or expired. The deferment of the revenue is estimated based on historical trends of breakage upon redemption, which is then used to project the expected utilisation of these benefits.

As at 31 December 2019, no deferral revenue had been recognised as the customer loyalty programme was ended during the financial year.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k) (i) to the financial statements on impairment of non-financial assets.

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operations reclassified to profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation (cont'd)

(ii) Foreign operations (cont'd)

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) to the financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) 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 its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Property, plant and equipment are depreciated based on the principal annual rates as follows:

Buildings	3.33%
Office equipment, furniture and fittings	5% - 10%
Machinery	10%
Motor vehicles	20%
Renovation	10%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Leases

Policy applicable from 1 January 2019

(i) As lessee

The Group and the Company recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured 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 site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Buildings	Over the lease term
Shoplots	Over the lease term

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company is reasonably certain to exercise.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(i) As lessee (cont'd)

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

(ii) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

Policy applicable before 1 January 2019 (cont'd)

(i) As lessee

Operating lease

Leases, where the Group and the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

(ii) As lessor

Leases in which the Group and the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade receivables, other receivables and amount due from subsidiary company.

(i) Financial assets at amortised cost

The Group and the Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (cont'd)

(ii) Fair value through other comprehensive income

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in OCI and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

(iii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commits to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(f) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation

Liabilities arising from financial guarantees are presented together with other provisions.

(h) Offsetting of financial instruments

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

(i) Inventories

Finished goods are stated at the lower of cost and net realisable value.

Cost of finished goods comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a weighted average basis.

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.

(j) Cash and cash equivalent

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(k) Impairment of assets

(i) Non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units 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 cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. 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 cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

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 and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events 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.

The Group and the Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

At each reporting date, the Group and the Company assesses 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 the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determines that the debtor does not have assets or sources 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 procedures for recovery amounts due.

All financial assets, other than those categorised as fair value through profit or loss and investments in subsidiary companies are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

(l) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceed received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

(m) Provisions

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

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(o) Revenue recognition

Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognise revenue from the following major sources:

(i) Sale of goods

Revenue from sale of goods is recognised when control of the products has transferred, being the products are delivered to the customer.

Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes.

(ii) Management fee

Management fee is recognised on accrual basis when services are rendered.

Revenue from other sources

(i) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue recognition (cont'd)

Revenue from other sources (cont'd)

(iii) Interest income

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

(p) Income tax

Tax expense in profit or loss comprises current and deferred tax. Current tax 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.

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Operating segments

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. Operating segment results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(r) Contingencies

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Office equipment, furniture and fittings RM'000	Machinery RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
2019						
Cost						
At 1 January	3,518	2,013	1,127	2,011	1,631	10,300
Additions	-	182	319	-	-	501
Disposals	-	(3)	-	(356)	-	(359)
Written off	-	(31)	-	-	-	(31)
At 31 December	3,518	2,161	1,446	1,655	1,631	10,411
Accumulated depreciation						
At 1 January	881	1,338	751	1,333	455	4,758
Charge for the financial year	70	125	110	233	161	699
Disposals	-	(2)	-	(356)	-	(358)
Written off	-	(29)	-	-	-	(29)
At 31 December	951	1,432	861	1,210	616	5,070
Carrying amount						
At 31 December	2,567	729	585	445	1,015	5,341

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land and buildings RM'000	Office equipment, furniture and fittings RM'000	Machinery RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
2018						
Cost						
At 1 January	3,518	1,893	1,090	1,900	1,002	9,403
Additions	-	191	37	382	629	1,239
Disposals	-	(63)	-	(271)	-	(334)
Written off	-	(8)	-	-	-	(8)
At 31 December	3,518	2,013	1,127	2,011	1,631	10,300
Accumulated depreciation						
At 1 January	810	1,298	669	1,386	344	4,507
Charge for the financial year	71	105	82	218	111	587
Disposals	-	(62)	-	(271)	-	(333)
Written off	-	(3)	-	-	-	(3)
At 31 December	881	1,338	751	1,333	455	4,758
Carrying amount						
At 31 December	2,637	675	376	678	1,176	5,542

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged to a licensed bank to secure the credit facilities granted to the subsidiary companies are disclosed in Note 20 to the financial statements:

	Group	
	2019	2018
	RM'000	RM'000
Freehold land	1,143	1,143
Buildings	1,156	1,220
	<u>2,299</u>	<u>2,363</u>

The utilisation of these credit facilities as at 31 December 2019 amounted to RMNil (2018: RM127,000).

