



SOUTHERN CABLE

[Registration No. 201901011439 (1320767-M)]
(Incorporated in Malaysia)

SOUTHERN CABLE GROUP BERHAD

ANNUAL REPORT 2021

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Design with specification, manufacture with integrity.

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CORPORATE PROFILE



ESTABLISHED
IN YEAR

1993



APPROXIMATE
NUMBER OF
EMPLOYEES

600

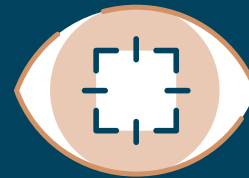
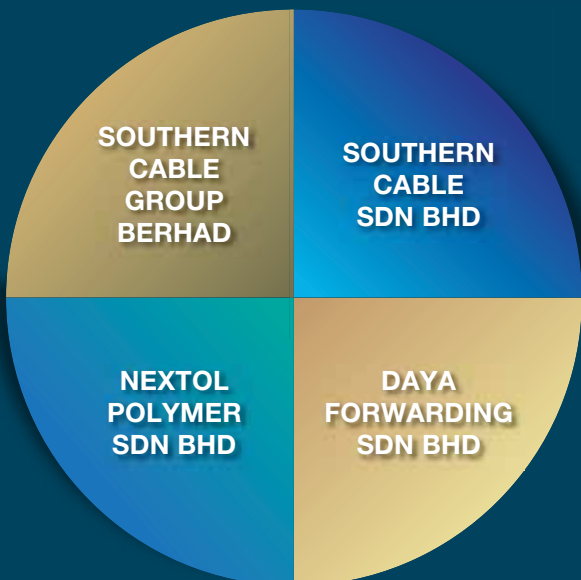
OUR CABLES AND WIRES LIGHT UP THE NATION

Southern Cable has an established track record as a manufacturer of cables and wires. Our extensive portfolio includes cables and wires used for power distribution and transmission, communications, as well as control and instrumentation applications.

Our cables and wires are used across various industries that range from power distribution and transmission, building and construction, infrastructure, telecommunications, manufacturing and processing industries including oil and gas processing and petrochemical plants.

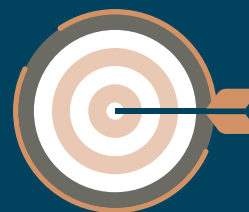
Established in 1993, Southern Cable's reputation was built on the team's commitment to quality, technical expertise and customer-centric services.

OUR GROUP



OUR VISION

To be the leading company that takes pride in innovation and inspiration through smart cable manufacturing services while aspiring to become one of Southeast Asia's most sought-after suppliers in infrastructure development.



OUR MISSION

To produce superior quality cables and wires through accredited methods such as SIRIM QAS International certification while providing trustworthy services on our extensive cables and wires portfolio.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Rizvi Bin Abd Halim

Independent Non-Executive
Chairman

Tung Eng Hai

Managing Director

Wong Meng Kee

Executive Director

Wong Kar Wai

Non-Independent Non-Executive
Director

Eugene Lee Cheng Hoe

Independent Non-Executive
Director

Daphne Choy Gaik Choo

Independent Non-Executive
Director

**AUDIT AND RISK
MANAGEMENT COMMITTEE**

Eugene Lee Cheng Hoe
(*Chairman*)
Daphne Choy Gaik Choo
Rizvi Bin Abd Halim
Wong Kar Wai

**NOMINATION AND
REMUNERATION COMMITTEE**

Daphne Choy Gaik Choo
(*Chairperson*)
Rizvi Bin Abd Halim
Eugene Lee Cheng Hoe

COMPANY SECRETARY

Tea Sor Hua (MACS 01324)
(CCM Practising Certificate No.
201908001272)

REGISTERED OFFICE

Third Floor, No. 77, 79 & 81
Jalan SS 21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel No : (03) 7725 1777
Fax No : (03) 7722 3668

HEAD OFFICE

Lot 42, Jalan Merbau Pulas
Kawasan Perusahaan Kuala Ketil
09300 Kuala Ketil
Kedah Darul Aman
Tel No : (04) 416 1600
Fax No : (04) 416 1599
Website : www.southerncable.com.my
Email : sc@southerncable.com.my

EXTERNAL AUDITORS

Baker Tilly Monteiro Heng PLT
[201906000600 (LLP0019411-LCA) &
AF 0117]
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel No : (03) 2297 1000
Fax No : (03) 2282 9980

SHARE REGISTRAR

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

PRINCIPAL BANKERS

Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Hong Leong Bank Berhad
Alliance Bank Malaysia Berhad
Citibank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : SCGBHD
Stock Code : 0225

CORPORATE STRUCTURE



SOUTHERN CABLE

100%

SOUTHERN

Southern Cable
Sdn. Bhd.

Manufacture of cables and
wires, and related products
and services

100%

NEXTOL

Nextol Polymer
Sdn. Bhd.

Manufacture of
plastic compounds

100%

DAYA

Daya Forwarding
Sdn. Bhd.

Manufacture and trading of
wooden cable drums

5-YEAR FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY					
For the Financial Year Ended 31 December (RM '000)	2017	2018	2019	2020	2021
STATEMENT OF COMPREHENSIVE INCOME SUMMARY					
Revenue	595,694	683,199	656,687	562,727	659,939
Gross Profit	52,566	65,228	67,222	55,896	39,242
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	40,723	48,686	52,996	43,108	27,570
Operating Profit	33,264	41,854	46,693	36,410	20,151
Profit Before Tax (PBT)	25,052	33,132	39,324	30,014	14,310
Profit After Tax (PAT)	18,185	26,233	28,549	21,262	10,906
STATEMENT OF FINANCIAL POSITION SUMMARY					
Property, Plant and Equipment	56,138	58,019	18,162	24,551	43,559
Right-of-use Assets	-	-	53,275	46,572	43,375
Investment Properties	7,117	5,734	536	530	523
Inventories	93,164	77,756	62,133	88,955	182,529
Cash and Short Term Deposits	48,674	77,989	56,600	129,420	35,411
Other Assets and Non-Current Assets	149,033	156,467	180,400	158,224	205,310
Total Assets	354,126	375,965	371,106	448,252	510,707
Equity Attributable to Owners of the Group	121,224	147,457	176,006	267,261	274,967
Loans and Borrowings	167,967	186,019	154,742	124,990	166,730
Other Current and Non-Current Liabilities	64,935	42,489	40,358	56,001	69,010
Total Equity and Liabilities	354,126	375,965	371,106	448,252	510,707
Financial Indicators					
Gross Profit Margin (%)	8.8%	9.5%	10.2%	9.9%	5.9%
EBITDA Margin (%)	6.8%	7.1%	8.1%	7.7%	4.2%
Operating Margin (%)	5.6%	6.1%	7.1%	6.5%	3.1%
PBT Margin (%)	4.2%	4.8%	6.0%	5.3%	2.2%
PAT Margin (%)	3.1%	3.8%	4.3%	3.8%	1.7%
Gearing (Net of Cash) (times)	0.98	0.73	0.56	Net Cash	0.48
Basic Earnings per Share (sen) ⁽¹⁾	2.3	3.3	3.6	2.7	1.4
Net Assets Per Share (RM) ⁽¹⁾	0.15	0.18	0.22	0.33	0.34

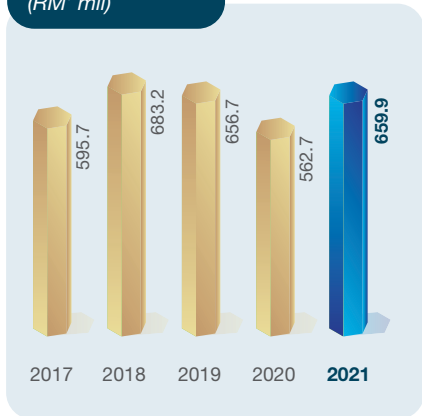
Note:

(1) Based on enlarged share capital of 800,000,000 shares in issue as at 31 December 2021.

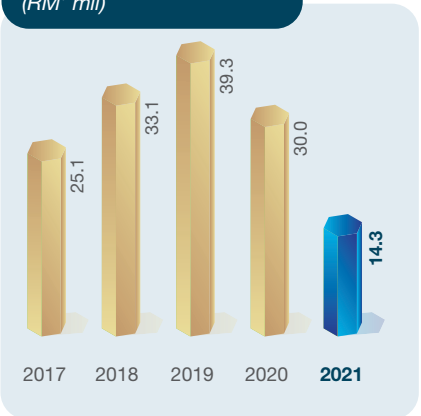
5-YEAR FINANCIAL HIGHLIGHTS

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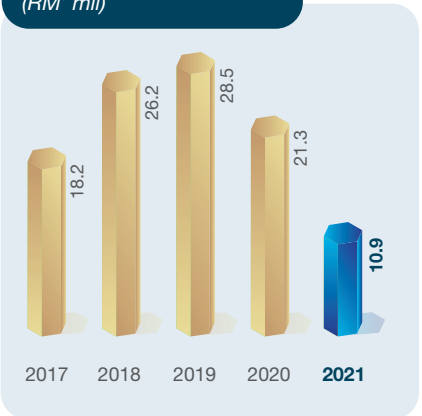
REVENUE
(RM' mil)



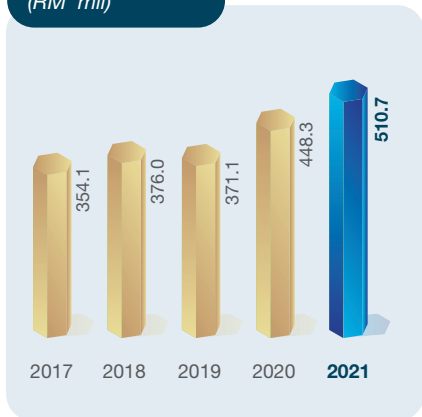
PROFIT BEFORE TAX
(RM' mil)



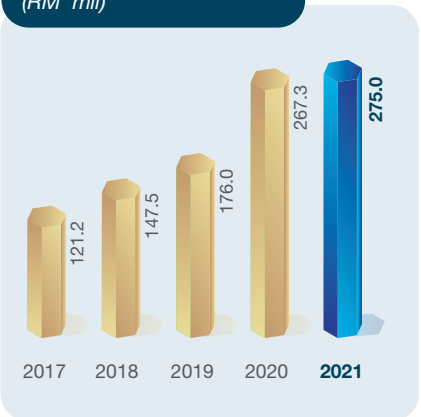
PROFIT AFTER TAX
(RM' mil)



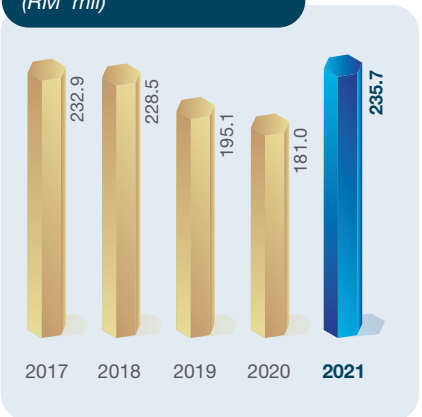
TOTAL ASSETS
(RM' mil)



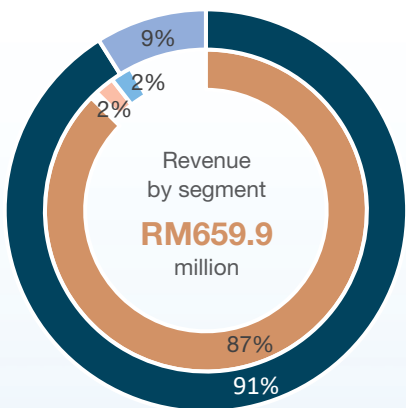
SHAREHOLDERS' EQUITY
(RM' mil)



TOTAL LIABILITIES
(RM' mil)



FYE2021 PERFORMANCE



- Cables and Wires
- Power
- Communications
- Control & Instrumentation
- Related products and services

0.21 sen
per share
final dividend

Payout Ratio
15.4%
of FYE2021 PAT

CHAIRMAN'S STATEMENT



**Dear esteemed
shareholders,**

Although 2021 proved to be a tumultuous year for all economic sectors on account of the ongoing COVID-19 pandemic, I am heartened that Southern Cable Group Berhad (“Southern Cable” or the “Company”) remained resilient in the financial year ended 31 December 2021 and continued to chart numerous operational and corporate milestones. I am pleased to showcase these in this Annual Report and Audited Financial Statements on behalf of the Board of Directors.



CHAIRMAN'S STATEMENT

Cont'd

ECONOMIC REVIEW

The COVID-19 pandemic persistently caused disruptions across global supply chains, as Governments were compelled to implement lockdowns and reduce non-essential public services and business activities for public safety. Simultaneously, the channelling of significant national resources for vaccination programmes to boost the immunity of populations hastened the gradual reopening of economies, albeit in multiple phases.

This allowed global Gross Domestic Product ("GDP") to expand 5.9% in 2021 from a contraction of 3.1% a year ago, according to the International Monetary Fund ("IMF")¹.

Bank Negara Malaysia reported a similar expansion as the national GDP grew 3.1% in 2021 from a contraction of 5.6% a year ago². The growth was supported mainly by improved domestic demand during the fourth quarter of 2021, as economic activity gradually normalised following the easing of COVID-19 containment measures under the National Recovery Plan.

In the commodities market, prices of copper and aluminium continued on their ascent from 2020 due to higher demand from global renewable energy infrastructure investments, slower production output due to labour shortages in major producing countries, and higher energy and shipment expenses.

TRANSFERRING TO THE MAIN MARKET OF BURSA SECURITIES MALAYSIA BERHAD ("BURSA SECURITIES")

Amidst the challenging landscape, Southern Cable nonetheless advanced in its corporate journey.

