



SCC HOLDINGS BERHAD

200001008871 (511477-A)

GREEN SOLUTIONS

For the future of the world and mankind



ANNUAL REPORT 2020



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.
- **Integrity**
We hold strongly that our business reputation is built on the honesty in all our dealings with our business partners.
- **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.
- **Total Customer Satisfaction**
We strive to delight our customers by providing valued quality products & services to sustain a long term business partnership.
- **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.

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CORPORATE INFORMATION



BOARD OF DIRECTORS

CHEE LONG SING @ CHER HWEE SENG
Executive Chairman

DATO' ISMAIL BIN HAMZAH
Independent Non-Executive Director

CHER LIP CHUN
Managing Director

TAN TIAN WOUI
Independent Non-Executive Director

CHER SEW SENG
Deputy Managing Director

DATUK WIRA DR. GOY HONG BOON
Independent Non-Executive Director

GOH AH HENG @ GOH KENG CHIN
Executive Director

CHER CHOU CHIANG
Alternate Director to Cher Sew Seng

CHU SOO MENG
Executive Director

AUDIT COMMITTEE

Dato' Ismail bin Hamzah
(Chairman)
Datuk Wira Dr. Goy Hong Boon
Tan Tian Woui

NOMINATION COMMITTEE

Dato' Ismail bin Hamzah
(Chairman)
Datuk Wira Dr. Goy Hong Boon
Tan Tian Woui

REMUNERATION COMMITTEE

Datuk Wira Dr. Goy Hong Boon
(Chairman)
Dato' Ismail bin Hamzah
Chee Long Sing @ Cher Hwee Seng

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
[199101019611 (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

COMPANY SECRETARY

Wong Yuet Chyn
(MAICSA 7047163)
(SSM PC 202008002451)

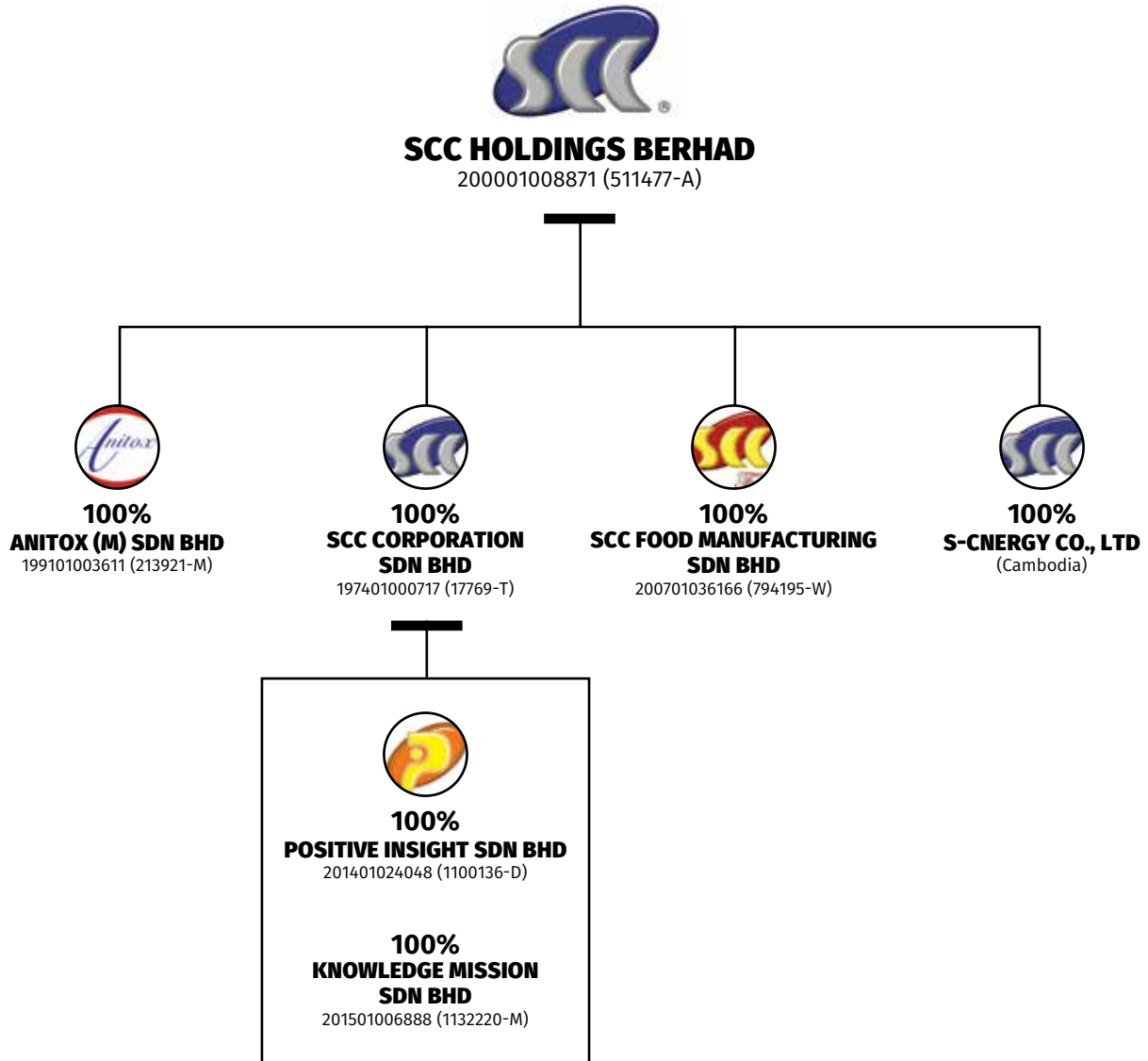
STOCK EXCHANGE LISTING

ACE Market
Bursa Malaysia Securities Berhad
Listed on 3 August 2010

WEBSITE

www.scc.com.my

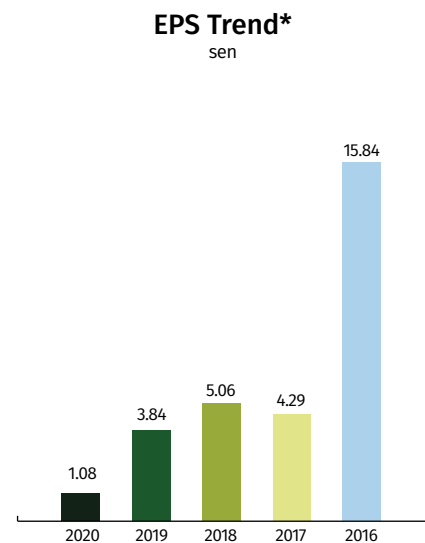
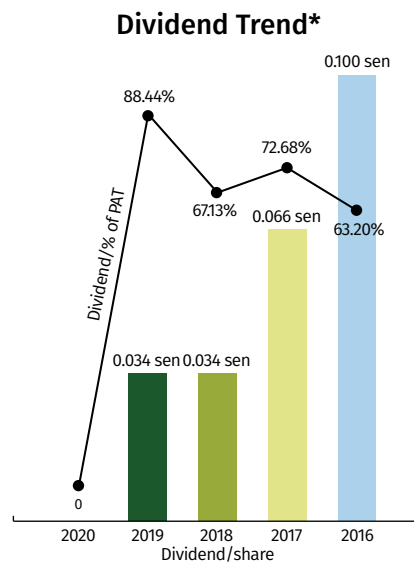
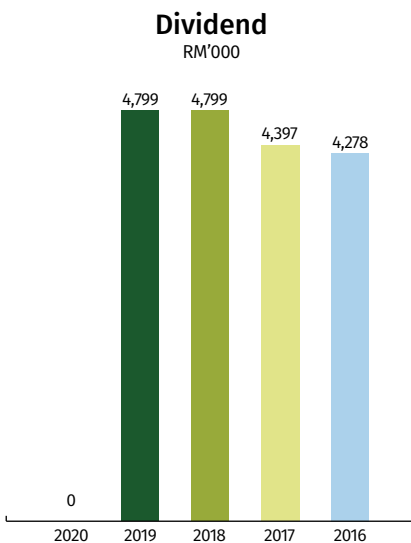
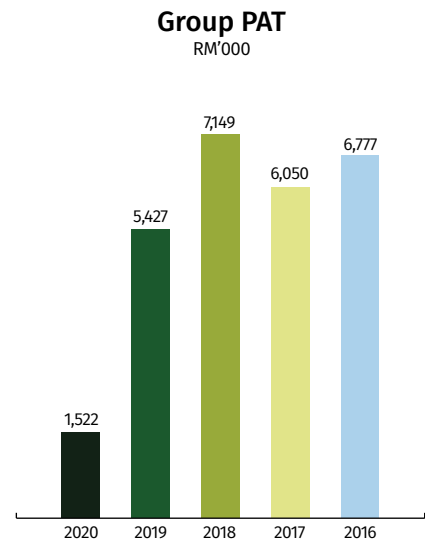
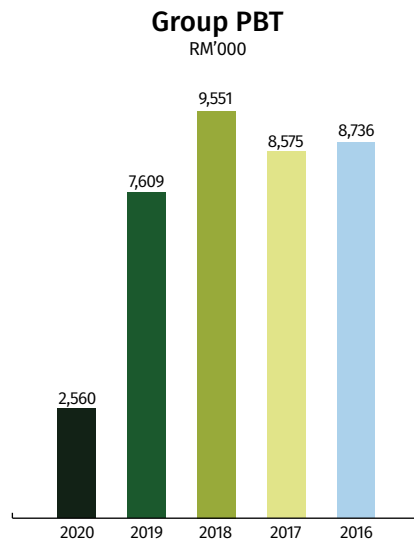
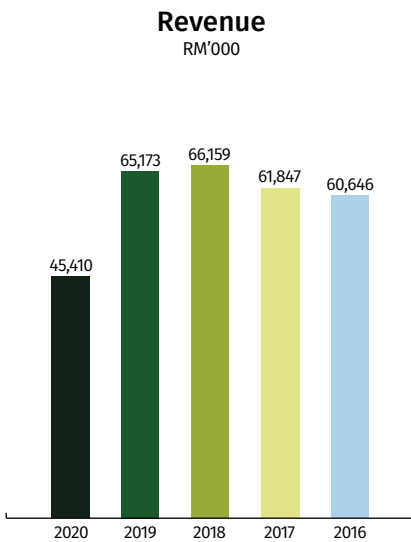
CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

GROUP FIVE-YEAR FINANCIAL SUMMARY

| Financial year ended 31 December | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------|--------|--------|--------|--------|
| Revenue (RM'000) | 45,410 | 65,173 | 66,159 | 61,847 | 60,646 |
| Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) (RM' 000) | 3,623 | 8,714 | 10,138 | 9,159 | 9,009 |
| Profit for the Year Attributable to Equity Holders (RM' 000) | 1,522 | 5,427 | 7,149 | 6,050 | 6,777 |
| Profit for the Year Margin (%) | 3.35 | 8.33 | 10.81 | 9.50 | 11.17 |
| Shareholders' Equity (RM' 000) | 44,569 | 43,036 | 42,435 | 40,130 | 40,607 |
| Return on Shareholders' Equity (%) | 3.41 | 12.61 | 16.85 | 15.08 | 16.69 |
| Basic Earnings Per Share (sen) | 1.08 | 3.84 | 5.06 | 4.29 | 15.84 |
| Interim and Special Dividend Per Share (sen) | - | 3.40 | 3.40 | 6.60 | 10.00 |



* Adjusted for Bonus Issue and Share Split exercise in 2017

DIRECTORS' PROFILE

Chee Long Sing @ Cher Hwee Seng (Ben Cher)

Malaysian, aged 77, 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 Ben Cher has more than 49 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 four (4) Board meetings held during the financial year.

Cher Lip Chun (Adam Cher)

Malaysian, aged 45, Male, Managing Director

Mr Adam Cher was appointed to our Board on 2 July 2012 as Executive Director and re-designated as Managing Director on 1 September 2020.

He is responsible for the overall business strategies and management 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. Mr Adam Cher has more than 16 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 and Ms Cheryl Cher.

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

Cher Sew Seng (Francis Cher)

Malaysian, aged 71, Male, Deputy Managing Director

Mr Francis Cher was appointed to our Board on 17 April 2000 and was appointed as Managing Director on the same date. He was re-designated as Deputy Managing Director on 1st September 2020. Mr Francis Cher is a co-founder of the Group.

He is assisting the Managing Director in 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 48 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 four (4) Board meetings held during the financial year.

DIRECTORS' PROFILE

(CONT'D)

Goh Ah Heng @ Goh Keng Chin

Malaysian, aged 75, 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 48 years of experience in the animal health products and foodservice equipment industry.

He has attended all four (4) 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 56, 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 all four (4) Board meetings held during the financial year.

Dato' Ismail bin Hamzah

Malaysian, aged 75, 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 Audit Committee and member of the 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 37 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 four (4) 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 49, 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 and Chairman of the Remuneration 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 four (4) Board meetings held during the financial year.

He has no family relationship with any directors and/or major shareholders of the company.

Tan Tian Wooi

Malaysian, Aged 50, Independent Non-Executive Director

Mr Tan was appointed to our board on 27 July 2020 and is our member of Audit Committee and Nomination Committee.

He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysia Institute of Accountants ("MIA"). He currently owned a practice specializing in audit. He was previously attached to an international audit firm as the Director of Assurance and Business Advisory and later a partner of a medium audit firm. He has a vast experience in Assurance practices such as providing Audit, Compliances and Business Advisory Services.

He is also the Independent Non-Executive Director of Artroniq Berhad (formerly known as Plastrade Technology Berhad).

He has attended two (2) Board meetings held during the financial year after his appointment.

He has no family relationship with any directors and/or major shareholders of the company.

DIRECTORS' PROFILE

(CONT'D)

Cher Chou Chiang (Cheryl Cher)

Malaysian, aged 45, 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 all four (4) Board meetings held during the financial year.

Other Information

a. Directorship in Public Companies and Listed Issuers

Save for Dato' Ismail bin Hamzah, Datuk Wira Dr. Goy Hong Boon and Mr Tan Tian Wooi, 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.