5. RIGHT-OF USE ASSETS

Group	Buildings	Shoplots	Total
	RM'000	RM'000	RM'000
2019			
Cost			
At 1 January 2019, as previously stated	-	-	-
Effect of adopting MFRS 16	-	738	738
At 1 January 2019, as restated	-	738	738
Additions	269	360	629
Exchange differences	(2)	-	(2)
At 31 December 2019	<u>267</u>	<u>1,098</u>	<u>1,365</u>
Accumulated amortisation			
At 1 January 2019, as previously stated	-	-	-
Effect of adopting MFRS 16	-	217	217
At 1 January 2019, as restated	-	217	217
Charge for the financial year	109	226	335
Exchange differences	(1)	-	(1)
At 31 December 2019	<u>108</u>	<u>443</u>	<u>551</u>
Carrying amount			
At 31 December 2019	<u>159</u>	<u>655</u>	<u>814</u>

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2019	2018
	RM'000	RM'000
Unquoted shares at cost		
- In Malaysia	16,300	16,300
- Outside Malaysia	43	-
	<u>16,343</u>	<u>16,300</u>

Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest		Principal activities
		2019 %	2018 %	
SCC Corporation Sdn. Bhd. ("SCCC")	Malaysia	100	100	Selling, marketing and distribution of livestock health products and clean feed solutions to feed mills and livestock industries; and selling, marketing and distribution of food service equipment, including provisions of installments, services and supply of ingredients and specialists products for food and beverage industries.
Anitox (M) Sdn. Bhd. ("ASB")	Malaysia	100	100	Sale, marketing and distribution of animal health products.
SCC Food Manufacturing Sdn. Bhd. ("SCCFM")	Malaysia	100	100	Processing and purchasing products.
S-Cnergy Co. Ltd. ("S-Cnergy")*	Cambodia	100	-	Import and Export of kitchen supplies
Held through SCCC				
Positive Insight Sdn. Bhd. ("PI")	Malaysia	100	100	Sale, marketing and distribution of animal health products.
Knowledge Mission Sdn. Bhd. ("KM")	Malaysia	100	100	Dormant.

During the financial year, the Company had subscribed 10,000 ordinary shares of USD1.00 each representing 100% equity interest in S-Cnergy for a total cash consideration of USD10,000, equivalents to RM43,000. Pursuant to that, S-Cnergy became a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

7. GOODWILL ON CONSOLIDATION

	Group	
	2019	2018
	RM'000	RM'000
At 1 January/31 December	8	8

The goodwill was derived from the acquisition of a wholly-owned subsidiary company, SCC Food Manufacturing Sdn. Bhd. in the previous financial years.

Management determined the recoverable amount of the goodwill on consolidation of each subsidiary company based on the individual assets' value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the asset is the asset's value in use, and it is assumed to be the same as the net worth of the asset as at reporting date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

8. INVESTMENT SECURITIES

	Group	
	2019	2018
	RM'000	RM'000
Fair value through other comprehensive income		
Quoted securities in Malaysia		
- Equity instruments, at fair value	72	66

9. INVENTORIES

	Group	
	2019	2018
	RM'000	RM'000
At cost, finished goods:		
Food service equipment	8,800	4,918
Animal health products	1,521	2,735
Food service supplies	536	289
E-commerce stocks	1	6
	10,858	7,948
Recognised in profit or loss:		
Inventories recognised as cost of sales	41,740	41,764

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

10. TRADE RECEIVABLES

	Group	
	2019 RM'000	2018 RM'000
Trade receivables	13,594	15,366
Less: Accumulated impairment losses	(382)	(351)
	<u>13,212</u>	<u>15,015</u>

The Group's normal credit terms range from 30 to 120 days (2018: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

11. OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	77	109	-	39
Deposits	387	350	2	27
Prepayments	806	2,756	14	-
GST recoverable	32	-	31	-
VAT Input Tax	1	-	-	-
	<u>1,303</u>	<u>3,215</u>	<u>47</u>	<u>66</u>

12. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

The non-trade amounts due from subsidiary companies are unsecured, interest-free and is repayable upon demand.

13. OTHER INVESTMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at fair value through profit or loss:				
- Unquoted money market fund	<u>14,725</u>	<u>13,697</u>	<u>5,031</u>	<u>6,284</u>

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

14. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2019	2018	2019	2018
	Units'000	Units'000	RM'000	RM'000
Issued and fully paid shares				
<u>Ordinary Shares</u>				
At 1 January/31 December	141,161	141,161	24,079	24,079

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

15. RESERVES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Fair value reserve	64	70	-	-
Foreign Currency translation reserve	3	-	-	-
Distributable				
Retained earnings	18,890	18,286	2,729	3,390
	18,957	18,356	2,729	3,390

Fair value reserve

	Group	
	2019	2018
	RM'000	RM'000
Non-distributable		
At 1 January	70	72
Fair value loss on financial asset at fair value through other comprehensive income	(6)	(2)
At 31 December	64	70

Fair value reserve represents the cumulative net fair value changes in the financial assets at fair value through other comprehensive income financial assets until they are derecognised or impaired.

