

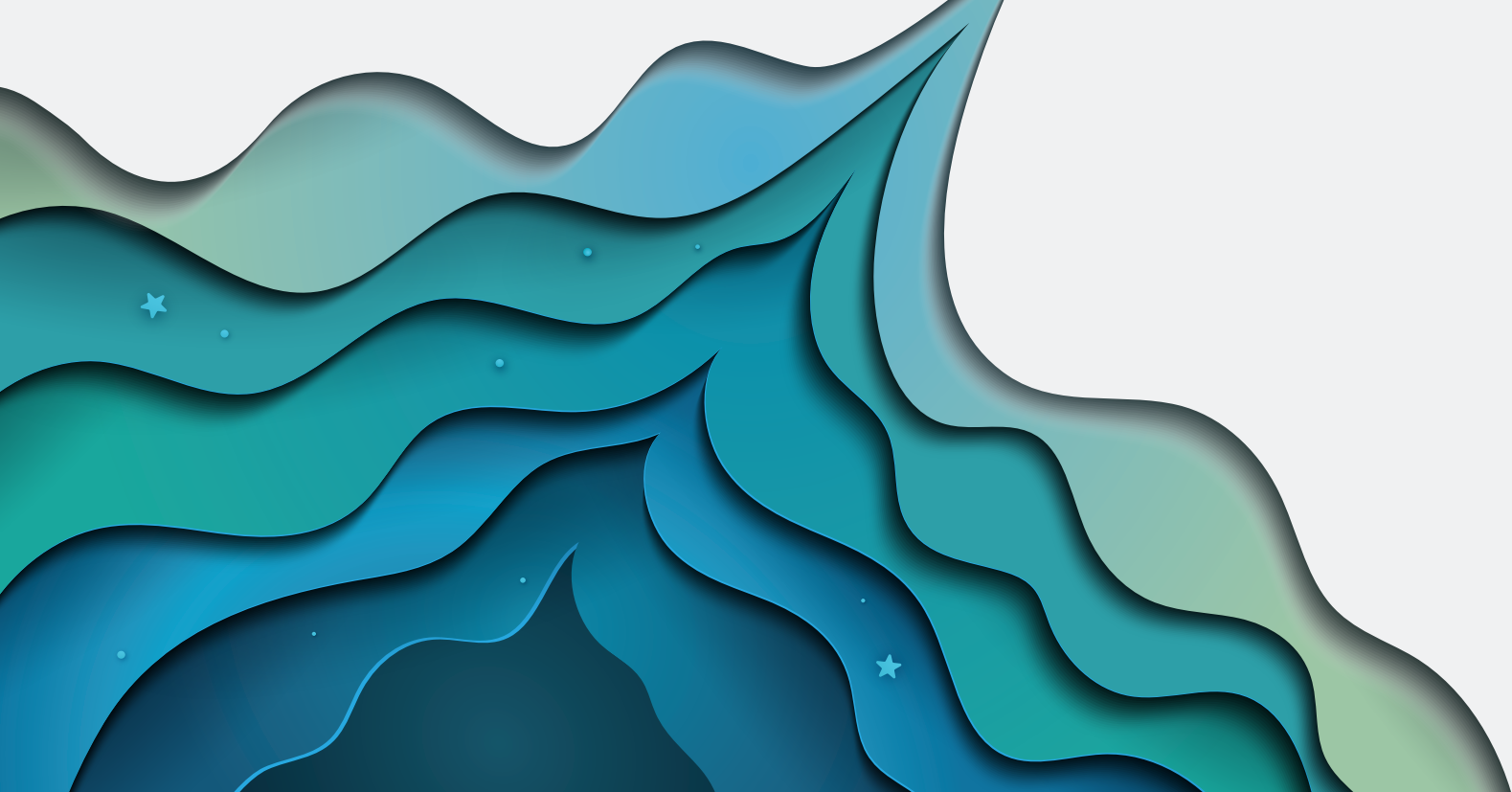


**SUCCESS TRANSFORMER  
CORPORATION BERHAD**  
(200301034518) (636939-W)

ANNUAL REPORT  
2020



**OPTIMISTIC.**  
**RESILIENCE.**  
**HOPE.**



## RATIONALE

# FRONT COVER



front cover

### OPTIMISTIC. RESILIENCE. HOPE.

Birds have a powerful symbolism. The cover design, featuring a sea of waves transforming into a cascade of bird. The waves reflect the pandemic outbreak, health and socio-economic crisis that wishing to recover during these vulnerable times. Birds symbolise peace, transformation, freedom and harmony even in times of adversity.

The energy of great strength and resilience that the birds carry will reach further to greater heights of full opportunities. This signifies our group's businesses will endure and overcoming challenges with a positive attitude. We hope to stay optimistic and build resilience to crises and shocks.

Colourful birds depicting in this book is to renew and inspire the people in this current economic environment. We are anticipating the economic recovery and fuelled by optimism that market momentum would gradually pick up and the situation will normalise at the soonest possible.



back cover

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## CORPORATE STRUCTURE


**SUCCESS TRANSFORMER  
CORPORATION BERHAD  
(STC)**

100%

 SUCCESS ELECTRONICS & TRANSFORMER  
MANUFACTURER SDN. BHD. **(SETM)**

100%

 SUCCESS TRANSFORMER MARKETING  
SDN. BHD. **(STMKT)**

60%

 A.B.U HAYAT LIGHTING SDN. BHD. **(AHL)**

100%

 SUCCESS TRANSFORMER MANUFACTURER  
SDN. BHD. **(STMFR)**

100%

 SES PROPERTY SDN. BHD. **(SESP)**

100%

 ARUANMOTA SDN. BHD. **(ASB)**

80%

 NIKKON LED SDN. BHD. **(NLED)**

95%

 DAIICHI STEEL SDN. BHD. **(DS)**

100%

 OMEGA METAL INDUSTRIES SDN. BHD. **(OMI)**

60%

 ILCS TECHNOLOGIES SDN. BHD. **(ILCS)**

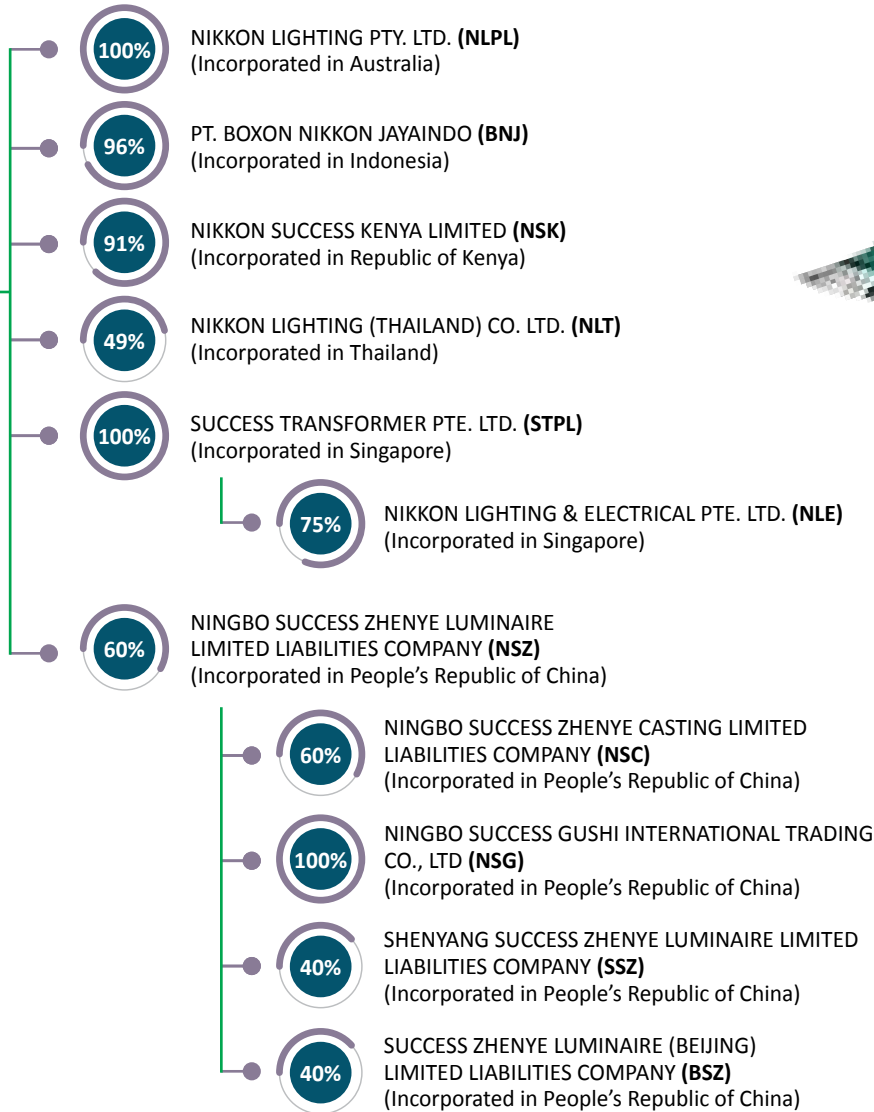
60%

 BOXON INDUSTRIES HARDWARE (M) SDN. BHD.  
**(BIHM)**

100%

 BOXON INDUSTRIES HARDWARE (JB) SDN. BHD.  
**(BIHJ)**

# CORPORATE STRUCTURE (CONT'D)



## CORPORATE INFORMATION

**BOARD OF DIRECTORS****Independent Non-Executive Chairman**

Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak  
(Appointed w.e.f. 2 January 2020 and  
re-designated w.e.f. 29 June 2020)  
Dato' Chua Tia Guan (Resigned w.e.f. 29 June 2020)

**Managing Director**

Tan Ah Bah @ Tan Ah Ping

**Deputy Managing Director**

Tan Chung Ling (f)

**Executive Director**

Pan Kim Foon (f) (Resigned w.e.f. 29 June 2020)  
Tan Wei Neng  
Tan Chung Chay (f)

**Independent Non-Executive Director**

Chan Foong Ping (f)  
Ng Chee Keong (Resigned w.e.f. 29 June 2020)

**Non-Independent Non-Executive Director**

Yeoh Kim Wah

**Alternate Director to Pan Kim Foon**

Tan Chung Chiah (f) (Ceased w.e.f. 29 June 2020)

**Audit Committee****Chairperson**

Chan Foong Ping (f)  
(Re-designated from member to Chairperson  
w.e.f. 29 June 2020)  
Ng Chee Keong  
(Cessation of Office w.e.f. 29 June 2020)

**Members**

Yeoh Kim Wah  
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak  
(Appointed w.e.f. 29 June 2020)

**Nomination Committee****Chairman**

Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak  
(Appointed w.e.f. 29 June 2020)  
Dato' Chua Tia Guan  
(Cessation of Office w.e.f. 29 June 2020)

**Members**

Yeoh Kim Wah  
Chan Foong Ping (f)

**Remuneration Committee****Chairman**

Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak  
(Appointed w.e.f. 29 June 2020)  
Dato' Chua Tia Guan  
(Cessation of Office w.e.f. 29 June 2020)

**Members**

Tan Ah Bah @ Tan Ah Ping  
Chan Foong Ping (f)

**Employees' Share Option Scheme Committee****Chairman**

Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak  
(Appointed w.e.f. 29 June 2020)  
Dato' Chua Tia Guan  
(Cessation of Office w.e.f. 29 June 2020)

**Members**

Yeoh Kim Wah  
Tan Chung Ling (f)  
Tan Wei Neng

**Company Secretary**

Chua Siew Chuan (MAICSA 0777689)  
(SSM PC No.: 201908002648)  
Tan Loo Ee (MAICSA 7063694)  
(SSM PC No.: 201908002686)

**Registered Office**

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel : (603) 2084 9000  
Fax: (603) 2094 9940

**Corporate Office**

No. 3, 5 & 7, Jalan TSB 8  
Taman Industri Sungai Buloh  
47000 Sungai Buloh  
Selangor Darul Ehsan  
Tel : (603) 6279 2800  
Fax: (603) 6157 2722 / 2723  
Email: ses@success.com.my  
Website: www.stcgroup.com.my

**Auditors**

Crowe Malaysia PLT  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants  
8, Jalan Pesta 1/1  
Taman Tun Dr. Ismail 1  
Jalan Bakri, 84000 Muar  
Johor, Malaysia

**Share Registrar**

Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan, Malaysia  
Tel : (603) 2783 9299  
Fax: (603) 2783 9222

**Principal Bankers**

CITIBANK BERHAD  
STANDARD CHARTERED BANK MALAYSIA BERHAD  
HONG LEONG BANK BERHAD  
PUBLIC BANK BERHAD  
AMBANK (M) BERHAD

**Stock Exchange Listing**

MAIN MARKET OF  
BURSA MALAYSIA SECURITIES BERHAD

# 5 YEARS FINANCIAL HIGHLIGHT AS AT 30 JUNE



REVENUE  
30 June 2020

**230** (RM' MILLION)



SHAREHOLDERS' EQUITY  
30 June 2020

**315** (RM' MILLION)



PBT  
30 June 2020

**18** (RM' MILLION)



PAT AFTER NCI  
30 June 2020

**10** (RM' MILLION)



EPS  
30 June 2020

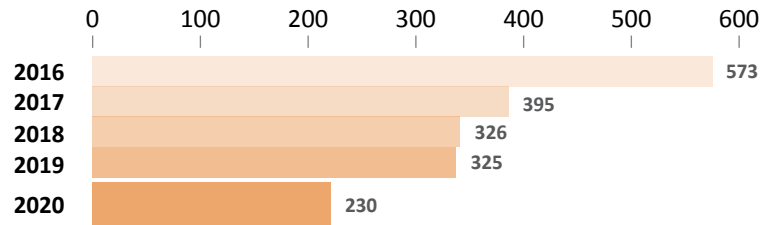
**4.30** (SEN)



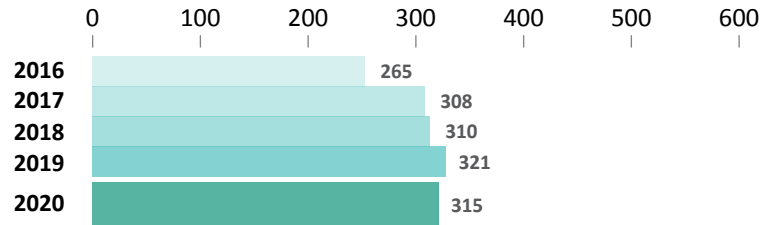
NTA PER SHARE  
30 June 2020

**1.46** (RM)

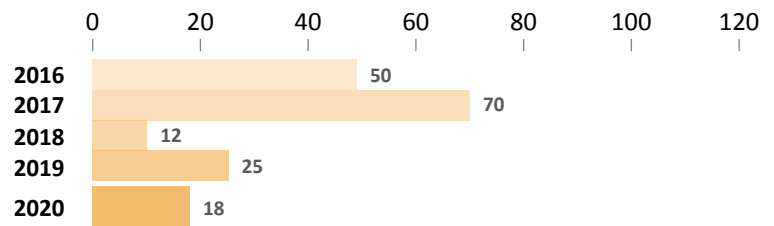
## REVENUE (RM' MILLION)



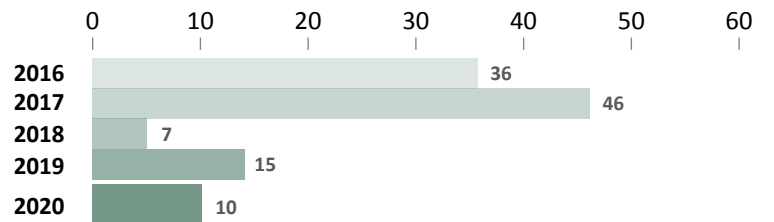
## SHAREHOLDERS' EQUITY (RM' MILLION)



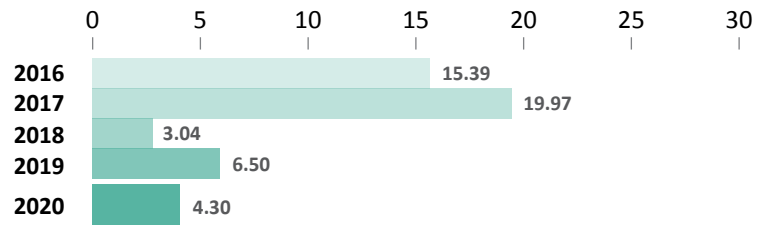
## PBT (RM' MILLION)



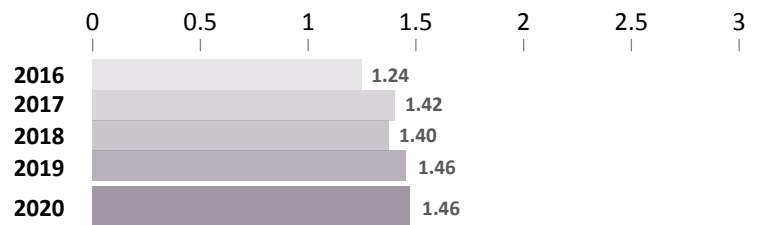
## PAT AFTER NCI (RM' MILLION)



## EPS (SEN)



## NTA PER SHARE (RM)



## DIRECTORS' PROFILE

### TAN SRI DATO' AHMAD FUZI BIN HJ ABDUL RAZAK

Age: 71

Nationality:  
Malaysian

Male

Date appointed  
to Board:  
2 January 2020

### INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak ("Tan Sri Fuzi"), male, age 71, a Malaysian. He was appointed to the Board of STC on 2 January 2020 as an Independent Non-Executive Director. On 29 June 2020, Tan Sri Fuzi was re-designated as the Independent Non-Executive Chairman of STC as well as appointed as a member of the Audit Committee, Chairman of the Nomination Committee, Remuneration Committee and Employees' Share Option Scheme ("ESOS") Committee.

Tan Sri Fuzi holds a Bachelor of Arts (Hons) Degree from the University of Malaya in 1972 and completed the Foreign Service Course with a Certificate in Diplomacy from the University of Oxford in 1974.

Tan Sri Fuzi was previously the Secretary-General of the Ministry of Foreign Affairs Malaysia. He joined the Malaysian Diplomatic and Administrative Service in 1972 and served in various capacities at the Ministry of Foreign Affairs until 2009. He also served at the Malaysian Missions abroad in Moscow, the Hague, Canberra, Washington and Dhaka. His tenure as Secretary-General saw him leading the Malaysian Senior Official delegation in negotiations at various bilateral, regional and international conferences as well as in organising the NAM Summit and the OIC Summit in 2003 and the ASEAN Summit plus East Asia Summit and Related Summits in 2005 in Kuala Lumpur.

Tan Sri Fuzi has previously served as Director General of Institute of Diplomacy and Foreign Relations Malaysia; Deputy Secretary General 1, Ambassador-at-large and Malaysia's Representative to the ASEAN High Level Task Force (HLTF) on the Drafting of the ASEAN Charter and Malaysia's Representative to the High-Level Panel (HLP) on the Drafting of the Terms of Reference of the ASEAN Human Rights Body.

Tan Sri Fuzi currently serves as Secretary-General of World Islamic Economic Forum Foundation (WIEF), Chairman of Seremban Engineering Berhad, Group Chairman of ACE Holdings Berhad and Chairman of ACE Investment Bank Limited, IMAN Research Consulting Sdn. Bhd and TAERG International Sdn. Bhd. He is also on the Board of ACE Money Exchange Sdn Bhd.

Tan Sri Fuzi is also a Distinguished Fellow, Institute of Strategic and International Studies (ISIS) and Institute of Diplomacy and Foreign Relations (IDFR), Deputy Chairman of Malaysian Member Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP Malaysia) and Member of the Board of Trustee of MERCY Malaysia, Perdana Global Peace Foundation (PGPF), Yayasan Sarana Pendidikan Malaysia (YSPM) and Lejadi Foundation.

He is also member of Institute of Advanced Islamic Studies (IAIS), PATRON, Malaysia-China Culture Association and advisor of Asia Pacific Entrepreneurship Award (APEA) and Advisor of Malaysia-Myanmar Chamber of Commerce, High School Bukit Mertajam Alumni Malaysia and Pixel Play Ventures Sdn. Bhd. He also sits on the Board of Governors of Meritus University. In recognition of his services to the nation, Tan Sri Fuzi was awarded the AMN (1979), the JSM (1999), the DSPN (1999), the DMPN (2002) the PSM (2003) and the DSLJ (Brunei 2014).



## DIRECTORS' PROFILE (CONT'D)

**TAN AH BAH  
@ TAN AH PING****Age:** 69**Nationality:**  
Malaysian**Male****Date appointed  
to Board:**  
25 October 2004**MANAGING DIRECTOR**

Mr Tan Ah Bah @ Tan Ah Ping, male, age 69, a Malaysian. He is the founder of STC Group. He was appointed to the Board of STC on 25 October 2004. He is currently the Managing Director of STC and a member of the Remuneration Committee. In 1978, Mr. Tan Ah Bah @ Tan Ah Ping formed Syarikat Success Electronics Trading ("SSET").

In 1990, SETM was incorporated to take over the business activities of SSET and in 1998, he established STMKT to focus on the local marketing activities.

Currently, he is responsible for the overall management, strategic business planning and development, decision making and technical advisory of the STC Group. He also assumes the role of Managing Director or Director of the most subsidiaries of STC.

He is the father of Ms. Tan Chung Ling, the Deputy Managing Director of STC and Ms. Tan Chung Chay, the Executive Director of STC.

Mr. Tan Ah Bah @ Tan Ah Ping is the spouse of Madam Pan Kim Foon (a former Executive Director of STC, who has resigned since 29 June 2020) and the father of Ms. Tan Chung Ling, Ms. Tan Chung Chay and Ms. Tan Chung Chiah, who are the Directors and Key Senior Management of STC respectively, and all of whom are deemed as substantial shareholders of STC.

**TAN CHUNG LING****Age:** 43**Nationality:**  
Malaysian**Female****Date appointed  
to Board:**  
17 February 2006**DEPUTY MANAGING DIRECTOR**

Ms Tan Chung Ling, female, age 43, a Malaysian. She was appointed to the Board of STC as an Alternate Director to Madam Pan Kim Foon on 17 February 2006. On 22 July 2015, she was appointed as the Executive Director of STC and re-designated as Deputy Managing Director on 28 July 2017. She is currently a member of ESOS Committee.

In 1999, she obtained her Bachelor of Commerce from Murdoch University, Australia and subsequently in 2001 she obtained her Masters of Electronic Commerce from Curtin University, Australia. Within the same year, she started her career at SETM as International Sales Coordinator.

Subsequently in 2003, she was transferred internally to STMKT and was promoted to Business Development Manager of STMKT in 2004. Currently, she is the Export Director and responsible for business strategic planning, market planning and developing new markets. Subsequently, she was also appointed as a Director of BIHM group, AHL, ILCS, NSZ Group and NLT.

Ms. Tan Chung Ling is the daughter of Mr. Tan Ah Bah @ Tan Ah Ping, who is the Managing Director of STC and Madam Pan Kim Foon (a former Executive Director of STC, who has resigned since 29 June 2020) and sister to Ms. Tan Chung Chay and Ms. Tan Chung Chiah who is the Director and Key Senior Management of STC respectively, and all of whom are deemed as substantial shareholders of STC.

## DIRECTORS' PROFILE (CONT'D)

### TAN WEI NENG

Age: 47

Nationality:  
Malaysian

Male

Date appointed  
to Board:  
30 November 2015

#### EXECUTIVE DIRECTOR

Mr Tan Wei Neng, male, age 47, a Malaysian. He was appointed as an Executive Director of STC on 30 November 2015. He is currently a member of ESOS Committee.

In 1997, he graduated with a Bachelor of Accounting (Honors) Degree from the Northern University of Malaysia. He is a Chartered Accountant by profession and a member of Malaysian Institute of Accountants ("MIA") since 2001. He was appointed as a Director in SETM, AHL, BNJ, STPL and NSZ group.

Mr. Tan Wei Neng has more than 20 years of financial and general management experiences in a variety of industries. He is also the Chief Operating Officer of STC and has spearheaded the entire operations, planning and business development for the Group.

### TAN CHUNG CHAY

Age: 39

Nationality:  
Malaysian

Female

Date appointed  
to Board:  
28 July 2017

#### EXECUTIVE DIRECTOR

Ms Tan Chung Chay, female, age 39, a Malaysian. She was appointed as an Executive Director of STC on 28 July 2017. She graduated with a Bachelor of Commerce Degree major in Finance and Marketing from Curtin University of Technology, Australia in 2002. In 2013, she obtained her MBA with finance specialization from University of Southern Queensland, Australia.

She started her career as Sales Executive at STMKT in 2003 and promoted as Sales Manager in 2008. In 2011, she was appointed as Director of STPL and NLE. She is the Head of Business Development in charged for ASEAN countries and also leads to develop and penetrate overseas markets.

Ms. Tan Chung Chay is the daughter of Mr. Tan Ah Bah @ Tan Ah Ping, who is the Managing Director of STC and Madam Pan Kim Foon (a former Executive Director of STC, who has resigned since 29 June 2020) and sister to Ms. Tan Chung Ling and Ms. Tan Chung Chiah who is the Director and Key Senior Management of STC respectively, and all of whom are deemed as substantial shareholders of STC.



## DIRECTORS' PROFILE (CONT'D)

**CHAN FOONG PING****Age:** 49**Nationality:**  
Malaysian**Female****Date appointed  
to Board:**  
23 September 2016**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Ms Chan Foong Ping ("Ms. Chan"), female, age 49, a Malaysian. She was appointed to the Board of the Company on 23 September 2016 as an Independent Non-Executive Director. On 29 June 2020, Ms. Chan was re-designated as Chairman of the Audit Committee. She is also a member of the Nomination Committee and Remuneration Committee.**

Ms. Chan obtained her Bachelor of Accountancy from Universiti Putra Malaysia ("UPM") in 1995. She is a Chartered Accountant and member of MIA since 1998.

After graduation from UPM, she joined Deloitte Touche Tohmatsu Kuala Lumpur in 1995 as an auditor. In 1998, she left the firm and joined Sepang Education Center Sdn. Bhd. as an accounting manager. In 2000, she left Sepang Education Center Sdn. Bhd. and joined Phillips Seafood (East Malaysia) Sdn. Bhd. ("Phillips Malaysia") as financial controller. Subsequently in 2006, she was promoted to be the Executive Director of Phillips Foods International (Hong Kong) Limited ("Phillips HK"). Both Phillips Malaysia and Phillips HK are subsidiaries of Phillips Foods Inc (USA). As an Executive Director of Phillips HK, she was responsible for overseeing the regional financial system of its 14 seafood processing plants covering 10 different countries. She was responsible for setting up and overseeing shared service centres located in Indonesia and India for the financial reporting of Phillips HK operations. She left Phillips HK in 2011.

Subsequently in 2011, she joined Resource Holding Management Limited ("RHML"), a public company then listed on the AIM Market of the London Stock Exchange ("LSE"), as Group Finance Director. After leaving RHML in 2014, she was appointed as corporate advisor of Swiss Biological Medicine Group Ltd. ("SBMG") pursuing for a potential listing at LSE. In 2016, SBMG became a subsidiary of Huapont Life Science Co. Ltd. which is listed at Shenzhen Exchange Board. Presently, she is an Independent Non-Executive Director of Seremban Engineering Berhad.



**DIRECTORS' PROFILE (CONT'D)****YEOH KIM WAH**

**Age:** 67

**Nationality:**  
Malaysian

**Male**

**Date appointed  
to Board:**  
7 March 2008

**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr Yeoh Kim Wah, male, age 67, a Malaysian. He was appointed to the Board of STC on 7 March 2008 as a Non-Independent Non-Executive Director. He is also a member of the Audit Committee, Nomination Committee and ESOS Committee.

He is an entrepreneur with more than 40 years of extensive knowledge and experience in the electrical supplies industry. He was one of the founders of Syarikat See Wide Letrik Group of Companies, a well-established electrical trading group throughout Malaysia. He is primarily responsible for business development and implementation of marketing strategies of these companies.

Presently, he holds directorships and has business interests in NSK and several other private companies such as Oriental Group of companies and See Wide Industries Sdn. Bhd.



## KEY SENIOR MANAGEMENT PROFILE

### CHANG POAY HEE

Age: 62

Nationality:  
Malaysian

Male

### TECHNICAL DIRECTOR

Mr Chang Poay Hee, male, age 62, a Malaysian. He finished his tertiary education and is an Electrical Engineer by profession.

He began his working career in 1988 with Dynacraft Sdn Bhd, Penang and subsequently with Sumitomo Electric Sintered Components Sdn Bhd and USG Malaysia Sdn Bhd. He joined SETM in 1995 as the Technical Manager. He was responsible for the designs and the technical support for both the lighting and transformer products.

He was appointed as the Technical Director for SETM in 2008 and holds the responsibility in overseeing the overall operations particularly in design and manufacturing of the Transformer Division. He was appointed as director in OMI to oversee the overall operating and technical related in this company.

### CHANG KAM KUAN

Age: 44

Nationality:  
Malaysian

Male

### TECHNICAL LIGHTING & PROJECT SALES DIRECTOR

Mr Chang Kam Kuan, male, age 44, a Malaysian. He was appointed as Technical Lighting and Project Sales Director of STC in 2015. His main role as Technical Lighting Director is to oversee the overall functionality of new products' designs, testings, development and productions support. As a Project Sales Director, his responsibilities include planning, coordinating and monitoring various projects and programs to be within their relevant schedules.

His leadership and skills sets enables him to manage well both Project Sales Team and Technical Lighting Team. He has 18 years experiences, in leading the Technical Lighting Team to greater advancement in technology for the lighting industry. He also assumes a role of director in ILCS and AHL.

Mr. Chang Kam Kuan is the spouse of Ms. Tan Chung Ling, who is the Deputy Managing Director of STC and deemed as substantial shareholder of STC.



## KEY SENIOR MANAGEMENT PROFILE (CONT'D)

### LO CHIUW LIEH

Age: 40

Nationality:  
Malaysian

Male

### GROUP FINANCE CONTROLLER

Mr Lo Chiow Lieh, male, age 40, a Malaysian. He has been with the Company as a Finance Manager since September 2010. On January 2016, he was promoted as Finance Controller and appointed as Chief Risk Officer at the same year. On January 2017, he was promoted as Group Finance Controller. He now holds the responsibility in overseeing financial operation, internal audit and involved in planning, operational and strategic decision making.

He started his public practice with one of the international accounting firm in year 2005. He then left and joined Nirvana Group as an Account Manager for a year. He has more than 10 years of financial and auditing experiences in a variety of industries.

He is a qualified Chartered Accountant from MIA. He graduated with a Bachelor of Accounting Degree from University of Malaya.

### TAN CHUNG CHIAH

Age: 36

Nationality:  
Malaysian

Female

### COST CONTROLLER

Ms Tan Chung Chiah, female, age 36, a Malaysian. She was previously appointed as an Alternate Director of STC to Madam Pan Kim Foon on 21 October 2015 and subsequently ceased on 29 June 2020.

She graduated with a Bachelor of Commerce Degree with Double Majors in Accounting and Finance from Deakin University, Australia in 2007. She is a Certified Practising Accountant by profession. She is a Chartered Accountant and member of MIA since 2017.

She has 6 years of financial and taxation working experiences as a Tax Accountant in Australia before she joined SETM as the Cost Controller in 2013.

As the Cost Controller, she is responsible for the cost management and also overseeing the Group's corporate affairs in STC. She was appointed as director of NSZ.

Ms. Tan Chung Chiah is the daughter of Mr. Tan Ah Bah @ Tan Ah Ping who is the Managing Director of STC and Madam Pan Kim Foon (a former Executive Director of STC, who has resigned since 29 June 2020) and sister to Ms. Tan Chung Ling and Ms. Tan Chung Chay, who are both the Directors of STC, and all of whom are deemed as substantial shareholders of STC.



## DIRECTORS AND KEY SENIOR MANAGEMENT OTHER INFORMATION (CONT'D)

# OTHER INFORMATION

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None of the Directors and key senior management have any conflict of interest with the Company. Save for Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak and Ms. Chan Foong Ping as disclosed in their profiles at pages 6 and 9 respectively, all the Directors and key senior management do not hold any other directorships of public companies and listed issuers.

None of the Directors and key senior management have convicted of any offences within the past five (5) years.

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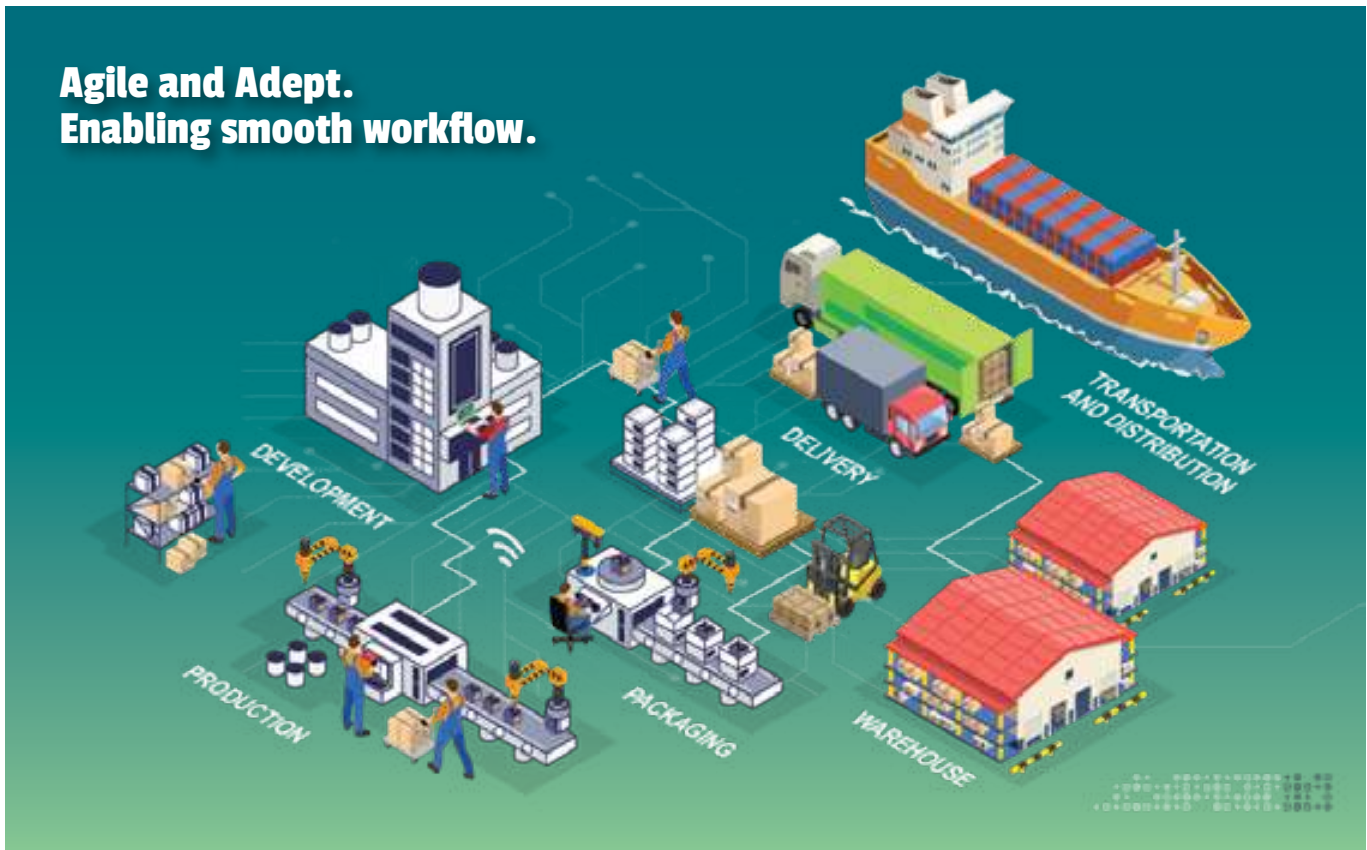
### Attendance of Directors at Board Meetings

There were five (5) Board Meetings held during the financial year ended ("FYE") 30 June 2020 and all Directors have attended these meetings except for Ms Chan Foong Ping (refer to page 40 for number of meetings attended by each director).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Agile and Adept. Enabling smooth workflow.