A WORD FROM THE EXECUTIVE CHAIRMAN



The year 2020, for people who haven't experienced World War 2, must be the hardest and most forgettable year in their life. During the year, even if there is sunshine in the sky, but the heart felt cold, cloudy and grumpy.

Malaysia is not exception to the COVID-19 pandemic that causes economy downturn, sky rocking unemployment rate, closure of businesses and couple with the political instability, how we wish 2020 never came.

We faced many challenges as a big chunk of our businesses relied on food and beverage industry and cinemas. With the implementation of Movement Control Order, many of the related business are not allowed to operate while some may open for business, but burdened with many restrictions. Our Foodservice Equipment Division is hardest hit with revenue down by more than 60%. Further discussions on the business unit performance were presented in the section of Management Discussion and Analysis.

Outlook for 2021 does not look any better than 2020, even though the progress of effective vaccines for COVID-19 are encouraging, to fully vaccinated the whole nation would take some time and the capacity of our nation's medical services is at their limit.

We had taken initiative to develop new products and trying our best to enter into end consumer market by producing end products for direct consumption from existing inventory which are higher due to very slow order from our usual customers.

With the new norm of lifestyle, everyone is embracing online shopping, web meetings, online classes and doing almost everything online, our e-commerce platform are getting encouraging responses compared to previous years.

While we could not turn back time, we gained precious experiences during these difficult times, bettered ourselves, improve our strategies and directions and get 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

6 April 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS AND OPERATIONS

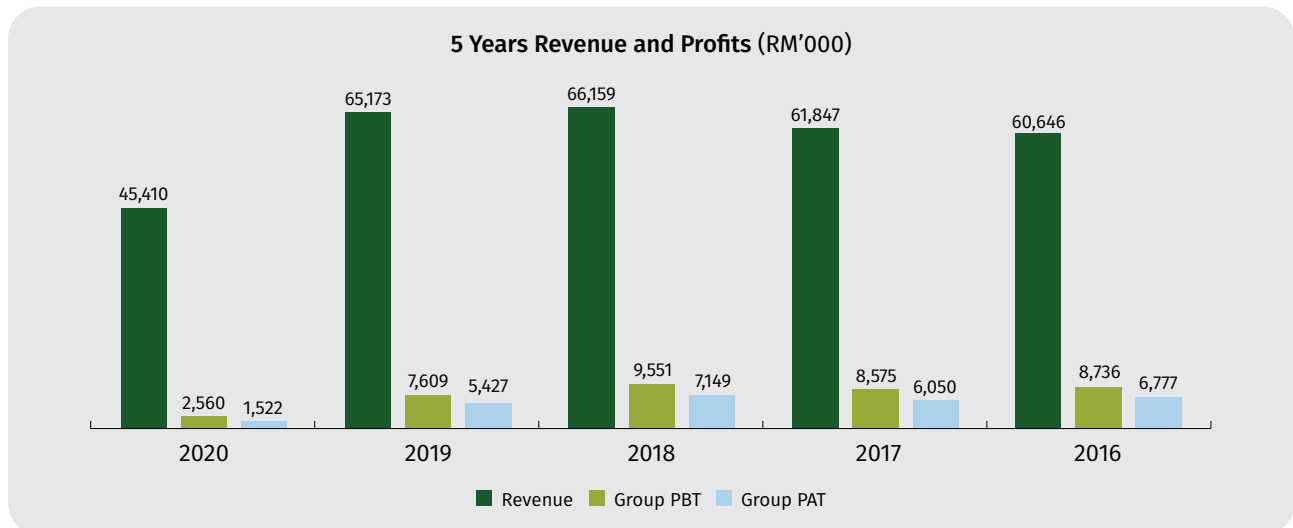
Our businesses are divided into three main core divisions:-

| Foodservice Equipment Division ("FSED") | Animal Health Products Division ("AHPD") | Food Manufacturing Division ("SCCFM") |
|---|---|--|
| FSED involved in the business of distribution, sales, services and parts supplies 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. | AHPD main activities are act as distributor and sales agent for imported and local manufactured animal health feed additives, pathogen controls and amino acids products. These products are meant for feed millers and livestock industries. | SCCFM compliment FSED by manufacture food premixes and ingredients supplying FSED's customers and in 2020, they also produce consumer food products to market directly to end-consumers. |

FINANCIAL PERFORMANCE REVIEW

The year 2020 made history when the World Health Organisation (WHO) declared the COVID-19 coronavirus outbreak a pandemic on 11 March 2020. The pandemic affected and crippled the global economy and the Malaysian Government had implement Movement Control Order ("MCO") on 18 March 2020 to stem the spread of COVID-19, however these measures also disrupted supply chains and business activities and operations.

Review on Statement of Comprehensive Income



For Financial Year 2020 ("FY2020"), the Group recorded total revenue of RM45.41m and profit after taxation of RM1.52m. This represent a 30.3% reduction compared with last year's revenue and a 71.96% reduce in profit after tax.

The Group's revenue are adversely affected by various level of MCO in Malaysia, FSED is affected the most with 54.3% dropped in revenue due to MCO that limit operations of most F&B outlets and cinemas, while AHPD only marginally reduced by 2.9% as the livestock sector are permitted to operate as usual as they are essentials industry.

The Profit After Tax taken a huge plunge of 71.96% compared to last financial year as the Group is not operated as efficient as previous years due to lower sales with high fixed costs.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Review on Statement of Financial Position

Despite down trending revenue and challenging market conditions during the year, we have managed to improve our financial position. The Net Assets of the Group increase by 3.2% mainly due to prudence spending and tighter control of debt management.

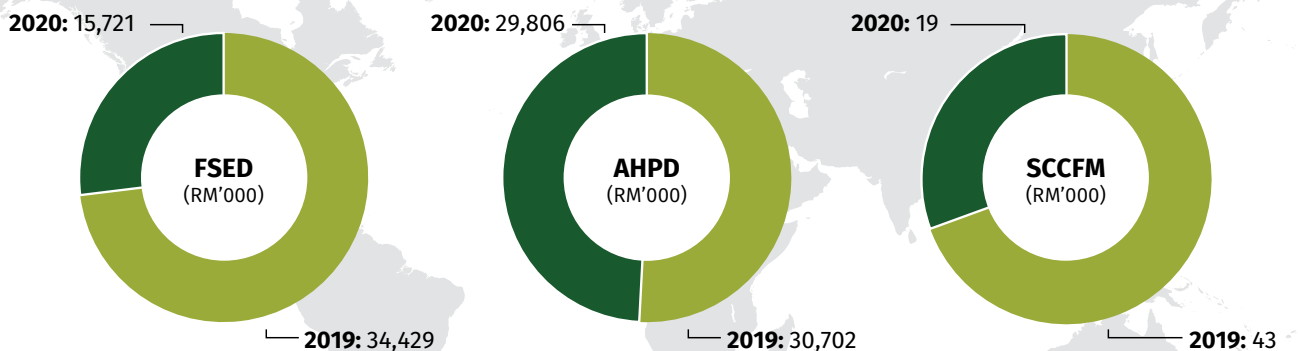
Inventories does increased due to slower market requirement but in order to reduce the risk of overstock and expiring of certain perishable food supplies inventory, we have ventured into producing the end-consumer products such as ready to eat-consumer pack caramel popcorn in various packaging size available to purchase by consumers through many channels like online platforms and off the shelves of supermarkets.



WORKING CAPITAL, LIQUIDITY

Our cash reserved does improve compared to previous financial year and maintain the zero gearing position as the management had decided against the usual dividend payout to be ready for possibility of prolong pandemic into 2021.

SEGMENTAL BUSINESS REVIEW/ REVIEW OF OPERATING ACTIVITIES



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Animal Health Products Division ("AHPD")

Revenue

AHPD's revenue dropped slightly by 2.9% compared to FY2019. The industry is allowed to operate during the pandemic as usual as they are providing essential service and products to the nation and thus demand for our products and services are still being sought.

The division contributed 65.4% from the Group's total revenue for FY2020.

Prospect

2020 is not a good year for livestock industry entrepreneurs. With the pandemic, export markets had contracted and even domestic demand for eggs and poultry meat had reduced drastically due to travel bans. Tourism sector is one of main sector that consume large amount of eggs and poultry meat, with travel ban in place for both international and domestically, the surplus flood into domestic market and pushes the price down resulting losses for most of the livestock companies.

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. Should the pandemic dragged too long into 2021, we foresee the market will be contracted and smaller players in the industry will be phased out.

However, the Government had forecasted that the Agriculture sector would bounce back with 4.7% growth contrasting with 2020 deficit of -1.2%. (*Malaysia Economic Outlook 2021 – Statistic Table, page 145*)

The division had started to market and distribute new product sourced from Spain during the year to supplement current products range.

Foodservice Equipment Division ("FSED")

Revenue

FSED was affected the most during pandemic with closing of cinemas and restricted operation of F&B outlets and hypermarkets. The revenue dropped 54.3% from RM34.4M to RM15.7M in FY2020.

Prospect

Food & Beverage ("F&B") and Accommodation ("ACC") sector fell to a total 13.3% in year 2020 were reported through *Malaysia Economy Outlook 2021*, where F&B contracted 14.5% and ACC dropped 41.7%. It is forecasted that the industry shall recover in 2021 with 10.7% growth.

With the availability of vaccine, the sector should see gradual recovery from second half of 2021 when the spreading of COVID-19 coronavirus is reducing and under control.

We have decided to cease as distributor for Henny Penny brand foodservice equipment in January 2021 to open up to other opportunities.

During the MCO period, with enforced lockdowns, quarantines and social distancing practice in place, we have adopted new ways of going on with the business by going digital. We changed the way to engage with customers via Facebook Live, Google Meet, Zoom Meeting etc. to conduct products demo, showcasing product features, online sales and technical trainings.

We also have our own online platform at www.foodiemart.com.my for our consumer products. The consumers also can find our products on local online platform such as Shopee and Lazada as well.



With the anticipated recovery of the F&B and ACC sectors by second half of 2021, we foresee FSED would make a double digit growth when all economy sectors are open and the travel banned being lifted.

Food Manufacturing ("SCCFM")

Revenue

SCCFM sold almost all their products to its sister company. The results reflected in the accounts is the net sales to third party of mere RM19,000 for FY2020 and RM43,000 in FY2019. The gross sales before inter-company net off are RM1.74M in FY2020 and RM3.20M in FY2019.

It is affected by the pandemic as the final customers are also affected as highlight under FSED analysis above.

Prospect

All export markets' project except Cambodia had been halted due to the pandemic. We are relying on domestic market during FY2020 and making use of the surplus inventory to produce products meant for consumer market.

This is the first time SCC had ventured into business to consumer ("B to C") market and we have enable all employees to act as reseller of the company to promote the products and at the same time, approach potential business customers for large quantities supplies.

Encouraging by the response of our first product, we will be adding variety of flavours in 2021 to capture bigger market shares.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

Prospect (cont'd)

Our sister company in Cambodia had successfully sold a small quantity of our house brand food supplies there and we foresee we will be getting some follow up orders in 2021.



ANTICIPATED OR KNOWN RISKS

Impact of COVID-19 pandemic

The COVID-19 pandemic impacted most of the businesses and livelihood of the people. The Group is exposed to the tighten financial flexibilities and cash flow of our customers particular to those engage in food and beverages, entertainment and events management industries.

We have taken measures to tighten our credit controls while working hand-in-hand with customers to ease their burden and ensuring our relationship can go beyond these difficult periods.

With our strong cash flow and near zero gearing, the impact on cash flow is minimal while revenue will slow down for foodservice industry.

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 6.5 – 7.5% for Malaysia in 2021, with the pandemic subside, economy will be gradually recovered. The Economy Outlook 2021 also forecast that the F&B and ACC will have a 10.7% growth while Agriculture sector could improve by 4.7%.

SCC is using the digital trend as new method to reach our customers. As more and more people will be adapting to a new norm of way of life, even after the pandemic, we will change and adapt to the new form and grow with the trends.

We will be focusing more on our own brand products that could bring in more revenue and profit, which we have 100% control on how to produce it and how much should it cost.

However, despite the positive signal from our planned projects and direction, uncertainties brought by the pandemic still haunt us and we would exercise extra caution in conducting our duties during these periods and are optimistic of the Group's long term prospect.

SUSTAINABILITY STATEMENT

SCC recognized the importance of sustainability and it 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 focusing on the Economic, Environmental and Social (EES) areas and embedded them into our day-to-day culture and the Group's operation and strategies.

ECONOMICS

SCC 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

A different approach had been engage during this pandemic, other than the normal methods like releasing quarterly reports, annual reports and information thorough our corporate website, meetings with fund managers, financial analyst had been conducted through online meetings and products exhibitions are getting the virtual exhibition treatment. Not the best solution but we meant to ensure that our shareholders and investors obtain pertinent information in an apt manner during this COVID-19 period.

Supply Chain Management

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 and the food processing factory is ISO22000:2018 certified. All of our food products are also HALAL certified for safe consumption of our Muslim friends.

Financial Performance

FY2020 had been very challenging for SCC due to the pandemic and the Movement Control Order ("MCO") which led to a slowdown in economic activities. Nevertheless, the Group had managed to stay in profit albeit with a reduced revenue and smaller margin.

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. Apart from the usual save electricity and water usage campaign in the offices, we regularly introduce to our customers products that could reduce the usage of oil, electricity and also time saving like our Henny Penny fryers, TurboChef Rapid Cooker, Irinox blast chillers and Orved vacuum pack machines. Combinations usage of theses products help increase their productivity and at the same time reduce the operating cost and wastage as well.

SOCIAL

Employee and local communities are the Group's key stakeholders. Satisfied employees and vibrant community help SCC getting stronger and prosper. During this pandemic, we have ensured to our employees that there will be no pay-cut nor retrenchment taking place. In appreciation of the hard work done by the front liners and also the under privileges, we distributed some of our products to ease their feelings and bring a little cheer during the hard times.