On 28 October 2021, Southern Cable successfully transferred its listing status to the Main Market of Bursa Securities, after fulfilling the Securities Commission Malaysia's Equity Guidelines for the transfer listing. Southern Cable and its subsidiaries (the "Group") recorded aggregated profit after tax of RM76.0 million for the past three financial years from 31 December 2018 to 31 December 2020 and maintained positive cash flow for the same period.

Southern Cable's Main Market transfer - a feat after only a year on the ACE Market - speaks as much of our strong track record as it does our aspiration to support the nation's development across various industries including power, renewable energy, telecommunication, construction and infrastructure, as well as oil and gas processing and petrochemical plants.

FORWARD OUTLOOK

The IMF World Economic Outlook report published in January 2022 forecasted global growth to moderate to 4.4% in 2022 due to the persistent impact of COVID-19 on the international supply chain¹. It must be noted that at the time of its publication, the report had yet to take into account the effect of the escalated Ukraine-Russia tensions on the global supply of commodities such as crude oil, aluminium, and steel, which may trigger higher inflation.

Closer to home, the World Bank Group anticipated for Malaysia's GDP to grow at 5.5% in 2022 compared to 3.1% in 2021³. This is supported by recovering domestic demand with the upliftment of the Movement Control Order since January 2022, and high vaccination rates amidst the rollout of the booster vaccine.

Apart from that, the Malaysian Government sealed its commitment to development with the approval of the 12th Malaysia Plan and Budget 2022 policies in the fourth quarter of 2021, focusing on the execution of key infrastructure projects such as renewable energy, public road and transportation and 5G network expansion plans. These initiatives foster favourable demand for industrial cables and wires for the long term.

We will strive for continued excellence in providing the nation with high-quality cables and wires to support its progress onwards, and thereby reinforce our leading position in this sector.

APPRECIATION

I would like to express my gratitude to the Board of Directors, management, and the entire team of Southern Cable. Your efforts have demonstrated strong commitments toward the Group's ambitions for growth and maintained our position as one of the nation's leading cable and wire manufacturers.

I thank our shareholders, clients, business associates of Southern Cable, as well as the various financial institutions, consultancies, and regulatory authorities for their continuous support.

ENCIK RIZVI BIN ABD HALIM

Independent Non-Executive Chairman

¹ International Monetary Fund (2022) World Economic Outlook, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation.

² Bank Negara Malaysia (2022) Quarterly Bulletin VOL.36 NO. 4.

³ World Bank Group (2022) East Asia and The Pacific Economic Updates: Braving the Storms.



MANAGEMENT DISCUSSION & ANALYSIS

DEAR ESTEEMED SHAREHOLDERS,

The global community continued to witness significant challenges from the COVID-19 pandemic in 2021, as Governments endeavoured to contain the spread of the virus while ensuring sustenance of economic activities and businesses.

Southern Cable, being an integral component to the supply chain in Malaysia, faced multiple issues arising from such uncertainties alongside other industrial players. These include supply chain shortages, unpredictable operating conditions due to the implementation of Movement Control Order (“MCO”), and heightened volatility in the commodities markets.

However, we remained committed to fulfilling our responsibilities to our clients who are in essential industries such as power distribution and transmission, telecommunications, building and construction, infrastructure, manufacturing and processing industries including oil and gas processing and petrochemical plants.

Furthermore, we were quick to adapt our operations to maintain high productivity despite capacity limitations. In fact, we resumed operations at 100% workforce capacity since October 2021 as we achieved the requisite high vaccination rates amongst our workforce. These factors enabled us to deliver resilient performance in the financial year ended 31 December 2021 (“FYE2021”).

BUSINESS OVERVIEW

Southern Cable is in the business of manufacturing cables and wires, and production and/or trading of related products and services. Apart from that, our in-house supporting activities enable us to manage the quality and efficiency of our manufacturing process.

1) Manufacturing of Cables and Wires

Southern Cable Sdn Bhd (“Southern”) a wholly-owned subsidiary of Southern Cable is involved in the manufacturing of cables and wires, and related products and services. Located at Kawasan Perusahaan Kuala Ketil in Kedah, Southern’s facility has a total built-up area of 448,267 square feet to support our manufacturing activities.

As part of our commitment towards the quality and safety of our products, we hold accreditations and certifications from various organisations such as SIRIM, Energy Commission of Malaysia, and Fire and Rescue Department Malaysia (“Bomba”). Additionally, our products have a certificate of product acceptance from Tenaga Nasional Berhad (“TNB”) and comply with either Malaysian Standards, International Electrotechnical Commission standards or British Standards.

MANAGEMENT DISCUSSION & ANALYSIS

Cont'd



Additionally, we have established a loyal customer base from various industries, with notable customers including major public utilities and telecommunications providers, such as TNB and Telekom Malaysia Berhad (“TM”).

To meet our customers’ requirements and specifications, we are capable of manufacturing a wide range of cables and wires:

- o **Power cables and wires**

We manufacture power cables and wires that accommodate electrical transmission from 300 volts (“V”) up to 132 kilovolts (“kV”), which are used by various sectors such as power utility, transportation, renewable energy, petrochemical plants, and other factories or operations that require direct supply of electricity.

Our power cables and wires are used in electrical systems to distribute and transmit power, which can be seen in overhead and underground power distribution networks, as well as for internal wiring within buildings.

We are a registered supplier with TNB, Sabah Electricity Sdn. Bhd. and PETRONAS; and a TÜV SÜD certified supplier of low voltage solar photovoltaic (PV) power cables. We are also registered with the Construction Industry Development Board of Malaysia (CIDB) under category G7 since 2016, which allows us to bid for projects of any amount in Malaysia.



- o **Communications cables and wires**

Our communications cables and wires including telephone cables, coaxial cables, and alarm cables, are mainly supplied to the telecommunications industry. Additionally, our products are used in communications equipment, network devices and electronic devices to transmit data such as text, sound and images.

We are a registered supplier to TM.



MANAGEMENT DISCUSSION & ANALYSIS

Cont'd

o Control and instrumentation cables and wires

In addition, we manufacture control and instrumentation cables and wires that are primarily used for controlling and automating processes, by obtaining and transmitting data and communications among various devices. These cables and wires are used to connect machinery, equipment, instruments, and process control systems.

All manufacturing and processing industries that are automated as well as modern buildings, amenities, and infrastructures use control and instrumentation cables and wires. Among others, they include power generation, oil and gas, petrochemical and chemical plants, as well as oil and gas platforms and marine vessels.

2) Related products and services

Our related products and services complement our cables and wires manufacturing business. These include the sale of copper and aluminium rods, polyvinyl chloride ("PVC") compounds and wooden cable drums. We also engage in the trading of cables and wires, copper strips as well as supply of electrical devices and accessories such as rectifier systems for the telecommunications sector.

Furthermore, our manufacturing facility is integrated with supporting activities such as furnace and continuous casting for producing copper and aluminium rods, and manufacturing of plastic compound and wooden cable drums.

These supporting activities enable us to control the quality of our material input and process efficiency, contributing towards effective management of manufacturing costs of our cables and wires, as well as minimising potential interruptions on the manufacturing process to ensure timely delivery to our customers.

1) Furnace and continuous casting

At Southern's existing facility, we have two electric furnaces and one gas-fired furnace to produce copper and aluminium rods that are used as core materials and transmitting medium for our cables and wires.

2) Plastic compounding

Nextol Polymer Sdn. Bhd., a wholly-owned subsidiary of Southern Cable located in Sungai Petani, Kedah, is involved in the manufacturing of plastic compounds such as PVC and medium-density polyethylene (MDPE) compounds, which are extruded to form insulation bedding and sheathing layers for our cables and wire.

3) Wooden cable drum manufacturing

Daya Forwarding Sdn. Bhd., a wholly-owned subsidiary of Southern Cable operates within Southern's existing facility in Kuala Ketil, Kedah, and is involved in the manufacturing and trading of wooden cable drums used for coiling our cables and wires for storage and delivery to customers.

Overall, Southern Cable is capable of providing a full service from manufacturing to delivery of our cables and wires.



o Delivered customers' orders and secured new supply contracts

As a key provider to the nation's essential industries, our manufacturing facilities were allowed to maintain 60% workforce capacity during the MCO from May to August 2021. While we strived to maintain high productivity by adapting to 24 hours operations on multiple shifts basis during this period, we were able to eventually resume 100% workforce capacity since October 2021 towards normalcy.

MANAGEMENT DISCUSSION & ANALYSIS

Cont'd

As at 31 December 2021, our orders in hand stood at RM675.0 million, comprising order book of RM271.1 million from long-term contracts, and unbilled purchase orders of RM403.9 million to be fulfilled in the short-term.

Our order book replenishment in FYE2021 included sizeable projects from our long-term customers such as the RM30.4 million rectifier systems supply contract from TM, and the RM18.5 million underground cable and conductors supply contract from TNB.

Our power cables and wires remained the highest revenue contributor and accounted for 86.8% of revenue in FYE2021, supported by demand from utility customers, EPCC (engineering, procurement, construction, and commissioning) contractors, resellers and others. The balance 13.2% contribution came from sales of communication cables and wires, control and instrumentation cables and wires, and related products and services.

o **Developed new SCAL-Flex cable (Aluminium-based industrial cables)**

We continued to develop new cables to meet the competitive demands of various industries, while expanding the comprehensiveness of our portfolio in catering to our broad clientele.

In view of rising global commodity prices in 2021, we introduced a new aluminium-based industrial cable, SCAL-Flex, which closely mimics the performance of copper cables. As aluminium has the cost-benefit of being significantly cheaper than copper, SCAL-Flex serves as an economical alternative for our customers in the domestic construction and infrastructure sectors, while meeting performance requirements.

SCAL-Flex can conduct up to 1 kV of electricity and is suitable to be used for rapid transits, building and construction, residential developments, as well as industrial and automation.

o **Obtained UL certificate for XHHW-2 cable**

We are pleased to note that the Group's XHHW-2 cable (industrial cable with synthetic rubber-based sheathing) developed in 2021 received UL certification through our customer in the United States ("US") in March 2021, thus certifying its conformity to required quality standards.

We anticipate to deliver trial orders of XHHW-2 in 2022, and subsequently provide Original Equipment Manufacturing ("OEM") services to the US-based customer, after successful completion of necessary tests and evaluations.

FINANCIAL OVERVIEW

Southern Cable delivered commendable results in FYE2021 as we were quick to adapt to changes in the external environment to continue meeting the demand for cables and wires, and accelerated our manufacturing activity in the fourth quarter of 2021 as MCO restrictions eased.

o **Statements of Profit or Loss and Other Comprehensive Income**

Group revenue for FYE2021 rose 17.3% to RM659.9 million from RM562.7 million in the previous financial year ended 31 December 2020 ("FYE2020") due to higher sales volume of cables and wires, as well as increased average selling prices to account for the hike in metal-based material costs for ongoing supply contracts.

Segmentally, the contribution from our main category of power cables and wires grew 24.9% to RM572.6 million from RM458.4 million previously. Likewise, sales of related products and services increased 8.3% to RM59.0 million from RM54.4 million a year ago.

These mitigated the revenue from communications cables and wires which reduced 36.9% to RM13.7 million from RM21.7 million a year ago, and sales of control and instrumentation cables and wires which dipped 47.9% to RM14.7 million from RM28.2 million in FYE2020.

Geographically, domestic revenue remained our strong point with a commendable 22.5% climb to RM641.3 million from RM523.4 million a year ago, while overseas revenue decreased 52.5% to RM18.7 million from RM39.3 million previously. The weaker export sales were attributed to the impact of COVID-19 which affected demand from Indonesia, Myanmar, Cambodia and other regional countries.

Despite recording improved revenue and sales volume in FYE2021, we faced higher global commodity prices and supply chain disruptions which elevated costs for several raw materials such as metal-based materials, plastic and sawn timber. We also faced delays in procurement of wooden drums used in the delivery of our cables and wires to customers, which led to slower-than-expected order fulfillments.

MANAGEMENT DISCUSSION & ANALYSIS

Cont'd

As a result, FYE2021 gross profit declined 29.8% to RM39.2 million from RM55.9 million previously, while profit before tax ("PBT") and profit after tax ("PAT") reduced 52.3% and 48.7% year-on-year to RM14.3 million and RM10.9 million respectively, from RM30.0 million and RM21.3 million last year.

o Statement of Financial Position

Southern Cable's financial position remained sturdy, with total assets expanding 13.9% to RM510.7 million as at 31 December 2021 from RM448.3 million a year ago, on a larger base of investment in new machineries, right-of-use assets, inventories, current tax assets and higher trade and other receivables.

Total liabilities rose 30.2% to RM235.7 million as at 31 December 2021, from RM181.0 million a year ago, due to higher loans and borrowings, and trade and other payables as the Group increased its inventory levels to avoid potential supply interruptions in light of the global situation of container shortages and shipment delays.

Shareholders' equity climbed 2.9% to RM275.0 million from RM267.3 million previously on the back of increased retained earnings.

Overall, the Group's financial position remained capable of withstanding the challenging circumstances. Our net gearing ratio stood at 0.48 times as at 31 December 2021, higher from the net cash position as at 31 December 2020, as we invested in new machinery to enhance our manufacturing process, and increased our raw material inventory to mitigate potential supply chain disruptions.

o Dividends

We remain committed to rewarding our shareholders through dividends, in adherence to our policy to distribute a minimum of 15% of PAT as dividends.

Southern Cable is pleased to propose a final dividend of 0.21 sen per share in respect of FYE2021, amounting to a dividend payout of RM1.7 million representing 15.4% of PAT. This dividend is subject to shareholders' approval at the forthcoming annual general meeting.