### Overview of Group's Business and Operations

#### A. Company Profile

Success Transformer Corporation Berhad ("**Company**" or "**STC**") is principally engaged in the business of investment holdings and the provision of management services. STC was first listed on the Second Board of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 19 January 2005. The Company was successfully transferred to the Main Board (now known as Main Market) of Bursa Securities on 26 March 2007.

The STC and its subsidiaries ("**Group**") main business operations primarily engaged in design, manufacturing and distribution of electrical apparatus and industrial lighting. The Group has established several in-house brands which included QPS for transformers and NIKKON for LED and HID lightings products. In addition, the Group had introduced a new brand name iLCS<sup>®</sup> (Intelligent Light Control System) for smart solutions system and products since Year 2018 which will definitely benefits to smart city implementation.

STC had diversified into the process equipment segment since 2007 through the acquisition of Seremban Engineering Sdn Bhd on 1 March 2007, which was subsequently listed on the Main Market of Bursa Securities on 10 May 2010 under its current name of Seremban Engineering Berhad ("**SEB**"). However, SEB has been disposed and ceased to be a subsidiary company of STC with effect from 3 September 2019.

The Group is exporting its products to over 40 countries in the world with the support from its distributors all across the globe. The Group is rapidly expanding its business growth into global markets. The Group employs staff globally with manufacturing operations in Malaysia and China. The Group also has distribution centers in Southeast Asia that further enhance our sales and marketing activities.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## B. Vision and Mission

Vision	Mission
We strive to be a globally recognised brand within the industries in ASEAN, Middle East, Africa and Europe.	We are committed to maintain the highest quality in all our products while embracing technology to reduce cost and to preserve the environment.

## C. Principal Activities

Our Group operates in two (2) business segments, namely Transformer and Lighting segment and Process Equipment segment during the financial year under review. However, the process equipment was no longer part of the Group’s activities with effect from 3 September 2019 as a result of the disposal of 52,000,000 ordinary shares in SEB by STC, representing 65% of the entire equity interest in SEB for a total cash consideration of RM26 million (“Disposal”). SEB has ceased to be a subsidiary company of STC with effect from 3 September 2019.

### 1. Transformer & Lighting Segment

The Transformer and Lighting segment are carried out mainly by the subsidiary companies as listed below:

- Manufacturing (major subsidiaries)**

**SETM - 100%**

Manufacturing of electrical apparatus and industrial lighting.

**NSZ - 60%**

Design, manufacturing and trading of industrial light fittings and fixtures.

- Trading and Distribution**

**STPL - 100%**

Investment holding and to carry on business of electricians, mechanical engineers of any other of alike nature.

**NLE - 75%**

Marketing and distribution of electrical appliances and industrial lighting.

**BNJ - 96%**

Wholesale for lighting, mechanical and electrical products, metal enclosure and accessories.

**STMKT - 100%**

Distribution of lighting and electrical products.

*Remark: The abbreviations above shall refer to corporate structure pages.*

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

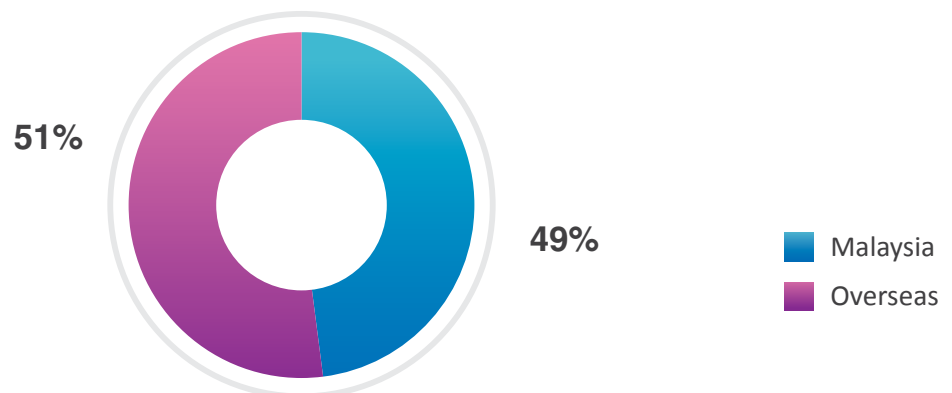


### Sales by Geographical Area

The breakdown of the revenue by geographical area for Transformer and Lighting segment for the FYE 30 June 2020 is as follows:

Country	% of Total Sales
Malaysia	49%
Overseas	51%

Sales by geographical area

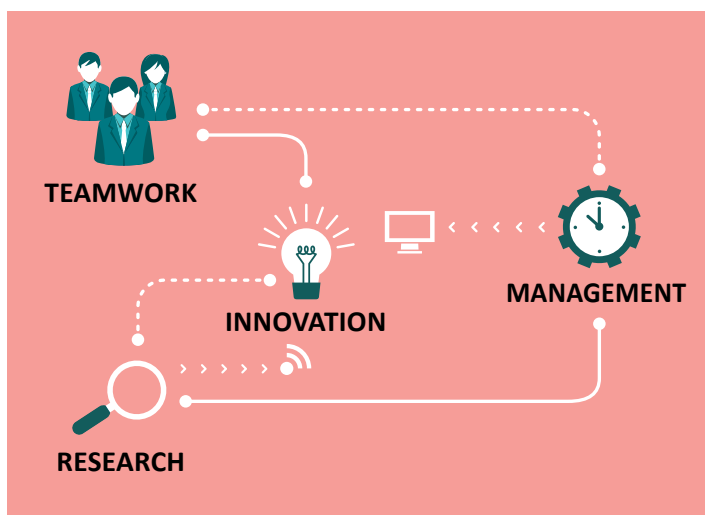


## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### SETTING THE RIGHT DIRECTION DURING COVID-19 PANDEMIC OUTBREAK

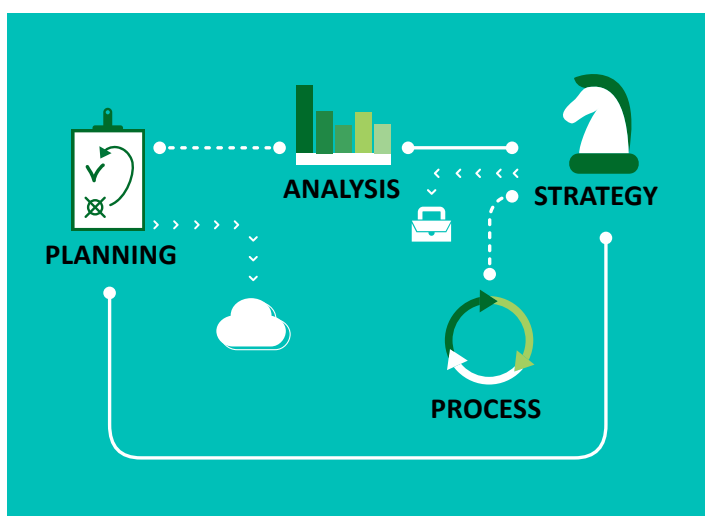
Global trade and supply chains have subsequently been reduced due to cross border and travel restrictions to contain the spread of Covid-19 pandemic. Market confidence is ebbing as investors are shifting interest to seeking safe haven assets to keep them afloat in the business. As many industries and businesses are affected, some manufacturing sectors see a sharp decline in production area. Consumer spending has been more prudent and scaled back on consumption during this heightened uncertainty. Moreover, weak market sentiment was fuelled by lower demand of products and services.

This Covid-19 pandemic crisis has compelled us to rethink the way we do business which required the organisation and the management to effectively navigate the crisis period. Building a crisis management team to rethink marketing strategy and cost management is crucial in an attempt to recoup revenue lost to the Covid-19 pandemic outbreak. A further explanation as mentioned below:-



#### MARKETING STRATEGY

The Group further expands marketing activities on social media platforms such as Facebook. The social media committee team organises giveaway contests and vouchers, sales and promotion plans to attract more business sales. A succinct strategy to build brand, generate leads and drive sales. These ongoing efforts will gain profitable outcomes. Customers are encouraged to purchase our products through online sales. Employing this strategy seems effective way of increasing brand awareness and winning over new customers.

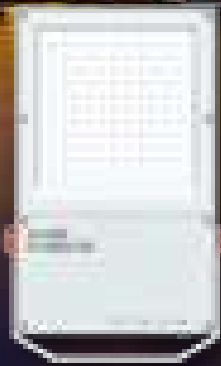


#### COST MANAGEMENT

The Group implements cost management strategy to make better business decisions on procurement matters. The Group regularly reviews vendor contracts and looks for volume discounts or bulk purchases. Variable costs that relate to raw materials and production outputs are carefully planned. Besides, lowering operating expenses, administrative and utilities costs are able to contribute to new product’s development budgets. As the Covid-19 pandemic is showing no signs of abating, we made cautious decision to travel only if necessary.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

# NIKKON®



## Highlighting Architectural Shapes

- Street Lantern
- Bay Lighting
- Floodlight
- Commercial Lighting

Street lanterns improve visibility on the road at night and encourage productivity among citizens. It gives them confidence to ride public transportation. Bay lightings are usually seen at factories, warehouses, gymnasiums, exhibition events and shopping complexes with relatively high ceilings. They are designed for constant bright illumination to light large space areas.

LED floodlights are ideal for all kinds of sports events and highlight facade buildings. At the workplace, it is often used to illuminate more focused types of work, tasks and activities taking place.

# QPS®

Trusted Brand in Transformer

## Maximize Cost Savings

Transformers are widely in demand for commercial building, laboratories, marine industries, manufacturing and automation production processes operating environments. Making smart choice by using our energy-efficient power transformers to maximize cost savings. We support the common goal of sustainable green buildings projects.

Reliable  
Efficient  
Safe



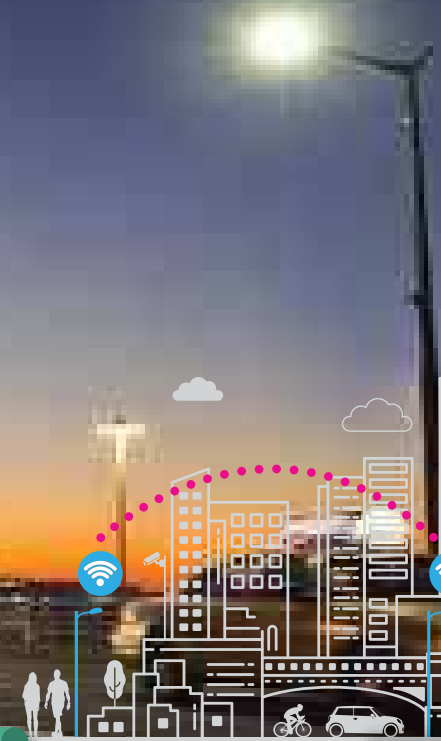
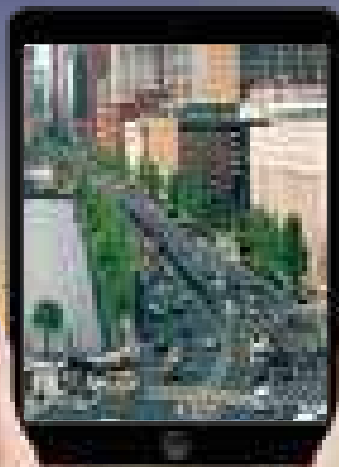
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

# SMART LIGHTING SYSTEM ENHANCING CITY LIFE EXPERIENCE



Intelligent Light Control System

The iLCS® smart technology delivers the fundamental necessity to a healthy and vibrant society with the purpose of creating smart city infrastructure. iLCS® is equipped with surveillance system features which benefits to smart city implementation. The iLCS® smart system alone is able to integrate with new or existing luminaires at the premise of business area to safeguard assets.




**1.**



**LCU NEMA**  
is installed onto smart street lantern to establish a smart city neural infrastructure network.

**2.**



**Software Control**  
Operator able to control and monitor lights individually through software installed into smartphone or computer.

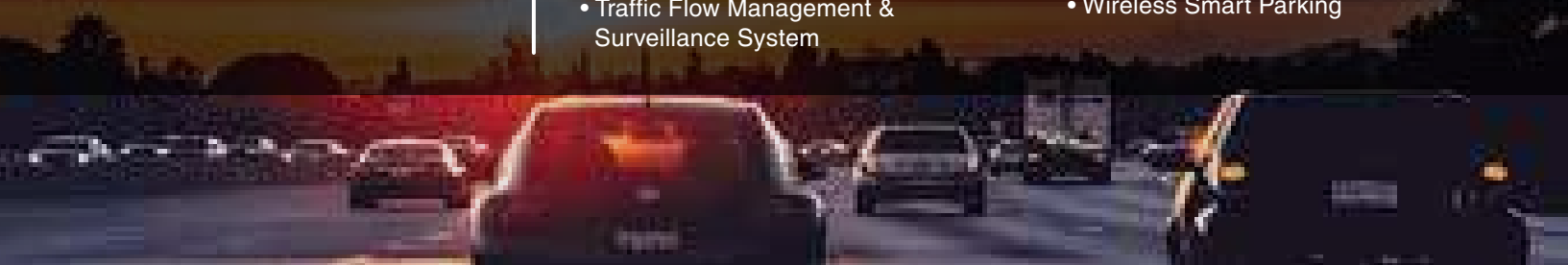
**3.**



**Cloud Vision**  
Cloud based platform for real time control of luminaires, real time monitoring of load and lighting levels.

## iLCS Service & System Benefits

- Visitor Registration Access
- Air Quality Monitoring System
- Visual Intelligence & Analysis
- Intelligent Real-Time Monitoring
- Telecommunication Hub
- Public Security Management System
- Traffic Flow Management & Surveillance System
- Facial Recognition
- Motion Detection
- Illegal Parking Detection
- Enhance Safety & Security
- Safeguard Assets & Properties
- Energy Efficiency
- Wireless Smart Parking



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Financial Review

The key financial information and financial performance of the Group for FYE 2020 and 2019:

Statements of Profit or Loss and Other Comprehensive Income	2020 RM'000	2019 RM'000
Revenue	230,031	324,786
Profit Before Tax	17,985	24,674
Profit After Tax	12,918	17,440
Profit After Tax after Non Controlling Interest ("PATNCI")	10,016	15,268

Statements of Financial Position	2020 RM'000	2019 RM'000
Total Assets	373,607	448,323
Total Liabilities	37,210	99,321
Shareholders' Equity	314,631	320,775

Financial Indicators	2020	2019
Earnings Per Share (SEN)	4.30	6.50
Net Tangible Assets Per Share (RM)	1.463	1.458

### Review of Financial Results and Financial Position

The Group recorded revenue of RM230.03 million for the FYE 30 June 2020. The revenue was mostly contributed by transformer and lighting segment, which achieved revenue of RM 222.97 million or 97% of the total Group's revenue. This was followed by process equipment segment which contributed revenue of RM7.06 million or 3% of total Group's revenue. The lower in revenue for the FYE 30 June 2020 was mainly due to discontinued operation of the process equipment segment as a result of the Disposal and lower sales recorded in transformer and lighting segment.

The lower sales recorded in transformer and lighting segment was mainly due to slower market demand in both local and overseas market and Government Movement Control Order which started from 18 March 2020.

The Group's revenue attributable from Transformer and Lighting segment which comprises 49% of local sales and 51% of overseas sales.

The Group reported a PATNCI of RM10.02 million for the FYE 30 June 2020. The results were mainly contributed by Transformer and Lighting segment which consists of RM10.25 million or 102% which net off against loss incurred in Process Equipment segment of RM0.23 million during the FYE 30 June 2020 before the Disposal. Earnings per share of the Group stood at 4.30 Sen.

The financial position of the Group remains strong, the total borrowing of the Group was reduced to RM1.65 million as at FYE 30 June 2020 from RM41.94 million as at FYE 30 June 2019. The Group's cash and cash equivalents have been improved was mainly arising from the Disposal.

Net tangible asset per share was slightly increased from RM1.458 in FYE 30 June 2019 to RM1.463 FYE in 30 June 2020. The shareholders' equity for the Group decreased from RM320.78 million in previous FYE 30 June 2019 to RM314.63 million in current FYE 30 June 2020 was mainly due to dividends declared and paid during the FYE 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Review of Operating Activities

Despite facing uncertainties in the global economy, the Group is taking concerted and coordinated efforts to form synergy between the management and employees to tackle the economic slowdown by increasing brand awareness, focusing on products and services value creation and better customer relationships management.

#### A. Business Adaptability in Challenging Times

As life is unpredictable, we can never predict what is coming ahead. Business goes on as usual and out of the blue, something intervenes and causes everything to change. A major Covid-19 pandemic outbreak had emerged this year unpleasantly pushed us into a predicament state. Frightening or perhaps unwelcome guests have permeated into our atmosphere, this coronavirus has relentlessly invaded the life of sentient beings, putting everyone at risk and as for our businesses, we feel the pinch as well.

This Covid-19 pandemic outbreak has evidently caused major disruptions to all majority businesses and revenues, interfering with livelihoods, household incomes and expenditures. International business activities are declining which crippled by border closures, travel restrictions, movement controls and entry bans enforcement in other countries have posed numerous challenges over export and import oriented business. Due to slow sales and economic recovery, we are rattled by concern over running at sub-optimal capacities and conditions.

Hence, the Group is adapting and managing current changes to stay afloat in the business. The Group implements several plans to revitalise the entire organisation including manpower restructuring, cost-cutting measures, financial prudent management and business models to assimilate better in the current economic times. Regardless of the scale, a good careful study and well-calibrated strategic approach by the management can turn crisis into challenges and opportunities.

The Group grasps this opportunity to redress marketing objectives and strategies, products and services offerings whilst building stronger networks and fostering deeper customer relationships through effective communication. We still manage to reach out to customers anytime and anywhere in the world, albeit travel restrictions have been imposed worldwide. Regardless of how challenging the current business environment is, we are adapting our change towards it and proactively rethinking our actions to cope with the market situation inflicted by the pandemic outbreak.

Aside from it, the National Security Council Malaysia has drawn up standard operating procedures and guidelines for businesses to follow and the Group strictly adhered to Covid-19 pandemic preventive measures issued by the Ministry of Health at all times.

#### B. Increasing Brand Awareness

The brand is the most precious asset of a company, it can mean so much to a company and its current loyal consumers. This year, the Group has turned to a digital platform as part of successive efforts to increase brand exposure and gain new customers to have a better understanding of our brands, products and services offered. We market proactively by targeting a wide range of customers through social media sites with intention to promote brand awareness and the key benefits of the products itself, seemingly ignite user's curiosity while driving their interest in buying decisions.

Our marketing strategies may vary month-to-month from product promotion, giveaway contests and vouchers, warehouse sales, special offers to sales campaigns with an enticing offer in a limited time. Other promotional methods include boosting posts to reach specific targeted audiences, interests and locations. We are adamant to do it consistently, thus our efforts will eventually prove fruitful.

#### C. Improving Digital Literacy with Inbound Marketing

More companies and businesses understand the urgency and importance to embark in their digital marketing efforts to compete better in the marketplace. A good communication with inbound content strategy is needed to entice and secure new customers. We literally improve digital literacy by having the skills and capabilities to find, obtain and critically evaluate data information. Besides, we produce our valuable content on digital platforms and distribute it to reach our audience. Inbound marketing strategies such as search engine optimisation have proved effectiveness for us in attracting more users to know and inquire about our products and services. Hence, we are proud in using technology responsibly, thoughtfully and ethically in the cultural and social understanding in digital environments.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### D. Focusing on Business Value Creation

Value creation is fundamental to every business purpose and concept. The Group is focused and committed to contributing to the betterment of society in a sustainable manner by providing smart solutions via our iLCS product in data management, energy efficiency and operating cost reduction for municipalities, companies, utilities and cities operators in managing cost saving measures. Our smart solutions also encompass public security management and surveillance systems which are incorporated with intelligent real-time monitoring and motion detection that can be implemented in the development of smart cities.

Our lighting and transformer products are eco-friendly, cost-effective, durable, reliable and gearing towards improving people's lives and well-being of our society. We emphasise product quality and fulfilling customer satisfaction. We value customer feedback as we progressively improve our product specifications to better align with customer requirements. Our objective is to constantly deliver consistent value and quality to customers and high returns to investors.

### E. Product Design and Development

The Group has made strenuous efforts and numerous studies in developing new products. Products and technology typically evolve over time and countless hours of time are spent by our engineers conceptualising, illustrating, selecting and experimenting with materials while working on engineering the various components which are necessary to make the product work. Ample research, analysis, modifying, processes, prototyping and re-testing until the design is both technical viability and reliability.

It is clearly implied that a good product comes with good design uniformity, functionality and quality. The development of the products and specifications are defined that would best meet the requirements of the market trend. After narrowing the criteria selection, the industrial designers preliminary proceed to 3D renderings to show the design style and appearance of the model to make final adjustments and conclusion. We identify market opportunity and consumer segmentation by determining how our products should be incorporated with relevant technology to create immense appeal to the customers.

## Risk Management

The Group is exposed to competition risk, credit risk, operation risk and foreign currency exchange risk. We have adopted a risk management framework to identify, evaluate and manage the significant risks faced by the Group as disclosed in the Statement on Risk Management and Internal Control on page 53.

## Dividends

During the FYE 30 June 2020, a special tax-exempt single-tier dividend of RM0.035 per ordinary share on 234,904,146 ordinary shares for the FYE 30 June 2020 amounting to RM8,221,645 was declared on 12 September 2019 and paid on 7 October 2019 to the shareholders whose name appeared in Company's record of depository on 30 September 2019.

On 13 September 2019, the Company declared an interim tax-exempt single-tier dividend of RM0.022 per ordinary shares on 234,904,146 ordinary shares in respect of the FYE 30 June 2020 amounting to RM5,167,890 and paid on 7 October 2019 to shareholders whose names appeared in Company's record of depositors on 30 September 2019.

The total dividend declared and paid during the FYE 30 June 2020 is RM13,389,535.

Whilst the company does not have a dividend policy, the Group maintains a track record of dividend distribution for the past years. The dividend payment will depend on a number of factors, including amongst others, the earnings, capital commitments, general financial conditions, distributable reserves and other factors to be considered by the Board.

The Board will continue to justify shareholders' investments with future dividends.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Outlook and Prospect

Bank Negara Malaysia (“**BNM**”) has projected Malaysia’s GDP growth forecast for Year 2020 to contract by 3.5% to 5.5% due to the sharp slowdown in economic activities caused by Covid-19 pandemic. However, BNM is forecasting a growth range of between 5.2% to 8.0% for Year 2021, underpinned by improvements in external conditions and a gradual normalisation in economic activities and labour market conditions.

Nevertheless, the Group will look into how the local and global economy are faring in the coming year with cautious strategies by adapting a resilient approach towards it.

The Group is leveraging its strong track records, extensive customers network and wider range of products by expanding and penetrating both existing and new markets. To achieve this, the Group is constantly and continuously putting its efforts in working towards enhancing and upgrading existing products and offering new products range. The Group is consistently committed to maintain high quality products and customer satisfaction in line with its strong brand image and value.

Therefore, the Group believes that the financial performance for the financial year ending 30 June 2021 would remain satisfactory.



**“Strategy requires Thought,  
Tactics requires Observation.”**

## SUSTAINABILITY STATEMENT

### SUSTAINABILITY STATEMENT

STC is a Malaysia-based transformer and industrial lighting provider with the responsibility to pursue sustainability agenda by considering the aspects of economic, environmental and social. STC and its subsidiaries will manage all issues relating to sustainability, explore and seek responsible vendors, suppliers, business partners, regulators and authorities, non-governmental organisations and communities to work together in fulfilling our quest for sustainability. The Group continuously work proactively with experienced stakeholders to ensure business regime remains appropriately robust and maintain stakeholders' long-term interests.

The Group carries the responsibility to promote and embed sustainability in business strategy and prepare sustainability statement for inclusion in the Annual Report. Sustainability is ingrained in our corporate culture of STC and sustainability matters will be identified relating to economic, environmental and social. We continue to uphold sustainable practices, embrace environmental consciousness, partake in charity events and view our ability to contribute towards national economy building while meeting current and future societal demands which is crucial to our business as a whole.

### GOVERNANCE STRUCTURE

The Board of Directors ("**Board**") acknowledge the importance to sustain a feasible business model that include aspects of corporate social responsibility, environmental conservation, business conducts and good ethics, viable policies, fostering trust with shareholders and achieving good balance sheet. The Board is obliged to protect the environment through operating in a manner that does not pose risk to the local communities and environment. In respect of this matter, the Board has taken proactive measures and underlying efforts to ensure commitment towards good governance is imbued in our culture in view of bringing accomplishment together.

Although there is no Sustainability Committee, the Risk Management Committee ("**RMC**") which comprised the Management and Directors of STC, are responsible in managing sustainability matters in the organisation. The RMC will report to the Audit Committee on any sustainability matters in quarterly manner. The Board has the ultimate responsibility of promoting and embedding the concept of sustainable development in the Group. Among others, its responsibilities include overseeing the following:-

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities

Moving forward, our Board is responsible for monitoring business performance and strategically evaluating the market segments that are poised to achieve steady financial performance in times to come. As such, we will endeavour to further improve our methods of strategy in the years to come.

### SCOPE OF DISCLOSURE

Our Group are focusing on three (3) areas of sustainability practices – Economic, Environmental and Social. Based on these categories, we will identify and manage the relevant issues that affect the Group's operations and preventive measures will be implemented to reduce unnecessary risks.

This sustainability report highlights our efforts to conduct business in a responsible and sustainable manner in Malaysia throughout the FYE 30 June 2020.

### MATERIALITY ASSESSMENT

Material topics that are relevant to the Group are dependent on its degree of influence on stakeholders' decisions and the significant of economic, environmental and social impact to the Group's business. In identifying the material sustainability topics and its scope and boundary for reporting, internal stakeholders including the key management personnel and directors were invited to provide their view and perspectives.




During the material assessment process, internal stakeholders were invited to provide their view and perspectives to identify potential material topics related to economic, environmental and social.

After identifying potential material topics, internal stakeholders were asked to rank each of the potential material topics according to the significance of the impact of the Group and the importance to the stakeholders.

## SUSTAINABILITY STATEMENT (CONT'D)

### MATERIALITY ASSESSMENT (CONT'D)

Based on the materiality assessment, the Group had identified the following sustainability priorities as disclosed in pages 26 to 30 during the FYE 30 June 2020:

ECONOMIC			
	<ul style="list-style-type: none"> <li>Bolstering the Economy through Local Procurement</li> </ul>	<ul style="list-style-type: none"> <li>Resource Planning and Analysis Management</li> </ul>	<ul style="list-style-type: none"> <li>Inculcate Mutual Cooperation and Optimisation of Manpower</li> </ul>
	<ul style="list-style-type: none"> <li>Stay Relevant in Digital Marketing</li> </ul>	<ul style="list-style-type: none"> <li>Data Management and Security</li> </ul>	
ENVIRONMENTAL			
	<ul style="list-style-type: none"> <li>Office Sanitation and Cleaning</li> </ul>	<ul style="list-style-type: none"> <li>Safeguarding Employees' Health</li> </ul>	<ul style="list-style-type: none"> <li>Proper Disposal of Waste</li> </ul>
SOCIAL			
	<ul style="list-style-type: none"> <li>Training and Development</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Safety and Health</li> </ul>	<ul style="list-style-type: none"> <li>Anti-Bribery and Anti-Corruption</li> </ul>
	<ul style="list-style-type: none"> <li>Compliance, Governance and Individual Acts</li> </ul>	<ul style="list-style-type: none"> <li>Enhance Employee Participation</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Social Responsibility</li> </ul>

### STAKEHOLDERS ENGAGEMENT

The Group believes in interacting responsibly with stakeholders in various ways and frequent communications were carried out to build and maintain business relationships, engaging in ethical procurement and supporting the offerings of products and services in the marketplace. We communicate with project stakeholders to negotiate their commitment for the entire project. With right evaluation and careful selection of vendors increases our business presence and widen networking circle which significantly benefits the Group.

The table below reveals how we engage with our stakeholders and their areas of interest.

STAKEHOLDERS	AREAS OF INTERESTS	METHODS OF ENGAGEMENT
Investors / Shareholders	<ul style="list-style-type: none"> <li>Group's financial performance</li> <li>Business strategy</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Annual reports</li> <li>Company's website</li> <li>Announcement</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Efficient complaints resolution</li> <li>Customer relationship management</li> <li>Product safety and security</li> <li>Service quality</li> <li>Pricing</li> </ul>	<ul style="list-style-type: none"> <li>Regular client meetings</li> <li>Feedback sessions</li> <li>Community and networking events</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Career development programme</li> <li>Benefit and remuneration</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Management meetings / discussions</li> <li>Staff performance appraisals</li> <li>Circulation of internal policies</li> <li>Training</li> <li>Employment contract</li> <li>Health and safety in light of Covid-19 pandemic</li> </ul>

## SUSTAINABILITY STATEMENT (CONT'D)

### STAKEHOLDERS ENGAGEMENT (CONT'D)

STAKEHOLDERS	AREAS OF INTERESTS	METHODS OF ENGAGEMENT
Suppliers and Vendors	<ul style="list-style-type: none"> <li>• Payment schedule</li> <li>• Pricing services</li> <li>• Green sourcing material</li> <li>• Fair procurement system</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation and performance reviews</li> <li>• Contract negotiation</li> <li>• Vendor registration</li> </ul>
Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Governance compliance</li> <li>• Labour practices</li> <li>• Environmental management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection or audit by local authorities</li> <li>• Compliance with Bursa Securities's requirements</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>• Social issues</li> <li>• Impact of business operations</li> <li>• Environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Community events</li> <li>• Corporate Social Responsibility (CSR) programmes</li> </ul>

### 1. ECONOMIC

STC believes in delivering commitment to quality of life and economic development which are drawn towards sustainability management and fulfillment. Therefore, the Group strives to maintain its competitiveness in the industry by offering energy efficient innovative products and smart solutions to our customers while maintaining operational competency and effectiveness. Prior to this, we will impart our knowledge and channel our collaboration efforts with other industry players to improve new product strategy and development processes.

#### A. Bolstering the Economy through Local Procurement

Entrepreneurs boost economic growth and contribute to the ever-changing business landscape by introducing innovative technologies, products and services. The Group continuously supports procurement of goods and services developed by local companies. It provides several advantages to other individual businesses in terms of profits, enhances local job creation and driving economic health and wealth. Making sensible choices in collaborating and fostering good relationships with reliable vendors steadily accelerates revenue generation. More to the point, products that are produced locally have a shorter lead time and able to receive in a timely manner. Other parts and materials can be easily sourced and replaced. Furthermore, no shipping costs and charges occurred while other matters include customer's complaints and resolutions can be handled promptly.

#### B. Resource Planning and Analysis Management

We have an integrated business solution's system in place to manage inventory, expenses, scheduling, order promising, accounting, standards, impromptu and analytical reports using Microsoft Dynamics AX software. This system comprises project management tools, extensive functionalities and methods for managing resources and processes connected to production, manufacturing, distribution and workforce planning. We can make better informed decision making with embedded analytics given in the software. This software possesses the capability to optimise supplies, transactions, service orders and contracts and also equipped with useful automated language translation. While there are many sub modules can be utilised and implemented into the software, the Group will observe the requirements if needed.

Moreover, it gives plenty of advantages to users using this system by gaining information, obtaining insights and gathering data in a smarter way. It accelerates internal processes leading to increasing employees' productivity. In addition, it creates better team collaboration and flexibility in responding to and resolving customer issues. To sum it up, this integrated system gives organisation the competitor's edge by enabling our business to connect, communicate and provide better services to all users.

## SUSTAINABILITY STATEMENT (CONT'D)

### C. Inculcate Mutual Cooperation and Optimisation of Manpower

Optimising manpower has a tremendous influence on organisational productivity from strategic human resource planning to forecasting staffing on certain roles with the right skill set and abilities to tackle business environment which is multifaceted, complex and dynamic in nature. Some employees were relocated with new responsibilities and re-designated roles. A further manpower restructuring help organisation to address staffing shortage and surplus which enable the entire organisation to be in tandem with better response in today's rapidly changing business climate. Due to this, we inculcate mutual cooperation between employees to merge all social differences in sustaining business confidence, velocity and growth.

### D. Stay Relevant in Digital Marketing

The Group is tapping into digital marketing opportunities which is undeniably useful and deliver long-term benefits to the Group's sales. We embark on our journey by spending on advertising budgets to attract potential buyers. Further ongoing efforts to be done on Facebook by organising contests, giveaways, special offers, best buy, warehouse clearance sales and others. Going digital creates greater advantages which have the ability to obtain performance metrics in Google analytics and useful data that is gained during digital marketing efforts. Using these insights allows us to optimise strategies and processes for even better results. The business environment is rapidly changing and we hope to stay relevant to increase our competitiveness in the industry.

### E. Data Management and Security

The danger of cyber threats and crimes intrusion saw a rise in the corporate industry in recent years which can be adversely damaging to any company's important data. Any malicious acts that can bring businesses to a halt and thus, remedy actions should be taken seriously to address this worrying trend that has emerged. Our dedicated Management Information System team has been at the forefront to validate, protect, manage and process required data to ensure the reliability of the information. Employees shall not open emails attachments from unknown users. Any shortcomings that are reported by employees will be investigated and the root cause analysis will be performed.

## 2. ENVIRONMENTAL

The Group places strong emphasis on transforming the workplace into a safer place to live and work given the coronavirus has affected our day-to-day life and well-being. Owing to this concern, the Group oversees and reviews the health and environmental risks that inherently pose threats to all employees and users. Other matters pertaining to health and safety will be inspected, rectified and thoroughly managed. The Group assessed and developed necessary procedures to mitigate these issues.

### A. Office Sanitation and Cleaning

Reducing the risk of exposure to coronavirus or infectious agent by sanitising and disinfection is an essential part of reopening workplace and running business daily. Cleaners are required to wear gloves when using disinfection sprays, substance to kill germs, soaps and wipes on the surfaces and objects during normal routine cleaning. This cleaning process decreases the amount of pathogens spreading on surfaces and other touch points. The Group also encourage using ZE Portal Anti-Virus UVC Lighting, a virus killer product by NIKKON.

This UVC lighting can be used in the office environment after all employees have left their respective department. The UVC is an ultraviolet C light and emits the right wavelength which can instantly penetrate and destroy microorganisms due to its smaller form of life. Any pets and humans shall not be present when usage of UVC lighting takes place.

### B. Safeguarding Employees' Health

We take appropriate steps to follow strict standard operating procedures of workplace health and safety. All the employees must undergo mandatory temperature checks, hand sanitisation and compulsory wearing of a mask upon arriving at the office. Sufficient supply of masks and hand sanitisers are provided to all employees on a regular basis by Human Resource personnel. Suppliers, vendors and customer visits are required to follow the same mandate while on our premises. Maintaining good hygiene as well as practice social distancing will absolutely benefit to the individual health.