We have also operated and adhere to a strict SOP during this pandemic to ensure all employees are well protected from COVID-19.





COOKMATE

Cookmate Premix

A hassle free and healthy way to add an exquisite taste to your every meal, Cookmate is a convenient way to create a plethora of authentic food recipes.



Pozila



Pozila Premium Caramel Popcorn

A premium in-house popcorn brand that is delicious, crunchy and uses only the finest ingredients with no preservatives and certified Halal.



FoodieMart

Food At Your Convenience

FoodieMart provides tailored and convenient food products ranging from premixes to snacks and beverages. We pride ourselves on being convenience-focused.

Check out www.foodiemart.com.my for our e-store experience.



Find us on:



Lazada



Shopee



FoodieMart



Scan for more info!



FoodieMart



foodiemart.scc



hello@foodiemart.com.my



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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”) 2017 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 2020 (“FYE 2020”).

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. Adam 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 involves 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 pages 5 to 8.

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 4.6 to 5.1 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 continue 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;

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)

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

- 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
- 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 20th AGM held on 24 Aug 2020 to pay the Directors Fees to the INEDs for the FYE 2019.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

V. Board Remuneration

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 2020 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 | - | - | 1,186 | 21,250 | 382,436 |
| Cher Sew Seng | - | 480,000 | - | 19,200 | 1,186 | 10,625 | 511,011 |
| Goh Ah Heng @ Goh Keng Chin | - | 360,000 | - | 14,400 | 1,186 | 21,250 | 396,836 |
| Chu Soo Meng | - | 440,400 | - | 52,848 | 924 | - | 494,172 |
| Cher Lip Chun | - | 360,000 | - | 43,200 | 924 | 21,250 | 425,374 |
| Dato' Ismail bin Hamzah | 24,000 | 1,200 | - | - | - | - | 25,200 |
| The Late Dato' Dr. Choong Tuck Yew | 10,000 | 500 | - | - | - | - | 10,500 |
| Datuk Wira Dr. Goy Hong Boon | 24,000 | 1,200 | - | - | - | - | 25,200 |
| Tan Tian Wooi | 10,000 | 600 | - | - | - | - | 10,600 |
| Total | 68,000 | 2,003,900 | - | 129,648 | 5,406 | 74,375 | 2,281,329 |

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

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 four (4) 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 | 4/4 | 100 |
| Cher Sew Seng | 4/4 | 100 |
| Goh Ah Heng @ Goh Keng Chin | 4/4 | 100 |
| Dato' Ismail bin Hamzah | 4/4 | 100 |
| The Late Dato' Dr. Choong Tuck Yew (Demised on 20 May 2020) | 1/1 | 100 |
| Datuk Wira Dr. Goy Hong Boon | 4/4 | 100 |
| Tan Tian Wooi (Appointed on 27 July 2020) | 2/2 | 100 |
| Cher Lip Chun | 4/4 | 100 |
| Chu Soo Meng | 4/4 | 100 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

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. | Name | Programme |
|-----|------------------------------------|--|
| 1. | Chee Long Sing @ Cher Hwee Seng | • Impact of Budget 2021 to SME Webinar |
| 2. | Cher Sew Seng | • Doing Business the Jewish Way |
| 3. | Goh Ah Heng @ Goh Keng Chin | • Doing Business the Jewish Way |
| 4. | Dato' Ismail bin Hamzah | • Violations of the Companies Act 2016: Oversight by directors and secretaries |
| 5. | Tan Tian Wooi | • Updates of MFRS 15 AND MFRS 16 • Covid-19 impact on Financial Reporting Going Concern, MFRS 110,120,136 and 9 |
| 6. | Datuk Wira Dr. Goy Hong Boon | • Business Continuity Plan during COVID-19 Pandemic Crisis with Information technology Webinar |
| 7. | Cher Lip Chun | • Doing Business the Jewish Way |
| 8. | Chu Soo Meng | • Henny Penny GVE Virtual Sales Training • Hong Leong Connect First E Class Training |

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' Ismail bin Hamzah is financially literate, possess the appropriate levels of expertise and experience and the rest of the members comprises member of Malaysia Institute of Accountants and also possess many years of corporate management experiences.

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 Senior Manager, Finance Manager and Assistant General Manager.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

II. Risk Management and Internal Control Framework (cont'd)

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 20th 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. Mr. Tan Tian Wooi is a member of the Malaysian Institute of Accountants. Mr. Tan Tian Wooi meets the requirements of Paragraph 15.09(1)(c)(i) of Ace Market Listing Requirements in that he is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

At the end of financial year ended 31 December 2020, the members of the AC are:

| Name | Designation | Directorship |
|------------------------------|-------------|------------------------------------|
| Dato' Ismail bin Hamzah | Chairman | Independent Non-Executive Director |
| Datuk Wira Dr. Goy Hong Boon | Member | Independent Non-Executive Director |
| Tan Tian Wooi | Member | Independent Non-Executive Director |

Meetings

During the financial year under review, the Committee convened four (4) 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 |
|--|------------|
| Dato' Dr. Choong Tuck Yew (Demised on 20 May 2020) | 1/1 |
| Dato' Ismail bin Hamzah (Chairman) | 4/4 |
| Datuk Wira Dr. Goy Hong Boon | 4/4 |
| Tan Tian Wooi (Appointed on 27 July 2020) | 2/2 |

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. Reviewed the Group Annual Report prior to submission to the Board for consideration and approval.
- 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 2020.

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 2020.

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 2020, CGRM tabled a report for AC's review covering the Internal Audit of Machineries and Equipment Maintenance Management and follow up on Internal Audit Report Issued in November 2019 for Spare Parts Management and Warranty Management of the Technical Service Division.

On 20 November 2020, CGRM tabled a report for AC's review in respect of the Servers Management, Software General Access Controls Management and Data Management of the Information Technology (IT) Department and follow-up on Internal Audit Report Issued in May 2020 Machineries and Equipment Maintenance Management of SCC food Manufacturing.

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 2020 was RM31,800 (FYE 2019 – RM31,800.00).

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 RM63,500.00 for the financial year ended 31 December 2020.

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 2020.

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 2020.

STATEMENT ON 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 ON 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.

STATEMENT ON 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 2020. 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 6 April 2021.

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.

FINANCIAL STATEMENTS AND REPORTS

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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 2020.

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/(loss) for the financial year attributable to owners of the parent | 1,522 | (140) |

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.

DIVIDENDS

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

| | RM'000 |
|---|--------|
| A second interim single-tier dividend of RM0.017 per ordinary share in respect of the financial year ended 31 December 2019 on 9 January 2020 | 2,400 |

The Board of Directors does not recommend a final dividend to be paid in respect of the financial year ended 31 December 2020.

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.

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)
 Tan Tian Wooi (appointed on 27 July 2020)
 Dato' Dr. Choong Tuck Yew (demised on 20 May 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 1.1.2020 | Bought | Sold | At 31.12.2020 |
| Interests in the Company | | | | |
| Direct interests: | | | | |
| Chee Long Sing @ Cher Hwee Seng | 30,686,784 | - | - | 30,686,784 |
| Cher Lip Chun | 1,024,802 | - | - | 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 |
| Cher Chou Chiang | 740,000 | - | - | 740,000 |
| Indirect interests: | | | | |
| Chee Long Sing @ Cher Hwee Seng # | 805,249 | - | - | 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 Enterprises (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.

DIRECTORS' REPORT

(CONT'D)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

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' 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 28(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 28(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.

DIRECTORS' REPORT

(CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

(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.

SUBSIDIARY COMPANIES

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

SIGNIFICANT EVENT

Details of significant event is disclosed in Note 32 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 22 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 April 2021.

.....
CHEE LONG SING @ CHER HWEE SENG

.....
CHER LIP CHUN

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 39 to 101 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 2020 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 27 April 2021.

.....
CHEE LONG SING @ CHER HWEE SENG

.....
CHER LIP CHUN

KUALA LUMPUR

STATUTORY DECLARATION

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

I, Wong Pow Yee (MIA Membership No: 20702), 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 39 to 101 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 27 April 2021)

WONG POW YEE

Before me,

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 2020 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 39 to 101.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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>Valuation of 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 30(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>For trade receivables and the management's estimation for trade receivables impairment provision, the key audit procedures included the following:</p> <ul style="list-style-type: none"> • We sent trade receivables balance confirmations and performed alternative audit procedures for those trade receivables not replied us by vouching to the invoices and delivery orders and checking to the subsequent collections; • We analysed the aging of trade receivables; and • We analysed and assessed the recoverability of those trade receivables exceeded credit terms and through enquiring with management and by obtaining sufficient and appropriate audit evidences to support the conclusion. |

INDEPENDENT AUDITORS' REPORT

(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

(CONT'D)

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

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

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: (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, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary company of which we have not acted as auditors, are disclosed at Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the 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
27 April 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| | | Group | | Company | |
|---------------------------------------|------|---------------|---------------|---------------|---------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | |
| Non-current Assets | | | | | |
| Property, plant and equipment | 4 | 4,843 | 5,341 | - | - |
| Right-of-use assets | 5 | 596 | 814 | - | - |
| Investments in subsidiary companies | 6 | - | - | 16,343 | 16,343 |
| Goodwill on consolidation | 7 | 8 | 8 | - | - |
| Investment securities | 8 | 74 | 72 | - | - |
| Amount due from subsidiary companies | 12 | - | - | 6,553 | - |
| | | 5,521 | 6,235 | 22,896 | 16,343 |
| Current Assets | | | | | |
| Inventories | 9 | 11,318 | 10,858 | - | - |
| Trade receivables | 10 | 9,647 | 13,212 | - | - |
| Other receivables | 11 | 946 | 1,303 | 2 | 47 |
| Amounts due from subsidiary companies | 12 | - | - | 1,966 | 7,466 |
| Tax recoverable | | 365 | 67 | 47 | 14 |
| Other investments | 13 | 17,592 | 14,725 | 1,635 | 5,031 |
| Cash and bank balances | | 6,011 | 5,764 | 229 | 429 |
| | | 45,879 | 45,929 | 3,789 | 12,987 |
| Total Assets | | 51,400 | 52,164 | 26,775 | 29,330 |

STATEMENTS OF FINANCIAL POSITION

(CONT'D)

| | | Group | | Company | |
|-------------------------------------|------|---------------|---------------|---------------|---------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| EQUITY | | | | | |
| Share capital | 14 | 24,079 | 24,079 | 24,079 | 24,079 |
| Reserves | 15 | 20,490 | 18,957 | 2,589 | 2,729 |
| Total Equity | | 44,569 | 43,036 | 26,668 | 26,808 |
| LIABILITIES | | | | | |
| Non-current Liabilities | | | | | |
| Lease liabilities | 16 | 309 | 499 | - | - |
| Deferred tax liabilities | 17 | 97 | 86 | - | - |
| | | 406 | 585 | - | - |
| Current Liabilities | | | | | |
| Trade payables | 18 | 4,581 | 3,632 | - | - |
| Other payables | 19 | 1,414 | 3,870 | 107 | 2,522 |
| Lease liabilities | 16 | 330 | 355 | - | - |
| Tax payables | | 100 | 686 | - | - |
| | | 6,425 | 8,543 | 107 | 2,522 |
| Total Liabilities | | 6,831 | 9,128 | 107 | 2,522 |
| Total Equity and Liabilities | | 51,400 | 52,164 | 26,775 | 29,330 |

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 2020

| | | Group | | Company | |
|---|------|----------|----------|---------|---------|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 20 | 45,410 | 65,173 | 3,588 | 8,389 |
| Cost of sales | | (30,905) | (42,921) | - | - |
| Gross profit | | 14,505 | 22,252 | 3,588 | 8,389 |
| Other income | | 967 | 1,165 | 60 | 155 |
| Selling and distribution expenses | | (3,932) | (5,583) | (26) | (40) |
| Administrative expenses | | (8,957) | (9,984) | (3,762) | (4,366) |
| Net impairment gain/(loss) on trade receivables | 22 | 40 | (170) | - | - |
| Finance costs | 21 | (63) | (71) | - | - |
| Profit/(Loss) before taxation | 22 | 2,560 | 7,609 | (140) | 4,138 |
| Taxation | 23 | (1,038) | (2,182) | - | - |
| Profit/(Loss) for the financial year | | 1,522 | 5,427 | (140) | 4,138 |

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(CONT'D)

| | | Group | | Company | |
|---|------|--------|--------|---------|--------|
| | | 2020 | 2019 | 2020 | 2019 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Other comprehensive income: | | | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | | | |
| - Exchange translation differences for foreign operations | | 9 | 3 | - | - |
| - Fair value gain/(loss) of fair value through other comprehensive income | | 2 | (6) | - | - |
| Other comprehensive income/ (loss) for the financial year | | 11 | (3) | - | - |
| Total comprehensive income/ (loss) for the financial year | | 1,533 | 5,424 | (140) | 4,138 |
| Net profit/(loss) for the financial year attributable to: | | | | | |
| Owners of the Company | | 1,522 | 5,427 | (140) | 4,138 |
| Total comprehensive income/ (loss) attributable to: | | | | | |
| Owners of the Company | | 1,533 | 5,424 | (140) | 4,138 |
| Earnings per share: | | | | | |
| - Basic | 24 | 1.08 | 3.84 | | |
| - Diluted | 24 | 1.08 | 3.84 | | |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Attributable to Owners of the Parent | | | | |
|--|--------------------------------------|--|------------------------------|-----------------------------|-----------------|
| | Non-Distributable | | Distributable | | |
| Group | Share Capital RM'000 | Foreign Currency Translation Reserve RM'000 | Fair value Reserve RM'000 | Retained Earnings RM'000 | Total RM'000 |
| At 1 January 2020 | 24,079 | 3 | 64 | 18,890 | 43,036 |
| Net profit for the financial year | - | - | - | 1,522 | 1,522 |
| Other comprehensive income for the financial year | - | 9 | 2 | - | 11 |
| Total comprehensive income for the financial year | - | 9 | 2 | 1,522 | 1,533 |
| At 31 December 2020 | 24,079 | 12 | 66 | 20,412 | 44,569 |