RISKS

o Economic risks, geopolitical conflicts, and the impact of the COVID-19 pandemic

The demand of the Group's cables and wires can be impacted by challenging and uncertain global economic scenarios, such as supply chain disruptions, change in government policies, as well as international-level conflicts that may adversely affect global commodity prices. Not only that, the unpredictability of COVID-19 remains a key risk, given its widespread effects on human health and supply chains.

o Supply and foreign exchange risks

The Group faces risks pertaining to the availability and price fluctuation of raw materials including copper, aluminium, plastic, and sawn timber. Additionally, imports of raw materials are subject to foreign exchange translation risks, and the availability of manpower can also affect our overall manufacturing output.

o Technological changes

The rapid advent of disruptive technologies may bring about substantial changes in our cable and wire manufacturing processes. Any delay or failure to adopt new technologies may affect our product development and production capabilities, or overall competitiveness in the sector.

GROWTH STRATEGIES

Southern Cable remains committed to growing our business for the long-term, by undertaking the following strategies:

o Expanding production capacities

Our facilities expansion plans, although delayed due to the pandemic, remain intact, and we expect to commence the projects in stages in 2022 and 2023.

We are scheduled to start the construction of our new cables and wires manufacturing facility on Lot 38 in the first half of 2022, with expected completion in 2023. The new facility, located adjacent to Southern's existing facility in Kuala Ketil, Kedah will provide us with an additional 5,000 kilometres ("km") of annual output and increase our annual manufacturing capacity of cables and wires from 33,780 km to 38,780 km. Notably, this new facility is also established to produce new products of automotive wires and elevator cables.

MANAGEMENT DISCUSSION & ANALYSIS

Cont'd

We also expect to begin construction works for our plastic compounding factory on PT 4845 with a capacity of 4,200 metric tonnes ("MT") in the second half of 2022, to cater for a new range of plastic compounds including polyolefin ("PO"), polyethylene ("PE") and Cross-Linked Polyethylene ("XLPE"). This new factory is targeted to complete in 2023, and will increase our annual plastic compounding capacity from 7,800 MT to 12,000 MT.

Meanwhile, we have rescheduled the construction on Lot 29 to commence in 2023. This facility will cater to the production of low voltage cables and wires, and will provide an additional 1,350 km to our annual cables and wires manufacturing capacity.



o Targeting the construction and infrastructure sectors

Our aluminium-based SCAL-Flex cable was developed to mimic the performance and conductivity of copper cables, which have seen a hike in cost due to the surge in global commodity prices. The replacement of copper cables with SCAL-Flex would thus enable our customers to achieve significant cost savings.

We believe that the development of SCAL-Flex is timely as we target to supply the construction and infrastructure sectors, which have traditionally used copper cables.

We take note of the Malaysian Government giving the go-ahead for the construction of the Mass Rapid Transit 3, and expansion of the Pan Borneo Highway project in East Malaysia, amongst other megaprojects and hope to continue supporting the nation's development plans with our cables and wires.

Moving forward, we hope to expand the adoption of SCAL-Flex to more sectors as we introduce it to new and existing customers.

o Entering distributorship agreement with US-based customer

The Group has gained positive traction with a US-based customer to develop the XHHW-2 industrial cable for the US market, highlighting our competitiveness and capabilities in meeting international standards, and potentially being a part of its diversified supply chain.

We are commencing delivery of trial orders for the XHHW-2 cables in 2022. Upon successful evaluation and testing of the product trial, we target to secure a distributorship agreement which will see us provide OEM services to the customer, which would ultimately contribute positively to our export revenue going forward.

o Continue product development plans

Under our new product development pipeline, we are working towards the commercialisation of four new cables and wires, namely automotive wire, elevator cable, thermal resistant aluminium conductor ("TRAC Rod") and data cable.

As at 31 December 2021, our automotive wire and TRAC Rod are undergoing customer evaluations and testing. Simultaneously, we are undergoing facility upgrades and gathering technical specifications for manufacturing our elevator cable and data cable.

Barring unforeseen circumstances, we expect to commercialise these new cables and wires in the near future.

APPRECIATION

We wish to thank the Board of Directors, management team and our employees for putting your efforts and commitment towards Southern Cable's resilient performance during the challenging landscape.

Additionally, I would like to express my gratitude to our valued shareholders for trusting in us. Your confidence inspires us to focus on our growth plans for the long-term.

MR. TUNG ENG HAI

Managing Director

SUSTAINABILITY STATEMENT

The measures outlined in this Sustainability Statement represent the Group's efforts to instil good practices across our operations, aimed at preserving the natural environment, bringing greater good to the community, and delivering financial profits.



SUSTAINABILITY STATEMENT

Cont'd

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our sustainability pursuits are modelled upon the United Nations (“UN”) Sustainable Development Goals (“SDGs”), which are part of the UN Member States 2030 Agenda for Sustainable Development.

We are cognizant of the importance of the 17 SDGs towards achieving a sustainable future for the world and have aligned our operations to support this global effort.

The Group has identified 6 out of 17 UN SDGs to align our goals, and we pursue the following:



- Attaining economic contributions through sound business practices, operational innovation, and value creation (SDG 8)



- Adopting green solutions in our operations to support a greener world (SDG 12, 13)



- Promoting employee welfare, diversity, as well as a safe and rewarding work environment (SDG 3, 4, 5)

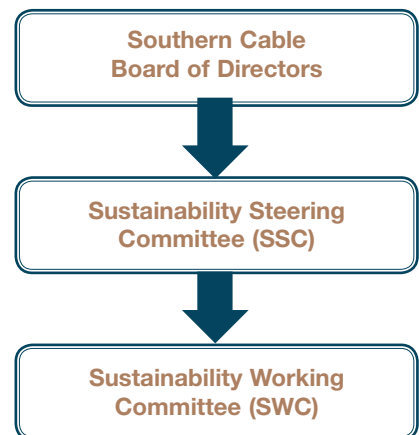


GOVERNANCE STRUCTURE

The sustainability governance structure combines leadership, growth strategies, and management controls as a guiding force towards implementing sustainability principles across our business and operations.

The Board of Directors (the “Board”) provides strategic direction for the Group and considers its commitment towards a sustainability framework based on economic, environmental and social (“EES”) pillars. The Board, with the support of the Sustainability Steering Committee (“SSC”), oversees sustainability matters and business performance of the Group. The SSC comprises senior management members, in addition to a representative from the Board.

Furthermore, under the purview of the SSC, the Sustainability Working Committee (“SWC”) implements identified sustainability initiatives across the Group. Members of the SWC comprise management representatives.










SUSTAINABILITY STATEMENT

Cont'd

STAKEHOLDER ENGAGEMENT

We engage with stakeholders to understand their needs, which are subsequently used to guide the formulation of sound business strategies, that not only contribute to the success of the Group but are also beneficial to our stakeholders.

The common stakeholders we engage with, and the material sustainability matters relevant to them are identified below:

Stakeholder	Material Issues	Engagement	Frequency
Employees 	<ul style="list-style-type: none"> • Career development • Equal opportunity • Occupational health and safety 	<ul style="list-style-type: none"> • Training programmes • Educational programmes • Safety inspections 	<ul style="list-style-type: none"> • Monthly/As needed • Monthly/As needed • Monthly
Customers 	<ul style="list-style-type: none"> • Product quality • Timely delivery 	<ul style="list-style-type: none"> • Satisfaction surveys 	<ul style="list-style-type: none"> • Quarterly/As needed
Vendors/ Suppliers 	<ul style="list-style-type: none"> • Competitive pricing • Reliability 	<ul style="list-style-type: none"> • Supplier assessment 	<ul style="list-style-type: none"> • Annual/As needed
Regulators/ Certification Bodies 	<ul style="list-style-type: none"> • Corporate governance • Regulatory compliance • Certifications 	<ul style="list-style-type: none"> • Audits • Site visits 	<ul style="list-style-type: none"> • Monthly/As needed
Local Communities 	<ul style="list-style-type: none"> • Social development • Employment opportunities 	<ul style="list-style-type: none"> • Community events • Charity 	<ul style="list-style-type: none"> • Quarterly/As needed
Shareholders 	<ul style="list-style-type: none"> • Corporate developments • Financial performance • Growth plans 	<ul style="list-style-type: none"> • Annual Report • Annual General Meeting • Fund/analyst briefing • Investor relations website 	<ul style="list-style-type: none"> • Annual • Annual • Quarterly/As needed • As needed
Media 	<ul style="list-style-type: none"> • Corporate reputation • Corporate news 	<ul style="list-style-type: none"> • Interviews • Press Releases 	<ul style="list-style-type: none"> • Quarterly/As needed

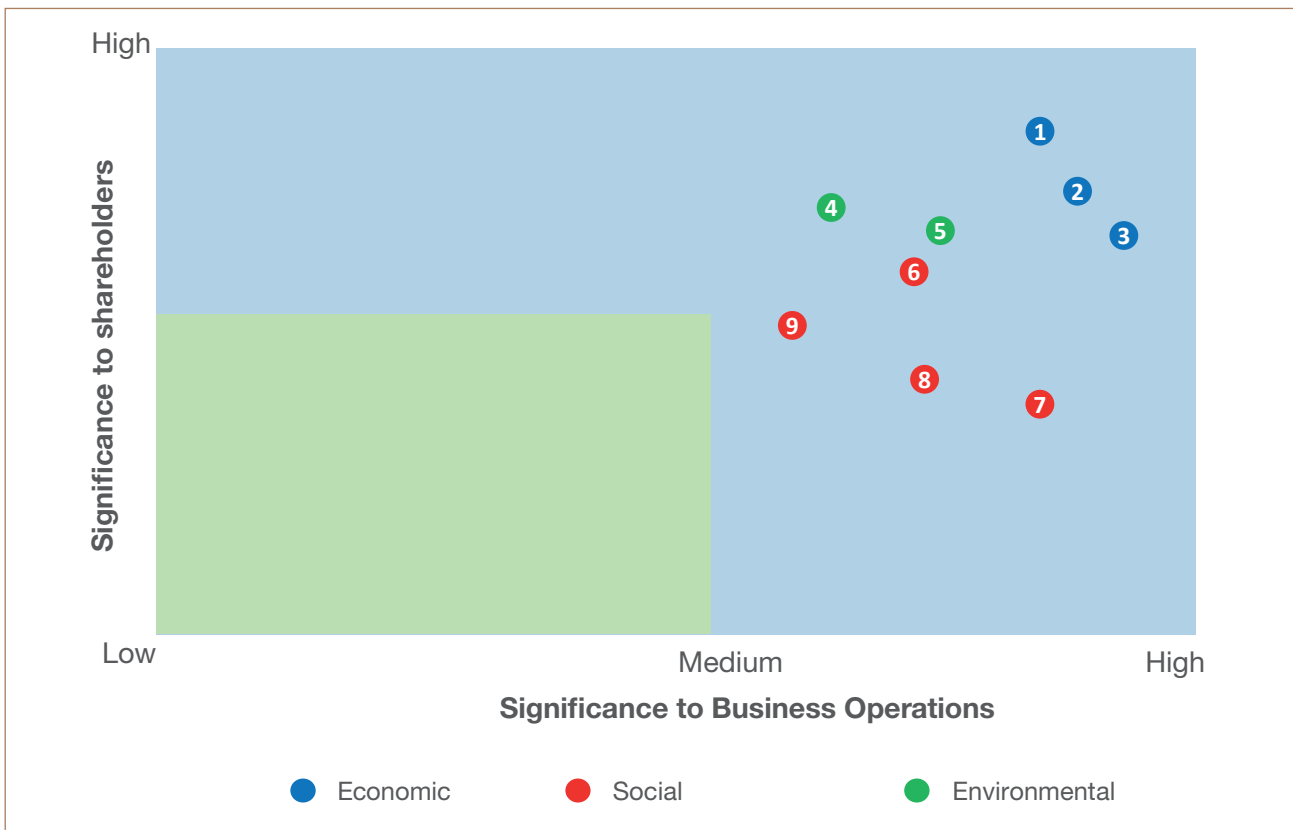
SUSTAINABILITY STATEMENT

Cont'd

MATERIALITY ASSESSMENT

The SSC and SWC identified 9 key material issues that can be categorised under the EES pillars. We strive to pursue continuous improvements in the identified areas in accordance with the principles of the UN SDGs.

Sustainability Materiality Matrix



Legend

- 1 Economic Performance
- 2 Quality Products
- 3 Supply Chain
- 4 Environmental Compliance and Management
- 5 Energy Consumption
- 6 Diversity and Equal Opportunity
- 7 Occupational Health and Safety
- 8 Employee Development
- 9 Community Development

SUSTAINABILITY STATEMENT

Cont'd

ALIGNMENT TO SDGs

No.	Material Sustainability Matters	Relevant Stakeholders	Relevant SDGs
ECONOMY			
1	Economic Performance	Employees, Shareholders	
2	Quality Products	Customers	
3	Supply Chain	Vendors, Suppliers	
ENVIRONMENT			
4	Environmental Compliance and Management	Regulators, Community	 
5	Energy Consumption	Regulators, Community	 
SOCIAL			
6	Diversity and Equal Opportunity	Employees	
7	Occupational Health and Safety	Employees	
8	Employee Development	Employees	
9	Community Development	Community	 

SUSTAINABILITY STATEMENT

Cont'd

ECONOMY

Economic Performance

We are committed towards supporting sustainable economic growth and generating long-term value for our shareholders.

Our revenue as at the financial year ended 31 December 2021 ("FYE2021") grew 17.3% year-on-year to RM659.9 million attributed to higher sales volume and increased metal-based material costs for ongoing contracts. However, due to escalated commodity prices and the effects of MCO implemented from May to August 2021, our profit after tax ("PAT") decreased 48.7% year-on-year to RM10.9 million.