## SUSTAINABILITY STATEMENT (CONT'D)

### 2. ENVIRONMENTAL (CONT'D)

#### C. Proper Disposal of Waste

Proper waste disposal involves committing to waste segregation. All waste materials including general waste, glasses, plastics and paper packaging are segregated and stored in different bins while used office papers are shredded and securely handled before being taken away for recycling. All bins are labelled and located on each floor of office buildings and surrounding area to make it convenient for waste and disposal management. Production scheduled waste such as chemical waste is toxic in nature and harmful to the environment, hence the waste is stored at designated areas and collected by approved waste collector on the scheduled interval. Occasionally, unused or outdated products catalogues are inspected, packed and recycled to maximise the warehouse storage spaces. These initiatives nurture responsibility towards the environment.

### 3. SOCIAL

We place emphasis on employees' adequate qualities to perform and grow with the Group. Mid and year-end performance appraisals are evaluated every year to review the employee's previous 6 months work performance and discuss improvement plans for the coming year with their head of departments in regards to responsibilities, accountability, team efficiency and effectiveness along with the expectations to achieve common goals and directions. We encourage employees to maximise their potential and attain necessary knowledge to remain competitive so that they make valuable contributions to the future growth of the Group.

#### A. Training and Development

Training refers to the overall holistic personal development which is a part of learning growth for individuals and employees. The training courses listed below are relation to insights, attitudes, adaptability, leadership and human relations. The training programs were geared towards providing individuals to learn specific skills which allow them to analyse critically and think strategically in their work performances. These various trainings involved crafting the right mindset within to maintain business sustenance and effectiveness of organisations.

TYPE OF TRAINING	MONTH AND YEAR
Employment Act, Industrial Relations and Disciplinary Inquiry	August 2019
Malaysia Employment Law Conference 2019	August 2019
MyHIJAU Mark Product	August 2019
Environmental Professional In The Operation Of Industrial Effluent	September 2019
Understanding Malaysian Government Procurement	October 2019
7 Habits for Highly Effective Educator	October 2019
Effective Supervisory Skill	October 2019
2020 Tax Strategies Planning Workshop	November 2019
Private Sector Workshop on Assessment of Malaysia Procurement System	February 2020
Seminar on Industrial Relation (Amendment) Act 2019	February 2020

We have recorded a total of 2,660 training hours for our employees during the FYE 30 June 2020. We focused more on broader skills to address specific skills gaps such as leadership, communication, decision making, work ethics which are the keys to improve operational efficiency, workflow and productivity in the workplace.

## SUSTAINABILITY STATEMENT (CONT'D)

### B. Occupational Safety and Health

The Group ensures safety and security are prioritised in the workplace to prevent accidents, injuries, and fatalities. Thus, proper scrutiny will be conducted by respective leaders. Chemicals, substances, liquids and general hazards are well-kept while machines and equipment are periodically checked. Maintaining a clean, orderly and well-stocked environment is the norm that is imposed in the warehouse.

The Safety and Health Committee evaluated all aspects of ensuring business operating environments were conducted in a safe manner. Proper handling tools and materials, safe loading and unloading procedures were given clear guidance and instructions to be followed by operators. Below are the following training courses that were attended by our employees.

TYPE OF TRAINING	MONTH AND YEAR	NUMBER OF EMPLOYEE
Emergency Response Plan & Preparedness	July 2019	60
Balance & Mastery OSH Skill 2019	July 2019	1
OSH - Coordinator	August & October 2019	5
Essential Forklift Operator	September & October 2019	36
COVID-19 Awareness	May 2020	34

### C. Anti-Bribery and Anti-Corruption

The Board of Directors have diversified roles to obey the Malaysian Anti-Corruption Commission Act 2009 when conducting businesses. The Board steers to protecting the principles of fairness, dignity and avoid corruption for all employees. The directors and all employees are required to observe anti-bribery and anti-corruption by upholding high moral standards and business ethics of corporate governance. The Board leads decision making and financial stewards to protect any wrongdoings occurs during any financial reporting, agreements and dealings which detrimental to the Group's reputation. All these are critically important to note and the issue of unlawful acts can arise and dominate in any industry. We are strictly ensuring and reminding employees do not fall into allurements.

### D. Compliance, Governance and Individual Acts

Accountants and Directors play a pivotal role in the area of governance, reporting and assurance complying with the rules and regulations as stated in their code of ethics and professional conduct. It is appropriate that they carry out their duties by endowing oneself with professionalism, dignity, utmost respect and trust is integral to good governance. Each department is entrusted to stay track of the latest and relevant regulations in their respective business division. Internal audit's scope of work are documented and any irregularities must be reported to Audit Committee and immediate corrective actions can applied.

The Group forbids any discrimination or making discriminatory remarks against any individual regardless of their age, gender, nationality, ethnicity, religion, occupation, social status, appearance or disability. The Group adheres to the social responsibility of business corporations when engaging in any other agreements which observe labour contracts and prohibition of slavery and forced labour.

### E. Enhance Employee Participation

Creating the right environment in which participation is communal, team-oriented and foster improved communication is to involve employees as much as possible in all aspects of the Group's activities and other charity events. Employee participation promotes a team approach, nourishes interpersonal communication skills and uses their diverse skill set to achieve common goals. Employees demonstrating enthusiasm will boost morale and productivity in which they establish quality work and invest in creativity.

## SUSTAINABILITY STATEMENT (CONT'D)

### E. Enhance Employee Participation (Cont'd)

- The Group has organised durian festival on 16 July 2019 and an annual luncheon on 12 January 2020 to show appreciation to the employees. The Group thanked them for their zeal, earnestness and diligence throughout the year.
- Best Attendance Awards were awarded to several categories within the organisation employees such as non-executive, executive and manager category by given cash reward to those who demonstrated morally excellent, virtuous and sheer motivation.
- Providing employee medical benefits and personal accident insurance coverage to support and aid their health recovery and well-being. Investing in our employees is crucial as they remain relevant and productive in the organisation.
- In conjunction with Good Earth Run 2019, the Group ran a 'Creative Plant Photo Contest' among employees. The finisher plant which received during the event, the participants were obligated to plant it into recycle items, creatively decorated it and finally snapped a photo. The winners were selected and rewarded by cash based on their creativity, efforts and votes elected within the organisation.



### F. Corporate Social Responsibility

#### Good Earth Run 2019

The Group participated in the charity run 'Good Earth Run 2019' event organised by HOPE *worldwide* Malaysia in November. The objective was to raise RM 50,000 to continuously sustain the community programs that focused on the area of health, food and education for the underprivileged community in Malaysia. This fun run was based on the theme of **3Rs – Recycle, Regenerate and Refuse** where this supports cultivating a sustainable living environment.

**Recycle** implored us not to waste materials and to turn them into reusable items. **Regenerate** sees the bio-systems of plants clean the air as they absorb carbon dioxide from the atmosphere and convert it to oxygen during the process of photosynthesis and release it back into the air. Having more plants regenerate greener earth and soil restoration. **Refuse** urged us to support no single use of plastic at the charity run event.

The Good Earth Run – Charity Fun Run & Masquerade Walk was held on 10 November 2019 which took place at Malaysia Agro Exposition Park Serdang (MAEPS).

All participants who completed the run were given a finisher plant and a tote bag made from unused t-shirt as a token of appreciation. The Group managed to collect and donate RM 8,100 to HOPE *worldwide* Malaysia with the participation of employees and their family members.

### Conclusion

Our daily business operations are aligned with the commitment to economic, social and environmental sustainability. We are committed to the journey and continue to make it a priority across the Group. We promote caring, sharing and create long-lasting benefits to the community. Our Sustainability Statement aims to encourage a culture developed across all the organisation's activities and uphold the same standards in our business practice. These are the impetus for our competency in ensuring the Group's sustainable value creation for our shareholders and contribute to the betterment of the society.

# SUSTAINABILITY STATEMENT (CONT'D)

## GOOD EARTH RUN 2019



ONE HAND, CLASPING ANOTHER

# Until We Reach

AROUND THE WORLD...



**LOVE.  
PEACE &  
HARMONY.**

to cheer. to comfort. to heal.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors acknowledges the relevance of setting up and sustaining a good corporate governance structure within the Company and its subsidiaries and associates (“Group” or “STC Group”). Steadfast in discharging its responsibilities to safeguard and increase shareholders’ value and the Group’s financial performance, the Board is committed to ensure that the principles and best practices of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) are implemented.

The Corporate Governance Overview Statement (“CG Statement”) provides a summary of the corporate governance practices of the Company during the financial year ended (“FYE”) 30 June 2020 with reference to the three key principles of good corporate practices as set out in the MCCG 2017. This CG Statement is prepared in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and it is to be read together with the Company’s Corporate Governance Report (“CG Report”) for the FYE 30 June 2020 which is available on Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com). and company website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG 2017 and any departures thereof during the FYE 30 June 2020. The Board is satisfied that the Company has substantially complied with the MCCG 2017 throughout the FYE 30 June 2020 save for the exceptions which are fully described in the CG Report.

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### Board Responsibilities

The Board is responsible for the overall governance and conduct of the Group’s strategic plan, including its implementation, and is accountable for the performance of the Group.

The Board assumes the following duties and responsibilities:

- Review and adopt a strategic plan for the Company, addressing the sustainability of the Company’s business policies and performance and ensure they fit in with the Company’s overall business strategy
- Overseeing the conduct of the Company’s business
- Identifying principal risks faced by the Group and ensuring the implementation of appropriate systems to manage and mitigate these risks
- Succession planning, including appointing and training, replacing Directors
- Overseeing the development and implementation of a shareholder communication policy, and
- Reviewing the adequacy and integrity of the Group’s internal control management information system

To assist in the discharge of its duties, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Employees’ Share Option Scheme (“ESOS”) Committee to examine specific issues within their respective terms of reference as approved by the Board and to report their recommendations to the Board. The ultimate responsibility for decision making, however, lies with the Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role.

The Chairman assumes the following duties and responsibilities:

- Leads the Board in establishing and monitoring good corporate governance practices in the Company.
- Leads the Board and ensure effectiveness in all aspects of its role.
- Ensure an efficient organisation and conduct of the Board's function and meetings.
- Facilitate the effective contribution of all Directors at Board meetings.
- Chairs Board meetings and encourages active participation and allowing dissenting views to be freely expressed and discussed.
- Chairs general meetings of the Company and provides clarification on issues that may be raised by the shareholders.
- Promote constructive and respectful relations between Directors, as well as between the Board and Management of STC and,
- Ensure effective communication with shareholders and relevant stakeholders.

#### Separation of Positions of the Chairman and Managing Director

The Chairman and the Managing Director are held by two different individuals. From 1 July 2019 up to 29 June 2020, the Board was led by the former Independent Non-Executive Chairman, Dato' Chua Tia Guan. On 29 June 2020, the Board appointed a new Independent Non-Executive Chairman, Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak who would continue to lead the Board with focusing on governance and compliance in place of Dato' Chua Tia Guan who resigned on 29 June 2020 whereas the Managing Director, Tan Ah Bah @ Tan Ah Ping, who manages the business and operations of the Company and implements the Board's decisions. There is clear division of responsibilities between the Chairman and Managing Director to engender accountability and facilitate the division of responsibility, such that no individual has unfettered powers over decision making. The Chairman is responsible in ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meeting to ensure that contribution by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The Managing Director, supported by the Senior Management team, implements the Group's strategic plan, policies and decision adopted by the Board and oversees the operations and business development of the STC Group.

#### Independent Non-Executive Directors

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interest, not only of the Group, but also of shareholders, employees, customers, suppliers and many other stakeholders in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interest of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Board Committee(s)

The Board has established and is supported by the following Board Committees which consist of Independent Non-Executive Directors to provide independent oversight of management and to ensure that there are appropriate checks and balances in discharging its oversight function:

- a) Audit Committee ("AC")
- b) Nomination Committee ("NC")
- c) Remuneration Committee ("RC")
- d) ESOS Committee ("EC")

The Board Committees have their roles and functions, written terms of reference and authorities defined. The Board reviews the terms of reference of the Board Committees annually to ensure their relevance.

The Board may form such other committees from time to time as dictated by business imperatives and/or to promote operational efficiency.

Notwithstanding the above, the ultimate responsibility for decision making and oversight still lies with the Board.

#### *Audit Committee*

The duties and responsibilities of the AC are as follows:

- To carry out an annual evaluation of the performance of the External Auditors pursuant to the External Auditors Assessment Policy;
- To consider and recommend the appointment of the External Auditors, the audit fees and any question of resignation or dismissal;
- To review the quarterly results and year ended financial statements, prior to the approval by the Board;
- To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary;
- To do the following in relation to the Internal audit function:
  - o to review the adequacy of the scope, function, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works;
  - o to review the Internal Audit results and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
  - o review the appointment or re-appointment of the Internal Auditors, the audit fee and questions of resignation or dismissal; and
  - o review the annual Internal Control Statement to be published in the Annual Report of the Company;
- To review the related parties' transactions and conflict of interest situations that may arise within the Company or the Group including transaction, procedure or course of conduct that raises a question of management integrity;
- To review the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Code of Conduct, directions and guidelines established by the relevant regulatory bodies;
- To identify and direct any special project or investigate and to report on any issue or concern in regard to the Management of the Group;
- To consider other topics as defined by the Board; and
- To undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Board Committee (Cont'd)

##### *Nomination Committee*

The duties and responsibilities of the NC are as follows:

- To identify and recommend to the Board suitable nominees for appointment to the Board and Board Committees;
- To facilitate and organises the effectiveness assessment for the Board, the Board Committees, each individual Directors and the Company Secretaries on an ongoing basis;
- To review regularly the board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- To consider in making its recommendations, candidates for directorships proposed by the Chief Executive Officer or any other senior executive or any Director or shareholder;
- To recommend to the Board, Directors to fill the seats on Board Committees;
- To assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board;
- To recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation;
- To assess the independence of the Independent Directors annually; and
- To review the fulfilment of Director's training, and disclose details in the Annual Report as appropriate.

##### *Remuneration Committee*

The duties and responsibilities of the RC are as follows:

- To consider and recommend to the Board the remuneration framework for Directors, including Executive Chairman;
- To provide the remuneration packages needed to attract, retain and motivate Directors of the quality required to manage the business of the Group successfully; and
- To review the Board remuneration policy annually with due consideration on relevant factors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### *ESOS Committee*

The Board has been authorised and empowered to give effect to the establishment of an ESOS of up to 15% of the total number of issued shares of STC (excluding treasury shares) at any point in time during the duration of the ESOS for the eligible employees and Directors of STC and its subsidiary companies.

The EC is currently headed by Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak, and comprising 3 members namely Tan Wei Neng, Tan Chung Ling and Yeoh Kim Wah.

The duties and responsibilities of the EC are as follows:

- To administering the ESOS in accordance with the provisions of the By-Laws of the ESOS by do all acts and things and/or caused the Company to enter into any transaction, agreement, deed, document or arrangement, make rules, regulations or impose terms and conditions or delegate part of its powers relating to the ESOS, which it may in its discretion consider to be necessary or desirable to give full effect to the ESOS and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Company.
- To exercise its power to correct any defect, omission, or reconcile any inconsistency in the ESOS or in any agreement providing for an ESOS in a manner and to the extent it shall deem necessary to expedite and make the ESOS fully effective and
- To recommend to the Board any modification, variation and/or amendment of the By-Laws of the ESOS as it shall in its discretion think fit at any time and from time to time.

#### **Board Charter**

There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hand. In discharging its duties, the Board is guided by its Board Charter which outlines the authorities, delegations, responsibilities of the Board, and other matters that are specifically reserved for the Board.

Significant matters requiring deliberation and approval from the Board are also clearly defined in the Board Charter as matters reserved for the Board for consideration and approval during the Board meetings. The key matters reserved for the Board's approval, amongst other matters, include corporate plan and programme, material acquisitions and disposals, material investments, major agreements/contracts, changes to the management and control structure and compliance with relevant laws and regulations. In addition, the authorisation requirements delegated to the Management are incorporated in the key business processes and stated in the Group's policies and procedures.

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board and by other officers to whom the management function is properly delegated by the Managing Director. The Management provides the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

In line with Practice 2.1 of the MCGG 2017, the Board Charter is available on the corporate website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

#### **Code of Conduct**

The Board has formalised a Code of Conducts, setting out the standards of conduct expected from Directors and all employees of the Group. The Code of Conduct provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment. The Board should periodically review the Code of Conduct and a summary of the Code of Conduct is available on the Company website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Whistle Blowing Policy and Procedure

The Board has established a Whistle Blowing Policy and Procedure to foster an environment where integrity and ethical behaviour are maintained and any illegal acts or failure to comply with regulatory requirements that are taking place may be exposed. The Whistle Blowing Policy and Procedure provides a mechanism for employees, stakeholders and other interested parties to confidentially bring to the attention of the AC any concerns related to matters covered by the Group's Code of Conduct, legal issues and accounting or audit matters.

The Whistle Blowing Policy and Procedure is available on the company website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

#### Anti-Bribery and Corruption Policy

The Company adopts the Anti-Bribery and Corruption Policy ("Policy") which governs the prevention of corruption and unethical practices within the Group pursuant to the Listing Requirements and Section 17A of the Malaysian Anti-Corruption Commission Act 2009. The purpose of the Policy is to set out the Company's responsibilities including the employees, officers and directors to observe and uphold the Company's position against corruption and bribery. The Policy will provide information and guidance on how the Company expects the employees to conduct themselves, recognise bribery and corruption and to set out the procedure on how to raise concerns on breached of the Policy.

This Policy is published on the company website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

#### Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact of the Group's business on the environmental, social and governance ("ESG") aspects is taken into consideration. The Board will incorporate ESG aspect while formalising the company's strategies on promoting its sustainability.

The Group activities on corporate social responsibilities during the FYE 30 June 2020 are disclosed in Sustainability Statement of this Annual Report.

#### Access to Information and Advice

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Besides, the Board may also obtain independent professional advice if so required in furtherance of their duty at the Company's expense upon approval from the Board. In addition, the Board is regularly updated and advised by the Company Secretary who is qualified and competent on statutory and regulatory requirements in carrying out its roles and responsibilities.

The Management provides the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate. Every possible effort will be made to ensure that the Board papers to be tabled at a Board meeting will be made available in a good time to all the Directors who are attending the Board meeting regardless of the location.

#### Assignment of Authority and Responsibility

Directors may delegate their powers as they consider it appropriate through appropriate manual of delegations or manual of authorities. However, ultimate responsibility for strategy and control rests with the Directors as guided by the Managing Director.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Company Secretaries

The Board is supported by two (2) suitably qualified and competent company secretaries. The Board receives regular advices, updates and notifications from the Company Secretaries to ensure compliance with applicable laws, regulations and corporate governance matters. The Company Secretaries attend all the Board and Board Committee meetings and ensure that all meetings are properly convened and all deliberations and decisions are properly minuted and kept. They are also responsible in ensuring that Board's policies and procedures are followed, and the applicable statutory and regulatory requirements are observed.

#### Board Meeting and Meeting Materials

In order to discharge the Board's responsibilities effectively, the Board meets regularly on a quarterly basis. Additional or special Board meetings may be convened as and when necessary to consider and deliberate on any urgent proposals or matters under their purview and which requires the Board's expeditious review or consideration. Such meetings will enable the Board members to effectively assess the viability of the business and corporate proposals and the principal risks that may have significant impact on the Group's business or on its financial position and the mitigating factors. All Board approvals sought are supported with all the relevant information and explanations required for an informed decision to be made.

The notice of meetings and agenda are send to the Directors electronically at least one week in advance and Board meeting papers are delivered to the Directors electronically at least five business days prior to Board meeting. This enables the Directors to prior peruse the matters to be deliberated upon, and if necessary, further information are provided at the meeting for deliberation and informed decision making. External advisors may be invited to attend Board meetings to provide further details, clarifications and/or advise the Board as and when required on matters to be deliberated.

#### Board Composition

The Board composition of the Company represents a mix of knowledge, skills and expertise which assist the Board in effectively discharging its stewardship and responsibilities.

As at the date of the Annual Report, the Board has seven (7) members comprising one (1) Independent Non-Executive Chairman, one (1) Independent Non-Executive Director, one (1) Non-Independent Non-Executive Director, and four (4) Executive Directors (including the Managing Director and Deputy Managing Director) This composition complies with Paragraph 15.02 of the Listing Requirements ("Bursa Securities") whereby the Company requires at least two (2) or one-third (1/3) of the Board, whichever is higher who are independent directors.

The Board through its NC conducts an annual review of its sizes and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals.

The Board noted that Practices 4.1 of the MCCG 2017 has recommended for at least half of the Board members to be independent directors.

Based on the review of the Board's composition and assessment of individual Directors during the FYE 30 June 2020, the Board is satisfied that the Independent Directors are able to exercise independent and objective judgement and act in the best interests of the Company even though they do not form at least half of the Board members.

The Profile of each director is presented on page 6 to 10.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Boardroom Diversity

The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, ethnicity and recognises the benefits of this diversity.

The Board also recognises that having a range of different skills, backgrounds, experience and diversity is essential to ensure a broad range of viewpoints to facilitate optimal decision making and effective governance.

The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria of a Director, based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board, should remain a priority. Thus, the Company does not set any specific target for boardroom diversity but will actively work towards achieving the appropriate boardroom diversity.

Currently, the Board has three (3) female Directors namely, Ms Tan Chung Ling, Ms Chan Foong Ping, and Ms Tan Chung Chay, taking into account the combination of skill, experience and strength in the qualities necessary to strengthen the composition of the Board.

#### Time Commitment

The Board ordinarily meets five (5) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year and additional meetings are convened as and when necessary. The Board obtains the commitment from Directors to devote sufficient time and effort to carry out their responsibilities at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to hold 5 directorships in listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

During the financial year under review, the number of Board of Directors' meeting attended by each director is as follows:

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak <i>(appointed w.e.f. 2 January 2020 and re-designated to Chairman w.e.f. 29 June 2020)</i>	2/2
Dato' Chua Tia Guan <i>(resigned w.e.f. 29 June 2020)</i>	5/5
Tan Ah Bah @ Tan Ah Ping	5/5
Pan Kim Foon <i>(resigned w.e.f. 29 June 2020)</i>	5/5
Tan Chung Ling	5/5
Tan Wei Neng	5/5
Tan Chung Chay	5/5
Chan Foong Ping	4/5
Yeoh Kim Wah	5/5
Ng Chee Keong <i>(resigned w.e.f. 29 June 2020)</i>	5/5
Tan Chung Chiah <i>(ceased w.e.f. 29 June 2020)</i>	5/5

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors will continue to attend other relevant training programmes as appropriate, to further enhance their skills and knowledge and fully equip themselves to effectively discharge their duties. The training programmes attended by the Directors are as follows:

Name of Directors	Training Programme
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak	MH 17: The Quest For Justice WIEF-SEACO Foundation Roundtable 2019: Regional Collaboration – Transforming Economies, Dhaka, Bangladesh 9TH WIEF Global Discourse – 4IR: Seizing Possibilities for the Future, Dhaka, Bangladesh WIEF Young Fellows Penang, 2019 – Embracing the future of Smart Tourism, Penang Malaysia WIEF Roundtable Kota Kinabalu 2020 – Economic Rejuvenation : The path to Growth Kota Kinabalu Sabah Awareness Training on Corporate Liability – Developing an Anti-bribery Management System
Tan Ah Bah @ Tan Ah Ping	The 7 Habits of Highly Effective Educators
Tan Chung Ling	The 7 Habits of Highly Effective Educators
Tan Wei Neng	WIFE Roundtable Kota Kinabalu 2020 Economic Rejuvenation : The path to Growth Kota Kinabalu Sabah The 7 Habits of Highly Effective Educators
Chan Foong Ping	Adding Confidence to Captives : Managing Volatility via Self Insurance Audit Oversight Board Conversation with Audit Committees Demystifying the diversity conundrum – The road to business excellence Session on corporate governance and anti-corruption Integrated reporting communicating value creation Awareness Training on Corporate Liability – Developing an Anti-bribery Management System
Yeoh Kim Wah	Malaysia's Key Tax Developments in Response to COVID-19
Tan Chung Chay	The 7 Habits of Highly Effective Educators

The Company Secretaries will circulate the relevant statutory and regulatory requirement from time to time for the Board's reference and briefs the Board on the updates, where applicable. External Auditors will also brief the Board on Malaysian Financial Reporting Standards that affect the Group's financial statement for the year under review.

The Board will on continuing basis evaluate and determine the training needed of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Appointments to the Board

The objective of the NC is to ensure that there is a formal and transparent procedure for appointment of new directors and appraisal of directors for recommendation to the Board. However, the Board has the final decision on appointments after considering the recommendations of the NC. The members are as follows:

Name	Designation	Directorship
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak <i>(Appointed as Chairman w.e.f. 29 June 2020)</i>	Chairman	Independent Non-Executive Chairman
Dato' Chua Tia Guan <i>(Ceased of Office w.e.f. 29 June 2020)</i>	Chairman	Independent Non-Executive Chairman
Chan Foong Ping	Member	Independent Non-Executive Director
Yeoh Kim Wah	Member	Non-Independent Non-Executive Director

The NC operates under its terms of reference and had two (2) meetings during the FYE 30 June 2020.

The composition, authority as well as the duties and responsibilities of the NC are set out under its terms of reference, which is available on the Company's website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

#### Review of the Audit Committee

Pursuant to Paragraph 15.20 of the Listing Requirements, the NC reviewed the terms of office of the AC and each of its members and was satisfied that the AC and its members have carried out their duties in accordance with its terms of reference during the financial year under review.

An evaluation exercise of the AC was carried out by the NC to assess the effectiveness of each of the AC members, including the evaluation on the AC as a whole, assessing the individual AC members' skills and competencies, their meeting administration and conduct, their contribution and interaction, quality of input and understanding of roles and responsibilities as an AC member.

#### Review of Candidates Proposed for Appointment as Directors

The NC's criteria to be used in the appointment process was largely focused on ensuring a good mix of skill, experience and strength in the qualities necessary for the Board to discharge its responsibilities in an effective and competent manner. Diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Diversity criteria reviewed by the NC include experience, skills, competence, race, gender, culture and nationality.

Other factors considered by the NC include the candidates' ability to commit sufficient time and energy to the Group's matters and the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism.

The Company maintains a formal and transparent procedure for the appointment of new Directors. The NC is delegated the role of screening and conducting an initial selection upon the recommendation by the existing Directors, Senior Management staff, major shareholder and/or external introductions, before making a recommendation to the Board. The NC evaluates the nominees' ability as well as taking into account the mix of skills, competencies, experience and other qualities to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Board and Board Committee Assessment

The NC carries out Board effectiveness assessment, including Board Committees and individual Director. The effectiveness of the Board is assessed in the areas of Board mix/diversity, composition and governance, quality of information and decision-making and Boardroom activities. The effectiveness of the Board Committees is assessed in terms of composition and governance, meeting administration and conduct, skills and competencies, and roles and responsibilities.

The Directors' assessment are intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board. The assessment examines Directors' ability to give input in meetings and demonstrate high level of integrity in decision making.

The Board assessment has been carried out by the NC on 13 October 2020 via the AC evaluation questionnaire, Audit Committee members' self and peer evaluation, Board members' self and peer evaluation form, Independent Directors' self-assessment checklist, Independent Directors' evaluation form, Board's evaluation form, Board and Board Committee evaluation forms.

#### Re-election of Directors

In accordance with the Constitution of the Company, all directors shall retire from office once in every three (3) years but shall be eligible for re-election and one-third (1/3) of the directors shall retire from office and be eligible for re-election at each Annual General Meeting ("AGM").

Newly appointed directors during the financial year shall hold office until the next following AGM and shall then be eligible for re-election. This requirement has been adhered to by the Board members in AGM.

The NC is responsible for recommending to the Board those Directors who are eligible to stand for re-election.

#### Tenure of Independent Director

The retention of Independent Directors who have served a cumulative term of nine (9) years shall be subject to annual shareholders' approval in line with Practice 4.2 of the MCCG 2017. If the Board continues to retain the Independent Director after the twelve (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board is of the view that the independence of the Independent Directors should not be determined solely or arbitrarily by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years.

The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his/her responsibilities in the best interest of the Company should be the predominant factors to determine the ability of a Director to serve effectively as an Independent Director.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgment during Board deliberations and decision making.

As at the date of this CG Statement, none of the Independent Directors has served the Board for more than nine (9) years.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Remuneration Policies and Procedures

The objective of the RC is to recommend the remuneration framework of Executive Directors to the Board. The remunerations and entitlements of the Non-Executive Directors including the Non-Executive Chairman shall be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberation and voting on their individual remuneration.

The RC had one (1) meeting during the FYE 30 June 2020. This meeting was attended by all members.

The RC comprises of two (2) Non-Executive Directors and one (1) Executive Directors. The members are as follow:

Name	Designation	Directorship
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak <i>(Appointed as Chairman w.e.f. 29 June 2020)</i>	Chairman	Independent Non-Executive Chairman
Dato' Chua Tia Guan <i>(Ceased of Office w.e.f. 29 June 2020)</i>	Chairman	Independent Non-Executive Chairman
Tan Ah Bah @ Tan Ah Ping	Member	Managing Director
Chan Foong Ping	Member	Independent Non-Executive Director

The RC adopts the principles recommended by the MCCG 2017 in determining the directors' remuneration, whereby, the remuneration of the Executive Directors is designed to link rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. The RC reviews the Board remuneration policy annually, considering various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members and the Company's performance as well as the market condition. The Directors' fees are subject to the approval of the shareholders of the Company at AGMs.

The composition, authority as well as the duties and responsibilities of the RC are set out in its terms of reference which is available on the Company's website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### Remuneration Policies and Procedures (Cont'd)

The number of Directors of the Company whose income falls within the following bands are set out as follows:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM 1 to RM 50,000	-	1
RM 50,001 to RM 100,000	-	2
RM 100,001 to RM 150,000	-	-
RM 150,001 to RM 200,000	-	1
RM 200,001 to RM 250,000	-	1
RM 600,001 to RM 650,000	1	-
RM 750,001 to RM 800,000	1	-
RM 800,001 to RM 850,000	1	-
RM 1,700,001 to RM 1,750,000	1	-
RM 2,000,001 to RM 2,050,000	1	-

The aggregate remuneration paid or payable to all Directors are further categorised into the following components:

Group	Fees* RM'000	Salaries & other emoluments RM'000	Employees share option scheme expenses RM'000	Benefits in kind RM'000	Total RM'000
Executive	26	5,879	13	48	5,966
Non-executive	451	163	-	-	614

Company	Fees* RM'000	Salaries & other emoluments RM'000	Employees share option scheme expenses RM'000	Benefits in kind RM'000	Total RM'000
Executive	-	1,169	13	35	1,217
Non-executive	451	13	-	-	464

\* Subject to the approval of shareholders

The above disclosure includes the remuneration paid to Directors who had received his/her remuneration from his/her capacity as Executive Director or Directors of the subsidiaries of STC.

In respect of the non-disclosure of detailed remuneration of each director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this statement.

#### Remuneration of Key Senior Management

The remuneration of Key Senior Management is based on policies and procedures recommended by the RC, which is then approved by the Board. This is in line with Practice 6.2 of MCCG 2017.

Although the MCCG 2017 provides that the Company should disclose the detailed remuneration of the top Senior Management on the named basis, the Board has opined that it is not in the best interest of the Company to make such disclosures on the remuneration of the Senior Management due to the sensitivity of their remuneration package, privacy, competition and issue of staff poaching.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### Audit Committee

The AC of the Company comprises exclusively Non-Executive Directors and majority of whom are Independent Non-Executive Directors. The members are as follow:

Name	Designation	Directorship
Chan Foong Ping <i>(Re-designated from member to Chairperson w.e.f. 29 June 2020)</i>	Chairperson	Independent Non-Executive Director
Yeoh Kim Wah	Member	Non-Independent Non-Executive Director
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak <i>(Appointed w.e.f. 29 June 2020)</i>	Member	Independent Non-Executive Chairman
Ng Chee Keong <i>(Cessation of office w.e.f. 29 June 2020)</i>	Chairman	Independent Non-Executive Director

From 1 July 2019 up to 29 June 2020, the Chairman of the AC was led by Mr Ng Chee Keong, a former Independent Non-Executive Director who has resigned on 29 June 2020. The AC Chairman is currently led by Ms Chan Foong Ping and she is not the Chairman of the Board. The composition, authority as well as the duties and responsibilities of the AC are set out in its terms of reference and a copy is available on the Company's website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

The members of the AC possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the terms of reference of the AC. In addition, the AC members are literate in financials and are able to understand, analyse and challenge matters under purview of the AC including the financial reporting process.

The Board is assisted by the AC to overseas the Group's and Company's financial reporting process and the quality of financial reporting and ensuring that the financial statements comply with the provisions of the Companies Act 2016 and the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standard .

In presenting the annual audited financial statements to the shareholders, the Board takes responsibility to present a balanced and meaningful assessment of the Group's and Company's financial performance and prospects and ensure that the financial statements reviewed and recommended by the AC for Board's approval are prepared in accordance with the provisions of the Companies Act 2016, the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to present a true and fair view of the financial position, financial performance and cash flows of the Group and of the Company.

#### Assessment of External Auditor

The Board, via the AC, maintains a formal and transparent relationship with the Group's External Auditors in seeking valuable professional advice and in ensuring compliance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board in Malaysia. The AC meets up with the External Auditors at least twice a year to review audit plans and exchange views on issues requiring attention. There is no any significant issue raised by External Auditor during the financial year under review.

The AC reviewed the External Auditors' Audit Plan outlining their scope of work and proposed fees for the statutory audit and review of the Statement of Risk Management and Internal Control. The AC further resolved to recommend the proposed fees to the Board for approval.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### Assessment of External Auditor (Cont'd)

The AC carries out an annual review of the performance of the External Auditors, including assessment of their independence in performing their obligations, adequacy of experience and resources of the firm and the professional staff assigned to the audit. Based on the annual evaluation of their performance and audit fees, the AC was satisfied with the External Auditors' technical competency and independence for 2020. With that, the AC further recommended to the Board on the reappointment of the External Auditors for the financial year ending 30 June 2021.

In assessing the independence of External Auditors, the AC required written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

The External Auditors provided written assurance to the AC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

#### Internal Auditor Function

The Board has an overall responsibility for maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investment. As the system of internal controls is designed to mitigate rather than eliminate the likelihood of errors or fraud, the system can only provide reasonable assurance against material misstatement or loss.

The internal audit function is essential to assist the Board in obtaining the assurance of the system of internal control maintained by the management.

To achieve this objective, the Company outsourced its internal audit function to an external consulting company, NGL Tricor Governance Sdn Bhd. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the AC.

The Internal Audit adopts a risk-based approach in developing its audit plan to address the essential auditable areas of the Group based on their risk profiles. The audit focuses on high risk areas to ascertain the adequacy and effectiveness of internal controls. The results of the audit reviews, recommendations as well as management's responses and action plans were brought to the attention of Audit Committee at scheduled meetings. The management has to ensure that all recommended remedial actions were executed to rectify the highlighted shortcomings within a reasonable time frame. Any other significant issues would also be highlighted by AC to the Board on a quarterly basis.

The main functions of Internal Audit is to conducts operational reviews on selected key business areas and processes of the Group.

The main activity and assignment undertaken during the financial year under review include the following:

- (i) Review of Human Resources functions of Success Electronics & Transformer Manufacturer Sdn Bhd; and
- (ii) Review of Account Receivables, Account Payables, Cash Management of Ningbo Success Zhenye Luminaire Limited Liabilities Company;

The findings of the Internal Auditor were communicated to the Management for the necessary corrective action and being followed up and reported to AC accordingly.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### Risk Management and Internal Control

The Board acknowledges that risk management is an integral part of the Group business operations. It is an ongoing process which involves different levels of management to identify, evaluate, monitor, manage and mitigate the risks that may affect the achievement of the Group's business and corporate objectives.