Foreign currency translation reserve

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

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

16. LEASE LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
At 1 January 2019, as previously stated	-	-
Effect of adopting MFRS 16	545	-
At 1 January 2019, as restated	545	-
Additions	628	-
Repayments	(319)	-
	<u>854</u>	<u>-</u>
Presented as:		
Non-current	499	-
Current	355	-
	<u>854</u>	<u>-</u>

The maturity analysis of lease liabilities of the Group at the end of the reporting period:

	Group	
	2019 RM'000	2018 RM'000
Within one year	409	-
Later than one year and not later than five years	547	-
	956	-
Less Future finance charges	(102)	-
Present value of lease liabilities	<u>854</u>	<u>-</u>

The Group leases buildings and shoplots. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions

17. DEFERRED TAX LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
At 1 January	92	200
Recognised in profit or loss	(6)	(108)
At 31 December	<u>86</u>	<u>92</u>

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

17. DEFERRED TAX LIABILITIES (CONT'D)

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

	Group	
	2019	2018
	RM'000	RM'000
Deferred tax assets	(84)	(67)
Deferred tax liabilities	170	159
	<u>86</u>	<u>92</u>

The components and movements of deferred tax assets and deferred tax liabilities and assets are as follows:

Deferred tax assets of the Group

Group	Unabsorbed capital allowances RM'000
2019	
At 1 January	(67)
Recognised in profit or loss	(17)
At 31 December	<u>(84)</u>
2018	
At 1 January	-
Recognised in profit or loss	(67)
At 31 December	<u>(67)</u>

Deferred tax liabilities of the Group

Group	Accelerated Capital Allowance RM'000
2019	
At 1 January	159
Recognised in profit or loss	11
At 31 December	<u>170</u>
2018	
At 1 January	200
Recognised in profit or loss	(41)
At 31 December	<u>159</u>

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
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17. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax assets have not been recognised in respect of the following item:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unused tax losses	2,552	1,442	1,758	1,130
Unabsorbed capital allowances	152	33	1	1
	<u>2,704</u>	<u>1,475</u>	<u>1,759</u>	<u>1,131</u>

With effect from year of assessment 2019, unused tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

18. TRADE PAYABLES

Credit terms of trade payables of the Group ranged from 30 to 90 days (2018: 30 to 90 days) from the date of invoices.

19. OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	399	249	-	-
Dividend payables	2,400	2,400	2,400	2,400
Deposits	367	366	-	-
Accruals	697	754	122	126
GST payable	6	18	-	-
VAT output tax	1	-	-	-
	<u>3,870</u>	<u>3,787</u>	<u>2,522</u>	<u>2,526</u>

20. BANK BORROWINGS

	Group	
	2019 RM'000	2018 RM'000
Current		
Secured		
Bank overdraft	-	127

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

20. BANK BORROWINGS (CONT'D)

The bank overdraft of the Group was secured by the following:

- (i) legal charge over freehold land and buildings as disclosed in Note 4 to the financial statements; and
- (ii) corporate guarantee from the Company.

The interest rates of the Group for the above facility as at reporting date are as follows:

	Group	
	2019	2018
	%	%
Bank overdraft	<u>BLR + 1.25%</u>	<u>BLR + 1.25%</u>

21. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers				
Trading sales:				
- food service equipment	34,402	33,585	-	-
- animal health products	30,702	32,365	-	-
- food service supplies	69	209	-	-
Management fees	-	-	3,588	3,588
	<u>65,173</u>	<u>66,159</u>	<u>3,588</u>	<u>3,588</u>
Revenue from other sources				
Dividend income	-	-	4,801	5,333
	<u>65,173</u>	<u>66,159</u>	<u>8,389</u>	<u>8,921</u>

The timing of revenue recognition is at a point in time.

22. FINANCE COSTS

	Group	
	2019	2018
	RM'000	RM'000
Interest expense on:		
- Lease liabilities	<u>71</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

23. PROFIT BEFORE TAXATION

Profit before taxation is determined after charging/(crediting):

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:	59	58	15	14
- Statutory audit				
- Non-statutory audit	5	5	5	5
Amortisation of right-of-use assets	335	-	-	-
Bad debts written off	-	7	-	-
Depreciation of property, plant and equipment	699	587	-	-
Directors' remunerations:				
- Non-Executive Directors fees	72	72	72	72
Fair value gain on financial assets	(481)	(602)	(148)	(207)
Gain on disposal of property, plant and equipment	(87)	(14)	-	-
Gain on foreign exchange:				
- realised	(33)	(5)	-	-
- unrealised	(223)	(5)	2	-
Impairment losses on trade receivable	279	103	-	-
Reversal of impairment loss on trade receivables	(109)	(98)	-	-
Net loss on impairment of trade receivables	170	5	-	-
Interest income	(86)	(74)	(6)	(9)
Property, plant and equipment written off	2	5	-	-
Rental expenses on:				
- parking lot	-	5	-	5
- premises	594	809	-	-
Rental income	(204)	(180)	-	-

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

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24. TAXATION

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax expenses recognised in profit or loss				
Malaysian statutory tax:				
- Current tax provision	2,468	2,686	-	-
- Over provision in prior years	(280)	(176)	-	(8)
	2,188	2,510	-	(8)
Deferred tax:				
- Origination and reversal of temporary differences	(2)	-	-	-
- Over provision in prior years	(4)	(108)	-	-
	(6)	(108)	-	-
	2,182	2,402	-	(8)

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit before taxation at the statutory tax rate to income tax expenses at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	7,609	9,551	4,138	4,746
At Malaysian statutory tax rate of 24% (2018: 24%)	1,827	2,292	993	1,139
Effect of different tax rate in other jurisdictions	10	-	-	-
Expenses not deductible for tax purposes	492	390	41	43
Income not subject to tax	(158)	(160)	(1,185)	(1,327)
Deferred tax assets not recognised during the financial year	295	164	151	145
Over provision of taxation in prior years	(280)	(176)	-	(8)
Over provision of deferred taxation of prior years	(4)	(108)	-	-
	2,182	2,402	-	(8)

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31 DECEMBER 2019
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25. EARNINGS PER SHARE

Basic earnings per ordinary share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019	2018
	RM'000	RM'000
Profit attributable to owners of the Company	5,427	7,149
Weighted average number of ordinary shares in issue	141,161	141,161
Basic earnings per ordinary share (sen):	3.84	5.06

Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as the basic earnings per ordinary share of the Group, as the Group has no dilutive potential ordinary shares during the current and prior financial years.