Despite the challenging period, we continued to uphold our dividend policy to distribute a minimum of 15% of PAT attributable to shareholders as dividends. In respect of FYE2021, we proposed a final dividend of 0.21 sen per ordinary share, with dividend payout amounting to RM1.7 million or 15.4% of FYE2021 PAT. The proposed dividend is subject to shareholders' approval at the Third Annual General Meeting to be held on 27 June 2022.

Quality Products

The quality, safety, and reliability of our products are essential to our customers, as our cables and wires play a critical role in enabling their operations.

We conduct strict quality control assessments in our manufacturing processes, which involve inspection and testing of input materials, in-process quality control of semi-finished products, and final quality inspection and testing.

To ensure our cables and wires comply with industry specific regulations and technical requirements, we possess a broad range of certifications, accreditation, and approvals. These include from SIRIM, TÜV SÜD, Fire and Rescue Department of Malaysia (Bomba), and Energy Commission of Malaysia, that are subject to periodical renewal to ensure continued compliance with relevant regulations and standards.

We also manufacture our cables and wires according to various accepted standards, such as Malaysian Standards (MS), International Electrotechnical Commission (IEC) standards, and British Standards.

Additionally, we are ISO 9001:2015 accredited for quality management systems, and hold certificate of product acceptance from key customers such as Tenaga Nasional Berhad.

Supply Chain

We emphasise achieving high operational uptime and providing timely delivery to our customers. Therefore, we employ comprehensive procurement policies and implement practices that maintain the reliability and efficiency of our supply chain. This includes ensuring our suppliers meet our procurement standards to mitigate potential risks of flaws and failures in our cables and wires.

In FYE2021, we did not face and quality issues from input materials as well as in our final products. Furthermore, we were not issued liquidated ascertained damages despite supply chain disruptions faced by various industries during the MCO period from May to August 2021.

SUSTAINABILITY STATEMENT

Cont'd

ENVIRONMENT

Environmental Compliance and Management

The Group's operations comply with relevant environmental protection standards and waste management practices. We have in place an Environmental Monitoring System ("EMS") and enforce daily monitoring activities to ensure that we consistently maintain operational compliance to existing standards.

We also take strict measures to protect air and water quality from deterioration to safeguard the health of the communities around us.

We are committed to operate in accordance with high standards of air quality control. The particulate matter emissions from our furnace and plastic compounding facility remains within government mandated emission standards. Besides that, our furnace uses natural gas and electricity to minimise carbon emissions.

These efforts are to ensure our manufacturing activities do not adversely impact our workers' health and the surrounding environment.

Moreover, our waste management practices strictly comply with the Environmental Quality (Scheduled Wastes) Regulations 2005. As the melting process of copper and aluminium in our furnaces generate scheduled wastes that require safe disposal methods, we employ services of contractors licensed by the Department of Environment, Malaysia to collect and dispose scheduled wastes such as:

- SW 104: Aluminium dross
- SW 204: Copper/Aluminium Sludges
- SW 206: Spent Inorganic Acid
- SW 305: Spent Waste Oil
- SW 306: Spent Hydraulic Oil
- SW 307: Spent Mineral Oil-Water Emulsion
- SW 409: Disposed Container & Drums
- SW 410: Used rags

We conducted a Scheduled Waste Campaign 2021 to educate our operations managers, supervisors, and workers on relevant standard operating procedures. This is to enhance employees' awareness on the importance of managing scheduled waste carefully.

Additionally, we took part in the ISO14001:2015 Environment Management Systems training to manage our environmental responsibilities systematically. We are working towards securing ISO14001:2015 accreditation in the near future.

We also proactively reduce, recycle and reuse non-scheduled production waste in our final products. For instance, we reduce wastage by converting a portion of metal scrap from our production processes into filler components for medium voltage cables. Additionally, we use a wide range of Restriction of Hazardous Substances (RoHS)-compliant material in our production.

We are pleased to note that our operations recorded no adverse environmental incidents in FYE2021. The Group will continue to emphasise strict compliance to environmental management practices to play our role in environmental conservation.

SUSTAINABILITY STATEMENT

Cont'd

Energy Consumption

Managing energy use and efficiency is a key priority in alleviating the effects of global climate change. Therefore, we educate our workforce to adopt energy friendly approaches, including the prevention of non-discriminatory use of air-conditioning and lighting.

In FYE2021, we consumed a total of 20,920,356 kilowatt-hour (“kWh”) electricity in comparison to 19,835,051 kWh in the previous year, which experienced a temporary halt in operations for 11-days during the MCO in mid-March 2020.

The higher electricity consumption in 2021 was due to the inevitable effect of longer operating hours to compensate for workforce restrictions in order to fulfil orders during the MCO period. As a result, we consumed electricity at a rate of 846 kWh per kilometre (“km”) of cables and wires produced in FYE2021, higher compared to 767 kWh per km a year ago.

This would partially be mitigated as we start adopting renewable energy solutions. In October 2021, we completed the installation of a 2.7 megawatt-peak (MWp) solar rooftop photovoltaic (“PV”) system at our cable and wire manufacturing facility in Kuala Ketil, Kedah. The solar PV system is capable of generating 3.8 million kWh of clean energy per annum and reducing approximately 2,600 tonnes of carbon emissions annually, hence potentially reducing our electricity costs by 20% per annum.

We will continue to explore other approaches to improve our energy efficiency.

SOCIAL

Occupational Health and Safety

Upholding the health and safety of our employees remain our priority. As our operating environment involves high temperature conditions, as well as furnace and casting lines that process molten metals, the handling of our manufacturing equipment or manufacturing processes bear risks of accidents and injuries.

Therefore, we implement comprehensive safety procedures and training programmes to educate and safeguard our employees.

In FYE2021, we conducted new training sessions such as ISO14001:2015 Environment Management Systems and ISO45001:2018 Occupational Health & Safety Management Systems, as well as Safety and Health Management Walkabout around our manufacturing facility to promote engagement between management and operations workers.

On average, our employees in the manufacturing operations participated in 4 hours of health and safety-related workshops and/or training programmes in FYE2021. All employees are granted insurance policies for accidents and medical needs, with a coverage of up to RM250 per person.

In FYE2021, there were zero recorded fatalities, and 10 minor incidents tracked and remediated.

We also adhere to relevant regulations through compliance practices such as Noise Risk Assessment, Audiometric Testing, Chemical Health Risk Assessment (CHRA), Chemical Exposure Monitoring (CEM), Ear Examination and others.

With the ongoing coronavirus disease (“COVID-19”) pandemic cases, we engaged with Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta (PIKAS) in 2021 to ensure our workers are fully vaccinated to protect themselves from the severity of the COVID-19 disease.

We also implemented an Emergency Response Protocol to ensure employees are provided support to maintain collective safety, and implemented standard operating procedures at our premises based on conditions imposed by the authorities.

Additionally, we conduct regular awareness and training to encourage stringent hygiene and social distancing, to remind our employees on the importance of maintaining good health and safety.

SUSTAINABILITY STATEMENT

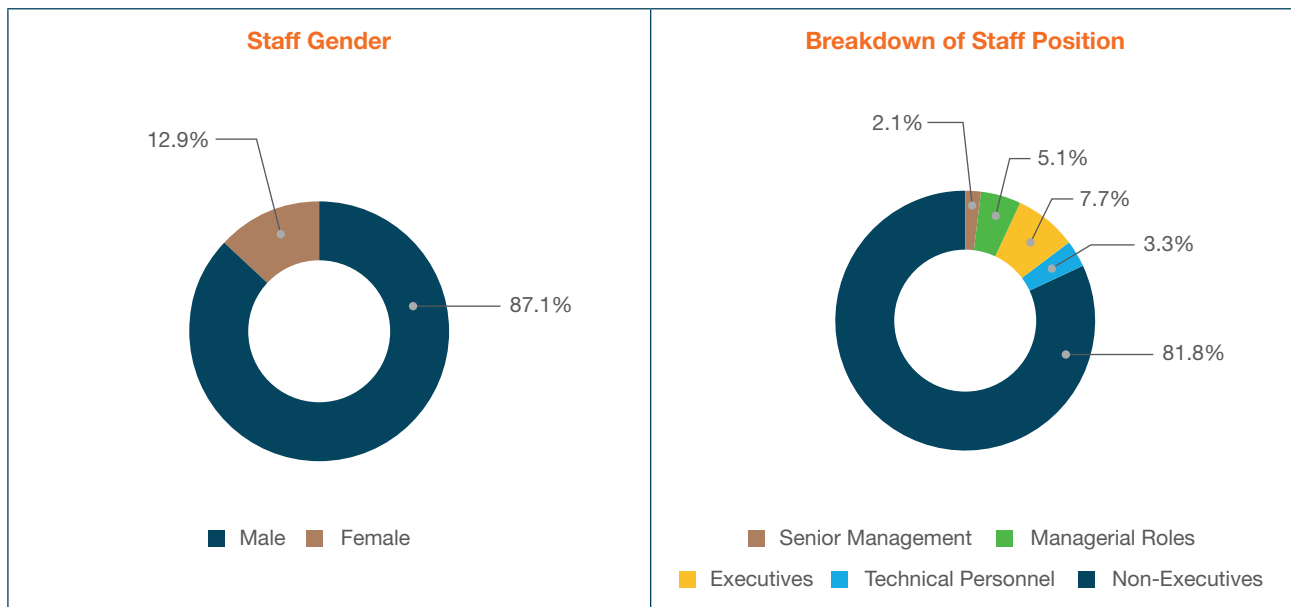
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Diversity and Equal Opportunity

We believe in the importance of diversity in our workplace, and emphasise equal opportunities for all employees. We are against any forms of discrimination and treat all employees equally regardless of gender, age, race, ethnicity, and religion.

As at FYE2021, we have a total of 633 employees, of which 87.1% identified as men while 12.9% identified as women. The higher percentage of men in our workforce is attributable to the nature of tasks in our manufacturing environment. The Group recognises the importance of gender diversity by providing more career opportunities to women in our hiring policies and practices.

In terms of breakdown by role, as at 31 December 2021, the number of senior management made up 2.1% of the Group's workforce, managerial roles constituted 5.1%, executives at 7.7% and technical personnel at 3.3%. Non-executives made up the balance 81.8%.



We encourage our employees to report incidents of discrimination to the human resource department. We also ensure that employees' identities are protected, so that reported incidents can be thoroughly investigated and remediated.

Employee Development, Education and Appreciation

The Group aims to provide learning opportunities to our employees through training, education and skills development. We strive to foster an environment of professional growth in their career, and for our employees to achieve greater work satisfaction.

In FYE2021, 46 employees across management, executive and manufacturing operations functions took part in an average of 7 hours of training per employee.

SUSTAINABILITY STATEMENT

Cont'd

Selected employee education and training in FYE2021

Programme	Month/Year
Safety Briefing and Induction	Jan - Mar 2021
Material Planning & Control	Mar 2021
Calibration For Mechanical Instruments	Mar 2021
Radiation Safety & Emergency Management	Feb 2021
Accident Procedure Training and Briefing	Feb - Mar 2021
Python Programming and Training	Mar, Jun & Jul 2021
ISO14001:2015 Environment Management Systems	Nov 2021
ISO45001:2018 Occupational Health & Safety Management Systems	Nov 2021

Additionally, we recognise the contributions of our employees in the Group's journey as an encouragement to continue our growth together.

In FYE2021, we awarded our loyal employees the Group Long Service Award 2021 for their commitments, and distributed monetary awards of RM113,000 to 96 employees based on their performance and years of services.

Community Development

We recognise the importance of giving back to the local community through various corporate social responsibility ("CSR") programmes, in addition to education, sports, and community development activities.

Despite the inability to fully participate in in-person CSR activities in FYE2021 due to the COVID-19 pandemic, we continued our society-enhancing efforts by donating to local communities, schools and public safety forces as illustrated below:

CSR activities in FYE2021

Activity	Month/Year	Sponsored
Donation to Jawatankuasa Pengurusan Perkhidmatan Bomba Sukarela Kuala Ketil	Jan - Dec 2021	RM1,200.00
Donation to Ibu Pejabat Polis Daerah (IPD) Baling	Jun 2021	RM500.00
Donation to Program Tanggungjawab Social Korporat (CSR) Unit Bergerak Vaksinasi Padang Terap	Jun 2021	RM30,000.00
Donation to Ex-Police Association of Malaysia	Sep 2021	RM1,500.00
Donation to Parent Teacher Association of SJK(C) Sin Min A, Sungai Petani	Dec 2021	RM500.00
Donation to Yayasan Salam Malaysia for flood victims	Dec 2021	RM5,000.00
Donation to Police Station Kuala Ketil	Dec 2021	RM300.00

We would explore new and safe ways to engage with the public through our CSR activities, in line with new social norms and practices.

CONCLUSION

The Group will continue to apply sustainability measures in the course of pursuing growth, with a view towards bringing greater value to our stakeholders.

As we pursue operational and financial excellence, we also look towards improving the lives of the communities around us, while supporting the nation's development ambitions through our cables and wires.



SOUTHERN CABLE GROUP BERHAD

BOARD OF DIRECTORS

**EUGENE LEE
CHENG HOE**

*Independent
Non-Executive
Director*

**WONG
KAR WAI**

*Non-Independent
Non-Executive
Director*

**DAPHNE CHOY
GAI CHOO**

*Independent
Non-Executive
Director*

**RIZVI BIN
ABD HALIM**

*Independent
Non-Executive
Chairman*

**TUNG
ENG HAI**

*Managing
Director*

**WONG
MENG KEE**

*Executive
Director*

DIRECTORS' PROFILE

RIZVI BIN ABD HALIM

Independent Non-Executive Chairman

Encik Rizvi Bin Abd Halim, a Malaysian, male, aged 53, is our Independent Non-Executive Chairman. He was appointed to our Board on 28 May 2019. He is also a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee respectively.