The Board has an overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. There is an on-going process for the Board to identify, evaluate and manage significant risks faced by the Group on a regular basis for the financial year under review. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives of the Group. In pursuing to these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control incorporates, inter-alia, risk management, financial, operational and compliance controls as well as the governance process.

The Company has established the Risk Management Committee (RMC) which is tasked to develop and maintain an effective risk management system for the Group. It reviews matters such as responses to significant risks identified, changes to internal control system and output from monitoring processes. The RMC reports to the AC, which dedicates separate time for discussion of this subject. Significant issues related to risk management and internal controls are highlighted to the Board. The RMC also conducts follow-up reviews on audit recommendations raised in previous audit reports to ensure the recommendations are implemented accordingly with the necessary corrective and preventive actions

The RMC comprises the following members:

Members	Designation
Tan Chung Ling	Chairlady
Lo Chiow Lieh	Chief Risk Officer
Tan Wei Neng	Steering Committee
Tan Chung Chiah	Steering Committee
Tan Chung Chay	Steering Committee
Chang Kam Kuan	Steering Committee
Chua Shee Hiang	Steering Committee
Lim Wei Yuen	Steering Committee

The details of the risk management framework are disclosed in the Statement on Risk Management and Internal Control on page 53.

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

#### Communication with Stakeholders

The Board is aware of the need to formalise internal corporate disclosure policies and procedures not only to comply with the disclosure requirements set out in the Listing Requirements, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders. Amongst the policies is to upload its announcements to the regulators, the Board Charter, rights of shareholders and Annual Report on the Company's website timely.

Various contact details are provided on the Company's website to address queries from customers, shareholders and other stakeholders.

The Board values dialogue with investors as a means of effective communication that enables the Board and management to convey information about the STC Group's performance, corporate directions and other matters affecting shareholders' interests. Such information is disseminated through various disclosures and announcements made to the Bursa Securities covering quarterly financial results, audited financial statements and annual reports. This information is also accessible by the public through Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

#### Communication with Stakeholders (Cont'd)

In addition, the Company's website at [www.stcgroup.com.my](http://www.stcgroup.com.my) provides information on the Group's business, corporate development and announcements made to Bursa Securities. Other information relevant to shareholders and investors such as annual reports, circulars and quarterly reports are available for download at the Company's website.

#### Conduct of General Meetings

The Company's AGM continues to serve as a principal forum for dialogue and interaction with shareholders. The Notice of AGM is available to the shareholders at least twenty-eight (28) days prior to the AGM to enable shareholders to consider the resolutions that will be discussed and decided at the AGM. Proposed resolutions for special business included in the notice of AGM will be accompanied by an explanatory statement to facilitate shareholders' understanding and evaluation of issues involved. The Notice of AGM which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.

All Directors, Senior Management and the External Auditors will attend the general meetings. During the general meetings, shareholders are encouraged to participate in discussions and given sufficient time by the Board to raise questions pertaining to the Annual Report, resolutions being proposed and the business of the Company or the Group in general prior to seek approval from members and proxies on the resolutions. All Directors and the chair of every Board Committees, as well as Senior Management, where appropriate will provide feedbacks, answers and clarifications to the queries raised by the shareholders during the general meetings.

Pursuant to Paragraph 8.29A of the Listing Requirements, a public listed company must ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. The Company had conducted its voting on all resolutions at the 15th AGM held on 4 December 2019 by polling in line with the requirement of the Listing Requirements of Bursa Securities. An independent scrutineer was also appointed to scrutinise the polling process.

At the commencement of all general meetings, the Chairman will inform the shareholders of their rights to a poll voting. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman will declare the number of proxy votes received, both for and against for each separate resolution where appropriate. The outcome of the AGM will be announced to Bursa Securities on the same meeting day.

In view of the current Covid-19 pandemic, the Company is taking the necessary safety precautions and preventive measures in complying with directives issued by the Malaysian Ministry of Health. The forthcoming 16th AGM of the Company will be conducted entirely through live streaming and online remote voting using Remote Participation and Voting facilities ("RPV"). Shareholders who register for remote participants for the forthcoming AGM will be able to submit their questions during the AGM. Shareholders are encouraged to use the RPV to participate and vote remotely at the forthcoming AGM.

### COMPLIANCE STATEMENT

Save as disclosed above and in the CG Report, the Board is satisfied that throughout the FYE 30 June 2020, the Company has applied the principles and recommendations of the corporate governance set out in the MCCG 2017, where necessary and appropriate.

This CG Statement was approved by the Board on 13 October 2020.

## AUDIT COMMITTEE REPORT

### 1. COMPOSITION OF AUDIT COMMITTEE

#### Chairperson

**Chan Foong Ping** (*Re-designated from member to Chairperson w.e.f 29 June 2020*)  
(Independent Non-Executive Director)

#### Members

**Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak** (*Appointed w.e.f. 29 June 2020*)  
(Independent Non-Executive Chairman)

#### Yeoh Kim Wah

(Non-Independent Non-Executive Director)

The Audit Committee ("AC") of the Company comprises three (3) members, all of whom are Non-Executive Directors with a majority of them being Independent. This meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"). Should there be a vacancy in the AC resulting in the non-compliance of Paragraphs 15.09 (1) and 15.10 of the Listing Requirements, the Company must fill up the vacancy within three (3) months thereof.

### 2. TERMS OF REFERENCE

The terms of reference ("TOR") of the AC is available for download on the Company's website at [www.stcgroup.com.my](http://www.stcgroup.com.my).

### 3. FREQUENCY OF MEETINGS

Meetings shall be conducted not less than five (5) times annually. In order to form quorum for the meeting, the majority of the members' present must be Independent Directors. Other meetings may be held as and when required. However, the AC should meet with the external auditors without the presence of the executive directors, at least twice a year.

### 4. AC MEETING ATTENDANCE

The AC had conducted five (5) meetings for the FYE 30 June 2020. Details of attendance of the Directors at AC Meetings held during the financial year are as follows:-

Name of Directors	No. of Meetings Attended
Ng Chee Keong (Resigned on 29 June 2020)	5/5
Chan Foong Ping	4/5
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak ( <i>Appointed on 29 June 2020</i> )	0/5
Yeoh Kim Wah	5/5

### 5. SUMMARY OF WORK

During the financial year and up to the date of statement, the AC had carried out the following works:

#### Activities with Regards to External Audit:

- Reviewed the audited financial statements;
- Reviewed the comments from external auditors in relation to audit and accounting issues arising from the audit;
- Considered the nomination of external auditors for recommendation to the Board for re-appointment; and
- Convened meeting with external auditors without the attendance of other directors or employees.

## AUDIT COMMITTEE REPORT (CONT'D)

### 5. SUMMARY OF WORK (CONT'D)

#### Activities with Regards to Internal Audit:

- Reviewed the internal audit plan, findings and reports;
- Discussed and recommended the internal audit (or “IA”) reports together with the recommendations and Management’s responses as tabled by the internal auditors for the Board’s notation;
- Discussed and reviewed the annual internal audit plan for financial year 2021 (“Annual IA Plan”) and programs as tabled by the internal auditors for the Board’s notation;
- Assessed and reviewed the internal audit function for its adequacy and independency;
- Reviewed the performance and competency of the internal auditors and approved on the re-appointment of internal auditors;
- Reviewed the recurrent related party transactions and control procedures for these transactions in the shareholder mandate; and
- Convened meeting with internal auditors, without the attendance of other directors or employees.

#### Activities with Regards to Financial Statement:

- Reviewed the quarterly financial results and announcements prior to submission to the Board for consideration and approval;
- Reviewed the annual Audited Financial Statements of the Company and the Group for the FYE 30 June 2020 and to recommend to the Board’s approval prior to submission to the Board for approval; and
- Reviewed the Company and the Group’s compliance with the Listing Requirements, Malaysia Finance Reporting Standards and other relevant legal and regulatory requirements.

#### Activities with Regards to Internal Control and Risk Management:

- Reviewed and monitored principal risks which may affect the Group directly or indirectly, and if deemed necessary, recommended additional course(s) of action to mitigate such risks;
- Monitored and communicated the risk assessment results to the Board on a quarterly basis;
- Assessed the actual and potential impact of any failure or weakness of the internal controls in place; and
- Facilitated the establishment of the risk management framework and reviewed adequacy and effectiveness thereof from time to time.

## AUDIT COMMITTEE REPORT (CONT'D)

### 5. SUMMARY OF WORK (CONT'D)

#### Other Activities:

- Reviewed the disclosure statements on Corporate Governance, AC Report and the Statement on Risk Management and Internal Control and recommend their adoption to the Board;
- Reviewed its TOR periodically and recommended to the Board on revision, if necessary;
- Review related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question or Management's integrity;
- Discussed and recommended acquisition, disposal and corporate exercise of the Company to the Board for approval;
- Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the MCCG 2017;
- Discussed summary of assessment on the performance and effectiveness of AC and its members made by the Nominating Committee.

### 6. INTERNAL AUDIT FUNCTION

The internal audit function is essential to assist the Board in obtaining the assurance of the system of internal control maintained by the management.

To achieve this objective, the Company outsourced its internal audit function to an external consulting company, NGL Tricor Governance Sdn Bhd. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the AC.

The Internal Audit adopts a risk-based approach in developing its audit plan to address the essential auditable areas of the Group based on their risk profiles. The audit focuses on high risk areas to ensure that an adequate action plan is in place to enhance the internal controls. The results of the audit reviews, recommendations as well as management's responses and action plans were brought to the attention of AC at scheduled meetings. The management has to ensure that all recommended remedial actions were executed to rectify the highlighted shortcomings within a reasonable time frame. Any other significant issues would also be highlighted by AC to the Board on a quarterly basis.

The main activity and assignment undertaken during the financial year under review include the following:

- i) Review of Human Resources functions of Success Electronics & Transformer Manufacturer Sdn Bhd; and
- ii) Review of Account Receivables, Account Payables, Cash Management of Ningbo Success Zhenye Luminaire Limited Liabilities Company;

The findings of the Internal Auditor were communicated to the Management for the necessary corrective action and being followed up and reported to AC accordingly.

This AC Report was approved by the Board on 13 October 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board has the pleasure of presenting its Statement on Risk Management and Internal Control (“Statement”) in pursuant to Paragraph 15.26 (b) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Statement highlights the nature and scope of risk management and internal control of the Group during the financial year under review.

## BOARD RESPONSIBILITY

Aspiring to uphold the highest ethical values, the Board is committed to building a sound system of internal control. Besides its responsibility for the Group’s risk management, the Board also review the adequacy and effectiveness of these systems to safeguard shareholders’ investment and the Group’s assets. The Board reviews the system of risk management and internal control according to the guidelines for directors on internal control, the Statement: Guidance for Directors of Listed Issuers. Despite reasonable efforts, there is no absolute guarantee against material misstatement or loss. It shall be noted that these systems are designed to manage, rather than eliminate risk of failure in reaching the Group’s business objectives.

This Statement has not dealt with the associate and joint venture entities as the Company does not have full management over them. However, the Group’s interest is served through representations on the Board of the associate and joint venture entities.

## THE SYSTEM OF INTERNAL CONTROL

The principal elements of the Group’s system of internal controls are summarised as follows:

1. A documented hierarchical organisation structure defining the line of management responsibility, authority and appropriate reporting structure in order to enhance the internal control system of the Company’s various operations;
2. Internal policies, procedures and manuals are updated from time to time to ensure that it maintains its effectiveness and continues to support the Company’s business activities at all times as the Company continues to grow. These policies, procedures and manual are further strengthened with the implementation of ISO9001:2015 Quality Management System covering major operating of the Group;
3. Financial results and management information are provided to the AC and the Board on a quarterly basis for review. These reviews help the AC and the Board members to complement its understanding of the risk management in the Group;
4. An annual budgeting process where key performance indicators for each business units are set, and reviewed by the Board and AC. Performance is monitored regularly and a reporting system highlights significant variances against budgets for investigation and follow-up by management of respective business units;
5. Management and operational meetings are held to monitor and review the operational performance and changes in the business environments. These meetings are led by Executive Directors and attended by the Management;
6. Significant corporate matters and its status discussed at the management meetings are brought to the Board meetings for further deliberation and review by the Board members;
7. Scheduled meeting such as Sales and Marketing meeting to review sales performance, formulate sales strategies and update on market information are held monthly and the production meeting for operation related discussion is held daily; and
8. Appointment of staff is based on the required level of qualification, experience and competency to fulfill their responsibilities. Comprehensive and rigorous guidelines on employment, performance appraisal, training and retention of employees are in place to ensure that employees of the Company are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively. Trainings and development programs are provided as part of the management succession plan for selected staff to further enhance their skill and capability.

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

### RISK MANAGEMENT FRAMEWORK

The Board regards risk management processes as an integral part of the business operations. The Board acknowledges its responsibility to put in place an on-going process for identifying, evaluating and managing the significant risks faced by the Group.

The Group's risk management initiative includes delegating the responsibilities of identifying and managing risk to the respective Head of each business units. The Group also has set-up an operation level RMC, which comprised of the Directors and management of the Company as disclosed on page 48, to discuss and evaluate those significant risks identified and the corresponding internal controls implemented by the head of each business units. There are also formalised processes for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies. The RMC will report to the AC periodically whether those significant risks identified are properly monitored, managed, and mitigated to an acceptable level.

Within the framework, there is an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the management and Board levels.

Up to the date of this Statement, the RMC met twice during the financial year under review wherein discussions were on the key principal risks faced by the Group and the action plans proposed to mitigate the risk identified and present report to AC in quarterly basis.

The management of the significant risks identified for the financial year ended ("FYE") 30 June 2020 are outlined below:

#### Competition Risk

The market is currently flooded with competitors selling similar products, coupled with the sluggish economy and soft spending power of businesses, the competition risk has been rising in recent years. Therefore, the Group has identified various strategies:

- To stay relevant in a competitive environment by innovating new products;
- To produce high quality yet affordable products with quick turnaround time; and
- To seize new opportunities by leveraging our strengths and infrastructure.

#### Credit Risk

Credit risk arises from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flows and funding. The Group minimises such exposures by assessing the creditworthiness of potential customers, close monitoring of collections and overdue debts, and effective credit utilisation to keep leverage at a comfortable level.

#### Foreign Currency Exchange Risk

The Company is directly exposed to foreign exchange fluctuations as the cost of raw materials and imported goods are denominated in foreign currencies. As such, the foreign exchange may have material effects to the costing of our products.

For imported goods, foreign currency exchange risk is partially managed through a natural hedge between revenue and purchases in the same currencies. The Company's management has started hedging the remaining un-hedged portion to mitigate currency risk on cash flow earnings.

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

### Operational Risk

Operational risk arises from the execution of a company's business including risks of systems and equipment failure, overcapacity situations and disease risks. The Group adheres to policies, procedures, quality controls and best practices to ensure that all systems and equipment are functional. To manage overcapacity issues, the Group constantly reviews its business plans and seeks alternative uses for excess capacity. To mitigate disease risk of Covid-19 outbreak, Safety and Health committee and Human Resource Department is assigned to developed SOP and workflow based on Ministry of Health's guidelines, include practice social distancing measures, regular sanitization done in the workplace and provide Personal Protection Equipment such as masks and hand sanitisers to staff.

The Group implemented attractive remuneration schemes to attract and retain its skilled workforce to meet existing and future needs.

### REVIEW OF ADEQUACY AND EFFECTIVENESS

The review of adequacy and effectiveness of the Group's risk management and internal controls are undertaken by the outsourced internal audit function, who reports directly to the AC. The process is in place for the financial year under review and up to the date of issuance of the Statement.

The resulting reports from the reviews undertaken are presented to the AC at its regular meetings for review, discussion, and direct actions on matters pertaining to reports, which among other matters include findings relating to the adequacy and effectiveness of the internal control system of the Group. After the AC had deliberated on the reports, these are then forwarded to the operational management for attention and necessary actions. The operational management is responsible in ensuring recommended corrective actions on reported weaknesses were taken within the required time frame.

### INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent internal audit service provider to review the adequacy and effectiveness of the internal control systems of the business units. The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business units of the Group. These plans are presented and approved by the AC annually. The cost of internal audit function for the FYE 2020 was RM47,774.

### ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND GROUP FINANCE CONTROLLER

The Board has received assurance from the Managing Director and Group Finance Controller that the Group's risk management and internal control systems are adequate and operating effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

The Managing Director also reports to the Board on significant changes in the business and the external environment which affects the operations. Financial information, key performance and risk indicators are also reported on a quarterly basis to the Board.

### REVIEW OF STATEMENT BY EXTERNAL AUDITOR

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

### CONCLUSION

The Board considers that the risk management framework is adequate, but will still be subject to continuous improvement, taking into consideration better practices and the changing business environment, where appropriate. The Board is committed to maintain a sound system of internal control and will strive for continuous improvement where necessary, to further enhance the Group's system of internal control.

This Statement was approved by the Board on 13 October 2020.

## OTHER COMPLIANCE INFORMATION

### 1. Audit and Non-Audit Fees

The audit and non-audit fees incurred to the external auditors by the Group and the Company for the FYE 30 June 2020 are as follows:

	Group	Company
Audit Fees (RM)	343,847	80,000
Non-Audit Fees (RM)	23,000	23,000

### 2. Material Contracts

Other than the related party transactions as disclosed in Note 44 to the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving the Directors' and major shareholders' interests, either still subsisting at the end of the FYE 30 June 2020 or entered into since the end of the previous financial year.

### 3. Utilisation of Proceeds from Corporate Proposals

- (a) The Company has issued 788,100 ordinary shares under the ESOS for a cash consideration of RM425,574 during the FYE 30 June 2020. The proceeds arising from the exercise of the share options pursuant to the ESOS were utilised for working capital purposes.
- (b) On 03 September 2019, the Company has completed the disposal of 52,000,000 ordinary shares in SEB, representing 65.26% of the entire equity interest in SEB, a subsidiary company of STC for a total cash consideration of RM26 million ("Disposal").

The status of utilisation of proceeds arising from the Disposal as at 13 October 2020 is set out as below:

	<sup>(a)</sup> Proposed utilisation RM'000	Actual utilisation RM'000	Reallocaton RM'000	Balance RM'000
<b>Working capital</b>				
– Purchase of raw materials	8,000	(21,100)	<sup>(b)</sup> 13,100	-
– Payment of payroll	1,000	(2,700)	<sup>(b)</sup> 1,700	-
– Selling and distribution expenses	1,000	(1,000)	<sup>(b)</sup> -	-
– Other administrative expenses	1,000	(991)	<sup>(b)(c)</sup> (9)	-
<b>Future potential investment(s)/ acquisition(s)</b>	14,800	-	<sup>(b)</sup> (14,800)	-
<b>Defray estimated expenses relating to the Disposal</b>	200	(209)	<sup>(c)</sup> 9	-
<b>Total</b>	<b>26,000</b>	<b>26,000</b>	<b>-</b>	<b>-</b>

**Notes:**

<sup>(a)</sup> Based on the announcements of STC dated 03 September 2019 and 11 September 2019.

<sup>(b)</sup> In view that there is no investment(s)/acquisition(s) undertaken by the Company within the timeframe for utilisation from 03 September 2020, the excess has been utilised for working capital purposes.

<sup>(c)</sup> The actual amount of the expenses relating to the Disposal were higher than the estimated expenses. Hence, the variation in the amount of estimated expenses had been adjusted against the amount proposed for other administrative expenses under the working capital.

## OTHER COMPLIANCE INFORMATION (CONT'D)

### 4. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the 15th AGM of the Company held on 04 December 2019, the Company had obtained a mandate from its shareholders to allow the Company and/or its subsidiaries ("Group") to enter into recurrent related party transactions ("RRPT") of a revenue or trading nature with related parties ("Shareholders' Mandate").

In compliance with Paragraph 10.9 of MMLR, the detail and aggregate value of RRPT entered into between the Group with the related parties during the FYE 30 June 2020 pursuant to the Shareholders' Mandate were as follows:-

No	Related Parties	Transacting Parties	Nature of the transactions	Actual value transacted up during the FYE 30 June 2020 RM	Interested Director(s)/ Major Shareholders and/or Person(s) Connected
1.	NSZ	Ninghai Juncheng Lighting Factory Co. Ltd ("Juncheng")	Purchase of light hardware, plastic product, mould, electrical spare parts, casting and other raw materials, used for the manufacturer of industrial lights fittings products from JunCheng to NSZ	2,224	Gu Zhen Wu <sup>(i)</sup> Zhou Jie Di <sup>(i)</sup>
2.	NSZ	Ninghai Shengfeng Rubber Factory Co Ltd ("Shengfeng")	Purchase of plastic product, mould and other raw materials used for the manufacturer of industrial lights fittings products from Sheng Feng by NSZ	490,920	Gu Zhen Wu <sup>(i)</sup> Zhou Jie Di <sup>(i)</sup>
3.	NSZ	Zhenyu Electric Factory Co. Ltd ("Zhenyu")	Purchase of light, hardware and electrical parts, mould and other raw materials used for the manufacturer of industrial lights fittings products from Zhenyu by NSZ and processing fee charged by Zhenyu to NSZ	757,232	Gu Zhen Wu <sup>(i)</sup> Zhou Jie Di <sup>(i)</sup>

#### Nature of the relationships

<sup>(i)</sup> Gu Zhen Wu and Zhou Jiedi are directors of NSZ and have indirect shareholdings of 40% in NSZ. They are the close family members to the shareholders of Juncheng, Shengfeng and Zhenyu.

## OTHER COMPLIANCE INFORMATION (CONT'D)

### 5. ESOS

The ESOS which was approved by the shareholders at the Extraordinary General Meeting held on 2 July 2018 and governed by the ESOS By-Laws, is the only share option scheme in existence during the financial year. The ESOS would be in force for a period of five (5) years commencing from the date of implementation on 3 July 2018.

A total of 6,771,200 ESOS options were granted to the eligible employees and an executive director of the Company at RM0.54 per ESOS options offered, of which the balance of 40% are exercisable into new ordinary shares with immediate effect on 27 December 2020. A total of 788,100 ESOS options were exercised during the FYE 30 June 2020.

The total number of ESOS options granted, exercised or vested and outstanding since its commencement up to 30 June 2020 are set out in the table below:-

Descriptions	Number of ESOS options as at 30 June 2020	
	Grand total	Directors
(a) Granted	6,771,200	232,700
(b) Exercised	1,244,900	69,800
(c) Outstanding	5,526,300	162,900

Percentage of ESOS options applicable to Directors and Senior Management under the ESOS are as follows:

Director and Senior Management	During the financial year (%)	Since commencement up to 30 June 2020
(a) Aggregate maximum allocation	50.00%	50.00%
(b) Actual granted	-	13.42%

No ESOS options were granted to the Non-Executive Directors.



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## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 6(a) to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	Group RM	Company RM
Profit after tax for the financial year	12,918,393	1,536,775
<b>Attributable to :</b>		
Owners of the Company	10,016,450	1,536,775
Non-controlling interests	2,901,943	-
	12,918,393	1,536,775

### DIVIDENDS

Dividends paid or declared by the Company since 30 June 2019 are as follows:-

- (i) A special tax-exempt single-tier dividend of RM 0.035 per ordinary share amounting to RM 8,221,645 in respect of the financial year ended 30 June 2020 was declared on 12 September 2019 and paid on 7 October 2019 to the shareholders whose names appeared in the Company's Record of Depositors on 30 September 2019.
- (ii) An interim tax-exempt single-tier dividend of RM 0.022 per ordinary share amounting to RM 5,167,890 in respect of the financial year ended 30 June 2020 was declared on 13 September 2019 and paid on 7 October 2019 to the shareholders whose names appeared in the Company's Record of Depositors on 30 September 2019.

The directors do not recommend any final dividend in respect of the financial year ended 30 June 2020.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## DIRECTORS' REPORT (CONT'D)

### ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) the Company increased its issued and paid-up share capital from RM 71,514,519 to RM 72,017,538 by way of:-
- (i) an issuance of 788,100 new ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme at the exercise prices as disclosed in Note 25(c) to the financial statements which amounted to RM 503,019.

the new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

- (b) there were no issues of debentures by the Company.

### TREASURY SHARES

During the financial year, the Company purchased 5,478,500 of its issued ordinary shares from the open market at an average price of RM 0.6879 per share. The total consideration paid for the purchase was RM 3,768,567 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

As at 30 June 2020, the Company held as treasury shares a total of 19,849,954 of its 249,743,100 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM 13,648,570.

The details on the treasury shares are disclosed in Note 24 to the financial statements.

### OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees' Share Option Scheme.

### EMPLOYEE SHARE OPTION SCHEME

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 2 July 2018. The ESOS is to be in force for a period of 5 years effective from 3 July 2018.

The details of the ESOS are disclosed in Note 25(c) to the financial statements.

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

## DIRECTORS' REPORT (CONT'D)

### CURRENT ASSETS

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

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

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Notes 33, 34, 41 and 49 to the financial statements.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS

The name of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Tan Ah Bah @ Tan Ah Ping	
Tan Chung Ling	
Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak	<i>(Appointed on 02.01.2020)</i>
Chan Foong Ping	
Yeoh Kim Wah	
Pan Kim Foon	<i>(Resigned on 29.06.2020)</i>
Ng Chee Keong	<i>(Resigned on 29.06.2020)</i>
Dato' Chua Tia Guan	<i>(Resigned on 29.06.2020)</i>
Tan Chung Chiah ( <i>Alternate to Pan Kim Foon</i> )	<i>(Ceased on 29.06.2020)</i>
Tan Chung Chay	
Tan Wei Neng	

The name of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Andrea Toppan	
Anthony Hubert Kearney	
Chang Kam Kuan	
Chang Poay Hee	
Cheng Lai Lai	
Fong Yit Sin	<i>(Resigned on 01.06.2020)</i>
Gu Yulong	
Gu Zhen Wu	
Lim Chia Nguan	
Miswan Bin Kamid	
Muhamad Wizan Bin Sulaiman	
Ong Ngok Chong	
Ong Yee Wah	
Paolo Toppan	
Samsul Baharin Bin Bidin	
See Boon Chun	
Tan Chee Ming	
Tan Chung Chiah	
Tan Kong Chian	
Tan Siew Gek	
Tong Ming Fui	
Tong Ming Jun	
Wong Chaw Meng	<i>(Resigned on 19.02.2020)</i>
Zhou Jie Di	

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares or options over unissued shares of the Company and its related corporations during the financial year are as follows:-

#### The Company

		Balance at 01.07.2019	Number of Ordinary Shares		Balance at 30.06.2020
			Bought	Sold	
Tan Ah Bah @ Tan Ah Ping	– Direct	209,300	-	-	209,300
	– Indirect <sup>(1)</sup>	105,742,428	-	-	105,742,428
Tan Chung Ling	– Direct	154,980	-	-	154,980
	– Indirect <sup>(2)</sup>	105,796,748	-	-	105,796,748
Yeoh Kim Wah	– Direct	1,292,100	-	-	1,292,100
Tan Wei Neng	– Direct	20,400	69,800	-	90,200
	– Indirect <sup>(3)</sup>	69,100	-	-	69,100
Tan Chung Chay	– Indirect <sup>(2)</sup>	105,796,748	-	-	105,796,748

	Balance at 01.07.2019	Number of Options under ESOS		Balance at 30.06.2020
		Granted	Exercised	
Tan Wei Neng	232,700	-	(69,800)	162,900

#### Holding Company - Omega Attraction Sdn. Bhd. ("OASB")

		Balance at 01.07.2019	Number of Ordinary Shares		Balance at 30.06.2020
			Bought	Sold	
Tan Ah Bah @ Tan Ah Ping	– Direct	51,000	-	-	51,000
	– Indirect <sup>(4)</sup>	49,000	-	-	49,000
Tan Chung Ling	– Indirect <sup>(5)</sup>	100,000	-	-	100,000
Tan Chung Chay	– Indirect <sup>(5)</sup>	100,000	-	-	100,000

#### Notes:

- <sup>(1)</sup> Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, and his wife and daughter, Tan Chung Ling's direct interests in the Company.
- <sup>(2)</sup> Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in OASB, and her parents' direct interest in the Company.
- <sup>(3)</sup> Deemed interest by virtue of his wife, Chew Yoke Ying's direct interest in the Company.
- <sup>(4)</sup> Deemed interest by virtue of his wife, Pan Kim Foon's direct interest in OASB.
- <sup>(5)</sup> Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping and Pan Kim Foon's direct interest in OASB.

## DIRECTORS' REPORT (CONT'D)

### DIRECTORS' INTERESTS (CONT'D)

By virtue of their shareholdings in OASB and the Company, Tan Ah Bah @ Tan Ah Ping, Tan Chung Ling and Tan Chung Chay are deemed to have interests in shares of the Company and its related corporations during the financial year to the extent that OASB has an interest, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares or option over unissued shares of the company or its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 44 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

### DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 35 to the financial statements.

### INDEMNITY AND INSURANCE COST

The Company maintains a Directors' and Officers' Liability Insurance Policy on a group basis. During the financial year, the amount indemnity coverage and insurance premium paid for the directors and officers of the Group were RM 6,800,000 and RM 14,779 respectively. No indemnity was given to or insurance effected for auditors of the Company.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

### SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The significant events during the reporting period are disclosed in Note 49 to the financial statements.

### SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 50 to the financial statements.

### HOLDING COMPANY

The Company is a subsidiary of Omega Attraction Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

## DIRECTORS' REPORT (CONT'D)

### AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 34 to the financial statements.

Signed in accordance with a resolution of the directors dated 13 October 2020.

**TAN AH BAH @ TAN AH PING**

**TAN CHUNG LING**

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Ah Bah @ Tan Ah Ping and Tan Chung Ling, being two of the directors of Success Transformer Corporation Berhad, state that, in the opinion of the directors, the financial statements set out on page 72 to 168 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 of 30 June 2020 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the director dated 13 October 2020.

**TAN AH BAH @ TAN AH PING**

**TAN CHUNG LING**

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Lo Chiow Lieh, being the officer primarily responsible for the financial management of Success Transformer Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 168 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Lo Chiow Lieh, NRIC Number: 800511-04-5151  
at Kuala Lumpur in the Federal Territory  
on this 13 October 2020.

**Lo Chiow Lieh**  
MIA 32657  
Chartered Accountant

Before me:  
**Sabrina Binti Syd Mohammed Sebir (No. W748)**

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Success Transformer Corporation Berhad, which comprise the statements of financial position as at 30 June 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 72 to 168.