26. DIVIDENDS

	Group and Company	
	2019	2018
	RM'000	RM'000
Interim dividends paid in respect of the financial year ended:		
- 31 December 2019 (single-tier dividend of 1.7 sen per ordinary share)	2,399	-
- 31 December 2019 (single-tier dividend of 1.7 sen per ordinary share)	2,400	-
- 31 December 2018 (single-tier dividend of 1.7 sen per ordinary share)	-	2,400
- 31 December 2018 (single-tier dividend of 1.7 sen per ordinary share)	-	2,399
	4,799	4,799

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31 DECEMBER 2019
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27. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and others	8,313	8,074	3,626	3,632
EPF	935	997	316	343
Other related expenses	199	156	40	25
Benefits-in-kinds	78	74	78	74
	<u>9,525</u>	<u>9,301</u>	<u>4,060</u>	<u>4,074</u>

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company during the financial year as below:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Executive Directors</u>				
Salaries, wages and others	2,411	2,616	2,230	2,434
EPF	152	211	146	199
Benefits-in-kinds	78	74	78	74
	<u>2,641</u>	<u>2,901</u>	<u>2,454</u>	<u>2,707</u>

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	As at 1 January, as previously stated RM'000	Opening balance adjustment from adoption of MFRS 16 RM'000	As at 1 January, as restated RM'000	Additions RM'000	Repayments RM'000	Interest payable RM'000	Interest paid RM'000	At 31 December RM'000
Group								
2019								
Lease liabilities	-	544	544	629	(319)	71	(71)	854
Dividend payable	2,400	-	2,400	4,799	(4,799)	-	-	2,400
	2,400	544	2,944	5,428	(5,118)	71	(71)	3,254
2018								
Finance lease liabilities	25	-	25	-	(25)	-	-	-
Dividend payable	2,258	-	2,258	4,799	(4,657)	-	-	2,400
	2,283	-	2,283	4,799	(4,682)	-	-	2,400
Company								
2019								
Dividend payable	2,400	-	2,400	4,799	(4,799)	-	-	2,400
2018								
Dividend payable	2,258	-	2,258	4,799	(4,657)	-	-	2,400

NOTES TO THE FINANCIAL STATEMENT

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29. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors of the Company and certain members of senior management of the Group and of the Company.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	2019 RM'000	2018 RM'000
Group		
Rental (received)/paid		
- McDota (M) Sdn. Bhd.*	48	48
- Kumsan Enterprise (M) Sdn Bhd	84	35
- Mr Cher Hwee Seng	108	108
- Sim Ah Choon#	60	60
Company		
Management fee income		
- SCC Corporation Sdn. Bhd.	2,208	2,208
- Anitox (M) Sdn. Bhd.	588	588
- SCC Food Manufacturing Sdn. Bhd.	402	402
- Positive Insight Sdn. Bhd.	390	390
Dividend income		
- SCC Corporation Sdn. Bhd.	4,001	3,213
- Anitox (M) Sdn. Bhd.	800	2,120
Cash Advance		
- S-Cnergy Co. Ltd	165	-

* A company in which certain Directors have substantial financial interests

Spouse of Mr Cher Sew Seng

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

29. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

The key management personnel compensation is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	2,411	2,616	2,230	2,434
EPF	152	211	146	199
	2,563	2,827	2,376	2,633
Benefits-in-kind	78	74	78	74
	2,641	2,901	2,454	2,707
Non-Executive:				
Fees	72	72	72	72
	2,713	2,973	2,526	2,779
Other key management personnel				
Salaries and other emoluments	2,099	2,007	480	431
EPF	252	241	58	52
	2,351	2,248	538	483
Total	5,064	5,221	3,064	3,262

30. OPERATING SEGMENTS

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

- Food service equipment segment includes all industrial-grade equipment used to aid the final preparation and delivery of meals to customers. Food service equipment are highly specialised for application in large kitchens and are suited for the use of restaurants, cafes, fast food joints and other food service providers.
- Feed additives segment are substances added in small or micro quantities to macronutrient of animal feed to provide specific health or nutrition effects in a concentrated manner and can be categorised into antibiotic feed additives and non-antibiotic feed additives.
- Other reportable segments are all other activities other than the above reportable segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

NOTES TO THE FINANCIAL STATEMENT

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30. OPERATING SEGMENTS (CONT'D)