He obtained his Diploma in Hotel and Catering Management from Institut Teknologi MARA ("MARA") in 1990. During his time in MARA, he underwent the Reserve Officer Training Unit (ROTU) programme where he was commissioned as a second lieutenant army officer. In 1992, he graduated from Indiana State University, United States of America with a Degree of Bachelor of Science in Business Administration. In 1995, he also obtained his Master of Business Administration from Ohio University, United States of America.

He brings with him over 26 years of experience in corporate board, corporate finance, corporate banking, capital market and syndication and capital market regulations.

He began his career in Bank Bumiputra Malaysia Berhad (now part of CIMB Bank Berhad) as an Account Manager in the Corporate Banking Department from January 1995 to December 1996. From January 1997 to March 2000, he joined Malaysian International Merchant Bankers Berhad (now known as Hong Leong Investment Bank Berhad) as an Assistant Manager in the Capital Markets and Syndications Department. Subsequently in April 2000, he joined the Securities Commission of Malaysia ("SC") as a Senior Executive in the Equities-Corporate Finance Department. He left the SC as a Senior Manager in March 2012.

In October 2014, he was appointed as an Independent Non-Executive Director of Ni Hsin Group Berhad (formerly known as Ni Hsin Resources Berhad), a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He was subsequently re-designated as an Independent Non-Executive Chairman on 1 March 2017. On 22 November 2017, he was further re-designated as an Executive Director, a position he holds to date. His responsibility as an Executive Director includes overlooking the company's food and beverage service and EV bike assembly divisions.

Other than the directorship as disclosed above, he does not hold any other directorship in any other public company or listed issuer in Malaysia. He has attended all five (5) Board Meetings held during the financial year ended 31 December 2020 ("FYE 2021").

TUNG ENG HAI

Managing Director

Mr. Tung Eng Hai, a Malaysian, male, aged 63, is our Managing Director, appointed to our Board on 4 April 2019. He is responsible for overseeing the strategic business planning, development and operations of our Group, which includes setting our Group's direction, formulating corporate development plan and driving our business growth. In addition, he is also involved in overseeing the daily on-site operations and operational related matters.

He completed the Senior Three Electronics Course in Han Chiang High School, Pulau Pinang in 1978.

He began his career with Leader Cable Industry Sdn. Bhd. (now known as Leader Cable Industry Berhad) ("Leader Cable") in October 1978 as a Production Planning Clerk cum Personnel Clerk, subsequently, he was promoted to Deputy Factory Manager in January 1989. Subsequently in July 1991, he was transferred to Universal Cable (M) Berhad as Deputy General Manager.

In August 1994, he was transferred to Leader Universal Holdings Berhad ("Leader Universal") as a Product Development and Planning Director and in June 2001, he was transferred back to Leader Cable as a Senior Director until June 2002. He subsequently took a career break from July 2002 to September 2003.

In October 2003, he joined our Group as a General Manager where he assumed the overall responsibility of the technical and plant operations management. He subsequently took over the business of Southern and in September 2010, he assumed the role of Technical Advisor where he was primarily responsible for providing technical advisory as well as managing the overall operational activities of our Group.

In October 2016, he assumed his current position as our Managing Director. He is responsible for the overall performance of our Group. He brings with him approximately 43 years of working experience in the cable and wire industry.

He holds directorships in several private limited companies. He does not hold directorship in other public companies and listed issuers in Malaysia. He has attended all five (5) Board Meetings held during the FYE 2021.

DIRECTORS' PROFILE

Cont'd

WONG MENG KEE

Executive Director

Mr. Wong Meng Kee, a Malaysian, male, aged 62, is our Executive Director. He was appointed to our Board on 4 April 2019. He is responsible for the overall business management and administration of our Group.

He graduated with a Secondary School Honour Graduation Diploma from St. Columba College, Canada in 1981 and a Diploma in Business Administration (Hons) from The Toronto School of Business, Canada in 1986.

He began his career in 1987 in a sole proprietary outfit, namely Wong Hong Fong, his family trading business such as aluminium milling hardware and round bar where he was responsible to oversee the operation of the business.

He was appointed as a Director of Southern in August 2001. He also joined Daya Tembaga Sdn. Bhd. ("Daya Tembaga") in October 2001 as an Operation Manager, a company involved in trading, recycling and reclaimed metals. Subsequently, he was appointed as a Director of Daya Tembaga in January 2002. As a Director of Daya Tembaga, he was in charge of the overall business of the company including strategic formulating, operational decisions making and ensuring that the company meets its business targets. He resigned as a Director of Daya Tembaga in March 2003.

As a Director of Southern, he was responsible to oversee the business operations of Southern. He assumed his current position as Executive Director of our Company in April 2019.

He brings with him approximately 35 years of working experience in business management.

He holds directorships in several private limited companies. He does not hold directorship in other public companies and listed issuers in Malaysia. He has attended four (4) out of five (5) Board Meetings held during the FYE 2021.

WONG KAR WAI

Non-Independent Non-Executive Director

Mr. Wong Kar Wai, a Malaysian, male, aged 57, is our Non-Independent Non-Executive Director. He was appointed to our Board on 28 May 2019 and is a member of the Audit and Risk Management Committee.

He qualified as a management accountant with The Chartered Institute of Management Accountants, United Kingdom in 1994, Chartered Financial Consultant (Malaysia) admitted by The Malaysian Insurance Institute and The American College since 2003. In year 2004, he was certified as a Registered Financial Planner by the Malaysian Financial Planning Council. He is also a certified Estate Planning Practitioner by Rockwills Corporation Sdn. Bhd. and Estate Planning Practitioners Limited (Singapore), in collaboration with The Society of Wills Writers & Estate Planning Practitioners (United Kingdom).

He has approximately 6 years of experience in the banking industry and approximately 21 years of experience in the insurance industry.

He started his career with Ban Hin Lee Bank Berhad (now part of CIMB Bank Berhad) in January 1985 as a Trade Finance Clerk. From 1986 to 1990, he was involved in internal audit.

In January 1991, he joined Leader Cable Industry Sdn. Bhd. (now known as Leader Cable Industry Berhad) ("Leader Cable") as a Finance Officer. In January 1992, he was promoted as the Group Finance Manager of Leader Universal Holdings Berhad ("Leader Universal"), the holding company of Leader Cable. In February 2001, he left Leader Universal.

In April 2001, he joined Hong Leong Assurance Berhad ("HLA") in April 2001 as a life insurance agent and became the general insurance agent later in March 2006. Subsequently in April 2009, he became a general insurance agent for Overseas Assurance Corporation (Malaysia) Berhad (now known as Great Eastern General Insurance (Malaysia) Berhad). He is also a Member of Million Dollar Round Table (MDRT) since 1999, a trade association set up to help insurance brokers and financial advisors to establish best business practices and develop ethical and effective ways to increase client interest in financial products, specifically risk based products.

He does not hold directorship in other public companies and listed issuers in Malaysia. He has attended all five (5) Board Meetings held during the FYE 2021.

DIRECTORS' PROFILE

Cont'd

DAPHNE CHOY GAIK CHOO

Independent Non-Executive Director

Ms. Daphne Choy Gaik Choo, a Malaysian, female, aged 58, is our Independent Non-Executive Director. She was appointed to our Board on 28 May 2019. She is also the Chairperson of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.

She obtained her Bachelor of Arts degree in 1990 and Bachelor of Laws degree in 1992 from the University of New South Wales, Australia. She was admitted to the High Court of Malaya as an Advocate and Solicitor in 1993. She is a panel mediator of the Malaysian Mediation Centre, a member of The Chartered Institute of Arbitrators and a panel Adjudicator of the Asian International Arbitration Centre since 2007, 2008 and 2014 respectively.

She has approximately 29 years of experience in the legal profession. She began her legal career in 1993 as an associate in the litigation department of Messrs. Shearn Delamore & Co. where her main area of practice was civil litigation. She was a Senior Associate where she left the firm to set up her own practice, Choy & Associates in 1997. Her main area of practice is civil litigation.

She does not hold directorship in other public companies and listed issuers in Malaysia. She has attended all five (5) Board Meetings held during the FYE 2021.

EUGENE LEE CHENG HOE

Independent Non-Executive Director

Mr. Eugene Lee Cheng Hoe, a Malaysian, male, aged 53, is our Independent Non-Executive Director. He was appointed to our Board on 28 May 2019 and is the Chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee.

He obtained his Bachelor of Economics (majoring in Accounting) from Macquarie University, Sydney, Australia in 1992. He became a member of the Malaysian Institute of Accountants and a Certified Practising Accountant with CPA Australia since 1996. He is also a Registered Financial Planner under the Malaysian Financial Planning Council since 2014.

He has extensive corporate advisory experience, particularly in corporate strategy and planning and investment banking.

He began his career in March 1992 with Coopers & Lybrand (now known as PricewaterhouseCoopers) as a Tax Assistant and became Audit Semi Senior before he left in February 1995. He then joined Arab-Malaysian Merchant Bank Berhad (now known as AmlInvestment Bank Berhad) as an Executive in the Corporate Finance Division from February 1995 to 2004. In September 2004, he joined the Corporate Planning and Development Department in MISC Berhad as a Senior Manager and was thereafter promoted to General Manager in September 2006 before he left the company in June 2008. From July 2008 to March 2009, he was involved in strategy and corporate advisory services under Atreus Consulting, a sole proprietorship.

From April 2009 to February 2010, he assumed the role of Head, Financial Advisory, Strategic Advisory of Maybank Investment Bank Berhad ("MIBB") and Director/Executive Vice President of BinaFikir Sdn. Bhd., a subsidiary of MIBB. From March 2010 to October 2010, he assumed the role of Senior Manager, Corporate Affairs in HL Management Co Sdn. Bhd.

He is currently a Director of Atreus Consulting Sdn. Bhd., a private limited company, where he is involved in strategy and corporate advisory services. He is also an Independent Non-Executive Director of Fiamma Holdings Berhad, a company listed on the Main Market of Bursa Securities since December 2018.

Other than the directorship as disclosed above, he does not hold any other directorship in other public company or listed issuer in Malaysia. He has attended all five (5) Board Meetings held during the FYE 2021.

Notes:-

- 1) *None of the Directors have family relationship with other Directors or major shareholders except for the following:-*
 - a) *Mr. Tung Eng Hai is the spouse of Madam Ooi Gaik Bee and brother of Ms. Tung Cheng Im, the major shareholders of the Company.*
 - b) *Mr. Tung Eng Hai is the brother-in-law of Mr. Wong Meng Kee, a Director and major shareholder of the Company.*
 - c) *Mr. Wong Meng Kee is the spouse of Ms. Tung Cheng Im, a major shareholder of the Company and he is also brother-in-law of Mr. Tung Eng Hai, a Director and major shareholder of the Company.*
- 2) *None of the Directors have been convicted of any offences within the past five (5) years, or been imposed on any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2021.*
- 3) *None of the Directors have any conflict of interests with the Company except as disclosed in Note 29 of the Financial Statements on page 111 of this Annual Report.*

KEY SENIOR MANAGERMENTS' PROFILE

Ooi In Keong

Group General Manager

Mr. Ooi In Keong, a Malaysian, male, aged 50, is our Group General Manager. He is responsible for overseeing the overall operations of our Group.

He graduated with a Bachelor of Science in Electrical Engineering from St. Cloud State University, Minnesota, the United States in 1998.

He began his career in May 1999 in Leader Universal Holdings Berhad ("Leader Universal"), an investment holding company in the manufacturing and sale of telecommunication and power cables, as an Engineer (Plant Operation – Project) in the Project Department. In November 1999, he was transferred to Leader Cable Industry Sdn. Bhd. (now known as Leader Cable Industry Berhad) ("Leader Cable"), a wholly-owned subsidiary of Leader Universal in which he was responsible for the development and improvement of the overall production processes of power cables and telecommunication cables. In 2001, he was assigned to handle the operation for insulation and twinning process of telephone cables. In January 2003, he was promoted to Senior Engineer where he assumed the same roles and responsibilities.

He left Leader Cable in May 2005 to join our Group as a Senior Production Engineer and he was promoted to Production Manager in February 2009 and assumed additional responsibilities including overseeing the production of other products manufactured by the company such as low voltage and medium voltage cables. He was promoted to Senior Manager – Plant Operations in September 2010 and further promoted to Plant Operation General Manager in June 2015 where he was responsible for the overall plant operations of the Group including service and maintenance of the plant machineries, stores operation and production planning. He was also involved in our safety and health management.

In July 2017, he was promoted to Chief Operating Officer. He was subsequently re-designated to his present position as Group General Manager in April 2019 and brings with him approximately 23 years of experience in the cable and wire industry.

Song Swee Kim

Group Financial Controller

Ms. Song Swee Kim, a Malaysian, female, aged 56, is our Group Financial Controller. She is responsible for overseeing the overall group accounting, finance and taxation functions of our Group.

She graduated with a Bachelor of Accounting from the University of Malaya in 1991. She is a member of the Malaysian Institute of Accountants since March 2007.

Her career started in May 1991 as an Audit Assistant in Lim, Tay & Company and she left Lim, Tay & Company in May 1992 to join Phammalaysia Berhad in July 1992, a pharmaceutical manufacturer company. Her last position in the company was as an Assistant Manager where she was attached to the accounts department. She left Phammalaysia Berhad in October 1995.

In early 1996, she joined Seputih Asas Sdn. Bhd., a trading company for hygiene products as an Accounts Manager. After she departed from Seputih Asas Sdn Bhd, she joined Euromodal Industries Sdn Bhd in October 1997, a subcontractor company for sub-assembly of electronic products as an Accounts Manager and she left the company in April 1998 and took two (2) years career break.