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 30 June 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 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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

#### *Carrying Value of Inventory*

Refer to Note 16 in the financial statements

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p>The Group held significant inventories with carrying amount of RM 103,447,135 as at 30 June 2020.</p> <p>The carrying value of inventories is stated at the lower of cost and net realisable value.</p> <p>According to the Group's inventory write-down policy, the Group determines the amount of write-down for slow moving or obsolete inventories based upon the age of the slow moving inventories.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>• Comparing the net realisable value to the cost of inventories at the end of the reporting period to assess the reasonableness of inventories write-down.</li> <li>• Performing test on the inventory ageing report to ensure inventories were grouped into the appropriate age bracket.</li> <li>• Reviewing the accuracy of the write-down of inventories by matching the quantum of write-down to the corresponding age profile of inventories according to the group policy.</li> </ul>

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

### Key Audit Matters (Cont'd)

#### *Recoverability of Receivables*

Refer to Note 17 in the financial statements

<i>Key Audit Matter</i>	<i>How our audit addressed the Key Audit Matter</i>
<p>We focused on this area because the Group carries significant amount of RM 55,004,363 as at financial year end.</p> <p>There is judgement in the identification of doubtful debts and assumptions used in the making of impairment losses.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>• Tested the reliability and accuracy of ageing report.</li> <li>• Assessed the reasonableness of impairment losses provided by management.</li> <li>• Evaluated the sufficiency and reasonableness of impairment provided by the management.</li> <li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.</li> <li>• Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix.</li> </ul>

### 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 Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the other sections of the 2020 Annual Report, which is expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditors' report, 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 the 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

### Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

## OTHER MATTERS

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

**CROWE MALAYSIA PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

**NG KIM HIAN**  
02506/04/2021 J  
Chartered Accountant

Muar, Johor Darul Takzim  
Date: 13 October 2020

## STATEMENTS OF FINANCIAL POSITION

### AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Investment in subsidiaries	6	-	-	63,332,858	89,285,468
Investment in associates	7	349,127	403,198	-	-
Property, plant and equipment	8	66,862,421	111,928,303	-	-
Intangible asset	9	-	-	-	-
Investment properties	10	29,992,307	46,421,878	-	-
Right-of-use assets	11	10,635,460	-	-	-
Goodwill on consolidation	12	-	6,921,238	-	-
Amount due from subsidiaries	13	-	-	4,041,126	4,041,126
Amount due from a related party	14	2,522,540	2,693,124	-	-
Deferred tax assets	15	617,928	348,176	-	-
		110,979,783	168,715,917	67,373,984	93,326,594
<b>Current Assets</b>					
Inventories	16	103,447,135	116,712,557	-	-
Trade receivables	17	55,004,363	72,000,514	-	-
Other receivables, deposits and prepayments	18	7,133,243	12,406,215	3,589	3,589
Contract assets	19	1,084,064	9,724,555	-	-
Amount due from subsidiaries	13	-	-	9,571,883	9,688,253
Amount due from associates	20	1,066,849	1,330,287	-	-
Amount due from related parties	14	221,009	366,414	-	7,205
Short-term investments	21	54,197,882	15,224,299	-	-
Current tax assets		9,945,502	12,695,636	247,615	-
Dividend receivable		-	-	1,452,721	-
Deposits with licensed banks	22	166,650	130,766	-	-
Cash and bank balances		30,360,923	39,016,151	517,143	479,868
		262,627,620	279,607,394	21,792,951	10,178,915
<b>TOTAL ASSETS</b>		<b>373,607,403</b>	<b>448,323,311</b>	<b>89,166,935</b>	<b>103,505,509</b>

## STATEMENTS OF FINANCIAL POSITION

### AS AT 30 JUNE 2020 (CONT'D)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>EQUITY AND LIABILITIES</b>					
Share capital	23	72,017,538	71,514,519	72,017,538	71,514,519
Treasury shares	24	(13,648,570)	(9,880,003)	(13,648,570)	(9,880,003)
Reserves	25	256,261,768	259,140,732	22,513,822	34,036,531
<b>Equity Attributable to Owners of the Company</b>		<b>314,630,736</b>	<b>320,775,248</b>	<b>80,882,790</b>	<b>95,671,047</b>
<b>Non-Controlling Interests</b>	6(f)	<b>21,766,588</b>	<b>28,227,288</b>	-	-
<b>TOTAL EQUITY</b>		<b>336,397,324</b>	<b>349,002,536</b>	<b>80,882,790</b>	<b>95,671,047</b>
<b>Non-Current Liabilities</b>					
Lease liabilities	26	238,343	-	-	-
Loans and borrowings	27	1,309,432	13,520,615	-	-
Hire purchase payables	28	-	1,289,280	-	-
Deferred tax liabilities	15	1,169,689	1,281,491	-	-
		<b>2,717,464</b>	<b>16,091,386</b>	-	-
<b>Current Liabilities</b>					
Trade payables	29	18,065,065	33,968,983	-	-
Other payables and accruals	30	13,366,530	19,737,460	245,250	109,261
Contract liabilities	19	-	652,529	-	-
Amount due to subsidiaries	13	-	-	8,038,895	7,658,005
Amount due to an associate	20	-	327,144	-	-
Amount due to related parties	14	910,435	811,611	-	-
Lease liabilities	26	1,599,005	-	-	-
Loans and borrowings	27	344,928	26,319,392	-	-
Hire purchase payables	28	-	810,183	-	-
Current tax liabilities		206,652	602,087	-	67,196
		<b>34,492,615</b>	<b>83,229,389</b>	<b>8,284,145</b>	<b>7,834,462</b>
<b>TOTAL LIABILITIES</b>		<b>37,210,079</b>	<b>99,320,775</b>	<b>8,284,145</b>	<b>7,834,462</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>373,607,403</b>	<b>448,323,311</b>	<b>89,166,935</b>	<b>103,505,509</b>

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

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>CONTINUING OPERATIONS</b>					
REVENUE	31	222,973,356	258,864,075	5,285,410	4,561,800
COST OF SALES		(160,605,218)	(175,905,174)	-	-
GROSS PROFIT		62,368,138	82,958,901	5,285,410	4,561,800
OTHER INCOME		10,221,215	3,432,464	157,059	385,335
SELLING AND DISTRIBUTION EXPENSES		(16,261,398)	(18,410,774)	-	-
ADMINISTRATIVE EXPENSES		(33,372,132)	(36,249,110)	(2,469,655)	(786,668)
OTHER EXPENSES		(2,927,315)	(2,457,748)	(585,922)	(7,957,358)
PROFIT/(LOSS) FROM OPERATIONS		20,028,508	29,273,733	2,386,892	(3,796,891)
FINANCE COSTS	32	(486,371)	(611,440)	(73,841)	(120,004)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS	33	(1,140,493)	(8,208)	(404,630)	-
SHARE OF LOSS OF EQUITY ACCOUNTED ASSOCIATES, NET OF TAX		(56,246)	(183,620)	-	-
PROFIT/(LOSS) BEFORE TAX	34	18,345,398	28,470,465	1,908,421	(3,916,895)
INCOME TAX EXPENSE	37	(5,067,100)	(7,211,385)	(371,646)	(761,935)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		13,278,298	21,259,080	1,536,775	(4,678,830)
<b>DISCONTINUED OPERATIONS</b>					
LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	38	(359,905)	(3,819,165)	-	-
PROFIT/(LOSS) AFTER TAX		12,918,393	17,439,915	1,536,775	(4,678,830)
OTHER COMPREHENSIVE INCOME					
<u>Items that Will be Reclassified</u> <u>Subsequently to Profit or Loss</u>					
Foreign currency translation differences		212,633	(741,229)	-	-
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		13,131,026	16,698,686	1,536,775	(4,678,830)

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:-</b>					
<i>Owners of the Company:-</i>					
– continuing operations		10,213,036	17,582,008	1,536,775	(4,678,830)
– discontinued operations		(196,586)	(2,314,468)	-	-
		10,016,450	15,267,540	1,536,775	(4,678,830)
<i>Non-controlling interests:-</i>					
– continuing operations		3,065,262	3,677,072	-	-
– discontinued operations		(163,319)	(1,504,697)	-	-
		12,918,393	17,439,915	1,536,775	(4,678,830)
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-</b>					
<i>Owners of the Company:-</i>					
– continuing operations		10,761,406	17,332,303	1,536,775	(4,678,830)
– discontinued operations		(196,586)	(2,314,468)	-	-
		10,564,820	15,017,835	1,536,775	(4,678,830)
<i>Non-controlling interests:-</i>					
– continuing operations		2,729,525	3,185,548	-	-
– discontinued operations		(163,319)	(1,504,697)	-	-
		13,131,026	16,698,686	1,536,775	(4,678,830)
<b>EARNINGS PER ORDINARY SHARE (SEN)</b>					
Basic:-					
– continuing operations	39	4.38	7.48		
– discontinued operations		(0.08)	(0.98)		
Diluted:-					
– continuing operations	39	4.35	7.46		
– discontinued operations		(0.08)	(0.98)		

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

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Group	Note	Non-Distributable				Distributable			Total Equity RM	
		Share Capital RM	Treasury Shares RM	Translation Reserve RM	Capital Reserve RM	Employees Share Option Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM		Non-Controlling Interests RM
<b>At 1 July 2019</b>		71,514,519	(9,880,003)	2,925,985	7,789,739	456,795	247,968,213	320,775,248	28,227,288	349,002,536
Profit after tax for the financial year		-	-	-	-	-	10,016,450	10,016,450	2,901,943	212,918,393
Foreign currency translation differences for foreign operations		-	-	548,370	-	-	-	548,370	(335,737)	212,633
<b>Total comprehensive income for the financial year</b>		-	-	548,370	-	-	10,016,450	10,564,820	2,566,206	213,131,026
<b>Contributions by and distributions to owners of the Company:</b>										
Arising from bonus shares issue of subsidiary		-	-	-	6,498,408	-	(6,498,408)	-	-	-
Purchase of treasury shares	24	-	(3,768,567)	-	-	-	-	(3,768,567)	-	(3,768,567)
Employees' share options granted		-	-	-	-	407,496	-	407,496	-	21,540,496
Employees' share options exercised	25	503,019	-	-	-	(77,445)	-	425,574	-	425,574
Dividends to owners of the Company		-	-	-	-	-	(13,389,535)	(13,389,535)	-	(13,389,535)
- by Company	42	-	-	-	-	-	-	-	-	-
- by subsidiary to non-controlling interests		-	-	-	-	-	-	-	(2,421,600)	(2,421,600)
Capital reduction by a subsidiary		-	-	-	-	-	-	-	(280,000)	(280,000)
Disposal of a subsidiary		-	-	-	-	-	-	-	(6,743,325)	(6,743,325)
Changes in ownership interest in subsidiary that do not result in a loss of control		-	-	-	-	-	(384,300)	(384,300)	418,019	33,719
<b>Total transactions with owners of the Company</b>		503,019	(3,768,567)	-	6,498,408	330,051	(20,272,243)	(16,709,332)	(9,026,906)	(25,736,238)
<b>At 30 June 2020</b>		72,017,538	(13,648,570)	3,474,355	14,288,147	786,846	237,712,420	314,630,736	21,766,588	336,397,324

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

Group	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Non-Distributable			Distributable		Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
					Translation Reserve RM	Capital Reserve RM	Employees Share Option Reserve RM	Retained Profits RM				
<b>At 1 July 2018</b>		69,966,469	(8,198,255)	1,267,803	3,175,690	7,789,739	-	236,394,735	310,396,181	28,701,705	339,097,886	
Changes in accounting policies		-	-	-	-	-	-	(527,526)	(527,526)	(280,814)	(808,340)	
<b>At 1 July 2018 (restated)</b>		69,966,469	(8,198,255)	1,267,803	3,175,690	7,789,739	-	235,867,209	309,868,655	28,420,891	338,289,546	
Profit after tax for the financial year		-	-	-	-	-	-	15,267,540	15,267,540	2,172,375	17,439,915	
Foreign currency translation differences for foreign operations		-	-	-	(249,705)	-	-	-	(249,705)	(491,524)	(741,229)	
<b>Total comprehensive income for the financial year</b>		-	-	-	(249,705)	-	-	15,267,540	15,017,835	1,680,851	16,698,686	
<b>Contributions by and distributions to owners of the Company:</b>												
Purchase of treasury shares	24	-	(1,681,748)	-	-	-	-	-	(1,681,748)	-	(1,681,748)	
Employees' share options granted		-	-	-	-	-	490,370	-	490,370	-	490,370	
Employees' share options exercised	25	280,247	-	-	-	-	(33,575)	-	246,672	-	246,672	
Dividends to owners of the Company		-	-	-	-	-	-	(2,351,671)	(2,351,671)	-	(2,351,671)	
- by Company	42	-	-	-	-	-	-	-	-	-	-	
- by subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	(1,441,200)	(1,441,200)	
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016		1,267,803	-	(1,267,803)	-	-	-	-	-	-	-	
Capital reduction by a subsidiary		-	-	-	-	-	-	-	-	(850,000)	(850,000)	
Changes in ownership interest in subsidiary that do not result in a loss of control		-	-	-	-	-	-	(814,865)	(814,865)	416,746	(398,119)	
<b>Total transactions with owners of the Company</b>		1,548,050	(1,681,748)	(1,267,803)	-	-	-	456,795	(4,111,242)	(1,874,454)	(5,985,696)	
<b>At 30 June 2019</b>		71,514,519	(9,880,003)	-	2,925,985	7,789,739	456,795	247,968,213	320,775,248	28,227,288	349,002,536	

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

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

Company	Note	<i>Non-Distributable</i>			<i>Distributable</i>		Total Equity RM
		Share Capital RM	Treasury Shares RM	Employees' Share Options Reserve RM	Retained Profits RM		
<b>At 1 July 2019</b>		71,514,519	(9,880,003)	456,795	33,579,736	95,671,047	
Profit after tax for the financial year		-	-	-	1,536,775	1,536,775	
<b>Total comprehensive income for the financial year</b>		-	-	-	1,536,775	1,536,775	
<b>Contributions by and distributions to owners of the Company:</b>							
Purchase of treasury shares	24	-	(3,768,567)	-	-	(3,768,567)	
Employees' share options granted		-	-	407,496	-	407,496	
Employees' share options exercised	25	503,019	-	(77,445)	-	425,574	
Dividends to owners of the Company	42	-	-	-	(13,389,535)	(13,389,535)	
<b>Total transactions with owners of the Company</b>		503,019	(3,768,567)	330,051	(13,389,535)	(16,325,032)	
<b>At 30 June 2020</b>		72,017,538	(13,648,570)	786,846	21,726,976	80,882,790	

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

Company	Note	Share Capital RM	Treasury Shares RM	Non-Distributable		Distributable		Total Equity RM
				Share Premium RM	Employees' Share Options Reserve RM	Retained Profits RM		
<b>At 1 July 2018</b>		69,966,469	(8,198,255)	1,267,803	-	40,610,237	103,646,254	
Loss after tax for the financial year		-	-	-	-	(4,678,830)	(4,678,830)	
<b>Total comprehensive expense for the financial year</b>		-	-	-	-	(4,678,830)	(4,678,830)	
<b>Contributions by and distributions to owners of the Company:</b>								
Purchase of treasury shares	24	-	(1,681,748)	-	-	-	(1,681,748)	
Employees' share options granted		-	-	-	490,370	-	490,370	
Employees' share options exercised	25	280,247	-	-	(33,575)	-	246,672	
Dividends to owners of the Company	42	-	-	-	-	(2,351,671)	(2,351,671)	
Transfer of share premium in accordance with Section 618(2) of Companies Act 2016		1,267,803	-	(1,267,803)	-	-	-	
<b>Total transactions with owners of the Company</b>		1,548,050	(1,681,748)	(1,267,803)	456,795	(2,351,671)	(3,296,377)	
<b>At 30 June 2019</b>		71,514,519	(9,880,003)	-	456,795	33,579,736	95,671,047	

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

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before taxation:-					
– continuing operations		18,345,398	28,470,465	1,908,421	(3,916,895)
– discontinued operations		(359,905)	(3,796,381)	-	-
Adjustments for:-					
Bad debts written off		294,183	206,817	-	-
Amortisation of intangible asset		118,951	-	-	-
Depreciation of investment properties		266,374	453,530	-	-
Depreciation of property, plant and equipment		8,130,361	10,558,509	-	-
Depreciation of right-of-use assets		1,859,183	-	-	-
Gain on disposal of an associate		-	(1)	-	-
Gain on disposal of a subsidiary		(6,090,472)	-	(6)	-
Gain on disposal of investment property		-	(613,653)	-	-
Gain on disposal of property, plant and equipment		(69,692)	(75,323)	-	-
Impairment loss:-					
– investment in subsidiaries		-	-	562,306	7,950,362
– property, plant and equipment		152,043	731,997	-	-
– intangible asset		277,554	-	-	-
– receivables		874,938	618,469	-	-
Inventories written off		-	69,362	-	-
Property, plant and equipment written off		2,776	12,340	-	-
Reversal of:-					
– allowance for impairment loss of receivables		(139,075)	(215,511)	-	-
– impairment loss in subsidiary		-	-	(27,423)	-
– write down of inventories		-	(2,411,452)	-	-
Share of loss of associates		56,246	183,620	-	-
Share option to employees		407,496	490,370	22,604	-
Unrealised loss/(gain) on foreign exchange		1,064,001	(116,935)	-	-
Waiver of debts		(4,790)	937	-	-
Write down of inventories		2,849,885	-	-	-
Write off of amount due from:-					
– subsidiary		-	-	-	6,996
– related party		23,616	-	23,616	-
Dividend income		-	-	(3,625,320)	(2,161,800)
Interest expense		604,297	2,594,149	-	-
Interest income		(1,328,448)	(1,070,964)	(129,331)	(385,335)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>27,334,920</b>	<b>36,090,345</b>	<b>(1,265,133)</b>	<b>1,493,328</b>
<b>Changes In Working Capital</b>					
Inventories		(485,822)	(2,380,293)	-	-
Contract assets/(liabilities)		1,704,727	(7,785,857)	-	-
Trade and other receivables, deposits and prepayments		8,340,793	14,157,455	(9,900,041)	(493,819)
Trade and other payables and accruals		(1,675,205)	(6,563,995)	516,879	128,900
<b>CASH FROM OPERATIONS</b>		<b>35,219,413</b>	<b>33,517,655</b>	<b>(10,648,295)</b>	<b>1,128,409</b>
Dividend received		-	-	1,810,499	1,945,620
Interest paid		(604,297)	(2,594,149)	-	-
Interest received		1,328,448	1,070,964	129,331	385,335
<b>CARRIED FORWARD</b>		<b>35,943,564</b>	<b>31,994,470</b>	<b>(8,708,465)</b>	<b>3,459,364</b>

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>BROUGHT FORWARD</b>		35,943,564	31,994,470	(8,708,465)	3,459,364
Tax paid		(11,057,686)	(12,382,297)	(324,357)	(533,498)
Tax refund		7,990,130	3,904,698	-	20,402
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>		<b>32,876,008</b>	<b>23,516,871</b>	<b>(9,032,822)</b>	<b>2,946,268</b>
<b>CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES</b>					
Acquisition of investment properties		-	(1,549,142)	-	-
Acquisition of property, plant and equipment	43(a)	(5,162,481)	(6,168,402)	-	-
Addition investment in existing subsidiary		33,719	(398,119)	(387,777)	(398,119)
Purchase of intangible asset		(396,505)	-	-	-
Additional of right-of-use asset	43(a)	180,000	-	-	-
Disposal of a subsidiary, net of cash and cash equivalents disposed of	41	27,090,273	-	25,770,402	-
Net (increase) in deposit pledged		(41,284)	(3,889)	-	-
(Payment for)/proceeds from capital reduction		(280,000)	(850,000)	420,000	1,275,000
Proceeds from disposal of an associate		-	1	-	-
Proceeds from disposal of investment property		-	1,200,000	-	-
Proceeds from disposal of property, plant and equipment		378,642	277,995	-	-
<b>NET CASH FROM/(FOR) INVESTING ACTIVITIES</b>		<b>21,802,364</b>	<b>(7,491,556)</b>	<b>25,802,625</b>	<b>876,881</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>					
Dividends paid by the Company		(13,389,535)	(2,351,671)	(13,389,535)	(2,351,671)
Dividends paid by subsidiaries to non-controlling interests		(2,421,600)	(1,441,200)	-	-
Drawdown from term loans	43(b)	6,000,000	6,000,100	-	-
Net movement in trade bills	43(b)	(1,568,132)	(4,919,963)	-	-
Repayment of lease liabilities	43(b)	(1,696,357)	-	-	-
Repayment of hire purchase payables	43(b)	(117,643)	(1,029,123)	-	-
Net movement in revolving credit facility	43(b)	(992,204)	2,002,641	-	-
Repayment of term loans	43(b)	(7,157,595)	(5,606,934)	-	-
Proceeds from exercise of employees' share option		425,574	246,672	425,574	246,672
Purchase of treasury shares		(3,768,567)	(1,681,748)	(3,768,567)	(1,681,748)
<b>NET CASH FOR FINANCING ACTIVITIES</b>		<b>(24,686,059)</b>	<b>(8,781,226)</b>	<b>(16,732,528)</b>	<b>(3,786,747)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>29,992,313</b>	<b>7,244,089</b>	<b>37,275</b>	<b>36,402</b>
<b>EFFECT OF FOREIGN EXCHANGE TRANSLATION</b>		<b>320,642</b>	<b>(160,359)</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>54,245,850</b>	<b>47,162,120</b>	<b>479,868</b>	<b>443,466</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	43(d)	<b>84,558,805</b>	<b>54,245,850</b>	<b>517,143</b>	<b>479,868</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur Wilayah Persekutuan Malaysia
Principal place of business	:	No. 3, 5 & 7, Jalan TSB 8 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor Darul Ehsan

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 13 October 2020.

### 2. HOLDING COMPANY

The Company is a subsidiary of Omega Attraction Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

### 3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 6(a) to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 4. BASIS OF PREPARATION

The financial statements of the Group are prepared under historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

4.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

#### **MFRSs and/or IC Interpretations (including the Consequential Amendments)**

MFRS 16	:	Leases
IC Interpretation 23	:	Uncertainty Over Income Tax Treatments
Amendments to MFRS 9	:	Prepayment Features with Negative Compensation
Amendments to MFRS 119	:	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	:	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 – 2017 Cycles		

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 4. BASIS OF PREPARATION (CONT'D)

- 4.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):- (Cont'd)

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. For a lessor, MFRS 16 continues to allow the lessor to classify its leases as either operating leases or finance leases and to account them differently. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 51 to the financial statements.

- 4.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

<b>MFRSs and IC Interpretations (including the Consequential Amendments)</b>	<b>Effective date</b>
MFRS 17 : Insurance Contracts	1 January 2023
Amendments to MFRS 3 : Definition of a Business	1 January 2020
Amendments to MFRS 3 : Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 4 : Extension of the Temporary Exemption from Applying MFRS 9	At issue date of 17 August 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 : Interest Rate Benchmark Reform	1 January 2020
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 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16 : COVID-19 - Related Rent Concessions	1 June 2020
Amendments to MFRS 17 : Insurance Contracts	1 January 2023
Amendments to MFRS 101 and MFRS 108 : Definition of Material	1 January 2020
Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current	1 January 2023
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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2018 – 2020 Cycles	1 January 2022

The adoption of the above accounting standards and/or interpretation (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 Critical Accounting Estimates and Judgements

##### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

##### **(a) Impairment of Property, Plant and Equipment**

The Group determines whether its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 8 to the financial statements.

##### **(b) Write Down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 16 to the financial statements.

##### **(c) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables (other than inter-company balances) and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 14, 17, 19 and 20 to the financial statements.

##### **(d) Impairment of Inter-company Receivables**

The loss allowances for inter-company receivables are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of inter-company receivables as at the reporting date are disclosed in Note 13 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.1 Critical Accounting Estimates and Judgements (Cont'd)

##### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:

##### **(a) Classification between Investment Properties and Owner-occupied Properties**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

##### **(b) Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancelable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

##### **(c) Coronavirus Disease 2019 (COVID-19)**

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date and therefore affects the recognition and measurement of the Group's assets and liabilities at 30 June 2020.

#### 5.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.2 Basis of Consolidation (Cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

##### (a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent considerations arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

##### (b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

##### (c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

##### (d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.2 Basis of Consolidation (Cont'd)

##### (d) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2018: MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 5.3 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

#### 5.4 Functional and Foreign Currencies

##### (a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

##### (b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

##### (c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.4 Functional and Foreign Currencies (Cont'd)

##### (c) Foreign Operations (Cont'd)

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2011) which are treated as assets and liabilities of the Company and are not retranslated.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operations and are recognised in other comprehensive income.

#### 5.5 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interests, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at Inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair values through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.5 Financial Instruments (Cont'd)

##### (a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

##### *Debt Instruments*

##### (i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

##### (ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

##### (iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

##### (b) Financial Liabilities

##### (i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability is recognised directly in other comprehensive income and is not subsequently reclassified to profit or loss upon the derecognition of the financial liability.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.5 Financial Instruments (Cont'd)

##### (b) Financial Liabilities (Cont'd)

###### (ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

##### (c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

###### (i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

###### (ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

##### (d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.5 Financial Instruments (Cont'd)

##### (d) Derecognition (Cont'd)

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

##### (e) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as 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 or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, 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 end of the reporting period and the amount initially recognised less cumulative amortisation.

#### 5.6 Investment in Subsidiaries

Investments in subsidiaries including the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

#### 5.7 Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercise significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the associate made up to 30 June 2020. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.7 Investments in Associates (Cont'd)

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial assets in accordance with MFRS. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

#### 5.8 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Not applicable (2019: 45 to 87 years)
Factory and shoplot buildings	5 to 50 years
Plant and machinery	3 to 20 years
Motor vehicles	5 to 10 years
Office equipment, furniture and fittings	2 to 10 years

Capital work-in-progress included in property, plant and equipment is not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed and adjusted if appropriate, at the end of each reporting period 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 items of property, plant and equipment. Any changes are accounted for as a change in estimate.

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.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.9 Investment Properties

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. Freehold land is not depreciated whilst leasehold land is amortised over its lease period of 74 to 99 years. The principal annual rates used for buildings are 2% per annum.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

#### 5.10 Intangible Assets

Intangible assets that are acquired separately by the Company which have finite useful lives, are initially measured at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:-

License for use of software platform	2.5 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.11 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

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

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

#### Accounting Policies Applied Until 30 June 2019

##### (a) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.11 Leases (Cont'd)

##### (b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

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

#### 5.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on first-in-first-out and weighted average cost method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on the normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 5.13 Contract Costs

##### (a) Incremental Costs of Obtaining a Contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

##### (b) Costs to Fulfill a Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.14 Contract Asset and Contract Liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

#### 5.15 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

#### 5.16 Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

#### 5.17 Impairment

##### (a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets (other than inter-company balances) using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.17 Impairment (Cont'd)

##### (b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136: Impairment of Assets does not apply, are reviewed at each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less cost to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

#### 5.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

#### 5.19 Employee Benefits

##### (a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

##### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.19 Employee Benefits (Cont'd)

##### (c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as “share options”).

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding credit to employees’ share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company’s separate financial statements, the grant of the share options to the subsidiaries’ employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees’ share option reserve.

Upon expiry of the share option, the employees’ share option reserve is transferred to retained profits.

When the share options are exercised, the employees’ share option reserve is transferred to share capital if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

#### 5.20 Income Taxes

##### (a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

##### (b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary difference other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.20 Income Taxes (Cont'd)

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

#### 5.21 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

#### 5.22 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### 5.23 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible preference shares and share options granted to employees.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.24 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

#### 5.25 Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### 5.26 Revenue from Contracts with Customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.26 Revenue from Contracts with Customers (Cont'd)

The Group transfers control of a goods or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

##### (a) Sale of Transformer, Lighting Products and Process Equipment

Revenue from sale of transformer, lighting products and process equipment is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

##### (b) Rendering of Services

Revenue from providing maintenance and shutdown services is recognised over time in the period in which the services are rendered. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

##### (c) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 5.27 Revenue from Other Sources and Other Operating Income

**(a) Interest Income**

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

**(b) Dividend Income**

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

**(c) Rental Income**

Rental income is accounted for on a straight-line method over the lease term.

**(d) Management Fee Income**

Management fee income from subsidiaries is recognised on accrual basis.

**(e) Government Grants**

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related costs which they are intended to compensate for. These grants are presented as other income in profit or loss or a deduction in reporting the related expenses in profit or loss.

Grants that compensate the Group for the costs of an asset are recognised in profit or loss on a systematic basis over the expected life of the related asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM	2019 RM
<b>At Cost</b>		
<b>Unquoted shares</b>		
At 1 July	69,738,530	70,125,041
Addition (Note (b))	387,777	398,119
Share options granted to employees of subsidiaries	384,892	490,370
Capital reduction (Note (d) and (e)(iii))	(420,000)	(1,275,000)
At 30 June	70,091,199	69,738,530
<b>Quoted Shares</b>		
At 1 July	31,718,980	31,718,980
Disposal of a subsidiary (Note (c))	(31,718,980)	-
At 30 June	-	31,718,980
	70,091,199	101,457,510
<b>Less : Accumulated Impairment Losses</b>		
At 1 July	12,172,042	4,221,680
Addition	562,306	7,950,362
Disposal of a subsidiary (Note (c))	(5,948,584)	-
Reversal	(27,423)	-
At 30 June	6,758,341	12,172,042
<b>Carrying Amount</b>		
At 30 June	63,332,858	89,285,468
<b>Represented by:</b>		
Unquoted shares in Malaysia	58,113,700	58,683,691
Unquoted shares outside Malaysia	5,219,158	4,831,381
Quoted shares in Malaysia	-	25,770,396
	63,332,858	89,285,468
Market value of quoted shares as at end of the year	-	23,400,000

During the financial year, the Company has carried out a review of its investments in certain subsidiaries that had been persistently making losses. A total impairment loss of RM 562,306 (2019: RM 7,950,362) was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows:-

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2020	2019	
Success Electronics & Transformer Manufacturer Sdn. Bhd. ("SETM")	Malaysia	100%	100%	Manufacture of electrical apparatus and industrial lighting.
Success Transformer Marketing Sdn. Bhd. ("STMKT")	Malaysia	100%	100%	Trading, sales and marketing of electrical apparatus and industrial lighting.
Success Transformer Manufacturer Sdn. Bhd. ("STM")	Malaysia	100%	100%	Investment holding.
SES Property Sdn. Bhd. ("SESP")	Malaysia	100%	100%	Property investment holding.
Aruanmota Sdn. Bhd. ("ASB")	Malaysia	100%	100%	Property investment holding.
Nikkon LED Sdn. Bhd. ("NLED")	Malaysia	80%	80%	Manufacturing of LED lighting.
Daiichi Steel Sdn. Bhd. ("DS")	Malaysia	95%	95%	Manufacture of metal products focusing on metal stamping parts.
Omega Metal Industries Sdn. Bhd. ("OMI")	Malaysia	95%	95%	Manufacture of metal products focusing on metal casing.
ILCS Technologies Sdn. Bhd. ("ILCS")	Malaysia	60%	60%	Trading, sales and marketing of electrical apparatus, lighting and related products.
Nikkon Lighting Pty. Ltd. ("NLPL")	Australia	100%	100%	Marketing and distributing of electrical apparatus and industrial lighting and ceased business operation during the year.
Success Transformer Pte. Ltd. ("STPL") #	Singapore	100%	100%	Investment holding and to carry on business of electricians, mechanical engineers of any other of alike nature.
Seremban Engineering Berhad ("SEB") (Note (c))	Malaysia	-	65%	Fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown works.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows (Cont'd):-

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2020	2019	
Boxon Industries Hardware (M) Sdn. Bhd. ("BIH")	Malaysia	60%	60%	Ceased business operation.
Ningbo Success Zhenye Luminaire Limited Liabilities Company ("NSZ") #	People's Republic of China	60%	60%	Design, manufacture and trading of industrial light fittings and fixtures.
Nikken Success Kenya Limited ("NSK")	Republic of Kenya	91%	91%	Marketing and distributing of electrical apparatus and industrial lighting and ceased business operation during the year.
Nikken Lighting (Thailand) Co., Ltd. ("NLT") #	Thailand	49% ^	49% ^	Distribution of lighting and electrical products.
PT. Boxon Nikkon Jayaindo ("BNJ") #	Indonesia	96%	50% (Direct) @ 30% (Indirect)	Wholesale for lighting, mechanical and electrical products, metal enclosure and accessories.
<b>Subsidiary of STMKT</b> A.B.U Hayat Lighting Sdn. Bhd. ("AHL")	Malaysia	60%	60%	Provision of general consultancy and contractor services relating to electrical and electronics and to engage in trading, sales and marketing of electrical apparatus and industrial lighting.
<b>Subsidiaries of NSZ</b> Ningbo Success Zhenye Casting Limited Liabilities Company ("NSC") #	People's Republic of China	60%	60%	Aluminium die-casting, light fittings assembly and mould.
Ningbo Success Gushi International Trading Co. Ltd ("NSG") #	People's Republic of China	100%	100%	Trading of industrial light fittings and fixtures.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows (Cont'd):-

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2020	2019	
<b>Subsidiary of STPL</b>				
Nikkon Lighting & Electrical Pte. Ltd. ("NLE") #	Singapore	75%	75%	Marketing and distribution of electrical appliances and industrial lighting.
<b>Subsidiary of BIH</b>				
Boxon Industries Hardware (JB) Sdn. Bhd. ("BIHJ")	Malaysia	100%	100%	Ceased business operations.

# Audited by firms other than Crowe Malaysia PLT.

^ In accordance with the Memorandum of Articles of Association of NLT, one voting right is attached to every one ordinary share and one voting right is attached to every ten preferred shares. Based on existing total issued and paid-up share capital of NLT of 9,800 ordinary shares of THB 100 each and 10,200 preferred shares of THB 100 each, the total voting rights are 10,820 comprising 9,800 voting rights for ordinary shares and 1,020 voting rights for preferred shares. Success Transformer Corporation Berhad ("STC") holds 9,800 ordinary shares which carry with them 9,800 voting rights or 90.6% of the total voting rights in NLT. As STC has control over NLT, the account of NLT is consolidated into the Group's financial statements.

@ The indirect percentage of issued share capital held by parent is held through a subsidiary of the Company, namely BIH.

- (b) On 31 July 2019, BIH disposed its entire 50% equity interest in BNJ, comprising 138,000 ordinary shares to the Company for a cash consideration of RM387,777; and 12,000 ordinary shares to a director of the Company, Tan Chung Ling for a cash consideration of RM 33,720. Subsequent to the completion of the disposal, BNJ became a 96% direct owned subsidiary of the Company.
- (c) On 3 September 2019, the Company entered into Sale and Purchase Agreement ("SPA") with MIE Industrial Sdn. Bhd. ("MIE") to dispose entire 65% equity interest in a subsidiary, namely, Seremban Engineering Berhad ("SEB"), comprising 52,000,000 ordinary shares for a total cash consideration of RM 26,000,000 ("Disposal"). The Disposal was completed on even date.

SEB is belonged to the Group's Process Equipment reportable segment and the disposal decision is consistent with the Group's strategy to focus on the growth of its existing transformer and industrial lighting business. Subsequent to the Disposal, SEB ceased to be a subsidiary of the Company.

- (d) On 3 December 2019, BIH, a 60% owned subsidiary of the Company, reduced its issued and paid-up share capital from RM 2,000,000 to RM 1,300,000 and that such reduction be effected by cancelling 700,000 ordinary issued shares that are in excess of the needs of BIH. The credit of RM 700,000 arising there from has been returned to shareholders in proportion to their shareholdings of BIH.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) In the last financial year, the following transactions occurred:-

- (i) On 6 August 2018, the Company acquired an additional 20% equity interest in BNJ from its non-controlling interest for a total cash consideration of RM 398,119. Following the completion of the acquisition, BNJ became 80% owned indirect subsidiary of the Company.
- (ii) On 23 January 2019, STMKT, a wholly-owned subsidiary of the Company, subscribed 60 ordinary shares in AHL, representing a 60% of the total issued and paid-up capital of AHL for a total cash consideration of RM 60 upon incorporation. As a result, AHL became a 60% owned subsidiary of the Company.
- (iii) On 8 May 2019, BIH, a 60% owned subsidiary of the Company, reduced its issued and paid-up share capital from RM 4,125,000 to RM 2,000,000 and that such reduction be affected by cancelling 2,125,000 ordinary issued shares that are in excess of the needs of BIH. The credit of RM 2,125,000 arising there from has been returned to shareholders in proportion to their shareholdings of BIH.

(f) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		Group	
	2020 %	2019 %	2020 RM	2019 RM
SEB	-	35	-	8,600,657
NSZ	40	40	17,132,554	16,643,549
Other individually immaterial subsidiaries	-	-	4,634,034	2,983,082
			21,766,588	28,227,288

(g) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	NSZ	
	2020 RM	2019 RM
<b>At 30 June</b>		
Non-current assets	13,191,956	12,077,777
Current assets	48,509,474	51,683,511
Current liabilities	(18,870,045)	(22,152,416)
Net assets	42,831,385	41,608,872
<b>Financial year ended 30 June</b>		
Revenue	84,740,207	103,966,443
Profit and total comprehensive income for the financial year	6,861,853	8,527,498
Total comprehensive income attributable to non-controlling interests	2,744,741	3,410,999
Dividends paid to non-controlling interests	2,421,600	1,441,200
Net cash flows from operating activities	7,955,479	5,204,551
Net cash flows for investing activities	(2,591,139)	(3,038,787)
Net cash flows for financing activities	(6,043,000)	(3,644,400)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 7. INVESTMENT IN ASSOCIATES

	Group	
	2020 RM	2019 RM
<b>At Carrying Amount</b>		
At 1 July	403,198	593,061
Share of post-acquisition loss	(56,246)	(183,620)
Exchange differences	2,175	(6,243)
At 30 June	349,127	403,198
<b>Represented by:</b>		
Unquoted shares outside Malaysia	349,127	403,198

(a) Details of the investment in associates are as follows:-

Name of associates	Country of incorporation	Equity interest		Principle activities
		2020	2019	
Shenyang Success Zhenye Luminaire Limited Liabilities Company ("SSZ") *	People's Republic of China	40%	40%	Sales of lighting, plastics, glasses, molds, electric and electronic equipments and parts.
Success Zhenye Luminaire Beijing Limited Liabilities Company ("BSZ") *	People's Republic of China	40%	40%	Sales of lighting and decorative materials.

\* Not a legal requirement to be audited.