2019	Food Service Equipment RM'000	Animal Health Products RM'000	Others RM'000	Total RM'000	Elimination/ adjustments RM'000	Consolidated RM'000
Revenue						
External customers	34,402	30,702	69	65,173	-	65,173
Inter-segment:						
- Trading sales	-	-	3,211	3,211	(3,211) (A)	-
- Management fee	-	-	3,588	3,588	(3,588) (A)	-
- Dividend income	-	-	4,801	4,801	(4,801) (A)	-
Total revenue	34,402	30,702	11,669	76,773	(11,600)	65,173
Results						
Dividend income	-	1	-	1	-	1
Fair value gain on financial assets	-	76	405	481	-	481
Gain on disposal of property, plant and equipment	-	-	87	87	-	87
Interest income	-	36	50	86	-	86
Rental income	20	235	189	444	(240) (B)	204
Reversal of impairment loss on trade receivables	61	48	-	109	-	109
Unrealised gain on foreign exchange	-	2	221	223	-	223
Miscellaneous income	(90)	10	164	84	-	84
Depreciation of property, plant and equipment	(2)	(88)	(609)	(699)	-	(699)
Impairment loss on trade receivables	(279)	-	-	(279)	-	(279)
Unallocated corporate expenses	(29,689)	(27,010)	(8,055)	(64,754)	6,893 (B)	(57,861)
	(29,979)	(26,690)	(7,548)	(64,217)	6,653	(57,564)
Segment profit	4,423	4,012	4,121	12,556	(4,947)	7,609

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

30. OPERATING SEGMENTS (CONT'D)

2019	Food Service Equipment RM'000	Animal Health Products RM'000	Others RM'000	Total RM'000	Elimination/ adjustments RM'000	Consolidated RM'000
Assets						
Additions to non-current assets	-	373	128	501	-	501
Tax recoverable	-	38	29	67	-	67
Segment assets	14,058	16,730	45,132	75,920	(24,324) (C)	51,596
	14,058	17,141	45,289	76,488	(24,324)	52,164
Liabilities						
Deferred tax liabilities	78	8	-	86	-	86
Segment liabilities	725	4,269	11,711	16,705	(7,663) (C)	9,042
	803	4,277	11,711	16,791	(7,663)	9,128

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

30. OPERATING SEGMENTS (CONT'D)

2018	Food Service Equipment RM'000	Animal Health Products RM'000	Others RM'000	Total RM'000	Elimination/ adjustments RM'000	Consolidated RM'000
Revenue						
External customers	33,585	32,365	209	66,159	-	66,159
Inter-segment						
- Trading sales	-	-	3,142	3,142	(3,142) (A)	-
- Management fee	-	-	3,588	3,588	(3,588) (A)	-
- Dividend income	-	-	5,333	5,333	(5,333) (A)	-
Total revenue	33,585	32,365	12,272	78,222	(12,063)	66,159
Results						
Fair value gain on financial assets	275	85	242	602	-	602
Gain on disposal of property, plant and equipment	-	14	-	14	-	14
Interest income	33	16	25	74	-	74
Miscellaneous income	37	1	134	172	-	172
Rental income	-	233	187	420	(240) (B)	180
Reversal of impairment loss on trade receivables	64	34	-	98	-	98
Unrealised gain/(loss) on foreign exchange	-	19	(14)	5	-	5
Bad debts written off	-	(7)	-	(7)	-	(7)
Depreciation of property, plant and equipment	(2)	(71)	(514)	(587)	-	(587)
Impairment loss on trade receivables	(67)	(36)	-	(103)	-	(103)
Property, plant and equipment written off	-	-	(5)	(5)	-	(5)
Unallocated corporate expenses	(28,070)	(28,545)	(7,469)	(64,084)	7,033 (B)	(57,051)
	(27,730)	(28,257)	(7,414)	(63,401)	6,793	(56,608)
Segment (loss)/profit	5,855	4,108	4,858	14,821	(5,270)	9,551

NOTES TO THE FINANCIAL STATEMENT

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30. OPERATING SEGMENTS (CONT'D)

2018	Food Service Equipment RM'000	Animal Health Products RM'000	Others RM'000	Total RM'000	Elimination/ adjustments RM'000	Consolidated RM'000
Assets						
Additions to non-current assets	-	113	1,126	1,239	-	1,239
Tax recoverable	-	57	69	126	-	126
Segment assets	12,566	16,704	44,967	74,237	(23,216) (C)	51,021
	12,566	16,874	46,162	75,602	(23,216)	52,386
Liabilities						
Deferred tax liabilities	83	9	-	92	-	92
Segment liabilities	949	5,503	10,121	16,573	(6,714) (C)	9,859
	1,032	5,512	10,121	16,665	(6,714)	9,951

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
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30. OPERATING SEGMENTS (CONT'D)

Note: Nature of the adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

- (A) Inter-segment revenues are eliminated on consolidation.
- (B) Inter-segment other income and expenses are eliminated on consolidation.
- (C) Inter-segment assets and liabilities are eliminated on consolidation.