In September 2000, she joined Advanced Sound Products Sdn. Bhd. (formerly known as Philips Sound Systems (M) Sdn. Bhd.), a company involved in the manufacturing of electronic audio and video equipment as an Accounts Section Head and she was promoted to Assistant Manager of the Finance Department in July 2004. She left Advanced Sound Products Sdn. Bhd. in January 2009.

She joined Southern in January 2009 as an Accountant where she was involved in the day-to-day accounting and taxation matters. She was subsequently promoted to Finance Manager in January 2010 where she assumed additional responsibilities in financial operations as well as treasury functions. She was later promoted to the position of Senior Finance Manager in January 2012. She is responsible for overseeing the overall accounting, finance and taxation functions of Southern. She assumed her current position as Group Financial Controller of our Group since April 2019. She brings with her approximately 29 years of experience in accounting and finance related functions.

KEY SENIOR MANAGERMENTS' PROFILE

Cont'd

Zen Azhar Bin Shuib

Plant Operations General Manager

Encik Zen Azhar Bin Shuib, a Malaysian, male, aged 54, is our Plant Operations General Manager. He is responsible for the design and development of new cables to meet the requirements of the British Standards, and International Electrical Committee Standards as well as to comply with the standards set by accreditation bodies such as SIRIM, TUV and Central Power Research Institute (CPRI) applicable to the Group's customers.

He graduated with a Degree of Associate of General Studies from Indiana University, the United States in 1989 and a Bachelor of Science in Mechanical Engineering from Norwich University, the United States in 1992.

He began his career in August 1992 as a Quality Assurance Engineer in Fujikura Federal Cables Sdn. Bhd. where he was primarily in charge of quality assurance and quality control. He subsequently took a career break from October 2007 to January 2008.

In February 2008, he joined as an Area Project Engineer in Ranhill Bersekutu Sdn Bhd in Jeddah, Saudi Arabia, where he was primarily responsible to carry out the mechanical, electrical and plumbing procurement for the development of a university in Jeddah. He then left the company in September 2009 and returned to Malaysia to join Southern as a Business Development Manager in October 2009.

As a Business Development Manager, he assumed the overall responsibility for product development and ensures that the cable manufactured by our Group meets the customers' requirements and is in accordance with the quality management system certification scheme. In September 2010, he was promoted to Senior Manager – Technical and Quality Assurance where he assumed additional responsibility for quality control of the products manufactured by the Group.

He was further promoted to Commercial and Technical General Manager in June 2015. He assumed his current position as Plant Operations General Manager of our Group since April 2019. He brings with him approximately 30 years of experience in the cable and wires industry.

Notes:-

None of the Key Senior Management has:-

1. any directorship in public companies and listed companies;
2. any family relationship with any Directors and/or major shareholders of the Company;
3. any conflict of interest with the Company; and
4. been convicted of any offences within the past five (5) years, or been imposed on any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Southern Cable Group Berhad (“Company”) is pleased to present this Corporate Governance Overview Statement (“CG Statement”) to provide shareholders and investors with an overview of the corporate governance practices of the Company during the financial year ended 31 December 2021 (“FYE 2021”). This CG statement is also presented in compliance with Paragraph 15.25 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This CG Statement provides a summary of the corporate governance practices of the Company during FYE 2021 with reference to the following three (3) key principles of good corporate practices as set out in the Malaysian Code of Corporate Governance (“MCCG”) which was further updated by Securities Commission Malaysia on 28 April 2021:

- (a) Principle A - Board leadership and effectiveness;
- (b) Principle B - Effective audit and risk management; and
- (c) Principle C - Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Statement should be read together with the Corporate Governance Report (“CG Report”) of the Company which provides detailed articulation on the application of each of the practices as set out in MCCG. The CG Report for the FYE 2021 is available on the Company’s website at www.southerncable.com.my, as well as on Bursa Securities’ website at www.bursamalaysia.com.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1.1 Board and Board Committee

The Board is responsible for the performance and affairs of the Company and its subsidiaries (“Group”). The Board determines the Group’s strategic objectives and ensures that required resources are in place for the Group to meet its objectives and to guide the Group on its short and long-term goals, providing advices, stewardship and directions on the management and business development of the Group. It then delegates the implementation and monitoring of these set directions and control systems to the management.

The Board is also responsible for ensuring that the Management maintains an effective system of governance and internal controls, which should provide assurance of effective and efficient operations, internal controls and compliance with the relevant laws and regulations.

In discharging its fiduciary duties and leadership functions, the Board is guided by the Board Charter which outlines the duties and responsibilities of the Board. The Board also delegates certain responsibilities to the following Board Committees to assist in the execution of its responsibilities within their respective Terms of Reference (“TOR”):

- (a) Audit and Risk Management Committee (“ARMC”); and
- (b) Nomination and Remuneration Committee (“NRC”).

Apart from the responsibility of the Board Committees, the Senior Management is also delegated with certain authority to enable them to effectively discharge their responsibilities on the day-to-day operations of the Group.

The Board Charter and TOR of the respective committees are available on the Company’s website at www.southerncable.com.my.

1.2 The Chairman

The Board is led by an Independent Non-Executive Chairman who is supported by the Managing Director (“MD”) and other Board members with experience in a wide range of expertise and they collectively play an important role in the stewardship of the direction and operations of the Group. The Chairman is committed to good corporate governance practices and has been leading the Board towards a high performing culture.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART I – BOARD RESPONSIBILITIES *cont'd*

1.2 The Chairman *cont'd*

The Chairman does not assume the position of chairman of the Board Committees but as a member of the Board Committees. Nevertheless, The Chairman also does not chair these Board Committees. Through his participation and corporate experience, it is believed that the Board's objectivity in receiving or reviewing the committees' reports has not been diminished in any way.

1.3 The Chairman and MD

The roles of the Chairman and the MD are distinct and separate to ensure there is a balance of power and authority to promote accountability so that no one individual has unfettered decision-making power.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board while the MD has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The MD is accountable to the Board for the overall organisation, management, and staffing of the Group and for the procedures in financial and other matters, including conduct and discipline.

1.4 Qualified and Competent Company Secretary

The Board is supported by a competent and qualified Company Secretary who is a member of the Malaysian Association of Companies Secretaries and she is holding a professional certificate as a qualified Company Secretary under the Malaysian Companies Act 2016 ("Act"). She possesses over 28 years of experience in corporate secretarial practices.

The Company Secretary plays an important role in facilitating the overall compliance with the Act, Listing Requirements and other relevant laws and regulations. The Company Secretary also assists the Board and Board Committees to function effectively and in accordance with their TOR and best practices and ensuring adherence to the existing Board policies and procedures. In order to discharge the roles effectively, the Company Secretary has been continuously attending the necessary training programmes, conferences, seminars and/or forums so as to keep herself abreast with the latest developments in the corporate governance realm and changes in regulatory requirements that are relevant to her profession and enable her to provide the necessary advisory role to the Board.

The Board has direct access to the professional advice and services of the Company Secretary when performing their duties and discharging their responsibilities.

Overall, the Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her duties and functions.

1.5 Meeting of Board and Board Committees

To facilitate the Directors' time planning, an annual meeting calendar is prepared in advance of each new year by the Company Secretary. The calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the annual general meeting ("AGM"). The closed periods for dealings in securities by Directors and principal officers based on the scheduled dates of meetings for making announcements of the Group's quarterly results were also provided therein.

The notices of Board and Board Committees meetings together with the meeting papers are generally furnished to the Board members within five (5) working days prior to the dates of meetings. This is to ensure that the Directors have sufficient preparation time and information to make an informed decision at each meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART I – BOARD RESPONSIBILITIES *cont'd*

1.5 Meeting of Board and Board Committees *cont'd*

The deliberations and conclusions of matters discussed in the Board or Board Committees meetings are duly recorded in the minutes of meetings. The draft minutes are circulated for the Board or Committee Chairman's review within a reasonable timeframe after the meetings. The minutes of meetings accurately captured the deliberations and decisions of the Board and/or the Board Committees, including whether any Director abstains from voting or deliberating on a particular matter.

All the records of proceedings and resolutions passed are kept at the registered office of the Company.

For matters which require the Board's decision on an urgent basis outside of Board Meetings, board papers along with Directors' Written Resolution will be circulated for the Board's consideration. All written resolutions approved by the Board will be tabled for notation at the next Board Meeting.

1.6 Board Charter

The Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and ensures that all the Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board Charter is subject to periodic review and will be updated as and when necessary to ensure it remains consistent with the Group's policies and procedures, the Board's overall responsibilities as well as changes to legislation and regulations.

The Board Charter was last reviewed, revised and approved by the Board on 27 May 2021 which incorporated the anti-corruption measures and the relevant practices recommended under the MCCG and is available on the Company's website at www.southerncable.com.my.

1.7 Code of Ethics and Conduct

The Code of Ethics and Conduct which forms part of the Board Charter is observed by all Directors, management and employees of the Group is available on the Company's website at www.southerncable.com.my.

The Board adhered strictly to the Code of Ethics and Conduct for the Directors, in discharging its oversight role effectively. The Code of Ethics and Conduct requires all Directors, management and employees of the Group to observe high ethical business standards and apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

The Board will review the Code of Ethics and Conduct from time to time to ensure that it continues to remain relevant and appropriate.

1.8 Whistle Blowing Policy

The Company had adopted a Whistle Blowing Policy to provide a defined avenue and accessible reporting channels for all employees of the Group to raise concerns or disclose any improper conduct within the Group.

The Whistle Blowing Policy is available on the Company's website at www.southerncable.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART I – BOARD RESPONSIBILITIES *cont'd*

1.9 Anti-Bribery and-Corruption Policy and Procedures (“ABC Policy”)

In line with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (“MACC Act 2018”), the Company has put in place ABC Policy to encourage a culture of integrity and transparency in all of the Group’s activities. This policy which adheres to the Listing Requirements of Bursa Securities and the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act 2018, generally set out the responsibilities of the Company, and all individuals who work for the Group, in observing and upholding the Group’s position on bribery and corruption and provides key anti-bribery and corruption principles that apply to all interactions with the Group’s customers, business partners, and other third parties, as well as guidelines for the prevention, management, and remediation of bribery and corruption related risks.

The ABC Policy will be reviewed at least once in every three (3) years and in accordance with the needs of the Company. The ABC Policy is published on the Company’s website, www.southerncable.com.my.

1.10 Sustainability Governance

The Board believes that sustainable business practices are essential to the creation of long-term value, and that running the business in a responsible manner is intrinsically tied to achieving operational excellence.

In terms of structural oversight over sustainability including strategies, priorities and targets, it is reposed at the Board level with Management being responsible for operational execution with respect to Environmental, Social and Governance factors as part of the Group’s corporate strategy.

As fiduciary to the Company’s shareholders, the Board is focused on maintaining exemplary corporate governance practices, which include a commitment to ethics, integrity and corporate responsibility. The Board also ensures the Company’s internal and external stakeholders are well informed on the sustainability strategies, priorities, targets as well as overall performance which the Sustainability Statement has provided a detailed articulation in this Annual Report.

The Board had on 27 May 2021 reviewed, revised and approved the relevant amendments by incorporating the assessment of the Board’s understanding of sustainability issues in the annual performance evaluation that is critical to the Company’s performance.

PART II – BOARD COMPOSITION

2.1 Composition and Board Balance

The current Board composition of the Company represents a mix of knowledge, skills and expertise which assist the Board in effectively discharging its stewardship and responsibilities. The Board currently has (6) members comprising the Independent Non-Executive Chairman, MD, one (1) Executive Director, three (3) Independent Non-Executive Directors (“Independent Directors”) and one (1) Non-Independent Non-Executive Director.

The present composition of the Board complies with Paragraph 15.02 of the Listing Requirements and Practice 5.2 of the MCGG as half (50%) of the Board comprises Independent Directors.

The presence of Independent Directors ensures that views, consideration, judgment and discretion exercised by the Board in decision making remain objective and independent whilst assuring the interest of other parties such as minority shareholders are fully addressed and adequately protected as well as being accorded with due consideration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART II – BOARD COMPOSITION *cont'd*

2.2 Tenure of Independent Directors

The Board is fully aware that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years as recommended by the MCCG. However, if the Board intends to retain a Director who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, the Board must justify its decision and seek the shareholders' approval through a two-tier voting process at a general meeting.

The Board has not adopted a policy that limits the tenure of its Independent Directors to nine (9) years, being a step up practice. However, the assessment of the independence of Independent Directors will be conducted annually via the Annual Evaluation of Independence of Directors to ensure that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

During the FYE 2021, none of our Directors has served the Board as an Independent Director of the Company for a cumulative term of more than nine (9) years. Further, based on the independence assessment carried out during the financial year under review, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their abilities to act in the best interest of the Company.

2.3 Appointment of Board and Senior Management

The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at the Board and Senior Management levels.

The NRC is responsible to lead the process for the nomination of a new candidate for appointment and making the necessary recommendations.

In line with the best practices of the MCCG and the gained attention of boardroom diversity as an important element of a well-functioned corporation, the Board shall through the NRC accord due consideration to inculcate diversity policy in the boardroom and workplace which encapsulates not only gender but also age and ethnicity.

2.4 Board Diversity and Senior Management Team

The Board is supportive of the diversity of the Board and Senior Management Team. The Group strictly adheres to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, including the selection of Board members and Senior Management. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Group.

Where and when appropriate, the Board, through the NRC, will prioritise the female representation when suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skillsets, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available. Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.

In view of the gained attention of boardroom diversity as an important element of a well-functioned organisation, the Gender Diversity Policy was reviewed, revised and approved by the Board on 27 May 2021 which provides a framework for the Company to improve its gender diversity at the Board and Senior Management level.