(b) The summarised unaudited financial information has not been presented as all associates are not individually material to the Group.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 8. PROPERTY, PLANT AND EQUIPMENT

Group – 2020	Freehold land RM	Leasehold land RM	Factory and shoplot buildings RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
<b>At Cost</b>							
At 1 July 2019	18,872,285	9,703,437	64,672,672	68,773,176	11,321,497	12,311,639	185,654,706
– As previously reported	-	(9,703,437)	-	-	(1,299,385)	-	(11,002,822)
– Initial application of MFRS 16							
– As restated	18,872,285	-	64,672,672	68,773,176	10,022,112	12,311,639	174,651,884
Additions	-	-	669,909	3,483,264	631,058	438,083	5,222,314
Disposals	-	-	-	(110,824)	(822,738)	(138,912)	(1,072,474)
Disposal of a subsidiary	(8,981,257)	-	(22,958,253)	(14,063,469)	(2,297,471)	(2,953,455)	(51,253,905)
Write off	-	-	-	(191,074)	-	(322,195)	(513,269)
Exchange differences	-	-	47,359	146,342	18,517	12,632	224,850
At 30 June 2020	9,891,028	-	42,431,687	58,037,415	7,551,478	9,347,792	127,259,400
<b>Less : Accumulated Depreciation</b>							
At 1 July 2019	-	1,372,040	11,413,696	44,944,357	6,108,933	8,908,461	72,747,487
– As previously reported	-	(1,372,040)	-	-	(330,249)	-	(1,702,289)
– Initial application of MFRS 16							
– As restated	-	-	11,413,696	44,944,357	5,778,684	8,908,461	71,045,198
Charge for the financial year	-	-	1,251,906	4,884,715	704,132	1,289,608	8,130,361
Disposals	-	-	-	(40,496)	(556,708)	(138,081)	(735,285)
Disposal of a subsidiary	-	-	(3,793,504)	(10,665,088)	(1,609,836)	(2,283,619)	(18,352,047)
Write off	-	-	-	(191,074)	-	(319,419)	(510,493)
Exchange differences	-	-	12,560	89,337	17,219	9,791	128,907
At 30 June 2020	-	-	8,884,658	39,021,751	4,333,491	7,466,741	59,706,641
<b>Less : Impairment Loss</b>							
At 1 July 2019	-	-	412,382	512,112	-	54,422	978,916
Addition	-	-	152,043	-	-	-	152,043
Disposals	-	-	-	(28,239)	-	-	(28,239)
Disposal of a subsidiary	-	-	(412,382)	-	-	-	(412,382)
At 30 June 2020	-	-	152,043	483,873	-	54,422	690,338
<b>Carrying Amount</b>							
At 30 June 2020	9,891,028	-	33,394,986	18,531,791	3,217,987	1,826,629	66,862,421

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group – 2019	Freehold land RM	Leasehold land RM	Factory buildings and shoplot RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Capital work-in-progress RM	Total RM
<b>At Cost</b>								
At 1 July 2018	20,547,652	9,703,437	66,254,173	65,105,011	11,000,136	11,340,170	628,299	184,578,878
Additions	-	-	453,539	4,105,076	1,124,999	995,310	596,617	7,275,541
Transfer to investment properties	(1,675,367)	-	(2,793,943)	(255,000)	-	-	-	(4,724,310)
Reclassification	-	-	543,132	680,932	-	-	(1,224,064)	-
Disposals	-	-	-	(296,192)	(822,798)	(1,246)	-	(1,120,236)
Write off	-	-	-	(289,815)	-	(25,889)	-	(315,704)
Exchange differences	-	-	215,771	(276,836)	19,160	3,294	(852)	(39,463)
At 30 June 2019	18,872,285	9,703,437	64,672,672	68,773,176	11,321,497	12,311,639	-	185,654,706
<b>Less : Accumulated Depreciation</b>								
At 1 July 2018	-	1,252,350	10,034,585	39,675,006	5,382,572	7,704,461	-	64,048,974
Charge for the financial year	-	119,690	1,719,236	6,160,893	1,339,139	1,219,551	-	10,558,509
Transfer to investment properties	-	-	(367,969)	(167,875)	-	-	-	(535,844)
Disposals	-	-	-	(281,771)	(635,103)	(690)	-	(917,564)
Write off	-	-	-	(283,578)	-	(19,786)	-	(303,364)
Exchange differences	-	-	27,844	(158,318)	22,325	4,925	-	(103,224)
At 30 June 2019	-	1,372,040	11,413,696	44,944,357	6,108,933	8,908,461	-	72,747,487
<b>Less : Impairment Loss</b>								
At 1 July 2018	-	-	38,933	207,986	-	-	-	246,919
Addition	-	-	412,382	304,126	-	15,489	-	731,997
Reclassification	-	-	(38,933)	-	-	38,933	-	-
At 30 June 2019	-	-	412,382	512,112	-	54,422	-	978,916
<b>Carrying Amount</b>								
At 30 June 2019	18,872,285	8,331,397	52,846,594	23,316,707	5,212,564	3,348,756	-	111,928,303

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The following property, plant and equipment of the Group are charged against loans and borrowings (Note 27):-

	Group 2020 RM	2019 RM
<b>At Carrying Amount</b>		
Freehold land	9,421,027	18,402,285
Leasehold land	-	8,167,915
Factory and shoptlot buildings	27,934,755	47,450,385
	37,355,782	74,020,585

- (b) As at 30 June 2019, the following property, plant and equipment of the Group are subject to hire purchase agreements (Note 28):-

	Group 2019 RM
<b>At Carrying Amount</b>	
Motor vehicles	1,574,999
Plant and machinery	1,022,218
Furniture, fittings and office equipment	188,705
	2,785,922

- (c) Included in plant and machinery of the Group with carrying amount of RM 2,199,967 (2019: RM 2,759,583) are held in trust by supplier.
- (d) There is no property, plant and equipment in the Company throughout the current and previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 9. INTANGIBLE ASSET

	License for software platform RM	Group Total RM
<b>At Cost</b>		
At 1 July 2019	-	-
Additions	396,505	396,505
At 30 June 2020	396,505	396,505
<b>Less : Accumulated Depreciation</b>		
At 1 July 2019	-	-
Charge for the financial year	118,951	118,951
At 30 June 2020	118,951	118,951
<b>Less : Impairment losses</b>		
At 1 July 2019	-	-
Addition	277,554	277,554
At 30 June 2020	277,554	277,554
<b>Carrying Amount</b>		
At 30 June 2020	-	-

There is no intangible asset in the Company throughout the current and previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 10. INVESTMENT PROPERTIES

	2020 RM	Group 2019 RM
<b>At Cost</b>		
At 1 July	48,811,953	43,238,501
Additions	-	1,549,142
Disposal	-	(700,000)
Disposal of a subsidiary	(17,316,835)	-
Transfer from property, plant and equipment	-	4,724,310
At 30 June	31,495,118	48,811,953
<b>Less : Accumulated Depreciation</b>		
At 1 July	2,046,219	1,170,498
Charge for the financial year	266,374	453,530
Disposal	-	(113,653)
Disposal of a subsidiary	(809,782)	-
Transfer from property, plant and equipment	-	535,844
At 30 June	1,502,811	2,046,219
<b>Less : Impairment losses</b>		
At 1 July	343,856	-
Transfer from property, plant and equipment	-	343,856
Disposal of a subsidiary	(343,856)	-
At 30 June	-	343,856
<b>Carrying Amount</b>		
At 30 June	29,992,307	46,421,878
<b>Fair value</b>		
At 30 June	52,756,656	69,973,703

- (a) The investment properties of the Group are leased under operating leases with rentals payable monthly. The leases contain initial non-cancellable periods ranging from 1 to 2 years.

As at the reporting date, the future minimum rentals receivable under the non-cancellable operating leases are as follows :-

	2020 RM
Within 1 year	78,600
Within 1 and 2 years	25,700
	104,300

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 10. INVESTMENT PROPERTIES (CONT'D)

- (b) Investment properties of the Group with carrying amount of RM 1,009,551 (2019: RM 17,229,623) are charged against loans and borrowings (Note 27).
- (c) The fair values hierarchy profile of the Group's investment properties not carried at fair value are analysed as follows:-

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2020</b>				
Investment properties	-	3,600,093	49,156,563	52,756,656
<b>2019</b>				
Investment properties	-	3,390,610	66,583,093	69,973,703

- (i) The level 2 fair value of the investment properties are arrived at by reference to recent market evidence of transaction prices for similar properties on a price per square foot basis without any adjustment.
- (ii) The level 3 fair value of investment properties are arrived at by reference to market evidence of transaction prices for similar properties and are either recommended by directors or performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis.
- (d) Rental income and direct operating expenses arising from investment properties during the financial year are as follows:-

	2020 RM	2019 RM
Rental income	165,600	552,667
Direct operating expenses		
– generating rental income	225,605	390,417
– non-generating rental income	173,142	188,045

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 10. INVESTMENT PROPERTIES (CONT'D)

- (e) The carrying amount of investment properties held by the Group as at the end of the reporting period are as follows:-

Name of Property	Description	Tenure of Land	2020 RM	Group 2019 RM
Bandar Sunway, Petaling Jaya, Selangor	1 unit of 1 1/2 storey light industrial terrace actory	99 years lease expiring on 28 December 2096 (76 years remaining)	673,321	683,545
Taman Industri Integrasi, Rawang	1 unit of 1 storey factory building	Freehold	-	4,024,824
Mukim Ulu Yam	Industrial land	Freehold	5,340,513	5,340,513
Bandar Kundang Selangor	Agricultural land	99 years lease expiring on 3 November 2108 (89 years remaining)	5,867,960	5,935,021
Taman Industri, Sg. Buloh, Selangor	2 units of 1 1/2 storey terrace factory	99 years lease expiring on 24 March 2091 (71 years remaining)	1,817,540	1,849,614
Mukim Pasir Panjang	Agricultural land	Freehold	6,294,399	6,294,399
Pekan Subang, Selangor	3 pieces of leasehold land	99 years lease expiring on 18 July 2111 (92 years remaining)	8,622,272	8,716,077
Bandar Bukit Puchong, Selangor	1 unit of condominium	99 years lease expiring on 9 October 2106 (87 years remaining)	539,879	551,666
Mukim of Senai	1 1/2 storey semi detached factory	Freehold	836,423	848,546
Kawasan Perusahaan Kampung Acheh, Sitiawan, Perak	1 unit of detached factory	99 years expiring on 7 July 2105 (85 years remaining)	-	12,177,673
			29,992,307	46,421,878

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 11. RIGHT-OF-USE ASSETS

Group	←----- At 1 July 2019 ----->		As Restated RM	Additions RM	Depreciation Charges RM	Exchange Difference RM	At 30 June 2020 RM
	As Previously Reported RM	Application of MFRS 16 Initial RM					
<b>2020</b>							
<b>Carrying Amount</b>							
Leasehold land	-	8,331,397	8,331,397	-	(119,690)	-	8,211,707
Office and factory buildings	-	957,207	957,207	1,500,016	(1,228,103)	(2,670)	1,226,450
Hostels	-	536,638	536,638	-	(242,178)	-	294,460
Motor vehicles	-	969,136	969,136	180,696	(256,842)	488	893,478
Office equipment	-	-	-	21,647	(12,370)	88	9,365
	-	10,794,378	10,794,378	1,702,359	(1,859,183)	(2,094)	10,635,460

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

- (a) The Group leases certain pieces of leasehold land, various buildings, motor vehicles and office equipment of which the leasing activities are summarised below:-
- (i) Leasehold land                      The Group has entered into non-cancellable operating lease agreements for the use of land. The leases are for a period of 45 to 87 years with no renewal or purchase option included in the agreements. The leases do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land.
- (ii) Office and factory buildings              The Group has leased a number of office and factory building that run between 2 years to 3 years, with some have an option to renew the lease after that date.
- (iii) Hostels                                      The Group has leased a number of hostels that run between 2 years to 5 years, with some have an option to renew the lease after that date.
- (iv) Motor vehicles                              The Group has leased its motor vehicles under hire purchase arrangements. The leases are secured by the leased assets. The Group has an option to purchase the asset at the expiry of the lease period at an insignificant amount.
- (v) Office equipment                              The Group has leased an office equipment that run for 2 years, with an option to renew the lease after that date.
- (b) Most extension options in the lease of hostels and office equipment have not been included in the related leased liabilities as at the reporting period because the Group could replace the assets without significant cost or business disruption.
- (c) The leasehold land of the Group with carrying amount of RM 8,050,514 has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 27 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 12. GOODWILL ON CONSOLIDATION

	Group	
	2020 RM	2019 RM
<b>At Cost</b>		
At 1 July	7,616,238	7,616,238
Disposal of a subsidiary	(7,616,238)	-
At 30 June	-	7,616,238
<b>Less : Accumulated Impairment Losses</b>		
At 1 July	695,000	695,000
Disposal of a subsidiary	(695,000)	-
At 30 June	-	695,000
	-	6,921,238

As at 30 June 2019, the goodwill is allocated to a cash-generating unit ("CGU"), i.e. a subsidiary namely Seremban Engineering Berhad ("SEB").

The Group has assessed the recoverable amount of goodwill allocated and determined that no additional impairment is required. The recoverable amount of this CGU are determined using the value in use approach and this is derived from the present value of the future cash flows from this CGU computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

- Discount rates used for cash flows discounting purpose are the pre-tax discount rate which reflects specific risks relating to the relevant operating segments. The discount rate applied for cash flow projection is 8.7%.
- Growth rate for the CGU is determined based on the management's estimate of the industry trends and past performances of the CGU.

The directors estimate that a decrease in the revenue growth by 17.5% would result in the carrying amount of SEB exceeding its recoverable amount by approximately RM 109,000. The directors believe that any reasonably possible change in the other key assumptions on which the recoverable amounts are based would not cause the carrying amount of SEB's cash generating units to exceed its recoverable amounts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 13. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2020 RM	2019 RM
<b>Amount Due from Subsidiaries</b>		
<i>Non-Current</i>		
Non-trade balances	4,766,652	4,766,652
Less: Allowance for impairment losses	(725,526)	(725,526)
	<u>4,041,126</u>	<u>4,041,126</u>
<i>Current</i>		
Trade balances	500,198	-
Non-trade balances	19,071,685	9,688,253
	<u>19,571,883</u>	<u>9,688,253</u>
	<u>23,613,009</u>	<u>13,729,379</u>
<b>Allowance for impairment losses:</b>		
<i>Non-current</i>		
At 1 July / At 30 June	725,526	725,526
	<u>725,526</u>	<u>725,526</u>
<b>Amount Due to Subsidiaries</b>		
<i>Current</i>		
Non-trade balances	(8,038,895)	(7,658,005)
	<u>(8,038,895)</u>	<u>(7,658,005)</u>

- (a) The amount due from subsidiaries are unsecured, interest free and repayable on demand except for as at 30 June 2019, a non-trade amount due from a subsidiary of the Company, Seremban Engineering Berhad ("SEB") amounting to RM 9,605,949 is subject to interest bearing at 4.91% per annum.
- (b) The amount due to subsidiaries of the Company are unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 14. AMOUNT DUE FROM/(TO) RELATED PARTIES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Amount due from related parties</b>				
<i>Non-current</i>				
Trade balance	2,522,540	2,693,124	-	-
<i>Current</i>				
Trade balances	221,009	385,173	-	-
Less : Allowance for impairment losses	-	(25,964)	-	-
Non-trade balances	221,009	359,209	-	-
	-	7,205	-	7,205
	221,009	366,414	-	7,205
	2,743,549	3,059,538	-	7,205
<b>Allowance for impairment losses:</b>				
At 1 July	25,964	25,991	-	-
Written off during the year	(25,964)	-	-	-
Exchange differences	-	(27)	-	-
At 30 June	-	25,964	-	-
<b>Amount due to related parties</b>				
<i>Current</i>				
Trade balances	(754,602)	(646,611)	-	-
Non-trade balance	(155,833)	(165,000)	-	-
	(910,435)	(811,611)	-	-

- (a) The trade amount due from a related party amounting to RM 2,693,123 (2019: RM 2,847,405) is repayable by 180 monthly instalments and measured at amortised cost at imputed rate of 3.1% per annum. The remaining trade amount due from related parties are non-interest bearing and are generally on credit terms of 7 – 180 days (2019: 90 - 120 days) from invoice date or the first day of the immediate following month after sales invoices date, whichever applicable.
- (b) As at 30 June 2019, the non-trade amount due from related parties is unsecured, interest free and repayable on demand.
- (c) The trade amount due to related parties is on credit terms of 30 - 90 days (2019: 30 - 120 days) from invoice date or the first day of the immediate following month after purchases invoice date, whichever applicable.
- (d) The non-trade amount due to a related party is subject to a credit term of 30 days (2019: 30 days).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 15. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown in the statements of financial position:-

	Group	
	2020 RM	2019 RM
<b>At 1 July</b>		
As previously reported	(933,315)	(618,988)
Recognised in profit or loss		
– Accelerated capital allowance	(1,805)	(53,928)
– Allowance for impairment loss on receivables	114,281	5,351
– Others	137,736	(118,315)
– Exchange differences	11,722	6,952
– Over/(Under)provision in prior years	119,620	(154,387)
At 30 June	(551,761)	(933,315)
Presented after appropriate offsetting as follow:		
Deferred tax assets	617,928	348,176
Deferred tax liabilities	(1,169,689)	(1,281,491)
At 30 June	(551,761)	(933,315)

### 16. INVENTORIES

	Group	
	2020 RM	2019 RM
Raw materials	61,035,198	69,078,923
Work-in-progress	5,777,145	6,745,531
Finished goods	36,634,792	40,888,103
	103,447,135	116,712,557
<b>Recognised in Profit or Loss:</b>		
Inventories recognised as cost of sales	166,558,097	235,979,415
Write down of inventories	2,849,885	-
Reversal of write down of inventories	-	(2,411,452)
Inventories written off	-	69,362

For financial year 2019, the reversal of write-down was in respect of inventories sold above their carrying amounts (i.e. written down value).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 17. TRADE RECEIVABLES

	Group	
	2020 RM	2019 RM
Trade receivables	58,270,319	75,227,231
Less : Allowance for impairment losses	(3,265,956)	(3,226,717)
	<u>55,004,363</u>	<u>72,000,514</u>
<b>Allowance for impairment losses:-</b>		
At 1 July	3,226,717	2,950,121
Addition during the financial year (Note 33)	874,938	618,469
Reversal during the financial year (Note 33)	(139,075)	(215,511)
Written off during the financial year	-	(128,150)
Disposal of a subsidiary	(719,325)	-
Exchange differences	22,701	1,788
	<u>3,265,956</u>	<u>3,226,717</u>
At 30 June	3,265,956	3,226,717

- (a) The Group's trade receivables are non-interest bearing and are generally on trade terms of cash – 180 days (2019: cash – 180 days) credit from invoice date or the first day of the immediate following month after sales invoice date, whichever applicable. Other credit terms are assessed and approved on a case-by-case basis.
- (b) Included in trade receivables are retention sums of RM 66,517 (2019: RM 1,401,684). The retention sums are generally on credit terms up to 360 days (2019: 365 days).

### 18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Other Receivables</b>				
<i>Current</i>				
Sundry receivables	2,363,867	3,620,071	-	-
Less: Allowance for impairment losses	-	(418,491)	-	-
	<u>2,363,867</u>	<u>3,201,580</u>	-	-
Deposits to suppliers	1,709,495	4,156,904	-	-
Deposits	572,204	861,675	1,000	1,000
Prepayments	560,751	1,967,420	-	-
Sales tax/goods and services tax recoverable	1,926,926	2,218,636	2,589	2,589
	<u>7,133,243</u>	<u>12,406,215</u>	<u>3,589</u>	<u>3,589</u>
<b>Allowance for impairment losses:</b>				
At 1 July	418,491	418,491	-	-
Disposal of a subsidiary	(418,491)	-	-	-
	<u>-</u>	<u>418,491</u>	<u>-</u>	<u>-</u>
At 30 June	-	418,491	-	-

The deposits to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 19. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2020 RM	2019 RM
<b>Contract Assets</b>		
Contact assets relating to construction contracts ((a)(i))	-	8,557,537
Contact assets relating to sales of goods ((a)(ii))	1,084,064	1,167,018
	1,084,064	9,724,555
<b>Contract Liabilities</b>		
Contract liabilities relating to construction contracts	-	(652,529)

(a) The contract assets primarily relate to the Group's right to consideration for:

- (i) Construction work completed on construction contracts but not yet billed as at the previous reporting date. The amount will be invoiced within 180 days.
- (ii) Work completed on contracts but not yet billed as at the reporting date. The amount will be invoiced within 365 days (2019: 365 days).

(b) As at 30 June 2019, the contract liabilities primarily relate to advance considerations received from few customers for construction work of which the revenue will be recognised over the remaining contract term of the specific contract it relates to, within 180 days.

(c) The changes to contract asset and contract liability balances during the financial year are summarised below:

	Group	
	2020 RM	2019 RM
At 1 July		
– As previously reported	9,072,026	3,461,470
– Changes in accounting policies	-	(2,184,770)
	9,072,026	1,276,700
– As restated	9,072,026	1,276,700
Revenue recognised in profit or loss during the financial year	6,693,686	42,520,414
Billings to customers during the financial year	(8,401,947)	(34,734,558)
Disposal of a subsidiary	(6,283,235)	-
Exchange differences	3,534	9,470
	1,084,064	9,072,026
At 30 June		
<b>Represented by:</b>		
Contract assets	1,084,064	9,724,555
Contract liabilities	-	(652,529)
	1,084,064	9,072,026

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 20. AMOUNT DUE FROM/(TO) ASSOCIATES

	Group	
	2020 RM	2019 RM
<b>Amount due from associates</b>		
<i>Current</i>		
Trade balances	1,066,849	1,300,997
Non-trade balances	-	29,290
	1,066,849	1,330,287
 <i>Amount due to an associate</i>		
<i>Current</i>		
Non-trade balances	-	(327,144)
	-	(327,144)

(a) The trade amount due from associates are non-interest bearing and generally on credit terms of 7 - 180 days (2019: 7 - 180 days) from invoice date or the first day of the immediate following month after sales invoice date, whichever applicable.

(b) The non-trade amount due from associates is unsecured, interest free and repayable on demand.

### 21. SHORT-TERM INVESTMENTS

	Group	
	2020 RM	2019 RM
<b>At Fair Value</b>		
Money market fund (Note 43(d))	54,197,882	15,224,299
Market value of short-term investments	54,197,882	15,224,299

### 22. DEPOSITS WITH LICENSED BANKS

	Group	
	2020 RM	2019 RM
Fixed deposits with licensed banks	166,650	125,366
Short-term deposits with licensed banks	-	5,400
	166,650	130,766

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period amounting to RM 16,650 (2019: RM 125,366) are pledged to licensed banks as security for banking facilities which has been granted to the Group (Note 27).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 22. DEPOSITS WITH LICENSED BANKS (CONT'D)

- (b) The effective interest rates (per annum) of deposits with licensed banks at the end of the reporting period are as follows:-

	Group	
	2020 %	2019 %
Fixed deposits	2.7 - 2.9	2.9
Short term deposits	-	2.8

- (c) The maturity period at the end of the reporting period are as follows:

	Group	
	2020 Days	2019 Days
Fixed deposits	90 - 365	30 - 365
Short term deposits	-	30

### 23. SHARE CAPITAL

	Group and Company			
	2020 Number of shares	2020 RM	2019 Number of shares	2019 RM
<b>Issued and Fully Paid-Up:-</b>				
Ordinary shares				
At 1 July	248,955,000	71,514,519	248,498,200	69,966,469
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	-	1,267,803
New shares issued under the employees' share option scheme for cash (Note 25 (c))	788,100	503,019	456,800	280,247
At 30 June	249,743,100	72,017,538	248,955,000	71,514,519

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 24. TREASURY SHARES

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
<b>At Cost</b>				
At 1 July	14,371,454	9,880,003	11,755,154	8,198,255
Buy back	5,478,500	3,768,567	2,616,300	1,681,748
At 30 June	19,849,954	13,648,570	14,371,454	9,880,003

During the financial year, the Company repurchased its treasury shares in its issued ordinary shares from the open market as follows:-

Buy Back	No. of Shares	Cost RM	Highest RM	Lowest RM	Average purchase price per share RM
					RM
February 2020	2,222,300	1,733,335	0.91	0.70	0.84
March 2020	3,056,200	1,921,337	0.71	0.41	0.60
June 2020	200,000	113,895	0.57	0.57	0.57
	5,478,500	3,768,567			

The transactions of share buy back were financed by internally generated funds. The shares bought back are held as treasury shares in accordance with Section 127(6) of the Companies Act 2016. None of the treasury shares held was cancelled during the financial year ended 30 June 2020.

Out of total 249,743,100 (2019: 248,955,000) issued and fully paid ordinary shares at 30 June 2020, 19,849,954 (2019: 14,371,454) ordinary shares are held as treasury shares by the Company. Therefore, the number of outstanding ordinary shares in issue and fully paid is 229,893,146 (2019: 234,583,546).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 25. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Non-Distributable</b>				
Translation reserve	3,474,355	2,925,985	-	-
Capital reserve	14,288,147	7,789,739	-	-
Employees' share option reserve	786,846	456,795	786,846	456,795
<b>Distributable</b>				
Retained profits	237,712,420	247,968,213	21,726,976	33,579,736
	<u>256,261,768</u>	<u>259,140,732</u>	<u>22,513,822</u>	<u>34,036,531</u>

#### (a) Translation Reserve

The translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign subsidiaries, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign subsidiaries.

#### (b) Capital Reserve

The capital reserve comprises the equity portion of bonus shares issued by a subsidiary.

#### (c) Employees' Share Option Reserve

The employees' share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 2 July 2018. The ESOS is to be in force for a period of 5 years effective from 3 July 2018.

The main features of the ESOS are as follows:-

- (i) The maximum number of new share under the ESOS shall not in aggregate exceed 15% of the total number of issued and paid-up share capital of the Company (excluding treasury shares) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities at any point of time during the duration of the ESOS.
- (ii) Eligible persons are employees and/or directors of the Group, who as at the date of offer, have been confirmed in service and has served at least one year in the employment of the Group (excluding dormant subsidiary companies) or where the executive director or employee is under an employment contract, the contract is for a duration of at least two years and shall have not expired within six months from the date of offer.
- (iii) Not more than 10% of the total number of new share to be issued under the ESOS shall be allocated to employee who, either singly or collectively through person connected to him/her, holds 20% or more in the issued and paid-up capital of the Company (excluding treasury shares).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 25. RESERVES (CONT'D)

#### (c) Employees' Share Option Reserve (Cont'd)

- (iv) Not more than 50% of the total number of new share to be issued under the ESOS shall be allocated in aggregate to the executive directors and senior management of the Group (excluding dormant subsidiary companies).
- (v) The option price shall be determined based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the date of offer; with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the ESOS.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, except that new ordinary shares so acquired and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.
- (vii) The unexercised option granted to eligible employees will lapse when they are no longer in employment with the Group unless a claim was made that is subjected to the discretion of the Option Committee.

The option prices and the details in the movement of the options granted are as follows:-

Date of offer	Exercise Price	Remaining Contractual Life of Options	Number of Options over Ordinary Shares			
			At	Granted	Exercised	At
			01.07.2019			30.06.2020
16 November 2018	0.54	5 years	6,314,400	-	(788,100)	5,526,300

Date of offer	Exercise Price	Remaining Contractual Life of Options	Number of Options over Ordinary Shares			
			At	Granted	Exercised	At
			01.07.2018			30.06.2019
16 November 2018	0.54	5 years	-	6,771,200	(456,800)	6,314,400

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

During financial year 2019, the Company has granted 6,771,200 share options under the ESOS. These options expire on 26 December 2023 and are exercisable if the employee remains in service for one year from the date of grant.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 25. RESERVES (CONT'D)

#### (c) Employees' Share Option Reserve (Cont'd)

The fair values of the share options granted were estimated using a black scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:-

	Group and Company	
	2020	2019
Fair value of share options at the grant date based on vesting date (RM) – 27 December 2018	0.1607	0.0735
Weighted average ordinary share price (RM)	0.59	0.59
Exercise price of share option (RM)	0.54	0.54
Expected volatility (%)	58.08	58.08
Expected life (years)	5	5
Risk free rate (%)	3.77	3.77
Expected dividend yield (%)	2.60	2.60

### 26. LEASE LIABILITIES

	Group 2020 RM
At 1 July 2019	-
– As previously reported	-
– Initial application of MFRS 16	1,656,966
– As restated	1,656,966
Acquisition of new leases	1,882,359
Interest expense recognised in profit or loss (Note 32)	125,350
Repayment of principal	(1,696,357)
Repayment of interest expense	(125,350)
Exchange differences	(5,620)
At 30 June 2020	1,837,348
Analysed by:-	
Current liabilities	1,599,005
Non-current liabilities	238,343
	1,837,348

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

Certain lease liabilities of the Group are secured by the Group's motor vehicles under the hire purchase arrangements as disclosed in Note 11(a)(iv) to the financial statements, with lease terms ranging from 2 to 7 years and bear effective interest rates ranging from 4.4 % to 5.3 % per annum.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 27. LOANS AND BORROWINGS

		Group	
		2020	2019
		RM	RM
<b>Current</b>			
Secured	– Revolving credit	-	12,002,641
	– Trade bills	-	11,635,032
	– Term loans	344,928	2,681,719
		344,928	26,319,392
<b>Non-Current</b>			
Secured	– Term loans	1,309,432	13,520,615
		1,654,360	39,840,007

(a) Loans and borrowings of the Group are secured by way of:-

- (i) Registered charge over certain property, plant and equipment (Note 8(a)), certain investment properties (Note 10(b)) and certain right-of-use assets (Note 11) of the Group.
- (ii) Corporate guarantee provided by the Company;
- (iii) Fixed deposits with licensed banks of the Group (Note 22(a)).

(b) The effective interest rates (per annum) of loans and borrowings at the end of the reporting period were as follows:-

		Group	
		2020	2019
		%	%
Revolving credit		-	4.3 - 5.6
Trade bills		-	3.5 - 7.7
Term loans		4.1	4.1 - 6.7

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 28. HIRE PURCHASE PAYABLES

At the end of the previous reporting period, the outstanding hire purchase obligations are repayable as follow:-

	Group 2019 RM
<b>Minimum Hire Purchase Payments:</b>	
Not later than one year	908,078
Later than one year and not later than five years	1,368,543
	<hr/>
	2,276,621
Less : Future finance charges	(177,158)
	<hr/>
<b>Present Value of Hire Purchase Payables</b>	<b>2,099,463</b>
	<hr/>
<b>Analysed by:</b>	
Current liabilities	810,183
Non-current liabilities	1,289,280
	<hr/>
	<b>2,099,463</b>
	<hr/>

- (a) The hire purchase payables have been re-presented as 'lease liabilities' as shown in Note 26 to the financial statement following the application of MFRS 16 by the Group using the modified retrospective approach.
- (b) The hire purchase payables of the Group at the end of the previous reporting period bore effective interest rates ranging from 4.0% - 7.4% per annum.

### 29. TRADE PAYABLES

The normal trade terms granted to the Group are cash - 120 days (2019: cash - 150 days) credit from invoice date or the first day of the immediate following month after purchases invoice date, whichever applicable.

### 30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Advance payment from customers	547,097	2,369,012	-	-
Amount due to a director	9,203	9,169	-	-
Accruals	9,140,833	12,484,430	129,780	104,597
Deposit received	10,500	10,755	-	-
Sales tax/goods and services tax payable	1,579,638	1,544,997	-	-
Sundry payables	2,079,259	3,319,097	115,470	4,664
	<hr/>	<hr/>	<hr/>	<hr/>
	13,366,530	19,737,460	245,250	109,261
	<hr/>	<hr/>	<hr/>	<hr/>

- (a) The amount due to a director is unsecured, interest free and repayable on demand.
- (b) Included in sundry payables of RM 937,810 (2019: RM 877,977) is for purchase of property, plant and equipment (Note 43(a)).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 31. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Continuing operations</b>				
<b><u>Revenue recognised at a point in time</u></b>				
Dividend income	-	-	3,625,320	2,161,800
Management fee income	-	-	1,660,090	2,400,000
Sales of transformer, industrial lighting and related products	222,190,332	258,864,075	-	-
Rendering of services	783,024	-	-	-
	222,973,356	258,864,075	5,285,410	4,561,800
<b>Discontinued operations</b>				
<b><u>Revenue recognised at a point in time</u></b>				
Sales of process equipment	1,438,142	26,502,210	-	-
Maintenance and shutdown services	-	757,966	-	-
	1,438,142	27,260,176	-	-
<b><u>Revenue recognised over time</u></b>				
Sales of process equipment	5,619,800	38,661,921	-	-
	7,057,942	65,922,097	-	-
	230,031,298	324,786,172	5,285,410	4,561,800

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 32. FINANCE COSTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Continuing operations</b>				
<b>Interest on:</b>				
Bank overdraft	3	-	-	-
Hire purchase	2,616	36,401	-	-
Lease liabilities	125,350	-	-	-
Term loans	66,998	95,680	-	-
Trade bills	33,777	151,851	-	-
Revolving credit	18,861	61,074	-	-
	247,605	345,006	-	-
Commitment fee	238,766	266,434	73,841	120,004
	486,371	611,440	73,841	120,004
<b>Discontinued operations</b>				
<b>Interest on:</b>				
Bank overdraft	15,545	237,911	-	-
Hire purchase	14,427	101,645	-	-
Term loans	127,960	753,917	-	-
Trade bills	91,754	689,921	-	-
Revolving credit	107,006	465,749	-	-
	356,692	2,249,143	-	-
	843,063	2,860,583	73,841	120,004

### 33. NET IMPAIRMENT (LOSSES) ON FINANCIAL ASSETS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Continuing operations</b>				
Impairment losses:-				
- trade receivables (Note 17)	(874,938)	(223,719)	-	-
- Amount due from a former subsidiary	(404,630)	-	(404,630)	-
Reversal of impairment losses:-				
- trade receivables (Note 17)	139,075	215,511	-	-
	(1,140,493)	(8,208)	(404,630)	-
<b>Discontinued operations</b>				
Impairment losses:-				
- trade receivables (Note 17)	-	(394,750)	-	-
	(1,140,493)	(402,958)	(404,630)	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Profit/(Loss) before tax is arrived at after charging:-</b>				
Amortisation of intangible asset	118,951	-	-	-
Auditors' remuneration:				
– audit fee	324,057	362,484	75,000	75,000
– under/(over)provision in prior year	19,790	7,016	5,000	(5,300)
– non-audit fee	23,000	27,200	23,000	22,200
Bad debts written off	294,183	206,817	-	-
Depreciation:				
– investment properties	266,374	453,530	-	-
– property, plant and equipment	8,130,361	10,558,509	-	-
– right-of-use assets	1,859,183	-	-	-
Impairment loss:				
– investments in subsidiaries (Note 6)	-	-	562,306	7,950,362
– property, plant and equipment	152,043	731,997	-	-
– intangible asset	277,554	-	-	-
Inventories written off	-	69,362	-	-
Loss on foreign exchange:				
– unrealised	1,064,001	-	-	-
Lost of inventories	9,645	-	-	-
Property, plant and equipment written-off	2,776	12,340	-	-
Short-term leases expense	1,379,846	-	-	-
Rental expenses:				
– office	-	339,119	-	-
– hostel	-	439,622	-	-
– factory, building and land	-	1,239,177	-	-
Research and development expenses	6,275,189	8,310,296	-	-
Share of loss of associate	56,246	183,620	-	-
Waiver of debts	-	937	-	-
Write down of inventories	2,849,885	-	-	-
Write off of amount due from:				
– subsidiaries	-	-	-	6,996
– related party	23,616	-	23,616	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 34. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Profit/(Loss) before tax is arrived at after (crediting) (Cont'd):-</b>				
Total interest income of financial assets measured at fair value through profit or loss	(1,159,688)	(853,647)	-	-
Total interest income of financial assets measured at amortised cost	(168,760)	(217,317)	(129,331)	(385,335)
Gain on disposal of an associate	-	(1)	-	-
Gain on disposal of a subsidiary	(6,090,472)	-	(6)	-
Gain on disposal of property, plant and equipment	(69,692)	(75,323)	-	-
Gain on disposal of investment property	-	(613,653)	-	-
Gain on foreign exchange:-				
– realised	(1,089,179)	(1,153,755)	-	-
– unrealised	-	(116,935)	-	-
Government grants	(487,163)	(258,330)	-	-
Insurance compensation	(72,140)	-	-	-
Rental income	(249,244)	(562,467)	-	-
Reversal of impairment loss of investment in subsidiaries	-	-	(27,423)	-
Reversal of write down of inventories	-	(2,411,452)	-	-
Scrap sales	(162,461)	-	-	-
Waiver of debts	(4,790)	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 35. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Directors of the Company</b>				
<b>Executive Directors:</b>				
Fees	26,000	88,167	-	-
Salaries and other emoluments	3,234,875	3,128,014	727,246	-
Defined contribution plan ("EPF")	454,184	412,432	112,284	-
Employees' share option scheme expenses	12,889	16,852	12,889	-
Bonus and incentive	2,189,521	2,961,933	330,000	-
	5,917,469	6,607,398	1,182,419	-
Benefits-in-kind	48,125	76,150	34,800	-
	5,965,594	6,683,548	1,217,219	-
<b>Non-executive Directors:</b>				
Fees	451,500	460,000	451,500	400,000
Salaries and other emoluments	12,500	8,400	12,500	8,400
Bonus and incentive	150,000	150,000	-	-
	614,000	618,400	464,000	408,400
	6,579,594	7,301,948	1,681,219	408,400
<b>Directors of the subsidiaries</b>				
Fees	30,671	269,218	-	-
Salaries and other emoluments	1,933,220	2,365,271	-	-
EPF	112,034	220,632	-	-
Employees' share option scheme expenses	29,296	45,661	-	-
Bonus and incentive	306,808	616,767	-	-
	2,412,029	3,517,549	-	-
Benefits-in-kind	32,800	67,885	-	-
	2,444,829	3,585,434	-	-
<b>Total Directors Remunerations</b>	<b>9,024,423</b>	<b>10,887,382</b>	<b>1,681,219</b>	<b>408,400</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 36. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Executive Directors' Remuneration (excluding benefits-in-kind) (Note 35)</b>	8,329,498	10,124,947	1,182,419	-
<b>Other Staff Costs</b>				
Wages, salaries and bonuses	39,198,413	54,910,384	322,084	-
EPF	3,001,654	4,694,387	38,640	-
Employees' share option scheme expenses	365,311	427,857	9,715	-
Other benefits	4,777,219	5,914,742	1,846	880
	47,342,597	65,947,370	372,285	880
<b>Total Staff Costs</b>	55,672,095	76,072,317	1,554,704	880

### 37. INCOME TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>(a) Components of tax expense</b>				
Current tax expense:-				
– Malaysian income tax	3,784,984	5,448,959	-	525,522
– Foreign income tax	1,091,485	1,505,594	-	-
Deferred tax (income)/expense relating to (reversal)/origination of temporary differences	(250,212)	166,892	-	-
Withholding tax	362,100	216,180	362,100	216,180
Real property gain tax	-	37,569	-	-
Under/(over) provision in prior years:-				
- current tax	198,363	(295,412)	9,546	20,233
- deferred tax	(119,620)	154,387	-	-
	5,067,100	7,234,169	371,646	761,935
Represented by:-				
Income tax expense on:-				
– continuing operations	5,067,100	7,211,385	371,646	761,935
– discontinued operations (Note 38)	-	22,784	-	-
<b>Total income tax expense</b>	5,067,100	7,234,169	371,646	761,935

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 37. INCOME TAX EXPENSE (CONT'D)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>(b) Reconciliation of income tax expense</b>				
Profit/(Loss) after tax	12,918,393	17,439,915	1,536,775	(4,678,830)
Total income tax expense	5,067,100	7,234,169	371,646	761,935
Results from continuing and discontinued operations before income tax expense	17,985,493	24,674,084	1,908,421	(3,916,895)
Tax at statutory income tax rate of 24%	4,314,522	5,916,622	458,021	(940,055)
Tax effect of:-				
– different tax rates of foreign subsidiaries	(910,308)	(1,213,250)	-	-
– non-deductible expenses	1,824,151	2,661,172	411,979	1,984,409
– expenses available for double deduction	(108,000)	(220,152)	-	-
– non-taxable income	(2,506,400)	(2,235,426)	(870,000)	(518,832)
Deferred tax assets not recognised during the year	2,097,360	2,277,204	-	-
Utilisation of deferred tax assets previously not recognised	(85,068)	(64,725)	-	-
Withholding tax	362,100	216,180	362,100	216,180
Real property gain tax	-	37,569	-	-
Under/(over) provision in prior years:-				
– current tax	198,363	(295,412)	9,546	20,233
– deferred tax	(119,620)	154,387	-	-
	5,067,100	7,234,169	371,646	761,935

- (c) Subject to the agreement of the Inland Revenue Board, at 30 June, the Group has deferred tax assets not recognised in the financial statements for the following items under the liability method:-

	Group	
	2020 RM	2019 RM
Unutilised tax losses	10,308,815	36,124,407
Unabsorbed capital allowances	-	4,176,000
	10,308,815	40,300,407

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 38. LOSS AFTER TAX FROM DISCONTINUED OPERATIONS

As disclosed in Note 6(c), the Group has disposed the subsidiary, Seremban Engineering Berhad which was completed on 3 September 2019.