STATEMENTS OF CHANGES IN EQUITY

(CONT'D)

| Group | Note | Attributable to Owners of the Parent | | | | |
|---|------|--------------------------------------|--------------------------------------|--------------------|-------------------|---------|
| | | Non-Distributable | | Distributable | | |
| | | Share Capital | Foreign Currency Translation Reserve | Fair value Reserve | Retained Earnings | Total |
| | | 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 |
| Transactions with owners: | | | | | | |
| Dividends paid/payable | 25 | - | - | - | (4,799) | (4,799) |
| Total transactions with owners | | - | - | - | (4,799) | (4,799) |
| At 31 December 2019 | | 24,079 | 3 | 64 | 18,890 | 43,036 |

STATEMENTS OF CHANGES IN EQUITY

(CONT'D)

| Company | Note | Non-Distributable Share Capital RM'000 | Distributable Retained Earnings RM'000 | Total 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 |
| Transactions with owners: | | | | |
| Dividends paid/payable | 25 | - | (4,799) | (4,799) |
| At 31 December 2019 | | 24,079 | 2,729 | 26,808 |
| At 1 January 2020 | | 24,079 | 2,729 | 26,808 |
| Net loss for the financial year, representing total comprehensive loss for the financial year | | - | (140) | (140) |
| Transactions with owners: | | | | |
| Dividends paid/payable | | - | - | - |
| At 31 December 2020 | | 24,079 | 2,589 | 26,668 |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash Flows From Operating Activities | | | | |
| Profit/(Loss) before taxation | 2,560 | 7,609 | (140) | 4,138 |
| Adjustments for: | | | | |
| Amortisation of right-of-use assets | 394 | 335 | - | - |
| Depreciation of property, plant and equipment | 656 | 699 | - | - |
| Dividend income | (1) | - | - | (4,801) |
| Fair value gain of financial assets | (372) | (481) | (54) | (148) |
| Impairment loss on trade receivables | 274 | 279 | - | - |
| Interest expense | 63 | 71 | - | - |
| Plant and equipment written off | - | 2 | - | - |
| Gain on disposal of property, plant and equipment | - | (87) | - | - |
| Interest income | (50) | (86) | (4) | (6) |
| Reversal of impairment loss on trade receivables | (314) | (109) | - | - |
| Rent concession related to Covid-19 | (20) | - | - | - |
| Unrealised gain on foreign exchange | (160) | (223) | (2) | (2) |
| Operating profit/(loss) before working capital changes | 3,030 | 8,009 | (200) | (819) |
| Changes in working capital: | | | | |
| Inventories | (460) | (2,910) | - | - |
| Trade receivables | 3,605 | 1,633 | - | - |
| Other receivables | 357 | 1,912 | 45 | 19 |
| Trade payables | 949 | (1,412) | - | - |
| Other payables | (56) | 83 | (15) | (4) |
| | 4,395 | (694) | (30) | 15 |
| Cash generated from/(used in) operations | 7,425 | 7,315 | (170) | (804) |
| | | | | |
| Tax refund | - | 186 | - | 37 |
| Tax paid | (1,910) | (2,530) | (33) | (16) |
| | (1,910) | (2,344) | (33) | 21 |
| Net cash from/(used in) operating activities | 5,515 | 4,971 | (203) | (783) |

STATEMENTS OF CASH FLOWS

(CONT'D)

| | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash Flows From Investing Activities | | | | |
| Dividend received | 1 | - | - | 4,801 |
| Interest received | 50 | 86 | 4 | 6 |
| Purchase of property, plant and equipment | (158) | (501) | - | - |
| Revaluation gain on quoted shares | - | (12) | - | - |
| Net changes in other investments | (2,495) | (547) | 3,450 | 1,400 |
| Proceeds from disposal of property, plant and equipment | - | 88 | - | - |
| Increase in investment in a subsidiary | - | - | - | (41) |
| Net cash (used in)/from investing activities | (2,602) | (886) | 3,454 | 6,166 |
| Cash Flows From Financing Activities | | | | |
| Subsidiary companies | - | - | (1,051) | (833) |
| Dividend paid | (2,400) | (4,799) | (2,400) | (4,799) |
| Interest paid | (63) | (71) | - | - |
| Repayment of lease liabilities | (371) | (319) | - | - |
| Net cash used in financing activities | (2,834) | (5,189) | (3,451) | (5,632) |
| Net changes in cash and cash equivalents | 79 | (1,104) | (200) | (249) |
| Cash and cash equivalents at beginning of the financial year | 5,764 | 6,642 | 429 | 678 |
| Effect of exchange translation differences on cash and cash equivalent | 168 | 226 | - | - |
| Cash and cash equivalents at end of the financial year | 6,011 | 5,764 | 229 | 429 |
| Cash and cash equivalents at the end at the end of the financial of the financial year comprises: | | | | |
| Cash and bank balances | 6,011 | 5,764 | 229 | 429 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 19-21, Jalan Hujan, Taman Overseas Union, 5th Miles, 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 amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

| | |
|--|--------------------------------|
| Amendments to References to the Conceptual Framework in MFRS Standards | |
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 | Interest Rate Benchmark Reform |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |

Early adoption of amendments to MFRS

In current financial year, the Group and the Company have elected to early adopt Amendments to MFRS 16 Covid-19-Related Rent Concessions which is effective from the annual period, beginning on or after 1 June 2020.

The amendments grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) Any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (iii) There is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

The adoption of the amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

| | | <u>Effective dates for financial periods beginning on or after</u> |
|--|---|--|
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 | Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to MFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 116 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements to MFRS Standards- 2018 - 2020 | Amendments to MFRS 1 Amendments to MFRS 9 Amendments to MFRS 16 Amendments to MFRS 141 | 1 January 2022 |
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 10 and MFRS 128 | Sales or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |

The Group and the Company intend to adopt the above MFRSs when they become effective.

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.

(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 rounded to the nearest thousand ("RM'000"), 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

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

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 buildings and shoplots 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 ("ROU") assets

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 Notes 4 and 5 respectively to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

(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 reviews 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 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 30(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 judgement 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.

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 and the Company recognise 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 2020, the Group and the Company has tax recoverable of RM365,000 (2019: RM67,000) and RM47,000 (2019: RM14,000) respectively and tax payable of RM100,000 (2019: RM686,000) and RM Nil (2019: RM Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 30(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

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

| | |
|--|----------|
| Freehold 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases

(i) As lessee

The Group 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 is reasonably certain to exercise.

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 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 does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

(ii) As lessor (Cont'd)

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

The Group recognises 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 uses 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.

(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 companies and cash and bank balances.

(i) Financial assets at amortised cost

The Group and the Company measure 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 STATEMENTS

(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 commit 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 STATEMENTS

(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 equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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 STATEMENTS

(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 an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 recognises 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.

(iii) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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) Segments reporting

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 STATEMENTS

(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 |
|---------------------------------|---|---|---------------------|-----------------------------|----------------------|-----------------|
| 2020 | | | | | | |
| Cost | | | | | | |
| At 1 January | 3,518 | 2,161 | 1,446 | 1,655 | 1,631 | 10,411 |
| Additions | - | 67 | 91 | - | - | 158 |
| Written off | - | (2) | - | - | - | (2) |
| At 31 December | 3,518 | 2,226 | 1,537 | 1,655 | 1,631 | 10,567 |
| Accumulated depreciation | | | | | | |
| At 1 January | 951 | 1,432 | 861 | 1,210 | 616 | 5,070 |
| Charge for the financial year | 70 | 123 | 104 | 200 | 159 | 656 |
| Written off | - | (2) | - | - | - | (2) |
| At 31 December | 1,021 | 1,553 | 965 | 1,410 | 775 | 5,724 |
| Carrying amount | | | | | | |
| At 31 December | 2,497 | 673 | 572 | 245 | 856 | 4,843 |

NOTES TO THE FINANCIAL STATEMENTS

(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 |
|---------------------------------|------------------------------------|---|------------------|-----------------------|-------------------|--------------|
| 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 STATEMENTS

(CONT'D)

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

(a) Assets pledged as securities to licensed banks

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:

| | Group | |
|---------------|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Freehold land | 1,143 | 1,143 |
| Buildings | 1,093 | 1,156 |
| | 2,236 | 2,299 |

There are no utilisation of credit facilities as at 31 December 2020.

5. RIGHT-OF USE ASSETS

| | Buildings | Shoplots | Total |
|---------------------------------|-----------|----------|--------|
| | RM'000 | RM'000 | RM'000 |
| Group | | | |
| 2020 | | | |
| Cost | | | |
| At 1 January 2020 | 267 | 1,098 | 1,365 |
| Additions | 176 | - | 176 |
| Exchange differences | (3) | - | (3) |
| At 31 December 2020 | 440 | 1,098 | 1,538 |
| Accumulated amortisation | | | |
| At 1 January 2020 | 108 | 443 | 551 |
| Charge for the financial year | 148 | 246 | 394 |
| Exchange differences | (3) | - | (3) |
| At 31 December 2020 | 253 | 689 | 942 |
| Carrying amount | | | |
| At 31 December 2020 | 187 | 409 | 596 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

5. RIGHT-OF USE ASSETS (CONT'D)

| | Buildings RM'000 | Shoplots RM'000 | Total RM'000 |
|---------------------------------|---------------------|--------------------|-----------------|
| Group | | | |
| 2019 | | | |
| Cost | | | |
| At 1 January 2019 | - | - | - |
| 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 | 267 | 1,098 | 1,365 |
| Accumulated amortisation | | | |
| At 1 January 2019 | - | - | - |
| 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 | 108 | 443 | 551 |
| Carrying amount | | | |
| At 31 December 2019 | 159 | 655 | 814 |

6. INVESTMENTS IN SUBSIDIARY COMPANIES

| | Company 2020 RM'000 | 2019 RM'000 |
|--------------------------|---------------------------|----------------|
| Unquoted shares at cost: | | |
| - In Malaysia | 16,300 | 16,300 |
| - Outside Malaysia | 43 | 43 |
| | 16,343 | 16,343 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

| Name of company | Place of business/ Country of incorporation | Effective interest | | Principal activities |
|--|--|--------------------|-----------|--|
| | | 2020 % | 2019 % | |
| Anitox (M) Sdn. Bhd. ("ASB") | Malaysia | 100 | 100 | Selling, marketing and distribution of animal health products. |
| SCC Food Manufacturing Sdn. Bhd. ("SCCFM") | Malaysia | 100 | 100 | Processing and purchasing products. |
| 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. |
| S-Cnergy Co., Ltd ("S-Cnergy")* | Cambodia | 100 | 100 | Import and export of kitchen supplies |
| Held through SCCC | | | | |
| Positive Insight Sdn. Bhd. ("PI") | Malaysia | 100 | 100 | Selling, marketing and distribution of animal health products. |
| Knowledge Mission Sdn. Bhd. ("KM") | Malaysia | 100 | 100 | Dormant. |

* Subsidiary company not audited by UHY

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

7. GOODWILL ON CONSOLIDATION

| | Group | |
|--------------------------|--------|--------|
| | 2020 | 2019 |
| | 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 | |
|--|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Fair value through other comprehensive income | | |
| Quoted securities in Malaysia | | |
| - Equity instruments, at fair value | 74 | 72 |

9. INVENTORIES

| | Group | |
|---|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Finished goods at cost: | | |
| Food service equipment | 8,448 | 8,800 |
| Animal health products | 2,633 | 1,521 |
| Food service supplies | 230 | 536 |
| E-commerce stocks | 7 | 1 |
| | 11,318 | 10,858 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 29,830 | 41,740 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

10. TRADE RECEIVABLES

| | Group | |
|-------------------------------------|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Trade receivables | 9,975 | 13,594 |
| Less: Accumulated impairment losses | (328) | (382) |
| | <u>9,647</u> | <u>13,212</u> |

The Group's normal credit terms range from 30 to 120 days (2019: 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 | |
|-------------------|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables | 132 | 77 | - | - |
| Deposits | 610 | 387 | 2 | 2 |
| Prepayments | 202 | 806 | - | 14 |
| GST recoverable | 1 | 32 | - | 31 |
| VAT Input Tax | 1 | 1 | - | - |
| | <u>946</u> | <u>1,303</u> | <u>2</u> | <u>47</u> |

12. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

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

13. OTHER INVESTMENTS

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets at fair value through profit or loss: | | | | |
| - Unquoted money market fund | <u>17,592</u> | <u>14,725</u> | <u>1,635</u> | <u>5,031</u> |

The interest rates of other investments of the Group and of the Company range from 0.02% to 0.27% (2019: 0.02% to 0.29%) per annum and 0.02% to 0.27% (2019: 0.02% to 0.29%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

14. SHARE CAPITAL

| Group and Company | | | |
|-------------------|-----------|--------|--------|
| Number of Shares | | Amount | |
| 2020 | 2019 | 2020 | 2019 |
| Units'000 | Units'000 | RM'000 | RM'000 |

Issued and fully paid shares

Ordinary Shares

| | | | | |
|--------------------------|---------|---------|--------|--------|
| At 1 January/31 December | 141,161 | 141,161 | 24,079 | 24,079 |
|--------------------------|---------|---------|--------|--------|

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

15. RESERVES

| Group | | Company | |
|--------|--------|---------|--------|
| 2020 | 2019 | 2020 | 2019 |
| RM'000 | RM'000 | RM'000 | RM'000 |

Non-distributable

| | | | | |
|--------------------------------------|----|----|---|---|
| Fair value reserve | 66 | 64 | - | - |
| Foreign currency translation reserve | 12 | 3 | - | - |

Distributable

| | | | | |
|-------------------|--------|--------|-------|-------|
| Retained earnings | 20,412 | 18,890 | 2,589 | 2,729 |
| | 20,490 | 18,957 | 2,589 | 2,729 |

Fair value reserve

| Group | |
|--------|--------|
| 2020 | 2019 |
| RM'000 | RM'000 |

Non-distributable

| | | |
|--|----|-----|
| At 1 January | 64 | 70 |
| Fair value gain/(loss) on financial asset at fair value through other comprehensive income | 2 | (6) |
| At 31 December | 66 | 64 |

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

15. RESERVES (CONT'D)

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.