Geographical information

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

Major customer

Major customers' information are revenues from transactions with a single external customer amount to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

The following are major customers with revenue equal or more than 10% of the Group's total revenue arising from:

	Revenue	
	2019 RM'000	2018 RM'000
Group		
- Customer A	8,115	7,968

NOTES TO THE FINANCIAL STATEMENT

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31. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	At AC RM'000	At FVTPL RM'000	At FVTOCI RM'000	Total RM'000
Group				
2019				
Financial Assets				
Investment securities	-	-	72	72
Trade receivables	13,212	-	-	13,212
Other receivables	464	-	-	464
Other investments	-	14,725	-	14,725
Cash and bank balances	5,764	-	-	5,764
Total financial assets	19,440	14,725	72	34,237
Financial Liabilities				
Trade payables	3,632	-	-	3,632
Other payables	3,863	-	-	3,863
Total financial liabilities	7,495	-	-	7,495
Company				
Financial Assets				
Other receivables	2	-	-	2
Amount due from subsidiary companies	7,466	-	-	7,466
Other investments	-	5,031	-	5,031
Cash and bank balances	429	-	-	429
Total financial assets	7,897	5,031	-	12,928
Financial Liability				
Other payables	2,522	-	-	2,522
Total financial liability	2,522	-	-	2,522

NOTES TO THE FINANCIAL STATEMENT

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31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

	At AC RM'000	At FVTPL RM'000	At FVTOCI RM'000	Total RM'000
Group				
2018				
Financial Assets				
Investment securities	-	-	66	66
Trade receivables	15,015	-	-	15,015
Other receivables	459	-	-	459
Other investments	-	13,697	-	13,697
Cash and bank balances	6,769	-	-	6,769
Total Financial assets	22,243	13,697	66	36,006
Financial Liabilities				
Trade payables	5,044	-	-	5,044
Other payables	3,769	-	-	3,769
Bank borrowings	127	-	-	127
Total financial liabilities	8,940	-	-	8,940
Company				
Financial Assets				
Other receivables	66	-	-	66
Amount due from subsidiary companies	6,632	-	-	6,632
Other investments	-	6,284	-	6,284
Cash and bank balances	678	-	-	678
Total Financial assets	7,376	6,284	-	13,660
Financial Liability				
Other payables	2,526	-	-	2,526
Total financial liability	2,526	-	-	2,526

(b) Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risks

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31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer, loans and advances to subsidiary companies and financial guarantee given to banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long overdue debts. Majority of the trade receivables are from trading activities.

At each reporting date, Group assesses whether any of the trade receivables are credit impaired.

The gross amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

Concentration of credit risk

As at the end of the financial year, the Group has 1 (2018: 2) major customers and accounted for approximately 12% (2018: 26%) of the trade receivables outstanding.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within credit terms. The Group's debt recovery process is that when invoices which are exceeded credit terms, the Company will start to initiate a structured debt recovery process which is monitored by sales team.

The Group uses an allowance matrix to measure ECLs for trade receivables. Consistent with the debt recovery process, invoices which are exceeded credit terms will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past three years. Nevertheless, the Group believes that the forward-looking factors are immaterial for the purpose of calculation impairment for the financial year.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables of the Group as at reporting date:

Group	Gross trade receivables RM'000	Allowance for impairment RM'000	Net balance RM'000
2019			
Current	7,894	(5)	7,889
<i>Past due or not impaired</i>			
- Less than 30 days	3,473	(2)	3,471
- 31 to 60 days	1,086	(2)	1,084
- 61 to 90 days	493	(3)	490
- more than 90 days	289	(11)	278
	13,235	(23)	13,212
Credit impaired			
More than 90 days			
- Individually impaired	359	(359)	-
	13,594	(382)	13,212
2018			
Current	6,150	(8)	6,142
<i>Past due or not impaired</i>			
- Less than 30 days	4,313	(8)	4,305
- 31 to 60 days	1,062	(2)	1,060
- 61 to 90 days	1,985	(19)	1,966
- more than 90 days	1,594	(52)	1,542
	15,104	(89)	15,015
Credit impaired			
More than 90 days			
- Individually impaired	262	(262)	-
	15,366	(351)	15,015

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

The movement in the allowance for impairment losses in respect of trade receivables of the Group for the financial year are as follows:

Group	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
2019			
At 1 January 2019	89	262	351
Impairment loss recognised	-	278	278
Impairment loss reversed	(66)	(43)	(109)
Written off	-	(139)	(139)
At 31 December 2019	23	359	382
2018			
At 1 January 2018	43	303	346
Impairment loss recognised	47	56	103
Impairment loss reversed	(1)	(97)	(98)
At 31 December 2018	89	262	351

Cash and cash equivalent

Risk management objectives, policies and processes for managing the risk

The cash and cash equivalents are held with banks and financial institutions. The Group and the Company have a credit policy in place to control credit risk by deposit with banks and financial institutions with good credit rating.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Recognition and measurement of impairment loss

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Risk management objectives, policies and processes for managing the risk

Credit risks on other receivables are mainly arising from receivables from third parties. The Group and the Company manage the credit risk on an ongoing basis via the Group's and the Company's management reporting procedures and action will be taken for long outstanding debts.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Other receivables (cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Recognition and measurement of impairment loss

As there are only a few debtors, these other receivables have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiary companies. The Company monitors the ability of the subsidiary companies to service its loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RMNil (2018: RM127,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiary companies' secured loans.