An analysis of the results of the discontinued operations is as follows:

	Group	
	2020 RM	2019 RM
Revenue	7,057,942	65,922,097
Cost of sales	(6,078,812)	(60,201,379)
Gross profit	979,130	5,720,718
Other income	125,577	1,077,199
	1,104,707	6,797,917
Administrative expenses	(1,066,930)	(7,452,650)
Other expenses	(40,990)	(497,755)
Finance costs	(356,692)	(2,249,143)
Net impairment (loss) on financial assets	-	(394,750)
Results from operating activities	(359,905)	(3,796,381)
Income tax expense	-	(22,784)
Loss after tax from discontinued operations	(359,905)	(3,819,165)
(a) The cash flows attributable to the discontinued operations are the following:-		
Net cash (for)/from operation activities	(4,251,095)	5,620,116
Net cash (for) investing activities	-	(157,080)
Net cash from financing activities	1,091,226	2,340,761
Net cash for discontinued operations	(3,159,869)	7,803,797

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 39. EARNINGS PER ORDINARY SHARE

#### (a) Basic Earnings Per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the profit after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Group	
	2020 RM	2019 RM
<b>Continued Operations</b>		
Profit after tax attributable to owners of the Company	10,213,036	17,582,008
	<b>Units</b>	<b>Units</b>
Weighted average number of ordinary shares in issue	233,151,874	235,043,334
Basic earnings per ordinary share (sen)	4.38	7.48

	Group	
	2020 RM	2019 RM
<b>Discontinued Operations</b>		
Loss after tax attributable to owners of the Company	(196,586)	(2,314,468)
	<b>Units</b>	<b>Units</b>
Weighted average number of ordinary shares in issue (as above)	233,151,874	235,043,334
Basic loss per ordinary share (sen)	(0.08)	(0.98)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 39. EARNINGS PER ORDINARY SHARE (CONT'D)

#### (b) Diluted Earnings Per Ordinary Share

	Group	
	2020 RM	2019 RM
<b>Continued Operations</b>		
Profit after tax attributable to owners of the Company	10,213,036	17,582,008
	<b>Units</b>	<b>Units</b>
Weighted average number of ordinary shares in issue for basic earnings per share	233,151,874	235,043,334
Shares deemed to be issued for no consideration:- Employees' share options in issue	1,802,918	780,025
Weighted average number of ordinary shares in issue for diluted earnings per share	234,954,792	235,823,359
Diluted earnings per ordinary share (sen)	4.35	7.46
<b>Discontinued Operations</b>		
Loss after tax attributable to owners of the Company	(196,586)	(2,314,468)
	<b>Units</b>	<b>Units</b>
Weighted average number of ordinary shares in issue for basic earnings per share	233,151,874	235,043,334
Shares deemed to be issued for no consideration:- Employees' share options in issue	1,802,918	780,025
Weighted average number of ordinary shares in issue for diluted earnings per share	234,954,792	235,823,359
Diluted loss per ordinary share (sen)	(0.08)	(0.98)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 40. ACQUISITION OF NON-CONTROLLING INTERESTS

(a) On 31 July 2019, the company acquired an additional 46% equity interest in PT. Boxon Nikkon Jayaindo (“BNJ”) for a cash consideration of RM 387,777 from one of its 60% owned subsidiary Boxon Industries Hardware (M) Sdn. Bhd. (“BIHM”); increasing its effective ownership from 60% to 96%. The carrying amount of BNJ’s net liabilities in the Group’s financial statements on that date was equivalent to RM 1,558,879. The Group recognised an increase in non-controlling interest (“NCI”) of RM 418,019; and a decrease in retained profit of RM 384,300.

(b) During the previous financial year, the following transaction occurred:-

On 6 August 2018, the Company acquired an additional 20% equity interest in BNJ for a cash consideration of USD 100,000 (equivalent to RM 398,119); increasing its effective ownership from 60% to 80%. The carrying amount of BNJ’s net liabilities in the Group’s financial statements on that date was IDR 7,495,431,310, equivalent to RM 2,083,730. The Group recognised an increase in NCI of RM 416,746; and a decrease in retained profit of RM 814,865.

### 41. DISPOSAL OF SUBSIDIARY

On 3 September 2019, the Company disposed of its entire equity interests in Seremban Engineering Berhad for RM26,000,000 in cash.

The financial effects of the disposal at the date of disposal are summarised below:-

	Group 2020 RM	Company 2020 RM
Property, plant and equipment	32,489,476	-
Investment properties	16,163,197	-
Inventories	10,901,359	-
Investment in a subsidiary	-	25,770,396
Goodwill (Note 12)	6,921,238	-
Trade and other receivables	11,938,619	-
Contract assets	6,283,235	-
Tax recoverable	5,354	-
Deposits, cash and bank balances, net with bank overdraft	(1,319,871)	-
Trade and other payables	(21,026,847)	-
Borrowings	(35,909,721)	-
Current tax liabilities	(22,784)	-
Non-controlling interests	(6,743,325)	-
Carrying amount of net assets disposed of	19,679,930	25,770,396
Gain on disposal of subsidiary (Note 34)	6,090,472	6
Net disposal proceeds, satisfied in cash	25,770,402	25,770,402
Less: Deposit, cash and bank balances, net with bank overdraft of a subsidiary disposed of	1,319,871	-
Net cash inflow from the disposal of a subsidiary	27,090,273	25,770,402

There were no disposals of subsidiaries in the last financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 42. DIVIDENDS

	Group and Company	
	2020	2019
	RM	RM
<b>In respect of the financial year ended 30 June 2020</b>		
A special single-tier dividend of 3.5 sen per ordinary share	8,221,645	-
An interim single-tier dividend of 2.2 sen per ordinary share	5,167,890	-
<b>In respect of the financial year ended 30 June 2019</b>		
An interim single-tier dividend of 1 sen per ordinary share	-	2,351,671
	<u>13,389,535</u>	<u>2,351,671</u>

### 43. CASH FLOW INFORMATION

	Group	
	2020	2019
	RM	RM
<b>Property, plant and equipment</b>		
Aggregate cost of property, plant and equipment acquired	5,222,314	7,275,541
Finance via hire purchase (Note (b) below)	-	(608,556)
Unpaid balance included in sundry payables (Note 30)	(937,810)	(877,977)
Cash paid in respect of acquisition in previous financial year	877,977	379,394
Cash paid during the financial year	<u>5,162,481</u>	<u>6,168,402</u>
<b>Right-of-use assets</b>		
Cost of right-of-use assets acquired (Note 11)	1,702,359	-
Less: Addition of new lease liabilities (Note 43(b))	(1,882,359)	-
	<u>(180,000)</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 43. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows:-

	Term loans RM	Trade bills RM	Hire purchase payables RM	Lease liabilities RM	Revolving credit RM	Total RM
<b>Group – 2020</b>						
At 1 July 2019, as previously reported	16,202,334	11,635,032	2,099,463	-	12,002,641	41,939,470
Effects on adoption of MFRS 16	-	-	(544,021)	1,656,966	-	1,112,945
At 1 July 2019, as restated	16,202,334	11,635,032	1,555,442	1,656,966	12,002,641	43,052,415
<b><u>Changes in Financing Cash Flows</u></b>						
Proceeds from drawdown	6,000,000	6,608,364	-	-	-	12,608,364
Repayment of principal	(7,157,595)	(8,176,496)	(117,643)	(1,696,357)	(992,204)	(18,140,295)
Repayment of interests	(194,958)	(125,531)	(17,043)	(125,350)	(125,867)	(588,749)
	(1,352,553)	(1,693,663)	(134,686)	(1,821,707)	(1,118,071)	(6,120,680)
<b><u>Non-cash Changes</u></b>						
Acquisition of new lease (Note 26 and Note 43(a))	-	-	-	1,882,359	-	1,882,359
Disposal of a subsidiary	(13,394,697)	(10,066,900)	(1,437,687)	-	(11,010,437)	(35,909,721)
Interest expense recognised in profit or loss (Note 32)	194,958	125,531	17,043	125,350	125,867	588,749
	(13,199,739)	(9,941,369)	(1,420,644)	2,007,709	(10,884,570)	(33,438,613)
Exchange differences	4,318	-	(112)	(5,620)	-	(1,414)
	(13,195,421)	(9,941,369)	(1,420,756)	2,002,089	(10,884,570)	(33,440,027)
At 30 June 2020	1,654,360	-	-	1,837,348	-	3,491,708

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 43. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows:- (Cont'd)

	Term loans RM	Trade bills RM	Hire purchase payables RM	Revolving credit RM	Total RM
<b>Group – 2019</b>					
At 1 July 2018	15,741,731	16,554,995	2,512,859	10,000,000	44,809,585
<b><u>Changes in Financing Cash Flows</u></b>					
Proceeds from drawdown	6,000,100	50,242,803	-	4,718,641	60,961,544
Repayment of principal	(5,606,934)	(55,162,766)	(1,029,123)	(2,716,000)	(64,514,823)
Repayment of interests	(849,597)	(841,772)	(138,046)	(526,823)	(2,356,238)
	(456,431)	(5,761,735)	(1,167,169)	1,475,818	(5,909,517)
<b><u>Non-cash Changes</u></b>					
New hire purchase	-	-	608,556	-	608,556
Interest expense recognised in profit or loss	849,597	841,772	138,046	526,823	2,356,238
	849,597	841,772	746,602	526,823	2,964,794
Exchange differences	67,437	-	7,171	-	74,608
	917,034	841,772	753,773	526,823	3,039,402
At 30 June 2019	16,202,334	11,635,032	2,099,463	12,002,641	41,939,470

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 43. CASH FLOW INFORMATION (CONT'D)

(c) The total cash outflows for leases as a lessee are as follows:-

	Group 2020 RM
Payment of short-term leases	1,379,846
Interest paid on lease liabilities	125,350
Payment on lease liabilities	1,696,357
	3,201,553

(d) The cash and cash equivalents comprise the following:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	30,360,923	39,016,151	517,143	479,868
Deposits with licensed banks (Note 22)	166,650	130,766	-	-
	30,527,573	39,146,917	517,143	479,868
Add: Cash and cash equivalents included in short-term investment (Note 21)	54,197,882	15,224,299	-	-
Less: Deposits pledged to licensed banks	(166,650)	(125,366)	-	-
	84,558,805	54,245,850	517,143	479,868

### 44. RELATED PARTY DISCLOSURES

#### (a) Identities of Related Parties

Parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly 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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 44. RELATED PARTY DISCLOSURES (CONT'D)

#### (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Subsidiaries</b>				
– Management fee income	-	-	(1,660,091)	(2,400,000)
– Dividend income	-	-	(3,625,320)	(2,161,800)
– Interest income	-	-	(110,219)	(385,335)
– Reversal of impairment loss of investment in subsidiary	-	-	(27,423)	-
<b>Associates</b>				
– Sale of goods	(911,073)	(2,744,175)	-	-
– Purchase of goods	90,458	381,535	-	-
<b>Other directors' interest</b>				
– Sale of goods	(103,896)	(133,779)	-	-
– Purchase of goods	2,859,011	4,390,819	-	-
– Rental of factory	1,054,244	1,059,677	-	-
– Imputed interest on long term trade receivables	(47,478)	-	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 44. RELATED PARTY DISCLOSURES (CONT'D)

#### (c) Compensation of Key Management Personnel

Key management personnel (include the Group and the Company's executive and non-executive directors) are defined as those persons having authority and responsibility for planning directly and controlling the activities of the Company whether directly or indirectly.

The remuneration of directors and other members of key management personnel during the financial year were as follows:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Short-term employee benefits	9,599,930	12,624,585	1,521,246	408,400
EPF	680,132	938,675	112,284	-
Employees' share option scheme expenses	63,303	87,925	12,889	-
	<u>10,343,365</u>	<u>13,651,185</u>	<u>1,646,419</u>	<u>408,400</u>
Included in the total key management personnel compensation are:				
– Directors of the Group and of the Company (Note 35)	8,943,498	10,743,347	1,646,419	408,400
– Other key management personnel:-				
Short-term employee benefits	1,264,835	2,576,815	-	-
EPF	113,914	305,611	-	-
Employees' share option scheme expenses	21,118	25,412	-	-
	<u>1,399,867</u>	<u>2,907,838</u>	<u>-</u>	<u>-</u>
	<u>10,343,365</u>	<u>13,651,185</u>	<u>1,646,419</u>	<u>408,400</u>

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 45. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Chief Executive Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group comprises the following business segments as follows:-

<b>Business Segments</b>	<b>Business Activities</b>
Transformer, lighting and related products	Manufacturing and marketing of electrical apparatus industrial lighting and metal products focusing on metal casing and stamping parts.
Process equipment	Fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown work. This segment was discontinued in September 2019 (Note 41).

The Group Chief Executive Officer assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly deferred tax assets and liabilities, tax recoverable, tax liabilities and corporate assets (primarily the Company's headquarters) and head office expenses.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 45. OPERATING SEGMENTS (CONT'D)

#### (a) Business Segments

	Transformer, lighting and related products RM	Process equipment (Discontinued) RM	Eliminations RM	Consolidated RM
<b>2020</b>				
<b>Revenue</b>				
– external sales	222,973,356	7,057,942	-	230,031,298
– inter-segment sales	-	-	-	-
<b>Total revenue</b>	222,973,356	7,057,942	-	230,031,298
<b>Segment results</b>	20,031,062	(5,053)	-	20,026,009
Share of loss of associates	(56,246)	-	-	(56,246)
	19,974,816	(5,053)	-	19,969,763
Unallocated corporate expenses				(2,469,655)
Finance cost				(843,063)
Interest income				1,328,448
<b>Profit before tax</b>				17,985,493
Tax expense				(5,067,100)
<b>Profit for the financial year</b>				12,918,393
<b>Attributable to:</b>				
Owners of the Company				10,016,450
Non-controlling interests				2,901,943
				12,918,393
<b>Other information:</b>				
<b>Segment assets</b>	363,043,973	-	-	363,043,973
Unallocated assets				10,563,430
<b>Consolidated total assets</b>				373,607,403
<b>Segment liabilities</b>	35,833,738	-	-	35,833,738
Unallocated liabilities				1,376,341
<b>Consolidated total liabilities</b>				37,210,079
<b>Other information:</b>				
Capital expenditure	5,420,182	-	-	5,420,182
Amortisation of intangible asset	118,951	-	-	118,951
Depreciation of:				
– property, plant and equipment	7,833,953	296,408	-	8,130,361
– investment properties	227,073	39,301	-	266,374
– right-of-use assets	1,859,183	-	-	1,859,183
Non-cash expenses (other than amortisation and depreciation)	(13,906,703)	2,233	-	(13,904,470)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 45. OPERATING SEGMENTS (CONT'D)

#### (a) Business Segments (Cont'd)

	Transformer, lighting and related products RM	Process equipment (Discontinued) RM	Eliminations RM	Consolidated RM
<b>2019</b>				
<b>Revenue</b>				
– external sales	258,864,075	65,922,097	-	324,786,172
– inter-segment sales	316,721	-	(316,721)	-
<b>Total revenue</b>	<b>259,180,796</b>	<b>65,922,097</b>	<b>(316,721)</b>	<b>324,786,172</b>
<b>Segment results</b>	<b>29,117,191</b>	<b>(1,683,200)</b>	<b>-</b>	<b>27,433,991</b>
Share of loss of associates	(183,620)	-	-	(183,620)
	28,933,571	(1,683,200)	-	27,250,371
Unallocated corporate expenses				(786,668)
Finance cost				(2,860,583)
Interest income				1,070,964
<b>Profit before tax</b>				<b>24,674,084</b>
Tax expense				(7,234,169)
<b>Profit for the financial year</b>				<b>17,439,915</b>
<b>Attributable to:</b>				
Owners of the Company				15,267,540
Non-controlling interests				2,172,375
				17,439,915
<b>Other information:-</b>				
<b>Segment assets</b>	<b>348,878,717</b>	<b>86,400,782</b>	<b>-</b>	<b>435,279,499</b>
Unallocated assets				13,043,812
<b>Consolidated total assets</b>				<b>448,323,311</b>
<b>Segment liabilities</b>	<b>47,662,987</b>	<b>49,774,210</b>	<b>-</b>	<b>97,437,197</b>
Unallocated liabilities				1,883,578
<b>Consolidated total liabilities</b>				<b>99,320,775</b>
<b>Other information:</b>				
Capital expenditure	6,793,608	481,933	-	7,275,541
Depreciation of property, plant and equipment	8,674,547	1,883,962	-	10,558,509
Depreciation of investment properties	218,892	234,638	-	453,530
Non-cash expenses (other than amortisation and depreciation)	(3,399,006)	1,126,288	-	(2,272,718)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 45. OPERATING SEGMENTS (CONT'D)

#### (b) Geographical Information

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments.

	Revenue		Total Assets	
	2020 RM	2019 RM	2020 RM	2019 RM
Malaysia	117,271,449	160,345,098	293,079,034	369,854,032
People's Republic of China	40,967,119	30,746,309	51,788,810	50,870,408
Other countries	71,792,730	133,694,765	28,739,559	27,598,871
Consolidated	230,031,298	324,786,172	373,607,403	448,323,311

The information on the disaggregation of revenue based on geographical region is summarised below:

2020	At A Point in Time RM	Over Time RM	Group RM
Malaysia	111,651,649	5,619,800	117,271,449
People's Republic of China	40,967,119	-	40,967,119
Other countries	71,792,730	-	71,792,730
Consolidated	224,411,498	5,619,800	230,031,298

2019	At A Point in Time RM	Over Time RM	Group RM
Malaysia	143,235,587	17,109,511	160,345,098
People's Republic of China	30,746,309	-	30,746,309
Other countries	112,142,355	21,552,410	133,694,765
Consolidated	286,124,251	38,661,921	324,786,172

#### (c) Major Customers

There is no single customer that contributed 10% or more to the Group's revenue.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 46. CAPITAL COMMITMENT

	Group	
	2020 RM	2019 RM
Purchase of property, plant and equipment	-	39,080

### 47. CONTINGENT LIABILITIES

	Group	
	2020 RM	2019 RM
Performance guarantee extended by subsidiary to third party	1,493,355	1,722,879

### 48. FINANCIAL INSTRUMENTS

The Group's activities are exposed to variety of market risks (including foreign currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### 48.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity as follows:-

##### (a) Market Risk

##### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instrument at the end of the reporting period is summarised below:-

Group	USD RM	SGD RM	RMB RM	Others RM	RM RM	Total RM
<b>At 30 June 2020</b>						
<b>Financial Assets</b>						
Trade receivables	9,060,490	5,898,105	10,666,223	2,834,667	26,544,878	55,004,363
Other receivables	-	134,772	1,766,134	73,339	389,622	2,363,867
Amount due from associates	-	-	1,066,849	-	-	1,066,849
Amount due from related parties	-	-	50,426	-	2,693,123	2,743,549
Cash and bank balances	7,900,103	7,473,272	6,837,563	3,328,745	4,821,240	30,360,923
	16,960,593	13,506,149	20,387,195	6,236,751	34,448,863	91,539,551
<b>Financial Liabilities</b>						
Lease liabilities	-	(177,591)	(768,805)	(271,063)	(619,889)	(1,837,348)
Loans and borrowings	-	(1,654,360)	-	-	-	(1,654,360)
Trade payables	(2,258,301)	(814,312)	(11,082,268)	(515,064)	(3,395,120)	(18,065,065)
Other payables and accruals	(400,806)	(303,637)	(2,961,891)	(499,352)	(7,063,609)	(11,229,295)
Amount due to related parties	-	-	(754,602)	-	(155,833)	(910,435)
	(2,659,107)	(2,949,900)	(15,567,566)	(1,285,479)	(11,234,451)	(33,696,503)
Net financial assets	14,301,486	10,556,249	4,819,629	4,951,272	23,214,412	57,843,048
Less : Net financial (assets) denominated in the respective entities' functional currency	-	(4,259,842)	(4,819,629)	(3,531,332)	(23,214,412)	(35,825,215)
Currency exposure	14,301,486	6,296,407	-	1,419,940	-	22,017,833

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instrument at the end of the reporting period is summarised below:- (Cont'd)

Group	USD RM	SGD RM	RMB RM	Others RM	RM RM	Total RM
<b>At 30 June 2019</b>						
<b>Financial Assets</b>						
Trade receivables	7,202,627	5,707,916	9,413,064	4,399,270	45,277,637	72,000,514
Other receivables	-	164,123	2,530,176	136,586	370,695	3,201,580
Amount due from associates	-	-	1,300,997	-	29,290	1,330,287
Amount due from related parties	-	-	204,927	-	2,854,611	3,059,538
Cash and bank balances	5,973,542	6,299,699	6,036,555	2,914,087	17,792,268	39,016,151
	13,176,169	12,171,738	19,485,719	7,449,943	66,324,501	118,608,070
<b>Financial Liabilities</b>						
Loans and borrowings	(2,746,432)	(1,969,650)	-	-	(35,123,925)	(39,840,007)
Hire purchase payables	-	(111,265)	-	(32,822)	(1,955,376)	(2,099,463)
Trade payables	(2,656,886)	(35,264)	(16,577,674)	(226,584)	(14,472,575)	(33,968,983)
Other payables and accruals	-	(205,974)	(4,060,088)	(211,330)	(11,335,304)	(15,812,696)
Amount due to an associate	-	-	(42,574)	-	(284,570)	(327,144)
Amount due to related parties	-	-	(644,046)	-	(167,565)	(811,611)
	(5,403,318)	(2,322,153)	(21,324,382)	(470,736)	(63,339,315)	(92,859,904)
Net financial assets/(liabilities)	7,772,851	9,849,585	(1,838,663)	6,979,207	2,985,186	25,748,166
Less : Net financial (assets)/liabilities denominated in the respective entities' functional currency	-	(3,881,330)	1,838,663	(5,624,036)	(2,985,186)	(10,651,889)
Currency exposure	7,772,851	5,968,255	-	1,355,171	-	15,096,277

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk at the end of the current and previous reporting period.

##### *Foreign Currency Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:

	Group	
	2020 RM	2019 RM
<b>Effects on profit after tax</b>		
USD / RM – strengthened by 5%	543,456	295,368
SGD / RM – strengthened by 5%	239,263	226,794

A weakening of the above currencies against Ringgit Malaysia at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, with all other variables held constant.

##### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings and deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (a) Market Risk (Cont'd)

##### (ii) Interest Rate Risk (Cont'd)

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed below:

	Group	
	2020	2019
	RM	RM
<b>Floating rate instruments</b>		
Financial liabilities	1,654,360	16,202,334

##### *Interest Rate Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	Group	
	2020	2019
	RM	RM
<b>Effects on profit after tax</b>		
Increase of 50 basic points (bp)	(6,179)	(59,749)
Decrease of 50 basic points (bp)	6,179	59,749

##### (iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

##### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (b) Credit Risk (Cont'd)

##### (i) Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including associates and related parties) at the end of the reporting period is as follows:

	Group	
	2020 RM	2019 RM
<b>By country:</b>		
Malaysia	29,854,944	49,391,007
China	10,997,622	10,393,035
Singapore	5,380,239	5,486,044
Other countries	12,581,956	11,083,758
	58,814,761	76,353,844

##### (ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

##### (iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (b) Credit Risk (Cont'd)

##### (iii) Assessment of Impairment Losses (cont'd)

###### *Trade Receivables and Contract Assets*

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days past due, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables (including associates and related parties) and contract assets are summarised below:-

Group	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
<b>2020</b>			
Current (not past due)	41,521,127	-	41,521,127
1 to 30 days past due	6,624,915	-	6,624,915
31 to 60 days past due	4,665,121	-	4,665,121
61 to 90 days past due	2,976,182	-	2,976,182
Credit impaired	6,293,371	(3,265,955)	3,027,416
Trade receivables	62,080,716	(3,265,955)	58,814,761
Contract assets	1,084,064	-	1,084,064
	63,164,780	(3,265,955)	59,898,825

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (b) Credit Risk (Cont'd)

##### (iii) Assessment of Impairment Losses (Cont'd)

##### *Trade Receivables and Contract Assets (Cont'd)*

Group	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
<b>2019</b>			
Current (not past due)	57,173,045	-	57,173,045
1 to 30 days past due	8,050,752	-	8,050,752
31 to 60 days past due	6,009,007	-	6,009,007
61 to 90 days past due	1,077,025	-	1,077,025
Credit impaired	7,296,696	(3,252,681)	4,044,015
Trade receivables	79,606,525	(3,252,681)	76,353,844
Contract assets	9,724,555	-	9,724,555
	89,331,080	(3,252,681)	86,078,399

The movements in the loss allowances in respect of all trade receivables and contract assets are disclosed in Notes 14, 17, 19 and 20 to the financial statements respectively.

##### *Other Receivables*

The Group applies the 3-stage general approach to measuring expected credit losses for other receivables. No expected credit loss is recognised on these balances as it is negligible.

##### *Deposits with Licensed Banks, Cash and Bank Balances*

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

##### *Amount Due From Subsidiaries (Trade and Non-Trade Balances)*

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers amount due from subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the amount due from subsidiaries when they are payable, the Company considers the balances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's balances to be credit impaired when the subsidiary is unlikely to repay its balances in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these balances individually using internal information available.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (b) Credit Risk (Cont'd)

##### (iii) Assessment of Impairment Losses (Cont'd)

##### *Amount Due From Subsidiaries (Trade and Non-Trade Balances) (Cont'd)*

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount due from subsidiaries are summarised as below:-

Company	Gross Amount RM	12-month Loss Allowance RM	Lifetime Loss Allowance RM	Carrying Amount RM
<b>2020</b>				
<b>Trade balance</b>				
Low credit risk	500,198	-	-	500,198
<b>Non-trade balances</b>				
Low credit risk	23,814,749	-	(725,526)	23,089,223
Credit impaired	23,588	-	-	23,588
	23,838,337	-	(725,526)	23,112,811
	24,338,535	-	(725,526)	23,613,009
<b>2019</b>				
<b>Non-trade balances</b>				
Low credit risk	14,427,809	-	(725,526)	13,702,283
Credit impaired	27,096	-	-	27,096
	14,454,905	-	(725,526)	13,729,379

The movements in the loss allowance are disclosed in Note 13 to the financial statements.

##### *Financial Guarantee Contracts*

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

##### *Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1Year RM	1-5 Years RM
<b>2020</b>					
<b><u>Non-derivative</u></b>					
<b><u>Financial Liabilities</u></b>					
Trade payables	-	18,065,065	18,065,065	18,065,065	-
Other payables and accruals	-	11,229,295	11,229,295	11,229,295	-
Amount due to related parties	-	910,435	910,435	910,435	-
Lease liabilities	4.4 – 5.3	1,837,348	1,891,970	1,647,421	244,549
Loans and borrowings	4.1	1,654,360	1,743,139	378,615	1,364,524
		33,696,503	33,839,904	32,230,831	1,609,073

Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1-5 Years RM	Over 5 Years RM
<b>2019</b>						
<b><u>Non-derivative</u></b>						
<b><u>Financial Liabilities</u></b>						
Trade payables	-	33,968,983	33,968,983	33,968,983	-	-
Other payables and accruals	-	15,812,696	15,812,696	15,812,696	-	-
Amount due to an associate	-	327,144	327,144	327,144	-	-
Amount due to related parties	-	811,611	811,611	811,611	-	-
Loans and borrowings	3.5 – 7.7	39,840,007	43,808,715	27,140,430	10,576,639	6,091,646
Hire purchase payables	4.0 – 7.4	2,099,463	2,276,621	908,078	1,368,543	-
		92,859,904	97,005,770	78,968,942	11,945,182	6,091,646

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.1 Financial Risk Management Policies (Cont'd)

##### (c) Liquidity Risk (Cont'd)

##### *Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (Cont'd)

Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
<b>2020</b>			
<b><u>Non-derivative Financial Liabilities</u></b>			
Other payables and accruals	245,250	245,250	245,250
Amount due to subsidiaries	8,038,895	8,038,895	8,038,895
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	1,654,000	1,654,000
	<b>8,284,145</b>	<b>9,938,145</b>	<b>9,938,145</b>
<b>2019</b>			
<b><u>Non-derivative Financial Liabilities</u></b>			
Other payables and accruals	109,261	109,261	109,261
Amount due to subsidiaries	7,658,005	7,658,005	7,658,005
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	38,936,000	38,936,000
	<b>7,767,266</b>	<b>46,703,266</b>	<b>46,703,266</b>

\* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

#### 48.2 Capital Risk Management

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

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.3 Classification of Financial Instruments

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Financial Assets</b>				
<u>Mandatorily at Fair Value Through Profit or Loss</u>				
Short-term investments	54,197,882	15,224,299	-	-
<u>Amortised Cost</u>				
Trade receivables	55,004,363	72,000,514	-	-
Other receivables	2,363,867	3,201,580	-	-
Amount due from subsidiaries	-	-	23,613,009	13,729,379
Amount due from associates	1,066,849	1,330,287	-	-
Amount due from related parties	2,743,549	3,059,538	-	7,205
Dividend receivables	-	-	1,452,721	-
Deposits with licensed banks	166,650	130,766	-	-
Cash and bank balances	30,360,923	39,016,151	517,143	479,868
	91,706,201	118,738,836	25,582,873	14,216,452
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Lease liabilities	1,837,348	-	-	-
Loans and borrowings	1,654,360	39,840,007	-	-
Hire purchase payables	-	2,099,463	-	-
Trade payables	18,065,065	33,968,983	-	-
Other payables and accruals	11,229,295	15,812,696	245,250	109,261
Amount due to subsidiaries	-	-	8,038,895	7,658,005
Amount due to an associate	-	327,144	-	-
Amount due to related parties	910,435	811,611	-	-
	33,696,503	92,859,904	8,284,145	7,767,266

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.4 Gains or Losses Arising from Financial Instruments

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Financial Assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Net gains recognised in profit or loss	1,159,688	853,647	-	-
<u>Amortised Cost</u>				
Net (losses)/gains recognised in profit or loss	(2,209,694)	1,177,976	298,915	385,335
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(743,348)	(1,454,436)	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.5 Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximate their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand term.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:

Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2020</b>								
<u>Financial Assets</u>								
Short-term investments	-	54,197,882	-	-	-	-	54,197,882	54,197,882
Amount due from a related party	-	-	-	-	-	2,693,123	2,693,123	2,693,123
<u>Financial Liability</u>								
Term Loans	-	-	-	-	1,654,360	-	1,654,360	1,654,360
<b>2019</b>								
<u>Financial Assets</u>								
Short-term investments	-	15,224,299	-	-	-	-	15,224,299	15,224,299
Amount due from a related party	-	-	-	-	-	2,847,405	2,847,405	2,847,405
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	2,087,189	-	2,087,189	2,099,463
Term Loans	-	-	-	-	16,202,334	-	16,202,334	16,202,334
<b>The Company</b>								

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 48. FINANCIAL INSTRUMENTS (CONT'D)

#### 48.5 Fair Value Information (Cont'd)

##### (a) Fair Value of Financial Instruments Carried at Fair Value

- (i) The fair values above have been determined using the following basis:-

The fair values of short-term investments (money market fund) are determined by reference to statements provided by the respective financial institution, with which the investments were entered into.

- (ii) There were no transfer between level 1 and level 2 during the financial year.