16. LEASE LIABILITIES

| | Group | |
|-------------------------------------|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| At 1 January | 854 | - |
| - Effect of adoption of MFRS 16 | - | 544 |
| At 1 January, as restated | 854 | 544 |
| Additions | 176 | 629 |
| Rent concession related to Covid-19 | (20) | - |
| Repayments | (371) | (319) |
| At 31 December | 639 | 854 |
| Presented as: | | |
| Non-current | 309 | 499 |
| Current | 330 | 355 |
| | 639 | 854 |

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

| | Group | |
|---|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Within one year | 369 | 409 |
| Later than one year and not later than five years | 331 | 547 |
| | 700 | 956 |
| Less: Future finance charges | (61) | (102) |
| Present value of lease liabilities | 639 | 854 |

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

Obligations under lease liabilities

These obligations are secured by a charge over the leased assets as disclosed in Note 5 to the financial statements. The interest rate of the Group for the leases is 7.89% (2019: 7.89%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

17. DEFERRED TAX LIABILITIES

| | Group | |
|------------------------------|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| At 1 January | 86 | 92 |
| Recognised in profit or loss | 11 | (6) |
| At 31 December | 97 | 86 |

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

| | Group | |
|--------------------------|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Deferred tax assets | (84) | (84) |
| Deferred tax liabilities | 181 | 170 |
| | 97 | 86 |

The components and movements of deferred tax asset and deferred liability are as follows:

Deferred tax asset of the Group

| | Unabsorbed capital allowances RM'000 |
|------------------------------|---|
| Group | |
| 2020 | |
| At 1 January/31 December | (84) |
| 2019 | |
| At 1 January | (67) |
| Recognised in profit or loss | (17) |
| At 31 December | (84) |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

17. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax asset and liability are as follows: (Cont'd)

Deferred tax liability of the Group

| | Accelerated Capital Allowance RM'000 |
|------------------------------|---|
| Group | |
| 2020 | |
| At 1 January | 170 |
| Recognised in profit or loss | 11 |
| At 31 December | 181 |
| 2019 | |
| At 1 January | 159 |
| Recognised in profit or loss | 11 |
| At 31 December | 170 |

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

| | Group | | Company | |
|-------------------------------|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unused tax losses | 3,047 | 2,022 | 1,187 | 1,131 |
| Unabsorbed capital allowances | 277 | 152 | 1 | 1 |
| | 3,324 | 2,174 | 1,188 | 1,132 |

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 (2019: 30 to 90 days) from the date of invoices.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

19. OTHER PAYABLES

| | Group | | Company | |
|-------------------|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other payables | 436 | 399 | 2 | - |
| Dividend payables | - | 2,400 | - | 2,400 |
| Deposits | 442 | 367 | - | - |
| Accruals | 523 | 697 | 105 | 122 |
| GST payable | 4 | 6 | - | - |
| VAT output tax | 9 | 1 | - | - |
| | 1,414 | 3,870 | 107 | 2,522 |

20. REVENUE

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue from contracts with customers | | | | |
| Trading sales: | | | | |
| - food service equipment | 14,831 | 34,402 | - | - |
| - animal health products | 30,453 | 30,702 | - | - |
| - food service supplies | 126 | 69 | - | - |
| Management fees | - | - | 3,588 | 3,588 |
| | 45,410 | 65,173 | 3,588 | 3,588 |
| Revenue from other sources | | | | |
| Dividend income | - | - | - | 4,801 |
| | 45,410 | 65,173 | 3,588 | 8,389 |

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

21. FINANCE COSTS

| | Group | |
|-----------------------------|--------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Interest expense on: | | |
| - Lease liabilities | 63 | 71 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

22. PROFIT/(LOSS) BEFORE TAXATION

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

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Auditors' remuneration: | | | | |
| - Statutory audit | | | | |
| - Current year | 59 | 59 | 17 | 15 |
| - Underprovision in prior year | 1 | - | 1 | - |
| - Non-statutory audit | 5 | 5 | 5 | 5 |
| Amortisation of right-of-use assets | 394 | 335 | - | - |
| Depreciation of property, plant and equipment | 656 | 699 | - | - |
| Directors' remunerations: | | | | |
| - Non-Executive Directors fees | 68 | 72 | 68 | 72 |
| Fair value gain on financial assets | (372) | (481) | (54) | (148) |
| Gain on disposal of property, plant and equipment | - | (87) | - | - |
| Loss/(gain) on foreign exchange: | | | | |
| - realised | 86 | (33) | - | - |
| - unrealised | (160) | (223) | (2) | (2) |
| Impairment loss on trade receivable | 274 | 279 | - | - |
| Reversal of impairment loss on trade receivables | (314) | (109) | - | - |
| Net (gain)/loss on impairment of trade receivables | (40) | 170 | - | - |
| Interest income | (50) | (86) | (4) | (6) |
| Property, plant and equipment written off | - | 2 | - | - |
| Lease expenses relating to short-term leases | 589 | 594 | - | - |
| Rent concession related to Covid-19 | (20) | - | - | - |
| Rental income | (167) | (204) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

23. TAXATION

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax expenses recognised in profit or loss | | | | |
| Malaysian statutory tax: | | | | |
| - Current tax provision | 1,240 | 2,468 | - | - |
| - Over provision in prior years | (213) | (280) | - | - |
| | 1,027 | 2,188 | - | - |
| Deferred tax: | | | | |
| - Origination and reversal of temporary differences | 5 | (2) | - | - |
| - Under/(over) provision in prior years | 6 | (4) | - | - |
| | 11 | (6) | - | - |
| | 1,038 | 2,182 | - | - |

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 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/(loss) 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 | |
|--|--------|--------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) before taxation | 2,560 | 7,609 | (140) | 4,138 |
| At Malaysian statutory tax rate of 24% (2019: 24%) | 614 | 1,827 | (34) | 993 |
| Effect of different tax rate in other jurisdictions | 43 | 10 | - | - |
| Expenses not deductible for tax purposes | 426 | 492 | 32 | 41 |
| Income not subject to tax | (114) | (158) | (12) | (1,185) |
| Deferred tax assets not recognised | 276 | 295 | 14 | 151 |
| Over provision of taxation in prior years | (213) | (280) | - | - |
| Under/(Over) provision of deferred taxation of prior years | 6 | (4) | - | - |
| | 1,038 | 2,182 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

24. 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 parent and the weighted average number of ordinary shares in issue during the financial year as follows:

| | Group | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Profit attributable to owners of the parent | 1,522 | 5,427 |
| Weighted average number of ordinary shares in issue ('000) | 141,161 | 141,161 |
| Basic earnings per ordinary share (sen): | 1.08 | 3.84 |

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.

25. DIVIDENDS

| | Group and Company | |
|--|--------------------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Interim dividends paid in respect of the financial year ended: | | |
| - 31 December 2019 (first single-tier dividend of 1.7 sen per ordinary share) | - | 2,399 |
| - 31 December 2019 (second single-tier dividend of 1.7 sen per ordinary share) | - | 2,400 |
| | - | 4,799 |

The Board of Directors does not recommend the payment of a final dividend for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

26. EMPLOYEE BENEFIT EXPENSES

| | Group | | Company | |
|----------------------------|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries, wages and others | 7,140 | 8,313 | 3,048 | 3,626 |
| EPF | 834 | 935 | 274 | 316 |
| Other related expenses | 182 | 199 | 17 | 40 |
| Benefits-in-kind | 74 | 78 | 74 | 78 |
| | 8,230 | 9,525 | 3,413 | 4,060 |

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 | |
|----------------------------|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Executive Directors</u> | | | | |
| Salaries, wages and others | 2,005 | 2,411 | 1,824 | 2,230 |
| EPF | 130 | 152 | 125 | 146 |
| Benefits-in-kind | 74 | 78 | 74 | 78 |
| | 2,209 | 2,641 | 2,023 | 2,454 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

27. 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 | New lease RM'000 | Financing cash flows (i) RM'000 | Other changes (ii) RM'000 | At 31 December RM'000 |
|-------------------|--|---|--|---------------------|---------------------------------------|---------------------------------|-----------------------------|
| Group | | | | | | | |
| 2020 | | | | | | | |
| Lease liabilities | 854 | - | 854 | 176 | (371) | (20) | 639 |
| Dividend payable | 2,400 | - | 2,400 | - | (2,400) | - | - |
| | 3,254 | - | 3,254 | 176 | (2,771) | (20) | 639 |
| 2019 | | | | | | | |
| Lease liabilities | - | 544 | 544 | 629 | (319) | - | 854 |
| Dividend payable | 2,400 | - | 2,400 | - | (4,799) | 4,799 | 2,400 |
| | 2,400 | 544 | 2,944 | 629 | (5,118) | 4,799 | 3,254 |
| Company | | | | | | | |
| 2020 | | | | | | | |
| Dividend payable | 2,400 | - | 2,400 | - | (2,400) | - | - |
| 2019 | | | | | | | |
| Dividend payable | 2,400 | - | 2,400 | - | (4,799) | 4,799 | 2,400 |

- (i) The financing cash flows include the net amount of proceeds from or repayments of lease liabilities and payment of dividends in the statements of cash flows.
(ii) Other changes include dividends declared and rent concession related to Covid-19.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

28. 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:

| | 2020 RM'000 | 2019 RM'000 |
|------------------------------------|----------------|----------------|
| Group | | |
| Rental paid | | |
| - McDota (M) Sdn. Bhd.* | 44 | 48 |
| - Kumsan Enterprise (M) Sdn. Bhd. | 77 | 84 |
| - Mr Cher Hwee Seng | 99 | 108 |
| - Sim Ah Choon [#] | 55 | 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 |
| - Anitox (M) Sdn. Bhd. | - | 800 |
| 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 STATEMENTS

(CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

The key management personnel compensation is as follows:

| | Group | | Company | |
|---------------------------------------|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Company | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 2,005 | 2,411 | 1,824 | 2,230 |
| EPF | 130 | 152 | 125 | 146 |
| | 2,135 | 2,563 | 1,949 | 2,376 |
| Benefits-in-kind | 74 | 78 | 74 | 78 |
| | 2,209 | 2,641 | 2,023 | 2,454 |
| Non-Executive: | | | | |
| Fees | 68 | 72 | 68 | 72 |
| | 2,277 | 2,713 | 2,091 | 2,526 |
| Other key management personnel | | | | |
| Salaries and other emoluments | 1,800 | 2,099 | 426 | 480 |
| EPF | 216 | 252 | 51 | 58 |
| | 2,016 | 2,351 | 477 | 538 |
| Total | 4,293 | 5,064 | 2,568 | 3,064 |

29. 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:

- (a) Food service equipment segment includes the selling activities of 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.
- (b) The animal health product segment includes the selling of antimicrobial preservatives and feed additives. Antimicrobial preservative reduces mould and bacterial levels in feeds and feed ingredients. Feed additives are substances which are to be added in small or micro quantities to macronutrient of animal feed to provide specific health or nutrition effects in a concentrated manner.
- (c) 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 STATEMENTS

(CONT'D)

29. OPERATING SEGMENTS (CONT'D)

| | Food Service Equipment RM'000 | Animal Health Products RM'000 | Others RM'000 | Total RM'000 | Elimination/ adjustments RM'000 | Consolidated RM'000 |
|--------------------|-------------------------------------|-------------------------------------|------------------|-----------------|---------------------------------------|------------------------|
| 2020 | | | | | | |
| Revenue | | | | | | |
| External customers | 14,831 | 30,453 | 126 | 45,410 | - | 45,410 |
| Inter-segment: | | | | | | |
| - Trading sales | 223 | - | 1,718 | 1,941 | (1,941) (A) | - |
| - Management fee | - | - | 3,588 | 3,588 | (3,588) (A) | - |
| Total revenue | 15,054 | 30,453 | 5,432 | 50,939 | (5,529) | 45,410 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

29. OPERATING SEGMENTS (CONT'D)

| | Food Service Equipment RM'000 | Animal Health Products RM'000 | Others RM'000 | Total RM'000 | Elimination/ adjustments RM'000 | Consolidated RM'000 |
|--|-------------------------------------|-------------------------------------|------------------|-----------------|---------------------------------------|------------------------|
| 2020 | | | | | | |
| Results | | | | | | |
| Fair value gain on financial assets | - | 114 | 260 | 374 | - | 374 |
| Rent concession related to Covid-19 | - | - | 20 | 20 | - | 20 |
| Interest income | - | 20 | 30 | 50 | - | 50 |
| Rental income | 28 | 225 | 178 | 431 | (264) (B) | 167 |
| Reversal of impairment loss on trade receivables | 261 | 53 | - | 314 | - | 314 |
| Unrealised gain on foreign exchange | - | 11 | 149 | 160 | - | 160 |
| Miscellaneous income | 78 | 1 | 118 | 197 | - | 197 |
| Amortisation of right-of-use assets | - | - | (394) | (394) | - | (394) |
| Depreciation of property, plant and equipment | (2) | (69) | (585) | (656) | - | (656) |
| Impairment loss on trade receivables | (246) | - | (28) | (274) | - | (274) |
| Interest expense | - | - | (63) | (63) | - | (63) |
| Unallocated corporate expenses | (11,788) | (27,069) | (9,638) | (48,495) | 5,750 (B) | (42,745) |
| | (11,669) | (26,714) | (9,953) | (48,336) | 5,486 | (42,850) |
| Segment profit/(loss) | 3,385 | 3,739 | (4,521) | 2,603 | (43) | 2,560 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