The Board currently has one (1) female Director, reflect's the Board's commitment towards achieving a more gender diversified Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART II – BOARD COMPOSITION *cont'd*

2.5 Board Committees

The Board Committees are set up to manage specific tasks for which the Board is responsible within a clearly defined TOR. This ensures that the Board members can spend their time more efficiently while the Board Committees are entrusted with the authority to examine particulars issues.

The Board has established two (2) Board Committees and the membership of each committee is set out in the table below:-

Composition	ARMC	NRC
Rizvi Bin Abd Halim <i>(Independent Non-Executive Chairman)</i>	Member	Member
Eugene Lee Cheng Hoe <i>(Independent Non-Executive Director)</i>	Chairman	Member
Daphne Choy Gaik Choo <i>(Independent Non-Executive Director)</i>	Member	Chairperson
Wong Kar Wai <i>(Non-Independent Non-Executive Director)</i>	Member	N/A

2.6 NRC

The NRC of the Company is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis.

The NRC will scrutinise the candidates and recommend the same for the Board's approval. In discharging this duty, the NRC will assess the suitability of an individual by taking into account the individual's mix of skill, functional knowledge, expertise, experience, professionalism, integrity and/or other commitments that the candidate can bring to complement the Board.

In searching for suitable candidates, the NRC may leverage on various sources and gain access to a wider pool of potential candidates. Besides the recommendation from the existing Board members, management and major shareholders, the NRC also refers to the potential candidate from the industry taking into consideration their education, skills and experience background.

During the FYE 2021, the following is the summary of activities undertaken by the NRC:-

- Reviewed and assessed the performance of all Directors of the Company.
- Reviewed and assessed the independence of the Independent Directors of the Company.
- Reviewed and assessed the performance of the ARMC, and the Board and the Board Committee as a whole.
- Reviewed and recommended to the Board the re-election of Directors who retired by rotation in accordance with the Company's Constitution.
- Reviewed and recommended to the Board the remuneration packages and directors' fees and/or benefits of all Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART II – BOARD COMPOSITION *cont'd*

2.7 Board Appointment and Re-appointment Process

The NRC is tasked by the Board to make independent recommendations for appointments to the Board. In evaluating the suitability of candidates, the NRC considers, inter-alia, the character, experience, integrity, commitment, competency, qualification and track record of the proposed new nominee for appointment to the Board. In the case of a nominee for the position of Independent Non-Executive Directors, NRC evaluates the nominee's ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. The Board has in the review of the skills of Directors, including information technology, legal, public relations and experience in the retailing industry as the matrix of skills of Directors that would be prioritised when selecting candidates for appointment to the Board.

In accordance with the Listing Requirements of Bursa Securities and the Company's Constitution, one-third (1/3) of the Directors of the Company for the time being shall retire at the AGM of the Company provided always that all Directors shall retire from office at least once (1) in every three (3) years but shall be eligible for re-election at the AGM. Additionally, the Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the conclusion of the next AGM and shall be eligible for re-election.

In assessing the candidates' eligibility for re-election, the NRC considers their competencies, commitment, contribution, and performance based on their respective performance evaluation to the Board and their ability to act in the best interest of the Company.

The Board makes recommendations concerning the re-election, re-appointment and the continuation in office of any Director for shareholders' approval at the AGM.

2.8 Annual Assessment of Effectiveness of the Board and Board Committees as a whole

The NC has a formal assessment criterion to assess the effectiveness of the Board and Board Committees as a whole and the contribution of each individual Director. The Board, through the annual review by the NC on the size and composition of the Board, will determine if the Board has the right size and sufficient diversity with independent elements that befit the Company's objectives and strategic goals.

In evaluating the performance of Non-Executive Directors, the assessment comprises amongst others, the attendance at Board or Committee meetings, adequate preparation for Board and/or Board Committees' meetings, regular contribution to Board or Board Committees' meetings, personal input to the role and other contributions to the Board or Board Committees as a whole.

In evaluating the performance of Executive Directors, the assessment was carried out against diverse key performance indicators including amongst others, financial, strategic and sustainability, conformance and compliance, business acumen or increase shareholders' wealth, succession planning and personal input to the role.

2.9 Attendance of Board and Board Committees' Meetings

The Board meets at least once every quarter on a scheduled basis and additional meetings are to be convened as and when deemed necessary by the Board. All the Directors fulfilled the requirements of the Listing Requirements of Bursa Securities of having attended at least 50% of the Board meetings held by the Company for the FYE 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART II – BOARD COMPOSITION *cont'd*

2.9 Attendance of Board and Board Committees' Meetings *cont'd*

The attendance record of each Board member at the Board and Committees meetings held during the FYE 2021 are as follows:-

Name of Directors	Type of Meetings	Board of Directors	ARMC	NRC
	No. of Meetings Attended			
Rizvi Bin Abd Halim		5/5	4/4	1/1
Tung Eng Hai		5/5	N/A	N/A
Wong Meng Kee		4/5	N/A	N/A
Wong Kar Wai		5/5	4/4	N/A
Eugene Lee Cheng Hoe		5/5	4/4	1/1
Daphne Choy Gaik Choo		5/5	4/4	1/1

2.10 Directors' Trainings

All Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. In addition, individual Directors are responsible for determining their continuous training needs to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates.

The Directors have attended the following training programmes during the FYE 2021:-

Name	Trainings attended
Rizvi Bin Abd Halim	<ul style="list-style-type: none"> Updated MCCG 2021
Tung Eng Hai	<ul style="list-style-type: none"> Key Disclosure Obligations of a Listed Company Updated MCCG 2021
Wong Meng Kee	<ul style="list-style-type: none"> Key Disclosure Obligations of a Listed Company Updated MCCG 2021
Eugene Lee Cheng Hoe	<ul style="list-style-type: none"> MIA Webinar Series: Microsoft Access 2013 (Fundamental & Intermediate) MFPC - Investment & Cryptocurrency MFPC - Interplay of Ethics & Sustainability for Greater Growth MIA Webinar Series: 2022 Budget Seminar MFPC - The Virtual MFPC Professional & Ethics Forum 2021 Updated MCCG 2021
Daphne Choy Gaik Choo	<ul style="list-style-type: none"> AIAC: Addressing Completion, Handling Over and Defective Issues AIAC: Handling Jurisdictional and Natural Justice Challenges/Issues SSM National Conference 2021 Updated MCCG 2021

The Board would continuously, evaluate and assess the training needs of each Director to keep them abreast with the state of the economy, technological advances, regulatory updates, management strategies and development in various aspects of the business environment to enhance the Board's skills and knowledge in discharging its responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART III – REMUNERATION

3.1 Remuneration Policy

The Board had through the NRC, established a formal and transparent Remuneration Policy as a guide for the Board and the NRC to determine the remuneration of Directors and/or Senior Management of the Company which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The Remuneration Policy is available on the Company's website at www.southern-cable.com.my.

The Board, assisted by the NRC, implements the policy and procedures on remuneration, which includes reviewing and recommending the proposed remuneration packages of the Directors of the Company. The NRC is responsible to ensure that the remuneration packages are benchmarked with industry standards in light of the Group's performance in the industry as well as commensurate with the expected responsibility and contribution by the Directors and link to the strategic objectives of the Group.

Non-Executive Directors will be paid a basic fee as ordinary remuneration and will be paid a sum based on their responsibilities in committees and the Board, their attendance and/or special skills and expertise they bring to the Board. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover.

The annual Directors' fees and benefits payable to the Non-Executive Directors are endorsed by the Board for approval by the shareholders of the Company at the AGM.

Each Director shall abstain from the deliberation and voting on matters pertaining to their own remuneration.

3.2 Remuneration of Directors and Senior Management

Details of the Directors' Remuneration (including benefits-in-kind) of each Director during the FYE 2021 are as follows:

The Company

Name of Directors	RM'000						Total RM
	Fee RM	Allowance RM	Salary RM	Bonus RM	Benefits-in-kind RM	Others RM	
Rizvi Bin Abd Halim	60	2	-	-	-	-	62
Tung Eng Hai	-	-	-	-	-	-	-
Wong Meng Kee	-	-	-	-	-	-	-
Wong Kar Wai	60	2	-	-	-	-	62
Eugene Lee Cheng Hoe	60	2	-	-	-	-	62
Daphne Choy Gaik Choo	60	2	-	-	-	-	62
TOTAL	240	8	-	-	-	-	248

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

PART III – REMUNERATION *cont'd*

3.2 Remuneration of Directors and Senior Management *cont'd*

The Group

Name of Directors	RM'000						Total RM
	Fee RM	Allowance RM	Salary RM	Bonus RM	Benefits-in-kind RM	Others RM	
Rizvi Bin Abd Halim	60	2	-	-	-	-	62
Tung Eng Hai	-	-	1,260	105	16	212	1,593
Wong Meng Kee	-	-	312	26	7	17	362
Wong Kar Wai	60	2	-	-	-	-	62
Eugene Lee Cheng Hoe	60	2	-	-	-	-	62
Daphne Choy Gaik Choo	60	2	-	-	-	-	62
TOTAL	240	8	1,572	131	23	229	2,203

3.3 Remuneration of Key Senior Management

The Board is of the view that the disclosure of the Key Senior Management's remuneration components on a named basis would not be in the best interest of the Company as it may be detrimental to the Company's human resource management due to the competitive nature of talents within the construction industry.

The Board also took into consideration of sensitivity and security of the remuneration package of Key Senior Management, hence, opts not to disclose on a named basis the remuneration or in bands of RM50,000.00 for the Key Senior Management.

Alternatively, the Board is of the view that the disclosure of Key Senior Management's aggregated remuneration on an unnamed basis in the bands of RM50,000.00 in this Annual Report is adequate.

The aggregate remuneration and benefits paid to the Key Senior Management of the Group for the FYE 2021 are as follows:-

Remuneration Band	Number of Key Senior Management
RM250,001 to RM300,000	1
RM300,001 to RM350,000	1
RM350,001 to RM400,000	1

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPAL B - EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – ARMC

4.1 Effective and Independent ARMC

The ARMC currently comprises of four (4) members, a majority of them are Independent Directors. The ARMC Chairman is led by Mr. Eugene Lee Cheng Hoe who is distinct from the Chairman of the Board.

The composition of the ARMC is in compliance with Paragraphs 15.09 and 15.10 of the Listing Requirements of Bursa Securities and the recommendation of MCCG whereby all the three (3) ARMC members are Independent Non-Executive Directors. None of the Independent Directors has appointed alternate directors.

None of the members of ARMC were former key audit partners and in order to uphold utmost independence, the Board has no intention to appoint any former key audit partner as a member of the ARMC.

The ARMC members possess the necessary skills and knowledge to discharge their duties in accordance with the TOR of the ARMC and they are able to understand matters under the purview of the ARMC including the financial reporting process.

They are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation during deliberations. The ARMC members had kept themselves abreast of relevant development in accounting and auditing standards, practices and rules.

The term of office and performance of the ARMC and its members are reviewed by the NRC annually to determine whether such ARMC and members have carried out their duties in accordance with the terms of reference.

4.2 External Auditors

The Board had established an External Auditors Assessment Policy which sets out the guidelines and procedures for the ARMC to review, assess and monitor the performance, suitability and independence of the External Auditors.

The ARMC obtained assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

In addition, during the ARMC Meetings, the members were also briefed by the External Auditors on the following:-

- (a) Financial Reporting developments;
- (b) Adoption of Malaysian Financial Reporting Standards; and
- (c) Other changes in the regulatory environment.

The Board also has established the External Auditors Assessment Policy together with the Annual Performance Evaluation Form. The said policy aims to outline the guidelines and procedures for ARMC to review, assess and monitor the performance, suitability and independence of the External Auditors. The factors considered by the ARMC in its assessment include the adequacy of professionalism and experience of the staff, the resources of the External Auditors, fees, independence, and the level of non-audit services rendered to the Group.

The ARMC is satisfied with the performance, suitability and independence of the External Auditors of the Company, Baker Tilly Monteiro Heng PLT. Having assessed their performance, the ARMC is satisfied with the competence and independence of the External Auditors and had recommended to the Board, the re-appointment of the External Auditors upon which the shareholders' approval will be sought at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPAL B - EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

PART II - RISK MANAGEMENT AND INTERNAL CONTROL

5.1 Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. The system of internal control covers not only financial controls but operational and compliance controls and risk management.

The Board has delegated the responsibility of reviewing the adequacy and effectiveness of the risk management and internal control systems to the ARMC.

Details of the Group's risk management and internal control framework are set out in the Statement on Risk Management and Internal Control in this Annual Report.

5.2 Internal Audit Function

The internal audit function of the Group is outsourced to Sterling Business Alignment Consulting Sdn. Bhd. ("Sterling"), a third party professional internal audit service firm that is independent of the operations and activities of the Group. The engagement team from Sterling is free from any relationship or conflict of interest, which could impair their objectivity and independence.

The Board had established the Internal Auditors Assessment Policy ("IA Assessment Policy") together with an annual performance evaluation form. The IA Assessment Policy is to outline the guidelines and procedures for the ARMC to review, assess and monitor the performance, suitability and independence of the Internal Auditors.

The ARMC had obtained assurance from Sterling confirming that they are, and have been, independent throughout the conduct of the internal audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The internal audit functions and activities carried out during the FYE 2021 are as disclosed in the ARMC Statement in this Annual Report.

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

PART I – ENGAGEMENT WITH STAKEHOLDERS

6.1 Continuous Communication with Stakeholders

The Board values the importance of the dissemination of information on major developments of the Group to the shareholders, potential investors and the general public in a timely and equitable manner and hence, a Corporate Disclosure Policy has been adopted. A copy of the policy is published on the Company's website at www.southerncable.com.my.