##### (b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:

	Group	
	2020	2019
	%	%
Hire purchase payables	-	4.4 - 6.2

- (ii) The fair value of the Group's term loans that carrying floating interest rates approximate their carrying amount as they are repriced to market interest rates on or near the reporting date.
- (iii) The fair value of amount due from a related party (non-current) is calculated based on the present value of the projected repayment instalments using discount rates equal to the current market interest rates.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 49. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- (a) On 31 July 2019, Boxon Industries Hardware (M) Sdn. Bhd. ("BIH") disposed its entire 50% equity interest in PT Boxon Nikkon Jayaindo ("BNJ"), comprising 138,000 ordinary shares to the Company for a cash consideration of RM 387,777; and 12,000 ordinary shares to a director of the Company, Tan Chung Ling for a cash consideration of RM 33,720. Subsequent to the completion of the disposal, BNJ became a 96% owned subsidiary of the Company.
- (b) On 3 September 2019, the Company entered into Sale and Purchase Agreement ("SPA") with MIE Industrial Sdn. Bhd. ("MIE") to dispose entire 65% equity interest in a subsidiary, namely, Seremban Engineering Berhad ("SEB"), comprising 52,000,000 ordinary shares for a total cash consideration of RM 26,000,000 ("Disposal"). The Disposal was completed on even date.

SEB is belonged to the Group's Process Equipment reportable segment and the disposal decision is consistent with the Group's strategy to focus on the growth of its existing transformer and industrial lighting business. Subsequent to the Disposal, SEB ceased to be a subsidiary of the Company.

- (c) During the financial year, the issued and paid-up share capital of the Company has been increased by RM 503,019 pursuant to the issuance of 788,100 new ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

### 50. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) On 30 September 2020, the Company subscribed an additional 10,800,000 ordinary share in SES Property Sdn. Bhd. ("SESP") at an issue price of RM 1 each in the capital of SESP for cash by way of offsetting amount due from SESP of RM 10,800,000.
- (b) On 1 October 2020, the Company acquired additional 5% equity interest in Omega Metal Industries Sdn. Bhd. ("OMI") from its non-controlling interest for a cash consideration of RM 174,000. Following, the completion of the acquisition, OMI becomes a wholly-owned subsidiary of the Company.
- (c) Since the end of the current financial year up to the date of this report, the issued and paid-up share capital of the Company has been increased by RM 94,171 pursuant to the issuance of 134,400 new ordinary shares from the exercise of options under the Company's ESOS.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

### 51. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 July 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

#### (a) Lessee Accounting

At 1 July 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 July 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 July 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

There were no financial impacts to the Company's financial statements upon the transition to MFRS 16 at the date of initial application.

#### (b) Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

There were no financial impacts to the Group's and the Company's retained earnings as at 1 July 2019.

## LIST OF PROPERTIES

The summary of the information on the landed properties of the STC Group is as follows:

Location/ Postal Address	Description/ Existing use	Land Area/ Built Up Area	Tenure (years)	Age of Buildings (years)	Carrying Amount as at 30.06.2020 RM	Date of Revaluation/ Acquisition
1. Title no. Geran 205577 Lot 19042, Seksyen 20, Bandar Rawang  <i>Address</i> Lot. 102, Jalan Industri ¾, Taman Industri Integrasi Rawang, 48000 Rawang, Selangor Darul Ehsan.	Industrial premises comprising a 1-storey factory/ warehouse/ office building annexed with a guardhouse	24,490 square meters / 16,444 square meters	Freehold	20	9,421,027 (Land)  8,778,534 (Building)	7 September 2011
2. Title No. PM 1272 (Formerly HSM 7615), Lot No. 30890 (Formerly Lot P.T. No. 20047), Locality of Bt 16 Jalan Subang, Mukim of Sungai Buloh, District of Petaling, State of Selangor  <i>Address</i> No. 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.	Industrial premises comprising a 4-storey detached factory/ warehouse/ office building with one basement level and a guardhouse	4,213 square metres / 11,051 square metres	Leasehold interest for 99 years expiring on 24 March 2091, leaving an unexpired term of about 71 years	16	1,093,966 (Land)  7,623,618 (Building)	31 December 2009
3. Title no. HSD 283454 PT 689, HSD 283453 PT 690 and HSD 283455 PT691, Pekan Subang, Daerah Petaling Negeri Selangor.	Leasehold Industrial land	4,045 square meters / 4,046 square meters / 2,697 square meters	Leasehold interest for 99 years expiring on 18 July 2111, leaving an unexpired term of about 92 years	N/A	8,622,272 (Land)	25 March 2013
4. Title No. GRN 19765, Lot 821, Mukim of Pasir Panjang, District of Port Dickson, Negeri Sembilan.	Agriculture Land	83,972 square meters	Freehold	N/A	6,294,399 (Land)	16 February 2015

## LIST OF PROPERTIES (CONT'D)

Location/ Postal Address	Description/ Existing use	Land Area/ Built Up Area	Tenure (years)	Age of Buildings (years)	Carrying Amount as at 30.06.2020 RM	Date of Revaluation/ Acquisition
5. Title No. PM 1304 (Formerly HSM 7554) Lot 30614 (Formerly Lot P.T. No. 19971), Locality of Bt 16 Jalan Subang, Mukim of Sungai Buloh, District of Petaling, State of Selangor  <i>Address</i> No. 9, Jalan TSB 9, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.	Industrial premises comprising two 1 ½ storey factory/ warehouse/ office annexed with a guardhouse	4,435 square metres / 2,376 square metres	Leasehold interest for 99 years expiring on 24 March 2091, leaving an unexpired term of about 71 years	19	3,794,953 (Land)  2,485,694 (Building)	20 September 2010
6. No. PT 2086, Jalan Batu Arang, Bandar Kundang, Daerah Gombak, State of Selangor.	Agriculture Land	44,300 square meters	Leasehold interest for 99 years expiring on 3 November 2108, leaving an unexpired term of about 89 years	N/A	5,867,960 (Land)	21 February 2012
7. Title No. GM5407 Lot 1578 Mukim Ulu Yam, Title No. GM5687 Lot 1475 Mukim Ulu Yam, Title No. GM6309 Lot 1476 Mukim Ulu Yam, and Title No. GM6226 Lot 1474 Mukim Ulu Yam.	Industrial land	12,773, 15,555, 13,279 and 16,946 square metres	Freehold	N/A	5,340,513 (Land)	21 February 2011

## LIST OF PROPERTIES (CONT'D)

Location/ Postal Address	Description/ Existing use	Land Area/ Built Up Area	Tenure (years)	Age of Buildings (years)	Carrying Amount as at 30.06.2020 RM	Date of Revaluation/ Acquisition
8. Title No. PM 1414 (Formerly HSM 7617), Lot No. 30892 (Formerly Lot P.T. No. 20049), Locality of Bt 16 Jalan Subang, Mukim of Sungai Buloh, District of Petaling, State of Selangor	Industrial premises comprising a single- storey factory with an integral 2-storey office and a 2-storey office annexed with a guardhouse	4,214 square metres / 4,054.76 square metres	Leasehold interest for 99 years expiring on 24 March 2091, leaving an unexpired term of about 71 years	24	1,500,053 (Land) 2,772,232 (Building)	31 December 2009
<i>Address</i> No. 3, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.						
9. Title No. PM 1413 (Formerly HSM 7616), Lot No. 30891 (Formerly Lot P.T. No. 20048), Locality of Bt 16 Jalan Subang, Mukim of Sungai Buloh, District of Petaling, State of Selangor	Industrial premises comprising a double- storey detached factory with a 3-storey office annexed together with a guardhouse	4,213 square metres / 3,587.83 square metres	Leasehold interest for 99 years expiring on 24 March 2091, leaving an unexpired term of about 71 years	24	1,201,428 (Land) 2,657,715 (Building)	31 December 2009
<i>Address</i> No. 5, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.						
10. Subsidiary Strata Certificate of Title (SSCT), Volume 1064 Folio 156, Lot No: MK23-U22556A	A 3rd Storey ramp-up factory unit within Eunos Technolink	259 square metres	Leasehold interest for 60 years expiring on 8 July 2056, leaving an unexpired term of about 36 years	7	3,071,863 (Building)	8 April 2013
<i>Address</i> No. 3, Kaki Bukit Road 1, #03-05 Eunos Technolink Singapore 415935.						

The above list of properties are only disclosed the top 10 properties in terms of highest net book value as at the end of FYE 30 June 2020.

## ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2020

Class of shares : Ordinary shares  
Voting Rights : One vote per ordinary share

### A) DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Total Shareholders	# No. of Shares Held	% of Issued Capital
Less than 100	188	6.19	7,172	-
100 to 1000	447	14.70	173,804	0.08
1,001 to 10,000	1,285	42.27	7,391,010	3.23
10,001 to 100,000	951	31.28	30,004,858	13.12
100,001 to less than 5% of issued shares	167	5.49	74,201,554	32.46
5% and above of issued shares	2	0.07	116,847,948	51.11
<b>TOTAL :</b>	<b>3,040</b>	<b>100.00</b>	<b>228,626,346</b>	<b>100.00</b>

# Excluding 21,251,154 shares bought back and retained by the Company as treasury shares

### B) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	Direct Interest		Indirect Interest	
			No. of Shares	%	No. of Shares	%
1.	Omega Attraction Sdn. Bhd. ("OASB")	105,378,148		46.09	-	-
2.	Tan Ah Bah @ Tan Ah Ping	209,300		0.09	105,742,428 <sup>(1)</sup>	46.25
3.	Pan Kim Foon	209,300		0.09	105,742,428 <sup>(2)</sup>	46.25
4.	Tan Chung Ling	154,980		0.07	105,796,748 <sup>(3)</sup>	46.27
5.	Tan Chung Chiah	-		-	105,796,748 <sup>(3)</sup>	46.27
6.	Tan Chung Chay	-		-	105,796,748 <sup>(3)</sup>	46.27
7.	FMR LLC	16,738,900		7.32	-	-

**Notes:**

<sup>(1)</sup> Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, as well as his wife and his daughter, Tan Chung Ling's direct interests in the Company.

<sup>(2)</sup> Deemed interest by virtue of her husband, Tan Ah Bah @ Tan Ah Ping's and her direct interests in OASB as well as her husband and daughter, Tan Chung Ling's direct interests in the Company

<sup>(3)</sup> Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in the Company and OASB.

## ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2020 (CONT'D)

### C) LIST OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1.	Tan Ah Bah @ Tan Ah Ping	209,300	0.09	105,742,428 <sup>(1)</sup>	46.25
2.	Tan Chung Ling	154,980	0.07	105,796,748 <sup>(2)</sup>	46.27
3.	Tan Wei Neng	90,200	0.04	69,100 <sup>(3)</sup>	0.03
4.	Yeoh Kim Wah	1,292,100	0.57	-	-
5.	Tan Chung Chay	-	-	105,796,748 <sup>(2)</sup>	46.27
6.	Chan Foong Ping	-	-	-	-
7.	Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak	-	-	-	-

**Notes:**

- <sup>(1)</sup> Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, as well as his wife and his daughter, Tan Chung Ling's direct interests in the Company.
- <sup>(2)</sup> Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in the Company and OASB.
- <sup>(3)</sup> Deemed interest by virtue of his wife, Chew Yoke Ying's direct interest in the Company.

### D) TOP THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	Percentage % of Issued Share Capital
1.	Omega Attraction Sdn. Bhd.	105,378,148	46.091
2.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund F9EX for Fidelity Northstar Fund	11,469,800	5.016
3.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for Principal Islamic Small Cap Opportunities Fund	5,129,500	2.243
4.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LBF)	4,879,300	2.134
5.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund F9LJ for Fidelity Global Intrinsic Value Investment Trust	4,151,800	1.815
6.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Principal Small Cap Opportunities Fund (240218)	3,978,700	1.740
7.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mak Tian Meng (MY3136)	3,083,200	1.348
8.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Hee Long (Kuchai L-CL)	2,720,100	1.189
9.	Maybank Nominees (Tempatan) Sdn Bhd Mtrustee Berhad for Pacific Pearl Fund (UT-PM-PPF) (419471)	2,227,500	0.974
10.	Goh Thong Beng	2,000,000	0.874

## ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2020 (CONT'D)

### D) TOP THIRTY (30) LARGEST SHAREHOLDERS (Cont'd)

No.	Name of Shareholders	No. of Shares Held	Percentage % of Issued Share Capital
11.	Tan Lee Hwa	1,603,000	0.701
12.	Lim Swee Fun	1,602,600	0.700
13.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tay Hock Soon (MY1055)</i>	1,230,100	0.538
14.	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Yee Hui</i>	1,200,000	0.524
15.	Tan Kin Seng	1,063,000	0.464
16.	Yeoh Kim Wah	1,042,400	0.455
17.	CIMB Group Nominees (Asing) Sdn Bhd <i>Exempt an for DBS Bank Ltd (SFS)</i>	1,012,400	0.442
18.	Tham Kin Foong (John)	758,900	0.331
19.	Susy Ding	734,600	0.321
20.	Wong Yoke Fong @ Wong Nyok Fing	714,900	0.312
21.	Sim Mann Ying	701,000	0.306
22.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Choon Hee (E-TCS)</i>	700,000	0.306
23.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Ren Jie (MY1201)</i>	660,000	0.288
24.	Public Invest Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)</i>	655,400	0.286
25.	HSBC Nominees (Asing) Sdn Bhd <i>BBH And Co Boston for Fidelity Global Value Advance Equity Mother Fund (Nomura TB)</i>	617,300	0.270
26.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Pacific Dana Aman (3717 TRO1)	600,000	0.262
27.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mak Tian Meng</i>	581,800	0.254
28.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Loong Ding Tong (MY3120)</i>	579,300	0.253
29.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Pu Siang Yen</i>	575,000	0.251
30.	Mak Tian Meng	562,800	0.246
	<b>Total</b>	<b>162,212,548</b>	<b>70.950</b>

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Sixteenth Annual General Meeting of the Company will be conducted in a fully virtual basis at the Broadcast Venue at the Conference Room of the Company, No. 5, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan via remote participation and voting facilities on Tuesday, 8 December 2020 at 11:00 a.m. for the following purposes:-

### AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To approve the payment of Directors' fees amounting to RM250,000/- for the financial year ending 30 June 2021 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **(Ordinary Resolution 1)**
3. To approve an amount up to RM15,000/- as benefits payable to Non-Executive Directors of the Company for the period from 1 July 2020 to the Seventeenth Annual General Meeting of the Company in year 2021 pursuant to Section 230(1)(b) of the Companies Act 2016. **(Ordinary Resolution 2)**
4. To re-elect the following Directors who are retiring in accordance with Clause 90 of the Company's Constitution and being eligible, have offered themselves for re-election:-
  - i) Mr. Tan Ah Bah @ Tan Ah Ping; and **(Ordinary Resolution 3)**
  - ii) Ms. Tan Chung Chay. **(Ordinary Resolution 4)**
5. To re-elect YBhg. Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak, a Director who is retiring in accordance with Clause 98 of the Company's Constitution and being eligible, has offered himself for re-election. **(Ordinary Resolution 5)**
6. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

### AS SPECIAL BUSINESS

To consider and if thought fit, with or without modifications, to pass the following Ordinary Resolutions:-

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016** **(Ordinary Resolution 7)**

**"THAT** subject always to the Companies Act 2016 ("**the Act**"), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad and any other relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorised and empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time, at such price, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) for the time being; **AND THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company;

**NOTICE OF ANNUAL GENERAL MEETING (CONT'D)**

**AND THAT** the Directors of the Company, whether solely or jointly, be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad; **AND** be hereby authorised to do all such acts and things including executing all relevant documents as he/they may consider expedient or necessary to complete and give full effect to the abovesaid mandate.”

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (Ordinary Resolution 8)**

“**THAT**, subject always to the Companies Act 2016 (“**the Act**”), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“**STC Group**”) to enter into all transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of STC Group (“**Related Parties**”) as described in the Circular/Statement to Shareholders dated 30 October 2020 (“**Recurrent RPTs**”) provided that such transactions are:-

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment to the minority shareholders of the Company

(“**RRPT Mandate**”).

**AND THAT** such approval shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at that meeting, the authority is renewed; or
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 340 of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by shareholders in a general meeting;

whichever is earlier; and the aggregate value of the Recurrent RPTs be disclosed in the annual report of the Company.

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give full effect to the RRPT Mandate.”

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### 9. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

(Ordinary Resolution 9)

**“THAT**, subject always to the Companies Act 2016 (**“the Act”**), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**“Bursa Malaysia Securities”**) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities, upon such terms and conditions as the Directors in their discretion deem fit and expedient in the best interest of the Company, provided that:-

- (i) the aggregate number of ordinary shares to be purchased and/or held by the Company pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares of the Company as at the point of purchase(s); and
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

**THAT** upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares so purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities; and/or
- (iii) retain part thereof as treasury shares and cancel the remainder; and/or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Malaysia Securities and any other relevant authority for the time being in force.

**AND THAT** such authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following this Annual General Meeting at which such resolution was passed, at which time the authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required by law to be held; or
- (c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

**AND FURTHER THAT** the Directors of the Company be authorised to do all acts, deeds and things and to take all such steps as they may deem fit, appropriate, expedient or necessary in the best interest of the Company to give full effect to the proposed renewal of share buy-back authority with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to take all such steps, and do all such acts and things as they may deem fit and expedient in the interest of the Company.”

**NOTICE OF ANNUAL GENERAL MEETING (CONT'D)**

10. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO ALLOT AND ISSUE (Ordinary Resolution 10) NEW ORDINARY SHARES IN THE COMPANY ("STC SHARES"), FOR THE PURPOSE OF THE DIVIDEND REINVESTMENT SCHEME ("DRS") THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY WITH THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDENDS IN NEW STC SHARES ("PROPOSED RENEWAL OF DRS AUTHORITY")**

**"THAT** pursuant to the DRS as approved by the shareholders at the Extraordinary General Meeting of the Company held on 21 November 2016 and subject to the approval of the relevant regulatory authorities (if any), approval be and is hereby given to the Directors to allot and issue such number of new STC Shares from time to time as may be required to be allotted and issued pursuant to the DRS until the conclusion of the next Annual General Meeting upon such terms and conditions as stated in the Circular to Shareholders dated 4 November 2016, **PROVIDED THAT** the issue price of the said new STC Shares shall be fixed by the Directors at a discount of not more than ten percent (10%) to the five (5)-day volume weighted average market price ("**VWAMP**") of STC Shares immediately preceding the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

**AND THAT** the Directors of the Company be authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRS with full power to assent to any conditions, modifications, variations and/or amendments to the terms of the DRS as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, or by the Directors as they may in their absolute discretion, deem fit and in the best interest of the Company."

11. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

**CHUA SIEW CHUAN (SSM PC No.: 201908002648) (MAICSA 0777689)**

**TAN LOO EE (SSM PC No.: 201908002686) (MAICSA 7063694)**

Company Secretaries

Kuala Lumpur  
30 October 2020

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Explanatory Notes:-

#### 1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 30 June 2020

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act 2016 (“the Act”) does not require a formal approval from the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

#### 2. Item 3 of the Agenda – Benefits payable to Non-Executive Directors

The proposed Ordinary Resolution 2, if approved, will authorise the payment of benefits to the Non-Executive Directors by the Company. The benefits payable to the Non-Executive Directors for the period from 1 July 2020 to the Seventeenth Annual General Meeting (“AGM”) of the Company in year 2021 are derived from the estimated meeting allowance of RM500/- per meeting day based on the number of scheduled meetings and unscheduled meetings (when necessary) for the Board and Board Committees, and number of Non-Executive Directors involved in the meetings.

In the event the proposed benefits payable are insufficient (e.g. due to additional meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

#### 3. Item 7 of the Agenda – Authority to Issue Shares pursuant to the Companies Act 2016

The proposed adoption of the Ordinary Resolution 7 is to renew the mandate granted to the Directors of the Company at the Fifteenth Annual General Meeting of the Company held on 4 December 2019 (“Previous Mandate”), to issue and allot shares at any time to such persons in the Directors’ 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 (hereinafter referred to as the “20% General Mandate”).

As part of the initiative from Bursa Malaysia Securities Berhad (“Bursa Malaysia Securities”) to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Malaysia Securities’ rules, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Malaysian Government, Bursa Malaysia Securities had vide their letter dated 16 April 2020 allow a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for the general issue of new securities.

The 20% General Mandate will provide flexibility to the Company for allotment of shares for any possible fund-raising activities for the purpose of funding future investment project(s), working capital and/or acquisition(s).

The Board of Directors, having considered the current and prospective financial position, needs and capacity of the Company and its subsidiaries, is of the opinion that the 20% General Mandate is in the best interests of the Company and its shareholders.

As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate.

#### 4. Item 8 of the Agenda – Proposed Renewal of Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 8, if passed, will provide a renewal mandate for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the STC Group’s day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. This mandate shall lapse at the conclusion of the next Annual General Meeting unless authority for the renewal is obtained from the shareholders of the Company at a general meeting.

Please refer to the Circular/Statement to Shareholders dated 30 October 2020 for further information.

#### 5. Item 9 of the Agenda – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 9, if passed, would empower the Directors of the Company to purchase the Company’s ordinary shares up to ten per centum (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the Company’s retained profits based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s).

Please refer to the Circular/Statement to Shareholders dated 30 October 2020 for further information.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Explanatory Notes (Cont'd):-

#### 6. Item 10 of the Agenda – Proposed Renewal of Authority for the Company to Allot and Issue Shares pursuant to the Dividend Reinvestment Scheme (“DRS”)

The proposed Ordinary Resolution 10, if passed, would empower the Directors of the Company to allot and issue new STC Shares in the Company in respect of dividends to be declared, if any, under the DRS. This authority, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next Annual General Meeting of the Company.

#### Notes:

- (a) The Sixteenth AGM of the Company will be held as a virtual meeting through live streaming and online remote voting using the remote participation and voting (“RPV”) facilities via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for the AGM for the procedures to register, participate and vote remotely at the Sixteenth AGM through the RPV facilities.
- (b) In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in line with the Securities Commission Malaysia’s Guidance Note on the Conduct of General Meetings for Listed Issuers, the broadcast venue will be strictly limited to only essential individuals for organising and conducting the virtual AGM. No member(s) and/or proxy(ies) and/or corporate representative(s) and/or attorney(s) will be allowed to be physically present nor enter the broadcast venue on the day of the AGM.
- (c) In respect of deposited securities, only members whose names appear in the Record of Depositors on 1 December 2020 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
- (d) A member entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote instead of him at the same meeting. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (e) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (f) Where a member is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
- (g) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

#### (h) Appointment of Proxy(ies)

The appointment of proxy(ies) may be made either in a hard copy form or by electronic means in the following manner and shall be deposited with the Company’s Share Registrar, not less than forty-eight (48) hours before the time appointed for holding the Sixteenth AGM or at any adjournment thereof:-

<u>Mode of submission</u>	<u>Designated Address</u>
Hard copy	<ol style="list-style-type: none"> <li>(i) Tricor Investor &amp; Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, or alternatively</li> <li>(ii) Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia.</li> </ol>
Electronic means	TIIH Online (applicable to individual shareholder only) Weblink : <a href="https://tiih.online">https://tiih.online</a> .

*(Please refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online)*

# ADMINISTRATIVE GUIDE FOR SIXTEENTH ANNUAL GENERAL MEETING OF SUCCESS TRANSFORMER CORPORATION BERHAD

Date : Tuesday, 8 December 2020  
Time : 11.00 a.m.  
Broadcast Venue : Conference Room, No.5 Jalan TSB 8,  
Taman Industri Sungai Buloh,  
47000 Sungai Buloh,  
Selangor Darul Ehsan.

## MODE OF MEETING

In view of the COVID-19 outbreak and as part of the safety measures, the Sixteenth Annual General Meeting (“16th AGM”) will be conducted on a virtual basis through live streaming from the Broadcast Venue and online remote voting. This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, including any amendment that may be made from time to time.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholder(s) or proxy(ies) or attorney(s) or authorised representative(s) WILL NOT BE ALLOWED to attend the 16th AGM in person at the Broadcast Venue on the day of the meeting.

Due to the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 16th AGM at short notice. Kindly check the Company’s website or announcements for the latest updates on the status of the 16th AGM. The Company will continue to observe the guidelines issued by the Ministry of Health and will take all relevant precautionary measures as advised.

## REMOTE PARTICIPATION AND VOTING FACILITIES (“RPV”)

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the 16th AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website at <https://tiih.online>. Please refer to Procedure for RPV.

A shareholder who has appointed a proxy(ies) or attorney(s) or authorised representative(s) to participate at this 16th AGM via RPV must request his/her proxy(ies) or attorney or authorised representative to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Please refer to Procedure for RPV.

As the 16th AGM is a fully virtual AGM, shareholders who are unable to participate in this AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

## ADMINISTRATIVE GUIDE FOR SIXTEENTH ANNUAL GENERAL MEETING OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

### PROCEDURES FOR RPV

Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) who wish to participate the 16th AGM remotely using the RPV are to follow the requirements and procedures as summarized below:

	Procedure	Action
<b>BEFORE THE AGM DAY</b>		
(a)	Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance.</li> <li>Registration as a user will be approved within one working day and you will be notified via email.</li> <li>If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.</li> </ul>
(b)	Submit your registration for RPV	<ul style="list-style-type: none"> <li>Registration is open from Friday, 30 October 2020 until the day of 16th AGM Tuesday, 8 December 2020. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 16th AGM to ascertain their eligibility to participate the 16th AGM using the RPV.</li> <li>Login with your user ID and password and select the corporate event: <b>"(REGISTRATION) STC 16th AGM"</b></li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select "Register for Remote Participation and Voting".</li> <li>Review your registration and proceed to register.</li> <li>System will send an e-mail to notify that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the General Meeting Record of Depositors dated 1 December 2020, the system will send you an e-mail to approve your registration for remote participation and the procedures to use the RPV are detailed therein. In the event your registration is not approved, you will also be notified via email. <i>(Note: Please ensure to allow sufficient time required for the approval as a new user of TIIH Online as well as the registration for RPV in order that you can login to TIIH Online and participate the 16th AGM remotely).</i></li> </ul>
<b>ON THE DAY OF THE AGM (TUESDAY, 8 DECEMBER 2020)</b>		
(c)	Login to TIIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the 16th AGM at any time from 10.30 a.m. i.e. 30 minutes before the commencement of the AGM on Tuesday, 8 December 2020 at 11.00 a.m.</li> </ul>

# ADMINISTRATIVE GUIDE FOR SIXTEENTH ANNUAL GENERAL MEETING OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

## PROCEDURES FOR RPV (Cont'd)

Procedure	Action
<b>ON THE DAY OF THE AGM (TUESDAY, 8 DECEMBER 2020) (Cont'd)</b>	
(d) Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: “<b>(LIVE STREAM MEETING) STC 16th AGM</b>” to engage in the proceedings of the 16th AGM remotely.</li> <li>If you have any question for the Chairman/ Board, you may use the query box to transmit your question. The Chairman/ Board will endeavor to respond to questions submitted by you during the 16th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</li> </ul>
(e) Online Remote Voting	<ul style="list-style-type: none"> <li>Voting session commences from 11.00 a.m. on Tuesday, 8 December 2020 until a time when the Chairman announces the end of the session. Select the corporate event: “<b>(REMOTE VOTING) STC 16th AGM</b>” or if you are on the live stream meeting page, you can select “<b>GO TO REMOTE VOTING PAGE</b>” button below the Query Box.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
(f) End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the closure of the 16th AGM, the live streaming will end.</li> </ul>

### Note to users of the RPV facilities:

- Should your registration for RPV be approved we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to [tiih.online@my.tricorglobal.com](mailto:tiih.online@my.tricorglobal.com) for assistance.

## ADMINISTRATIVE GUIDE FOR SIXTEENTH ANNUAL GENERAL MEETING OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

### APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE

Shareholders who appoint proxy(ies) to participate via RPV at the 16th AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Sunday, 6 December 2020 at 11.00 a.m.**

The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner:

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Procedure for Electronic Submission of Proxy Form.

Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not later than Sunday, 6 December 2020 at 11.00 a.m. to participate via RPV in the 16th AGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not later than Sunday, 6 December 2020 at 11.00 a.m. to participate via RPV in the 16th AGM. The certificate of appointment should be executed in the following manner:

- (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
- (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
  - (a) at least two (2) authorised officers, of whom one shall be a director; or
  - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

## ADMINISTRATIVE GUIDE FOR SIXTEENTH ANNUAL GENERAL MEETING OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

### PROCEDURE FOR ELECTRONIC SUBMISSION OF PROXY FORM

The procedures to submit your proxy form electronically via Tricor's TIIH Online website are summarised below:

	Procedure	Action
(a)	Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, please access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance.</li> <li>If you are already a user with TIIH Online, you are not required to register again.</li> </ul>
(b)	Proceed with submission of Proxy Form	<ul style="list-style-type: none"> <li>After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>Select the corporate event: "Submission of Proxy Form".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration</li> <li>Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li> <li>Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy.</li> <li>Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.</li> <li>Review and confirm your proxy(s) appointment.</li> <li>Print proxy form for your record.</li> </ul>

### POLL VOTING

The voting at the 16th AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Shareholders or proxy(es) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions at any time from 11.00 a.m. on **Tuesday, 8 December 2020** but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above Procedures for RPV for guidance on how to vote remotely from TIIH Online website at <https://tiih.online>.

Upon completion of the voting session for the 16th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

### PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the 16th AGM via Tricor's TIIH Online website at <https://tiih.online> by selecting "e-Services" to login, pose questions and submit electronically no later than **Sunday, 6 December 2020 at 11.00 a.m.** The Board will endeavor to answer the questions received at the 16th AGM.

## ADMINISTRATIVE GUIDE FOR SIXTEENTH ANNUAL GENERAL MEETING OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

### DOOR GIFT/FOOD VOUCHER

There will be no door gifts or food vouchers for attending the 16th AGM.

### NO RECORDING OR PHOTOGRAPHY

Unauthorised recording and photography are strictly prohibited at the 16th AGM.

### ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Monday to Friday from 9.00 a.m. to 5.30 p.m. (except on public holidays):

#### **Tricor Investor & Issuing House Services Sdn. Bhd.**

General Line : +603-2783 9299  
Fax Number : +603-2783 9222  
Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)  
Contact persons : Encik Ahmad Syafiq bin Shaharuddin / Encik Zulhafri bin Abdul Rahman



# SUCCESS TRANSFORMER CORPORATION BERHAD

(200301034518) (636939-W)  
(Incorporated in Malaysia)

## PROXY FORM

I/We .....  
(NAME IN FULL AND IN BLOCK LETTERS)

NRIC No./Passport No./Registration No ..... Contact No. ....

of .....  
(FULL ADDRESS)

being a member/members of SUCCESS TRANSFORMER CORPORATION BERHAD (“the Company”), hereby appoint:-

Full Name (IN BLOCK LETTERS)	NRIC No./Passport No.
Full Address	

or failing him/her,

Full Name (IN BLOCK LETTERS)	NRIC No./Passport No.
Full Address	

or failing him/her\*, the Chairman of the Meeting as my/our\* proxy to vote for me/us\* on my/our\* behalf at the Sixteenth Annual General Meeting (“AGM”) of the Company to be conducted in a fully virtual basis at the Broadcast Venue at the Conference Room of the Company, No. 5 Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan via remote participation and voting (“RPV”) facilities on Tuesday, 8 December 2020 at 11:00 a.m. or any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1.	Payment of Directors’ fees		
2.	Payment of benefits payable to the Non-Executive Directors		
3.	Re-election of Mr. Tan Ah Bah @ Tan Ah Ping		
4.	Re-election of Ms. Tan Chung Chay		
5.	Re-election of YBhg. Tan Sri Dato’ Ahmad Fuzi Bin Hj Abdul Razak		
6.	Re-appointment of Messrs. Crowe Malaysia PLT		
7.	Authority to issue shares pursuant to the Companies Act 2016		
8.	Proposed renewal of existing shareholders’ mandate for recurrent related party transactions of a revenue or trading nature		
9.	Proposed renewal of share buy-back authority		
10.	Proposed renewal of authority for the Company to allot and issue shares pursuant to the Dividend Reinvestment Scheme		

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

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:-

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

CDS Account No.	
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Number of Ordinary Shares Held	
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Signed this ..... day of ..... 2020

Signature of Shareholder(s) or Common Seal

STAMP

## The Share Registrar

**SUCCESS TRANSFORMER CORPORATION BERHAD** (200301034518) (636939-W)

Tricor Investor & Issuing House Services Sdn. Bhd.

Unit 32-01, Level 32, Tower A,

Vertical Business Suite, Avenue 3, Bangsar South,

No. 8, Jalan Kerinchi,

59200 Kuala Lumpur.

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### Notes:-

- (a) The Sixteenth AGM of the Company will be held as a virtual meeting through live streaming and online remote voting using the RPV facilities via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Guide for the AGM for the procedures to register, participate and vote remotely at the Sixteenth AGM through the RPV facilities.
- (b) In compliance with Section 327(2) of the Companies Act 2016, the Chairman shall be present at the main venue of the meeting in Malaysia and in line with the Securities Commission Malaysia's Guidance Note on the Conduct of General Meetings for Listed Issuers, the broadcast venue will be strictly limited to only essential individuals for organising and conducting the virtual AGM. No member(s) and/or proxy(ies) and/or corporate representative(s) and/or attorney(s) will be allowed to be physically present nor enter the broadcast venue on the day of the AGM.
- (c) In respect of deposited securities, only members whose names appear in the Record of Depositors on 1 December 2020 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
- (d) A member entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote instead of him at the same meeting. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, such appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (e) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (f) Where a member is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account.
- (g) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (h) **Appointment of Proxy(ies)**

The appointment of proxy(ies) may be made either in a hard copy form or by electronic means in the following manner and shall be deposited with the Company's Share Registrar, not less than forty-eight (48) hours before the time appointed for holding the Sixteenth AGM or at any adjournment thereof:-

Mode of submission	Designated Address
Hard copy	(i) Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, or alternatively  (ii) Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia.
Electronic means	TIIH Online (applicable to individual shareholder only) Weblink : <a href="https://tiih.online">https://tiih.online</a> .

*(Please refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online)*

*Please glue and seal along this edge*

# Accreditations & Certifications

UKAS accredited ISO 9001 Quality Management System  
 Compliance with Electromagnetic Compatibility (EMC) certified by TÜV SÜD and SIRIM QAS International  
 Compliance with Low Voltage Directive (LVD) certified by TÜV SÜD and SIRIM QAS International  
 Product Type Testing performed by TÜV SÜD and SIRIM QAS International for conformity assessment  
 SIRIM Product Type Test Certification for ballast, ignitor, street lighting and floodlights  
 TÜV SÜD Certification  
 JKR approval  
 TNB approval  
 European Norms Electrical Certificate (ENEC Mark)  
 Thai Industrial Standards Institute (TISI Mark)



ISO 9001:2015 BV UKAS



CE marking



TÜV SÜD marking



CE marking for transformer



ISO 9001:2015



TNB Approval



SIRIM Certificate



JKR Approval



ENEC Mark (European Norms Electrical Certification)



TISI Mark (Thai Industrial Standards Institute)



LM 82 Product Performance Testing



Forbes 'Best Under A Billion' 2008/2009



**SUCCESS TRANSFORMER CORPORATION BERHAD**

(200301034518) (636939-W)

No. 3, 5 & 7, Jalan TSB 8,  
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47000 Sungai Buloh,  
Selangor Darul Ehsan,  
West Malaysia.

Tel : +603 - 6279 2922

Fax : +603 - 6157 6355

Web : [www.stcgroup.com.my](http://www.stcgroup.com.my)

Email : [ses@success.com.my](mailto:ses@success.com.my)

Enquiries: [marketing@success.com.my](mailto:marketing@success.com.my)