29. OPERATING SEGMENTS (CONT'D)

| | Food Service Equipment RM'000 | Animal Health Products RM'000 | Others RM'000 | Total RM'000 | Elimination/ adjustments RM'000 | Consolidated RM'000 |
|---------------------------------|-------------------------------------|-------------------------------------|------------------|-----------------|---------------------------------------|------------------------|
| 2020 | | | | | | |
| Assets | | | | | | |
| Additions to non-current assets | - | 66 | 120 | 186 | (28) | 158 |
| Tax recoverable | - | 64 | 301 | 365 | - | 365 |
| Segment assets | 11,243 | 19,984 | 45,211 | 76,438 | (25,561) (C) | 50,877 |
| | 11,243 | 20,114 | 45,632 | 76,989 | (25,589) | 51,400 |
| Liabilities | | | | | | |
| Deferred tax liabilities | 88 | 9 | - | 97 | - | 97 |
| Tax payables | - | - | 100 | 100 | - | 100 |
| Segment liabilities | 210 | 5,756 | 9,553 | 15,519 | (8,885) (C) | 6,634 |
| | 298 | 5,765 | 9,653 | 15,716 | (8,885) | 6,831 |
| Capital expenditure | | | | | | |
| Property, plant and equipment | - | 66 | 120 | 186 | (28) | 158 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

29. OPERATING SEGMENTS (CONT'D)

| | Food Service Equipment RM'000 | Animal Health Products RM'000 | Others RM'000 | Total RM'000 | Elimination/ adjustments RM'000 | Consolidated RM'000 |
|--------------------|-------------------------------------|-------------------------------------|------------------|-----------------|---------------------------------------|------------------------|
| 2019 | | | | | | |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

29. OPERATING SEGMENTS (CONT'D)

| | Food Service Equipment RM'000 | Animal Health Products RM'000 | Others RM'000 | Total RM'000 | Elimination/ adjustments RM'000 | Consolidated RM'000 |
|---|-------------------------------------|-------------------------------------|------------------|-----------------|---------------------------------------|------------------------|
| 2019 | | | | | | |
| Results | | | | | | |
| 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) | 11 | 164 | 85 | - | 85 |
| Amortisation of right-of-use assets | (78) | - | (257) | (335) | - | (335) |
| Depreciation of property, plant and equipment | (2) | (88) | (609) | (699) | - | (699) |
| Impairment loss on trade receivables | (279) | - | - | (279) | - | (279) |
| Interest expenses | (19) | - | (52) | (71) | - | (71) |
| Property, plant and equipment written off | - | - | (2) | (2) | - | (2) |
| Unallocated corporate expenses | (29,592) | (27,010) | (7,744) | (64,346) | 6,893 (B) | (57,453) |
| | (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 STATEMENTS

(CONT'D)

29. OPERATING SEGMENTS (CONT'D)

| | Food Service Equipment RM'000 | Animal Health Products RM'000 | Others RM'000 | Total RM'000 | Elimination/ adjustments RM'000 | Consolidated RM'000 |
|---------------------------------|-------------------------------------|-------------------------------------|------------------|-----------------|---------------------------------------|------------------------|
| 2019 | | | | | | |
| 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 |
| Tax payables | - | 140 | 546 | 686 | - | 686 |
| Segment liabilities | 725 | 4,129 | 11,165 | 16,019 | (7,663) (C) | 8,356 |
| | 803 | 4,277 | 11,711 | 16,791 | (7,663) | 9,128 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

29. 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:

| | 2020 | 2019 |
|--------------|--------|--------|
| | RM'000 | RM'000 |
| Group | | |
| - Customer A | - | 8,115 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. 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 | | | | |
| 2020 | | | | |
| Financial Assets | | | | |
| Investment securities | - | - | 74 | 74 |
| Trade receivables | 9,647 | - | - | 9,647 |
| Other receivables | 742 | - | - | 742 |
| Other investments | - | 17,592 | - | 17,592 |
| Cash and bank balances | 6,011 | - | - | 6,011 |
| Total financial assets | 16,400 | 17,592 | 74 | 34,066 |
| Financial Liabilities | | | | |
| Trade payables | 4,581 | - | - | 4,581 |
| Other payables | 1,401 | - | - | 1,401 |
| Total financial liabilities | 5,982 | - | - | 5,982 |
| Company | | | | |
| Financial Assets | | | | |
| Other receivables | 2 | - | - | 2 |
| Amount due from subsidiary companies | 8,519 | - | - | 8,519 |
| Other investments | - | 1,635 | - | 1,635 |
| Cash and bank balances | 229 | - | - | 229 |
| Total financial assets | 8,750 | 1,635 | - | 10,385 |
| Financial Liability | | | | |
| Other payables | 107 | - | - | 107 |
| Total financial liability | 107 | - | - | 107 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. 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 | | | | |
| 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 STATEMENTS

(CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risks

(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 Nil (2019: 1) major customers and accounted for approximately Nil% (2019: 12%) 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. 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)

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.

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

| | Gross trade receivables RM'000 | Allowance for impairment RM'000 | Net balance RM'000 |
|---------------------------------|--------------------------------------|---------------------------------------|-----------------------|
| Group | | | |
| 2020 | | | |
| Current | 5,755 | (3) | 5,752 |
| <i>Past due or not impaired</i> | | | |
| - Less than 30 days | 2,560 | (7) | 2,553 |
| - 31 to 60 days | 439 | (6) | 433 |
| - 61 to 90 days | 414 | (2) | 412 |
| - more than 90 days | 509 | (12) | 497 |
| | <u>9,677</u> | <u>(30)</u> | <u>9,647</u> |
| Credit impaired | | | |
| More than 90 days | | | |
| - Individually impaired | 298 | (298) | - |
| | <u>9,975</u> | <u>(328)</u> | <u>9,647</u> |
| 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 |
| | <u>13,235</u> | <u>(23)</u> | <u>13,212</u> |
| Credit impaired | | | |
| More than 90 days | | | |
| - Individually impaired | 359 | (359) | - |
| | <u>13,594</u> | <u>(382)</u> | <u>13,212</u> |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. 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:

| | Lifetime ECL RM'000 | Credit impaired RM'000 | Total RM'000 |
|----------------------------|---------------------------|------------------------------|-----------------|
| Group | | | |
| 2020 | | | |
| At 1 January 2020 | 23 | 359 | 382 |
| Impairment loss recognised | 13 | 261 | 274 |
| Impairment loss reversed | (6) | (308) | (314) |
| Written off | - | (14) | (14) |
| At 31 December 2020 | 30 | 298 | 328 |
| 2019 | | | |
| At 1 January 2019 | 89 | 262 | 351 |
| Impairment loss recognised | - | 279 | 279 |
| Impairment loss reversed | (66) | (43) | (109) |
| Written off | - | (139) | (139) |
| At 31 December 2019 | 23 | 359 | 382 |

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 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. Financial Instruments (Cont'd)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

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.

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 RM Nil (2019: RM Nil) representing the outstanding banking facilities of the subsidiary companies 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. Financial Instruments (Cont'd)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Inter-company loans and advances (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

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's 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 STATEMENTS

(CONT'D)

30. 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"), Pound Sterling ("GBP") and Brunei Dollar ("BND"). 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:

| | USD RM'000 | GBP RM'000 | BND RM'000 | Total RM'000 |
|------------------------------|---------------|---------------|---------------|-----------------|
| Group | | | | |
| 2020 | | | | |
| <u>Financial Assets</u> | | | | |
| Trade receivables | 148 | - | - | 148 |
| Other receivables | 5 | - | - | 5 |
| Cash and bank balances | 1,147 | - | - | 1,147 |
| | <u>1,300</u> | <u>-</u> | <u>-</u> | <u>1,300</u> |
| <u>Financial Liabilities</u> | | | | |
| Trade payables | (516) | (1) | (1) | (518) |
| | <u>(516)</u> | <u>(1)</u> | <u>(1)</u> | <u>(518)</u> |
| 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>(1)</u> | <u>-</u> | <u>(680)</u> |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Market risks (Cont'd)

(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, GBP and BND exchange rates against RM, with all other variables held constant.

| Group | Change in currency rate | Effect on profit before taxation | |
|-------|-------------------------|----------------------------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 |
| USD | Strengthened 5% | 39 | 12 |
| | Weakened 5% | (39) | (12) |
| GBP | Strengthened 5% | (1) | (1) |
| | Weakened 5% | 1 | 1 |
| BND | 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 | |
|------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Fixed rate instrument | | |
| Financial Liability | | |
| - Lease liabilities | 639 | 854 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Market risks (Cont'd)

(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 and liabilities 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.

(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 | | | |
| 2020 | | | |
| Financial Assets | | | |
| Investment securities | 74 | 74 | 74 |
| Other investments | 17,592 | 17,592 | 17,592 |
| 2019 | | | |
| Financial Assets | | | |
| Investment securities | 72 | 72 | 72 |
| Other investments | 14,725 | 14,725 | 14,725 |

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. 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 | | | |
| 2020 | | | |
| Financial Asset | | | |
| Other investments | 1,635 | 1,635 | 1,635 |
| 2019 | | | |
| Financial Asset | | | |
| Other investments | 5,031 | 5,031 | 5,031 |

(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 STATEMENTS

(CONT'D)

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The Group is not subject to any externally imposed capital requirements.

32. SIGNIFICANT EVENT

Outbreak of Coronavirus Pandemic ("Covid-19")

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government had imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restrictions, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 had brought significant economic uncertainties in Malaysia and the markets in which the Group operates.

The Malaysian Government had again imposed the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") for selected states which are severely affected by the Covid-19 on 11 January 2021. Besides, the Malaysian King declared a state of emergency for the country until 1 August 2021 to curb the spread of Covid-19 on 12 January 2021.

As a result of the Covid-19 pandemic outbreak, the Group's businesses, result of the operation, financial position and cash flows were affected during the financial year with continuing impact in the subsequent periods. Travel restrictions, both international as well as domestic, imposed in Malaysia disrupted revenue lines during the financial year and after the reporting date. Such restrictions have continued throughout the year with only some domestic travel and the Government did not approve international travel operations commencing March 2020. This has resulted in a significant decline in revenue in the current financial year and after the reporting date.

Beginning in April 2020, the Group had implemented various cost saving measures including a reduction in various general and administrative costs in response to current market conditions. Further, the management believes that the Group has sufficient cash to meet anticipated cash needs including cash needs for working capital for foreseeable future. Due to significant uncertainties surrounding the Covid-19 pandemic, travel restrictions remain unpredictable as to their timing and may evolve in response to the Covid-19 evolution in Malaysia. The Directors shall continuously assess the impact of Covid-19 on its operations as well as the financial position for the financial year ending 31 December 2021.

33. 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 27 April 2021.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2021

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 |
|---------------------|--|--------------------|---------------|
| 43 | Less than 100 | 1,524 | * |
| 113 | 100 to 1,000 | 57,959 | 0.04 |
| 421 | 1,001 to 10,000 | 2,514,280 | 1.78 |
| 540 | 10,001 to 100,000 | 18,346,299 | 13.00 |
| 101 | 100,001 to less than 5% of issued shares | 58,345,002 | 41.33 |
| 4 | 5% and above of the issued shares | 61,895,076 | 43.85 |
| 1,222 | 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. | JCBNEXT Berhad | 3,219,800 | 2.28 |
| 9. | Moke Ah Kow | 3,213,650 | 2.28 |
| 10. | Tee Meng Hock | 2,999,883 | 2.13 |
| 11. | Ong Gee Leng | 2,558,724 | 1.81 |
| 12. | Chu Sou Taik | 2,270,400 | 1.61 |
| 13. | HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust | 2,000,000 | 1.42 |
| 14. | Yee Kim Ee | 1,763,830 | 1.25 |
| 15. | Moke Joan Moon | 1,314,300 | 0.93 |
| 16. | CIMB Group Nominees (Asing) Sdn. Bhd. - Exempt an for DBS Bank LTD (SFS) | 1,160,700 | 0.82 |
| 17. | Cher Lip Chun | 1,024,802 | 0.73 |
| 18. | Tey Ser Kok @ Teh Ser Kok | 825,000 | 0.58 |
| 19. | Sim Mui Khee | 798,121 | 0.57 |
| 20. | Goh Foi Tee | 759,000 | 0.54 |

ANALYSIS OF SHAREHOLDINGS

(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 (%) |
|--------------|---|--------------------|----------------|
| 21. | Cher Chou Chiang | 740,000 | 0.52 |
| 22. | Low Kwi Yeen | 660,000 | 0.47 |
| 23. | Chuah Ying Hooi | 650,000 | 0.46 |
| 24. | Cher Lip Ter | 599,260 | 0.42 |
| 25. | Ng Inn Jwee | 584,000 | 0.41 |
| 26. | CGS-CIMB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Mak Tian Meng (MY3136) | 559,680 | 0.40 |
| 27. | Lim Chee Chin @ Lim Ching Sin | 550,000 | 0.39 |
| 28. | Siau Jy Ne | 515,840 | 0.37 |
| 29. | Kor Beng | 495,000 | 0.35 |
| 30. | Siow Kin Leong | 495,000 | 0.35 |
| Total | | 104,462,293 | 74.00 |

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 Enterprises (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 Lip Chun | 1,024,802 | 0.73 | ^66,000 | 0.05 |
| 3. | Cher Sew Seng | 19,397,847 | 13.74 | ##1,482,500 | 1.05 |
| 4. | Goh Ah Heng @ Goh Keng Chin | 11,810,445 | 8.37 | - | - |
| 5. | Chu Soo Meng | 99,000 | 0.07 | - | - |
| 6. | Dato' Ismail bin Hamzah | - | - | - | - |
| 7. | Datuk Wira Dr Goy Hong Boon | - | - | - | - |
| 8. | Tan Tian Wooi | - | - | - | - |