Recognition and measurement of impairment loss

There is no history of default from subsidiary companies, and there are no indicators that any going concern from subsidiary companies. The Company is of the view that loss allowance is not material and hence, it is not provided for.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the ability of the subsidiary companies to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Inter-company loans and advances (cont'd)

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiary companies has low credit risk because there is no indicators that any going concern from subsidiary companies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from its various payables.

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet its working capital requirements and prudently balances its portfolio of short term and long-term funding requirements.

The Group and the Company's financial liabilities at the end of the reporting period either mature within one year or are repayable on demand.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Market risks

(a) Foreign currency exchange risk

The Group is exposed to foreign currency risk through normal trading activities on sales transactions that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro Dollar ("EUR") and Pound Sterling ("GBP"). Foreign currency risk is monitored closely on an ongoing basis to ensure the net exposure is at an acceptable level.

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	USD RM'000	EUR RM'000	GBP RM'000	Total RM'000
2019				
<u>Financial Assets</u>				
Trade receivables	14	-	-	14
Other receivables	39	-	-	39
Cash and bank balances	867	-	-	867
	<u>920</u>	<u>-</u>	<u>-</u>	<u>920</u>
<u>Financial Liabilities</u>				
Trade payables	(674)	-	(1)	(675)
Other payables	(5)	-	-	(5)
	<u>(679)</u>	<u>-</u>	<u>(1)</u>	<u>(680)</u>
2018				
<u>Financial Assets</u>				
Cash and bank balances	693	-	-	693
	<u>693</u>	<u>-</u>	<u>-</u>	<u>693</u>
<u>Financial Liabilities</u>				
Trade payables	(648)	(1)	-	(649)

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Market risks

(a) Foreign currency exchange risk (cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in the USD, EUR and GBP exchange rates against RM, with all other variables held constant.

Group	Change in currency rate	Effect on profit before taxation	
		2019 RM'000	2018 RM'000
USD	Strengthened 5%	12	2
	Weakened 5%	(12)	(2)
EUR	Strengthened 5%	-	1
	Weakened 5%	-	(1)
GBP	Strengthened 5%	1	-
	Weakened 5%	(1)	-

(b) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in market interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in market interest rate.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2019 RM'000	2018 RM'000
Fixed rate instrument		
Financial Liability		
- Lease liabilities	854	-
Floating rate instrument		
Financial Liability		
- Bank borrowings	-	127

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Market risks

(b) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Company's profit before taxation by RMNil (2018: RM1,000), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments 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.

	Fair value of financial instruments carried at fair value Level 1 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2019			
Financial Assets			
Investment securities	72	72	72
Other investments	14,725	14,725	14,725
2018			
Financial Assets			
Investment securities	66	66	66
Other investments	13,697	13,697	13,697

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019
(CONT'D)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments (cont'd)

	Fair value of financial instruments carried at fair value Level 1 RM'000	Total fair value RM'000	Carrying amount RM'000
Company			
2019			
Financial Asset			
Other investments	5,031	5,031	5,031
2018			
Financial Asset			
Other investments	6,284	6,284	6,284

(i) 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.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using 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).

Non-derivative financial instruments

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.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

NOTES TO THE FINANCIAL STATEMENT

31 DECEMBER 2019

(CONT'D)

32. CAPITAL MANAGEMENT

The Group and the Company manage their capital to ensure that entities within the Group and the Company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company monitor capital using a gearing ratio. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Debts				
Bank borrowings	-	127	-	-
	-	127	-	-
Less: Cash and bank balances	(5,764)	(6,769)	(429)	(678)
Excess of cash and bank balances	(5,764)	(6,642)	(429)	(678)
Total Equity	43,036	42,435	26,808	27,469
Gearing ratio	*	*	*	*

* Gearing ratio not applicable for financial years ended 31 December 2018 and 2019 as the cash and bank balances of the Group and of the Company are sufficient to settle the outstanding debts.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

33. SUBSEQUENT EVENT

Effect of outbreak of coronavirus pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

34. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 May 2020.

ANALYSIS OF SHAREHOLDINGS

AS AT 15 MAY 2020

SHARE CAPITAL

Issued and Fully Paid-up Capital : 141,160,140
 Class of Shares : Ordinary shares
 Voting Rights : One vote per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
36	Less than 100	1,204	*
115	100 to 1,000	64,459	0.05
461	1,001 to 10,000	2,699,220	1.91
552	10,001 to 100,000	18,912,579	13.40
102	100,001 to less than 5% of issued shares	57,587,602	40.80
4	5% and above of the issued shares	61,895,076	43.85
1,270	TOTAL	141,160,140	100.00