Notes:-

Deemed interest by virtue of his direct shareholdings in Kumsan Enterprises (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. 2020 | 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 | 24 years | RM683,243 | 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 | 14 years | RM345,659 | 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 | 14 years | RM345,660 | 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 | 18 years | RM317,008 | 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 | 18 years | RM302,367 | 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 | 50 years | RM260,317 | 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 | 24 years | RM241,956 | June 1994 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 21st Annual General Meeting (“AGM”) of **SCC HOLDINGS BERHAD** will be held at Function Room 4, Level 2, Hotel Sri Petaling, No. 3, Jalan Radin Anum, Bandar Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan (KL) on **Thursday, 27 May 2021 at 2.30 p.m.** for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Directors’ and Auditors’ Reports thereon. **(See Explanatory Note 8)**
2. To approve the payment of Directors’ fees of RM58,000 for the financial year ended 31 December 2020. **(Ordinary Resolution 1)**
3. To approve the payment of Directors’ fees of RM72,000 for the financial year ending 31 December 2021 payable in arrears after each month of completed service of the Directors during the financial year be and is hereby approved. **(Ordinary Resolution 2)**
4. To approve the payment of Directors’ fees of RM72,000 for the financial year ending 31 December 2022 payable in arrears after each month of completed service of the Directors during the financial year be and is hereby approved. **(Ordinary Resolution 3)**
5. To re-elect the following Directors, who retire by rotation pursuant to Clause 165 of the Company’s Constitution:-
 - (i) Mr. Chee Long Sing @ Cher Hwee Seng **(Ordinary Resolution 4)**
 - (ii) Mr. Cher Lip Chun **(Ordinary Resolution 5)**
 - (iii) Datuk Wira Dr. Goy Hong Boon **(Ordinary Resolution 6)**
6. To re-appoint Messrs UHY as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

7. **Ordinary Resolution** **Proposed Retention of Independent Directors**

To approve and retain the following Directors, each of whom will have served as an Independent Non-Executive Director for a cumulative term of more than 9 years, to continue to act as Independent Directors of the Company:-

- (i) Dato’ Ismail bin Hamzah **(Ordinary Resolution 8)**
- (ii) Datuk Wira Dr. Goy Hong Boon **(Ordinary Resolution 9)**
(See Explanatory Note 9)

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

8. **Ordinary Resolution**

Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 (“CA 2016”) **(Ordinary Resolution 10)
(See Explanatory Note 10)**

“**THAT** pursuant to Sections 75 and 76 of the CA 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed twenty percent (20%) of the total number of issued shares of the Company for the time being to be utilised until 31 December 2021 as empowered by Bursa Malaysia Securities Berhad (“**Bursa Securities**”) pursuant to Bursa Malaysia Berhad’s letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers and thereafter does not exceed ten percent (10%) of the total number of issued shares of the Company for the time of issuance and such authority under this resolution shall continue in force until the conclusion of the 22nd AGM or when it is required by law to be held, whichever is earlier, **AND THAT** the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.”

9. To transact any other business for which due notice shall have been given in accordance with the Company’s Constitution and the CA 2016.

By Order of the Board
SCC HOLDINGS BERHAD

**WONG YUET CHYN (MAICSA 7047163)
(SSM PC NO. 202008002451)**

Company Secretary
Kuala Lumpur

Date: 30 April 2021

Notes:-

1. A shareholder is entitled to appoint a proxy or proxies to exercise all or any of the shareholder’s rights to attend, speak and vote at AGM. The proxy appointed shall have the same rights as the shareholders to speak at AGM.
2. If a shareholder appoints more than 1 proxy, they must specify the proportion of the shareholder’s shareholdings to be represented by each proxy.
3. A proxy need not be a shareholder.
4. Where a shareholder is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account (“omnibus account”), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax to 03-6201 3121 or email to ir@shareworks.com.my not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

Notes (cont'd):-

6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 May 2021 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.
7. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Securities ("**AMLR**"), all resolutions set out in this notice will be put to vote by way of poll.

Explanatory Note on Ordinary Business

8. Audited Financial Statements for financial year ended 31 December 2020

The audited financial statements are laid in accordance with Section 340(1)(a) of the CA 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Explanatory Notes on Special Business

9. Proposed Retention of Independent Directors

The Proposed Ordinary Resolutions 8 and 9 in Agenda 7, if passed, will allow Dato' Ismail and Datuk Wira Dr. Goy to be retained and continue acting as Independent Directors to fulfill the requirements of Rule 15.02 of AMLR and in line with the recommendation No. 4.2 of the Malaysian Code of Corporate Governance. The full details of the Board's justification and recommendations for the retention of Dato' Ismail and Datuk Wira Dr. Goy as Independent Directors are set out in the Board's Corporate Governance Overview Statement in the 2020 Annual Report.

10. Authority to Issue Shares Pursuant to Sections 75 and 76 of the CA 2016

The proposed Ordinary Resolution 10, is proposed for the purpose of renewing the general mandate for issuance of shares by the Company under Sections 75 and 76 of the CA 2016. The Ordinary Resolution 10, if passed, will give the Directors of the Company authority to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company for the time being to be utilised until 31 December 2021, after that, the 10% limit under Rule 6.04 of AMLR will be reinstated (hereinafter referred to as the "**General Mandate**").

As part of the initiative from Bursa Securities to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Securities' rules, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Government, Bursa Securities had vide Bursa Malaysia Berhad's letter dated 16 April 2020 allow a listed issuer to seek a higher general mandate under Rule 6.04 of the AMLR of not more than 20% of the total number of issued shares (excluding treasury shares) for the general issue of new securities.

The General Mandate will provide flexibility to the Company to raise additional funds expeditiously and efficiently during this challenging time, to meet its funding requirements including but not limited to funding future investment project(s), working capital and/or acquisitions.

The Board, having considered the current and prospective financial position, needs and capacity of the Group, is of the opinion that the General Mandate is in the best interests of the Company and its shareholders.

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**SCC HOLDINGS BERHAD**Registration No. 200001008871 (511477-A)
(Incorporated in Malaysia)**CDS ACCOUNT NO.****NO. OF SHARES HELD****FORM OF PROXY**I/We _____ (NRIC No./Passport No./Co. No. _____)
(FULL NAME IN BLOCK LETTERS)of _____
(FULL ADDRESS)being a member/members of **SCC HOLDINGS BERHAD**, hereby appoint

| | | |
|---------------|-----------------------|-------------------------------------|
| Name of Proxy | NRIC No./Passport No. | % of Shareholding to be Represented |
| Address | | |
| Email Address | Contact No. | |

and/or failing him/her

| | | |
|---------------|-----------------------|-------------------------------------|
| Name of Proxy | NRIC No./Passport No. | % of Shareholding to be Represented |
| Address | | |
| Email Address | Contact No. | |

or failing him, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the 21st Annual General Meeting ("AGM") of the Company to be held at Function Room 4, Level 2, Hotel Sri Petaling, No. 3, Jalan Radin Anum, Bandar Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan (KL) on **Thursday, 27 May 2021** at **2.30 p.m.** and at any adjournment thereof.

| ORDINARY RESOLUTIONS | | FOR | AGAINST |
|----------------------|--|-----|---------|
| 1. | Payment of Directors' Fees for the financial year ended 31 December 2020 | | |
| 2. | Payment of Directors' Fees for the financial year ending 31 December 2021 | | |
| 3. | Payment of Directors' Fees for the financial year ending 31 December 2022 | | |
| 4. | Re-election of Mr. Chee Long Sing @ Cher Hwee Seng | | |
| 5. | Re-election of Mr. Cher Lip Chun | | |
| 6. | Re-election of Datuk Wira Dr. Goy Hong Boon | | |
| 7. | Re-appointment of Auditors | | |
| 8. | Retention of Dato' Ismail bin Hamzah as Independent Director | | |
| 9. | Retention of Datuk Wira Dr. Goy Hong Boon as Independent Director | | |
| 10. | Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 | | |

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this _____ day of _____ 2021.

Signature(s) of member(s)**Notes:-**

1. A shareholder is entitled to appoint a proxy or proxies to exercise all or any of the shareholder's rights to attend, speak and vote at AGM. The proxy appointed shall have the same rights as the shareholders to speak at AGM.
2. If a shareholder appoints more than 1 proxy, they must specify the proportion of the shareholder's shareholdings to be represented by each proxy.
3. A proxy need not be a shareholder.
4. Where a shareholder is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax 03-6201 3121 or email to ir@shareworks.com.my not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 May 2021 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this meeting.
7. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this notice will be put to vote by way of poll.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

SCC HOLDINGS BERHAD

Registration No. 200001008871 (511477-A)

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

1st fold here

SCC HOLDINGS BERHAD

200001008871 (511477-A)

19-21, Jalan Hujan, Taman Overseas Union
58200 Kuala Lumpur, Malaysia.

T: (603) 7782 8384

F: (603) 7781 8561

E: sccholdings@scc.com.my

www.scc.com.my

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0158
COMPANY NAME : SCC HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

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

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

| | | |
|--|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Board consists of 3 (three) Independent Non-Executive Directors ('INEDs') and 5 (five) Executive Directors ('EDs').</p> <p>The INED are not involved in setting the business's strategies and plans.</p> <p>Due to our INEDs are not involve with SCC Holdings' ('SCCH') business operation and all the EDs are actively dealing with the day to day business operations, therefore all the business strategic and objectives are set by the EDs and they will provide an overview of the resulting plan and update on key issues to the board.</p> <p>The bi-monthly Risk Management Meeting minutes and action plans are briefed to the Board during Board Meeting for Board's assurance.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | Choose an item. |

Intended Outcome

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

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>Mr. Chee Long Sing @ Cher Hwee Seng ('Ben Cher') is the Executive Chairman of the Company. His profile can be viewed on page 5 of The Company's Annual Report. He provides leadership so that the Board can perform its responsibilities effectively.</p> <p>The Chairman is responsible for, amongst others:</p> <ul style="list-style-type: none">i. Ensure that all relevant issues for the effective running of the Company's business are on the agenda;ii. Ensure that clear and quality information to facilitate decision-making is delivered to Board members on a timely basis;iii. Encourage all directors to play an active role in Board activities and facilitate the effective contributions of all members of the Board;iv. Chair general meetings of shareholders;v. Ensure that there is regular and effective evaluation of the Board's performance;vi. Ensure that every Board resolution and questions arising at any Board meeting to be decided by a majority of votes;vii. Ensure the integrity and effectiveness of the governance process of the Board;viii. Act as facilitator at Board meetings to ensure that no Board member, whether Executive or Non-Executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming and ensure that discussions result in logical and understandable outcomes, andix. Perform other responsibilities assigned by the Board from time to time. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

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|---|---|
| Application | : Applied |
| Explanation on application of the practice | <p>The Board recognized the importance of clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and Managing Director are strictly separated and held by different individuals.</p> <p>The Chairman is primarily responsibilities is ensuring Board's effectiveness and conduct of all aspects of its role.</p> <p>Mr. Cher Lip Chun ('Adam Cher') who is the Group Managing Director ('GMD') and plays the role of the Chief Executive Officer, is Primarily responsible for the overall management of day-to-day business operations and implementation of key business decisions at The Group. He also brings relevant business developmental plans to the Board, motivates employees and drives the change and innovation for organic growth within the Group.</p> <p>The role and responsibilities of Managing Director are as follow:</p> <ul style="list-style-type: none">i. Oversee the daily management of the Group's operations to ensure the smooth and effective running of the Group;ii. Develop and implement overall strategic policy and directions of the Group's business operations based on effective risk management controls;iii. Ensure that the financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations;iv. Ensure high management competency and that an effective management succession plan is in place to sustain continuity of operations;v. Direct and control all aspects of the business operations in a cost effective manner;vi. Be the official spokesman for the Group and responsible for regulatory, governmental and business relationships;vii. Maintain and facilitate a positive working environment and good employee relations;viii. Manage the Group through the collective efforts of the Executive Directors and General Managers and leads the Management team to carry out their roles, duties and |

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| | | <p>functions effectively;</p> <p>ix. Attend to any queries or concerns regarding the Group raised by shareholders, investors, media, relevant authorities and the public, and</p> <p>x. Implement the policies, strategies and decisions adopted by the Board. All Board authorities conferred on the Management is delegated through the GMD and this will be considered as the GMD's authority and accountability as far as the Board is concerned</p> | | |
| Explanation for departure | : | | | |
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| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | | | |
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Intended Outcome

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

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>SCC's Board is supported by an External Company Secretary. The Company Secretary of SCC is qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which she is an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators.</p> <p>The Company Secretary provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, guidance and legislation.</p> <p>All Directors also have full and unrestricted access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively. The Board is regularly updated on new guidelines, directions and new regulatory issues affecting the Group by the Company Secretary as well as external consultants. The Company Secretary together with the Executive Directors and Finance Manager (Chief Financial Officer designate pursuant to the ACE Market Listing Requirements) assist the Chairman of the Board and Chairmen of Board Committees to deal with the Board agenda and to provide the relevant information and documents to directors on a timely basis. The Board is satisfied with the support and performance provided by the Company Secretary in assisting the Board to discharge its duties.</p> <p>The Board are of the view that the Company Secretary has been competent and kept herself abreast with the evolving regulatory changes and developments through continuous education programmes and attendance of relevant conferences, seminars and training programmes.</p> |
| Explanation for departure | : | |

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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
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Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| Application | : Applied |
| Explanation on application of the practice | <p>The Board meetings hold at least four times a year. An additional meeting to be convened where necessary to deal with urgent and important matters that require attention of the Board.</p> <p>A full agenda and relevant Board Papers are circulated to all Directors at least 5 (five) days in advance of each Board meeting.</p> <p>Board members are required to attend the Board meetings and attendance of each Director in the meetings held in a financial year is required to be disclosed in the Annual Report 2020 under the Directors Profile from page 5 to page 8. Other senior officers may be invited to attend for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.</p> <p>The Board Papers provided include the financial results and progress report on the Group's developments, minutes of the meetings of Board Committees, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.</p> <p>All Directors are expected to participate fully and constructively in Board Meetings and to bring the benefit of their particular knowledge, skills and abilities to the Board.</p> <p>Urgent matters that cannot wait until the next Board meeting can be dealt with by a circulating resolution. A signed and approved resolution by the majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors.</p> <p>Full Board minutes of each Board meeting are kept at the registered office of the Company and are available for inspection by any Director during office hours. The minutes of meetings shall accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on particular matter.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretary to the Board.</p> |

| | | |
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| Explanation for departure : | | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure : | | |
| Timeframe : | | |

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The board charter was approved by the board on 30 April 2018 and published on the company's website, subsequent amendment to the Charter can only be approved by the Board.</p> <p>Apart from setting out the roles and responsibilities of the Board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings, Directors' remuneration, and investor relations and shareholder communication.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is published on the Company's website at www.sccholdings.com.my.</p> |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Code of Ethics applied to the Board can be found under item 3.1.7 of the Board Charter which is published on the company's website at www.sccholdings.com.my.</p> <p>To prevent abuse of power, corruption, insider trading and money laundering, job segregations and limit of authorities had been set with separate duties and approval being assigned to different personal with different authorities limits.</p> <p>The Audit Committee ("AC") will review related parties transactions every quarter and all employees had to declare any relationship with any stakeholders annually to Human Resources Department in order to minimise the risk of conflicting interest.</p> |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has formalised Whistle Blowing Policies and Procedures ("WBPP") on 30 April 2018 and published it on the Company's website. This WBPP promotes an environment of integrity and ethical behaviour within the Group and are applicable to all employees of the Group.</p> <p>The AC Chairman has been identified by the Board as the person to whom all whistle blowing reports may be conveyed. The AC Chairman may delegate the responsibility for implementing the Whistle Blowing procedures to a guardian/custodian of the Whistle Blowing procedure within the Company.</p> <p>The details of the Whistle-blowing Policy are available for reference at the Company's website at www.sccholdings.com.my.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | In accordance with the Company's Constitution, the number of total directors of the Board shall not be less than two (2) and more than twelve (12). Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), at least two (2) directors or one- third (1/3) of the Board, whichever is the higher, to be independent. | |
| | | The recommended good practice will put into consideration when vacancies become available. | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

| | |
|---|---|
| Application : | Applied - Annual shareholders' approval for independent directors serving beyond 9 years |
| Explanation on application of the practice : | <p>The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years and that an Independent Director may continue to serve on the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of the nine (9) years.</p> <p>As of the date of the forthcoming Annual General Meeting ("AGM"), two (2) of the current Independent Directors have been in office for more than nine years. The Board through its Nomination Committee ("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 AMLR and are able to provide objective and independent judgment 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 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.</p> |
| Explanation for departure : | |

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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| Measure : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe : | Choose an item. |

Intended Outcome

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

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | There were no procedures and criteria established for assessment of potential candidates for appointment to the board and senior management. | |
| | | The board will establish a guideline outlining the criteria and process for considering new appointments to the board taking cognisance of diversity in skills, experience, age, cultural background and gender. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Board believes that competency and skill are more important than gender diversity. | |
| | | The Board will consider the appointment of female director when a right candidate is identified | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board delegates to the NC the responsibility for recommending suitable candidates for Directorships to the Board.</p> <p>In undertaking this responsibility, the NC is open to all recommendations for suitable candidates from all sources.</p> <p>The NC may receive suggestions from existing Board members, Management and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The NC is chaired by Independent Non-Executive Director. The members of the NC are as follows:</p> <p>Chairman Dato' Ismail bin Hamzah (Independent Non-Executive Director)</p> <p>Members Datuk Wira Dr. Goy Hong Boon (Independent Non-Executive Director) Tan Tian Wooi (Independent Non-Executive Director)</p> |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

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

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The NC is delegated for evaluating the effectiveness of the Board, Board Committees and the performance of each individual director. The evaluation involved the Committee members completing separate Questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered.</p> <p>The evaluation process also involved peer and self-review assessments, where Directors would assess their own performance and that of their fellow Directors. These assessments and comments were then discussed amongst the Nomination Committee members and a collective conclusion was reported to the Board.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

| | | |
|--|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The long-standing practice for determining executive directors and senior management's remuneration is based on the Chairman's recommendation with performance bonus payments linked to company and individual performance. The Chairman had in-depth knowledge of the demands, complexities and performance of the company as well as the skills and performance of the directors and senior management.</p> <p>Fees for non-executive directors were determined on a year-to-year basis and all the directors concur that these are aligned to market practice.</p> <p>The board, through the Remuneration Committee ("RC"), wish to document the remuneration policies and procedures, for directors and senior management taking into account the complexity of the company's business and the individual's responsibilities. A copy of the remuneration policies and procedures is to be retained by the company secretary together with other policies and procedures of the board.</p> <p>Further to that, the remuneration should also be aligned with the business strategy and long-term objectives of the company.</p> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : | Choose an item. |

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | <p>The board has a RC consist of INEDs and the Executive Chairman.</p> <p>The members of the RC are as follows:</p> <p>Chairman Datuk Wira Dr. Goy Hong Boon (Independent Non-Executive Director)</p> <p>Members Dato' Ismail bin Hamzah (Independent Non-Executive Director) Mr. Chee Long Sing @ Cher Hwee Seng (Executive Chairman)</p> <p>The composition of RC is because the Executive Chairman had in-depth knowledge of the demands, complexities and performance of the company as well as the skills and performance of the directors and senior management.</p> <p>The committee has established a written TOR which outlines its functions; members' powers and authority; and duties and was disclosed on the company's website.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p> | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

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

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| | | |
|--|---|--|
| Application | : Applied | |
| Explanation on application of the practice | : | |
| Explanation for departure | : The remuneration breakdowns of individual directors are disclosed. | |
| | Please provide an alternative practice and explain how the alternative practice meets the intended outcome. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : Choose an item. | |

Intended Outcome

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

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

| | | |
|--|---|--|
| Application | : Departure | |
| Explanation on application of the practice | : | |
| Explanation for departure | : The Company departs from Practice 7.2 of the MCCG 2017 due to security and confidentiality concerns. Disclosure could result in adverse implication including dissatisfaction and unhappiness among the employees in the event that the Company discloses salary, bonus, benefits-in-kind and other emoluments of the senior management on a named basis. | |
| | Please provide an alternative practice and explain how the alternative practice meets the intended outcome. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : Choose an item. | |

Intended Outcome

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

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Chairman of the AC is not the Chairman of the Board. The AC is chaired by Dato' Ismail bin Hamzah (Independent Non-Executive Director) whereas the Board is chaired by the Executive Chairman Mr. Chee Long Sing @ Cher Hwee Seng. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

| | | |
|--|--|--|
| Application | : Departure | |
| Explanation on application of the practice | : | |
| Explanation for departure | : The AC has yet to revise its Terms Of Reference to include a clause on a minimum cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee. | |
| | The Audit Committee expects to formulate a policy and revise its Terms Of Reference to include a clause on a minimum cooling off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee in three (3) years' time. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : Choose an item. | |

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

| | | | |
|--|---|--|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The AC has yet to formulate policies and procedures to assess the suitability, objectivity and independence of the external auditor. | |
| | : | The Audit Committee expects to formulate policies and procedures to assess the suitability, objectivity and independence of the external auditor in three (3) years' time. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | |
|--|---|
| Application | : Adopted |
| Explanation on adoption of the practice | : The Audit Committee of the Group comprises the following members: Chairman Dato' Ismail bin Hamzah (Independent Non-Executive Director) Members Datuk Wira Dr. Goy Hong Boon (Independent Non-Executive Director) Tan Tian Wooi (Independent Non-Executive Director) |

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

| Application | : Applied | | | | | | | | | |
|---|--|-----------|---------------------------------|---------------|-----------------------------------|---|-------------------------|--|------------------------------|--|
| Explanation on application of the practice | <p>The AC comprised of three (3) independent non-executive directors whom amongst them possess a mix of skills, experience and qualification ranging from chartered accountant, economics and finance to corporate advisory, mergers and acquisitions consultants. Financial literacy is part of their qualifications and line of work.</p> <p>During the financial year ended 31 December 2020, the members of the Audit Committee have attended several relevant courses as below:</p> <table><tr><th>Directors</th><th>Seminar / Conference / Workshop</th></tr><tr><td rowspan="2">Tan Tian Wooi</td><td>1. Updates of MFRS 15 AND MFRS 16</td></tr><tr><td>2. Covid-19 impact on Financial Reporting Going Concern, MFRS 110,120,136 and 9</td></tr><tr><td>Dato' Ismail bin Hamzah</td><td>Violations of the Companies Act 2016: Oversight by directors and secretaries</td></tr><tr><td>Datuk Wira Dr. Goy Hong Boon</td><td>Business Continuity Plan during COVID-19 Pandemic Crisis with Information technology Webinar</td></tr></table> | Directors | Seminar / Conference / Workshop | Tan Tian Wooi | 1. Updates of MFRS 15 AND MFRS 16 | 2. Covid-19 impact on Financial Reporting Going Concern, MFRS 110,120,136 and 9 | Dato' Ismail bin Hamzah | Violations of the Companies Act 2016: Oversight by directors and secretaries | Datuk Wira Dr. Goy Hong Boon | Business Continuity Plan during COVID-19 Pandemic Crisis with Information technology Webinar |
| Directors | Seminar / Conference / Workshop | | | | | | | | | |
| Tan Tian Wooi | 1. Updates of MFRS 15 AND MFRS 16 | | | | | | | | | |
| | 2. Covid-19 impact on Financial Reporting Going Concern, MFRS 110,120,136 and 9 | | | | | | | | | |
| Dato' Ismail bin Hamzah | Violations of the Companies Act 2016: Oversight by directors and secretaries | | | | | | | | | |
| Datuk Wira Dr. Goy Hong Boon | Business Continuity Plan during COVID-19 Pandemic Crisis with Information technology Webinar | | | | | | | | | |
| Explanation for departure | : | | | | | | | | | |

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

| | |
|------------------|--|
| Measure | : Please explain the measure(s) the company has taken or intend to take to adopt the practice. |
| Timeframe | : Choose an item. |

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Group had formed a Risk Management and Internal Controls Committee comprising the Managing Director, four (4) Executive Directors, Assistant General Manager, Heads of Business Divisions, Finance Manager and Human Resources Manager.</p> <p>The corporate management policies and framework were established and approved for implementation on 25 April 2013.</p> <p>The Group adopted an active approach in identifying, presenting and discussing potential risks by incorporating risk management as a permanent agenda item in the bi-monthly Management meetings.</p> <p>However, the contents of the discussions on risk management require improvement pertaining to identification of medium to longer-term potential risks instead of focusing on current issues.</p> |
| Explanation for departure | : | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measures : | | |
| Timeframe : | | |

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The Board had disclosed the main features of the risk management framework and internal controls system in the 2020 annual report. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

Intended Outcome

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

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The internal audit function was out-sourced to CGRM Infocomm Sdn Bhd ("CGRM"), an independent professional that is corporate service member of the Institute of Internal Auditors ("IIA") Malaysia. The Director in-charge of the engagement, in her capacity as the head of the internal audit function, is also an individual member of the IIA.</p> <p>On an annual basis, CGRM provided the Board with a signed declaration of competency and list of training attended by the audit engagement team. During FYE 2020, two (2) internal audit reviews were performed with reference to the Internal Standards for Professional Practice of Internal Auditing with reports prepared and presented to the Board vide the AC.</p> <p>The internal audit charter was approved by the AC in November 2015 and stipulates, amongst others, the internal auditors' role, SCC organisation status and reporting structure, independence and objectivity and responsibilities.</p> |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measures : | | |
| Timeframe : | | |

Intended Outcome

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

Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The internal audit function was outsourced to an independent, specialist internal audit professional services firm.</p> <p>The engagement team comprised of one (1) engagement director, one (1) quality control reviewer and two (2) internal auditors.</p> <p>The engagement director holds the Certified Internal Audit designation and is a Chartered Member of the Institute of Internal Auditors, USA.</p> <p>The internal audit fieldwork and reporting were carried out with reference to the International Professional Practice Framework for Internal Audit; International Standards for the Professional Practices of Internal Auditing, the IIA Code of Ethics and the COSO Framework for Internal Controls.</p> | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | Annual General Meeting is being conducted annually to enable to have a face to face communication with the Board and management team. Stakeholders are encouraged to post their queries during the meeting to get first hand response from the Board. Also, the corporate website contained a dedicated Investor Relations ("IR") section which a repository with latest announcements, annual and quarterly reports, share prices, IR contact and further links to corporate information, share information, financial information and entitlements |
| Explanation for departure | : | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

| | | | |
|--|---|---|--|
| Application | : | Departure | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | The Company would consider adopting integrated reporting based on globally recognised framework in the near future. | |
| | | Please provide an alternative practice and explain how the alternative practice meets the intended outcome. | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice. | |
| Timeframe | : | Choose an item. | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

| | | | |
|---|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | The dates of notice and convening of the 20 th Annual General Meeting was 30 April 2020 (based on announcement on Bursa Malaysia website) and the last Annual General Meeting will be conducted on 24 August 2020 which met the recommended requirements. | |
| Explanation for departure | : | | |
| | | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | All directors attended the 20 th Annual General Meeting held on 24 August 2020. | |
| Explanation for departure | : | | |
| | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

| | | |
|---|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Company currently has 1,222 shareholders as at 31 March 2021. As a consequence of the implementation of the Movement Control Order (“MCO”) and Conditional MCO, the AGM of the Company will be deferred to a future date to be determined.</p> <p>As the numbers of shareholders are not overly large and the venue of the meeting place is easily accessible to all shareholders, the need to leverage and adopt the latest technology is not viable at this juncture.</p> <p>Shareholders are entitled to appoint proxies/attorneys to attend and vote on their behalf should they be unable to do so in person.</p> <p>The Company will only consider leveraging in such technology when it is commercially viable to do so.</p> |

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

| | |
|--------------------|--|
| Measure : | |
| Timeframe : | |

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA
MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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