* Less than 0.01%

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	Cher Sew Seng	19,397,847	13.74
2.	Chee Long Sing @ Cher Hwee Seng	16,500,000	11.69
3.	Chee Long Sing @ Cher Hwee Seng	14,186,784	10.05
4.	Goh Ah Heng @ Goh Keng Chin	11,810,445	8.37
5.	Soh Kian Teck	4,820,096	3.41
6.	Chu Sou Taik	4,376,448	3.10
7.	Tee Meng Hock	3,613,683	2.56
8.	Moke Ah Kow	3,149,150	2.23
9.	Tee Meng Hock	2,999,883	2.13
10.	HSBC Nominees (Tempatan) Sdn Bhd	2,600,000	1.84
11.	Ong Gee Leng	2,558,724	1.81
12.	Chu Sou Taik	2,270,400	1.61
13.	HSBC Nominees (Tempatan) Sdn Bhd	1,782,060	1.26
14.	Yee Kim Ee	1,473,830	1.04
15.	Moke Joan Moon	1,311,300	0.93
16.	Cher Lip Chun	1,024,802	0.73
17.	Lin Hai Moh @ Lin See Yan	1,000,000	0.71
18.	CIMB Group Nominees (Asing) Sdn. Bhd.	868,600	0.62
19.	Tey Ser Kok @ Teh Ser Kok	825,000	0.58
20.	Goh Foi Tee	759,000	0.54
21.	Cher Chou Chiang	740,000	0.52
22.	Look Kan Chai @ Look Shee Kiem	660,000	0.47
23.	Low Kwi Yeen	660,000	0.47

ANALYSIS OF SHAREHOLDINGS

AS AT 15 MAY 2020

(CONT'D)

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)(CONT'D)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
24.	Chuah Ying Hooi	650,000	0.46
25.	Cher Lip Ter	599,260	0.42
26.	Ng Inn Jwee	584,000	0.41
27.	Sim Mui Khee	564,921	0.40
28.	CGS-CIMB Nominees (Tempatan) Sdn Bhd	559,680	0.40
29.	Lim Chee Chin @ Lim Ching Sin	500,000	0.35
30.	Siow Kin Leong	495,000	0.35
	TOTAL	103,340,913	73.21

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

No.	Name of Shareholders	No. of Shares Held			
		Direct	%	Indirect	%
1.	Chee Long Sing @ Cher Hwee Seng	30,686,784	21.74	**139,989	0.10
2.	Cher Sew Seng	19,397,847	13.74	-	-
3.	Goh Ah Heng @ Goh Keng Chin	11,810,445	8.37	-	-

Note:-

** Deemed interest by virtue of his direct shareholdings in Kumsan Enterprise (M) Sdn Bhd pursuant to Section 8 of the Companies Act 2016

DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

No.	Name of Directors	No. of Shares Held			
		Direct	%	Indirect	%
1.	Chee Long Sing @ Cher Hwee Seng	30,686,784	21.74	#805,249	0.57
2.	Cher Sew Seng	19,397,847	13.74	##1,482,500	1.05
3.	Goh Ah Heng @ Goh Keng Chin	11,810,445	8.37	-	-
4.	Dato' Ismail bin Hamzah	-	-	-	-
5.	Dato' Dr Choong Tuck Yew	66,000	0.05	-	-
6.	Datuk Wira Dr Goy Hong Boon	-	-	-	-
7.	Cher Lip Chun	1,024,802	0.73	^66,000	0.05
8.	Chu Soo Meng	99,000	0.07	-	-

Notes:-

Deemed interest by virtue of his direct shareholdings in Kumsan Enterprise (M) Sdn Bhd pursuant to Section 8 of the Companies Act 2016 and by virtue of his spouse's and child's direct shareholding in SCC.

Deemed interest by virtue of his spouse's and children's direct shareholding in SCC.

^ Deemed interest by virtue of his spouse's direct shareholdings in SCC.

LIST OF PROPERTIES

Location of Property	Description (Existing Use)	Land Area Buildup Area (Sq ft.)	Tenure	Age of Building	Net Book Value as at 31.12. 2019	Date of acquisition
No. 93, Jalan Pendamar 27/90 Seksyen 27 40400 Shah Alam (PT No 4782)	Company Warehouse 1+1/2 storey factory	9,430 / 5,835	Freehold	23 years	RM701,801	June 1994
No. 58, Jalan Kapar 27/99, Seksyen 27, 40400 Shah Alam (PT No 4823)	Company Warehouse/ factory 1+1/2 storey factory	4,680 / 3,888	Freehold	13 years	RM355,261	June 2005
No. 54, Jalan Kapar 27/89, Seksyen 27 40400 Shah Alam (PT No 4825)	Company Warehouse 1+1/2 storey factory	4,680 / 3,888	Freehold	13 years	RM355,261	June 2005
No. 138, Jalan Kapar 27/89 Seksyen 27 40400 Shah Alam (PT No 4742)	Rented out 3 storey Industrial Showroom	4,680 / 6,383	Freehold	17 years	RM325,814	March 1999
No. 140 Jalan Kapar 27/89, Seksyen 27 40400 Shah Alam (PT No 4741)	Rented out 3 storey Industrial Showroom	4,680 / 6,383	Freehold	17 years	RM311,195	March 1999
No. 15 & 15A Jalan Hujan, Taman Overseas Union, 58200 Kuala Lumpur (Lot 9383)	Company Office Double Storey Shoplot	1,600 / 3,200	Freehold	49 years	RM267,548	October 1992
No. 91, Jalan Pendamar 27/90, Seksyen 27 40400 Shah Alam (PT No 4783)	Company Warehouse 1+1/2 storey factory	4,680 / 3,735	Freehold	23 years	RM249,698	June 1994



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