The quarterly results, announcements, annual reports and circulars serve as primary means of dissemination of information so that the shareholders are constantly kept abreast of the Group's progress and development.

The Company's website at www.southerncable.com.my serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news and events relating to the Group.

The Company's AGM remains a principal forum used by the Group for communication with its shareholders. At the AGM, shareholders will be accorded time and opportunity to raise questions on the proposed resolutions and also matters relating to the performance, developments within and the future direction of the Group. The Board will also ensure that each item of special business that is included in the notice of meeting is accompanied by a full written explanation of that resolution and its effects to facilitate its understanding and evaluation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Cont'd

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

PART II – CONDUCT OF GENERAL MEETINGS

7.1 Conduct of General Meetings

The Board will ensure that the Notice of the forthcoming AGM is sent out at least 28 days prior to the meeting to allow sufficient time for the shareholders to go through the Annual Report and make necessary attendance and voting arrangements.

In line with Practice 13.1 of MCCG, the notice convening the Second AGM (“2nd AGM”) of the Company was issued to shareholders at least 28 days before the 2nd AGM date, which gives shareholders sufficient time to prepare themselves to attend the 2nd AGM or to appoint a proxy to attend and vote on their behalf.

The Company’s 2nd AGM on 10 June 2021 was held on a fully virtual and entirely via remote participation and electronic voting facilities and all the Directors had attended the 2nd AGM and responded to the shareholders’ enquiries. The Senior Management of the Company and External Auditors had also attended 2nd AGM and prepared to answer shareholders’ enquiries.

All resolutions set out in the Notice of 2nd AGM were put to vote by poll and the votes cast were validated by an independent scrutineer appointed by the Company. The outcome of all resolutions proposed at the general meetings is announced to Bursa Securities at the end of the meeting day.

7.2 Effective Communication and Proactive Engagement

All Directors had attended the 2nd AGM on a fully virtual basis and be accountable to the shareholders for their stewardship of the Company. The Chairman of the Board and its Board Committees members were available to respond to shareholders’ queries concerning the Company and the Group in the 2nd AGM. The External Auditors were also be invited to attend the AGM and assist the Board in addressing relevant queries made by the shareholders.

From the Company’s perspective, the AGM also serves as a forum for Directors to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from the shareholders during and at the end of shareholders’ meeting and ensures their queries are responded to in a proper and systematic manner.

The Board had ensured that the required infrastructure and tools were in place to enable the smooth broadcast of the 2nd AGM and meaningful engagement with the shareholders. The summary of the key matters discussed at the 2nd AGM was also published on the Company’s website for the shareholders’ information.

STATEMENT BY THE BOARD ON CG STATEMENT

The Board has deliberated, reviewed and approved this Statement. The Board considers and is satisfied that to the best of its knowledge the Company has fulfilled its obligations under the MCCG, the relevant chapters of the Listing Requirements of Bursa Securities on corporate governance and all applicable laws and regulations throughout the FYE 2021. The Board remains steadfast in upholding the highest standards of corporate governance practices to safeguard the interests of all its stakeholders.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors (“Board”) of Southern Cable Group Berhad (“the Company”) presents the Audit and Risk Management Committee (“ARMC”) Report of the Company for the financial year ended 31 December 2021 (“FYE 2021”) as follows:-

COMPOSITION OF THE ARMC

The members of the ARMC comprising of all Non-Executive Directors with a majority of them being Independent Non-Executive Directors as follows:

Name	Designation
Eugene Lee Cheng Hoe, Chairman	Independent Non-Executive Director
Rizvi Bin Abd Halim, Member	Independent Non-Executive Chairman
Wong Kar Wai, Member	Non-Independent Non-Executive Director
Daphne Choy Gaik Choo, Member	Independent Non- Executive Director

All the Independent Non-Executive Directors satisfy the test of independence under the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

All the ARMC members are financially literate. The Chairman of the ARMC is a member of the Malaysian Institute of Accountants and a Certified Practising Accountant with CPA Australia. He is also a Registered Financial Planner under the Malaysian Financial Planning Council. In this respect, the Company complies with Paragraph 15.09(1)(c) of the Listing Requirements of Bursa Securities.

The ARMC is governed by its terms of reference (“TOR”), which is available on the Company’s website at www.southerncable.com.my.

MEETING

The ARMC met four (4) times during the FYE 2021 and the attendance of each of the ARMC members at the meeting was as follows:-

ARMC Members	Attendance
Eugene Lee Cheng Hoe, Chairman	4/4
Rizvi Bin Abd Halim, Member	4/4
Wong Kar Wai, Member	4/4
Daphne Choy Gaik Choo, Member	4/4

SUMMARY OF WORKS FOR FYE 2021

The ARMC carried out the following work in discharging its functions and duties during the FYE 2021, which are in line with its responsibilities as set out in its TOR:

- i. Reviewed the unaudited quarterly financial reports and audited financial statements of the Company and its subsidiaries (“the Group”) including the announcements pertaining thereto, and recommended the same for the Board approval before releasing to Bursa Securities.
- ii. Reviewed with the External Auditors, the Audit Committee Memorandum in respect of the audit of the Group’s financial statements for the financial year ended 31 December 2020.
- iii. Reviewed with the External Auditors, the Audit Planning Memorandum in respect of the audit of the Group’s financial statements for the FYE 2021.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Cont'd

SUMMARY OF WORKS FOR FYE 2021 *cont'd*

- iv. Considered and recommended the re-appointment of Baker Tilly Monteiro Heng PLT as the External Auditors and their audit fees to the Board for consideration based on the competency, efficiency and transparency as demonstrated by the External Auditors during their audit.
- v. Reviewed with the Internal Auditors, the work done and reports for the internal audit function and considered the findings of internal audit reviews and management responses thereon, and ensure that appropriate actions are taken on the recommendations raised by the Internal Auditors.
- vi. Reviewed the Corporate Governance Overview Statement, ARMC Report and Statement on Risk Management and Internal Control and Sustainability Statement to ensure adherence to legal and regulatory reporting requirements before recommending to the Board for approval for inclusion in the Company's Annual Report.
- vii. Reviewed the related party transactions and recurrent related party transactions entered into by the Group to ensure that those transactions were entered into in the best interest of the Group, fair, reasonable and on normal commercial terms, and not detrimental to the interests of the minority shareholders of the Company.
- viii. Self-appraised the performance of the ARMC and submitted the evaluation form to the Nomination and Remuneration Committee for assessment.
- ix. Evaluated the performance of the External Auditors and Internal Auditors of the Company.

INTERNAL AUDIT FUNCTION

Appointment

The Company outsourced the internal audit function to Sterling Business Alignment Consulting Sdn. Bhd. ("Sterling"), an independent professional consulting company, to provide the internal audit services for the Group. Sterling reports directly to the ARMC on the adequacy and effectiveness of the risk management and internal control systems of the Group.

The function of Sterling is guided by its Internal Audit Charter which defines the authority, duties, and responsibilities and independence of all its members.

The representatives of Sterling are free from any relationship or conflict of interest that could impair their objectivity and independence as internal auditors. The ARMC will annually review the adequacy of scope, function, competency and resources of the outsourced internal auditors to ensure that they are able to fully discharge their responsibilities. Details of the resources and the qualifications of Sterling are set out in the Corporate Governance Report which is available on the Company's website.

Internal Audit Activities

The internal audit reporting can broadly be segregated into three (3) main areas as follow:-

(a) Risk Based Internal Audit Plan of the Group

The Group's risk based internal audit plan covers key functional areas and business activities of the Group emphasising on the best practices and encompasses all business risks with a core focus on:

- The effectiveness and efficiency of operations
- Reliability of reporting
- Compliance with applicable laws and regulations
- Safe guarding the assets of the Group

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Cont'd

INTERNAL AUDIT FUNCTION *cont'd*

Internal Audit Activities *cont'd*

(b) Regular Internal Audit Reports

Sterling carried out the internal audit reviews on a quarterly basis. They reviewed critical business processes, identifying risks and internal control gaps, assess the effectiveness and adequacy of the existing state of internal control of the Group and recommend possible improvements to the internal control process. This is to provide reasonable assurance that the internal control systems continue to operate satisfactorily and effectively within the Group.

(c) Follow-up Reports

In addition, Sterling also conducted the follow-up review on the implementation of recommendations from prior internal audit visits to ensure that all areas of concern, findings and recommendations are put in place and/or enhanced where appropriate by the Management.

Total Costs Incurred for the Financial Year

The total costs incurred for the internal audit reviews of the Group during the FYE 2021 was RM 37,000.

Review of IA Function

For the FYE 2021, the ARMC noted that the internal audit function is independent and Sterling has performed its audit assignments with impartiality, independently and due professional care.

EVALUATION OF PERFORMANCE OF THE AUDITORS

Pursuant to the TOR of the ARMC, the Board has established the Assessment Policy for both the external and internal auditors together with their annual performance evaluation forms respectively. The policy is to outline the guidelines and procedures for the ARMC to review, assess and monitor the performance, suitability and independence of the external and internal auditors.

The external and internal auditors are precluded from providing any services that may impair their independence or conflict with their role.

The ARMC shall obtain an assurance from the external and internal auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The ARMC shall carry out an annual performance assessment of the External and Internal Auditors and may request the Executive Directors, Group Financial Controller and Group General Manager to join the assessment.

The annual evaluation form provides a checklist for the ARMC to carry out a formal review of the independence, effectiveness and efficiency of the External and Internal Auditors of the Company. The following are some of the criteria to be annually reviewed by the ARMC:

- a. Adequacy of resources and experience of the audit firm
- b. Quality processes of the audit firm
- c. Competency of the engagement team
- d. Governance and independence
- e. Audit fee, scope and planning
- f. Audit reports and communications

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) of Southern Cable Group Berhad (“the Company”) is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 31 December 2021 (“FYE 2021”), issued in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Principle B of the Malaysian Code on Corporate Governance (“MCCG”) with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders’ investments and the Company and its subsidiaries’ (“Group”) assets, as well as reviewing its effectiveness, adequacy and integrity on a regular basis. The Board focuses on effective risk oversight which is critical in setting the tone and culture towards effective risk management and internal control.

In acknowledging that having a sound risk management and internal control system is imperative, the Board has established a governance structure that ensures effective oversight of risks and internal controls within the Group at all levels. It is assisted by the Audit and Risk Management Committee (“ARMC”), which is empowered by its terms of reference to ensure independent oversight of internal control and risk management.

The Management Team is responsible for implementing the Group’s policies and procedures on risk and internal control to identify, evaluate, measure, monitor and report risks as well as deficiencies and non-compliance with internal controls, and for taking appropriate and timely remedial actions as required.

However, due to the limitations that are inherent in any system of internal control, the Group’s system of internal control is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it only provides reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board regards the management of core risks as an integral and critical part of the day-to-day operations of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial period under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of requisite action plans and monitoring regimes which are imperative in ensuring the accomplishment of the Group objective.

Day-to-day operations in respect of the financial, commercial, legal compliance and operational aspects of the Group are closely monitored by the respective head of department and they have delegated the responsibilities to identify and manage these risks within defined parameters and standards.

The management of risk is an on-going process to identify, evaluate and manage the significant risks faced by the Group. As part of our Risk Management process, a Risk Management Handbook and Registry of Risk were adopted. The Registry of Risk is maintained to identify principal business risks and key risk areas, their impact, the likelihood of occurrence, risk owner and risk control actions. The Risk Management Handbook summarises risk management methodology, approach, processes, roles and responsibilities. The level of risk tolerance is established and monitored through the use of a risk impact and likelihood matrix where the ratings are assessed in response to changes in the business environment.

The respective risk owners are assigned and responsible for identifying risks as well as ensuring that adequate control systems are implemented to mitigate risks faced by the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Cont'd

INTERNAL AUDIT FUNCTION

The Company outsourced the internal audit function to Sterling Business Alignment Consulting Sdn. Bhd. (“Sterling”) to carry out the internal audit services for the Group. Sterling reports directly to the ARMC, providing the Board with a reasonable assurance of the adequacy of the scope, functions and resources of the internal audit function. The purpose of the internal audit function is to provide the Board, through the ARMC, assurance of the effectiveness of the system of internal control of the designated entities of the Group.

Sterling is free from any relationships or conflict of interest, which could impair its objectivity and independence of the internal audit function. Sterling does not have any direct operational responsibility or authority over any of the activities audited. The ARMC is of the opinion that the internal audit function is effective and able to function independently.

Sterling uses the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems. The internal audit reviews will be conducted according to the approved risk based internal audit plan which addresses the critical business processes, internal control gaps, effectiveness and adequacy of the existing state of internal control and recommend possible improvements to the internal control process.

A description of the internal audit work conducted by Sterling during the FYE 2021 can be found in the ARMC Report included in this Annual Report.

INTERNAL CONTROL SYSTEM

The key elements of the internal control system established by the Board to provide effective governance and oversight of internal control include:

(a) Organisation Structure

The Group has a clear organisational structure which formally defines the lines of reporting, as well as the accountabilities and responsibilities of the respective functions within the Group. In addition, the Board and its Board Committees are all governed by clearly defined terms of reference.

(b) Limits of Authority

The Group has defined limits of authority which outlines the approving limits that have been assigned and delegated to each approving authority within the Group. The limits of authority are reviewed periodically and updated in line with changes in the organisation.

(c) Standard Operating Policies and Procedures (“SOPs”)

Elements of internal control have been embedded and documented in the SOPs which are continually reviewed and updated to reflect changes in the business environment. Accountability and responsibility for key processes have been established in the SOPs.

(d) Talent Management

The professionalism and competency of staff are enhanced through training and development programmes. On-the-job training programmes are made available to the employees to ensure that they are constantly kept up-to-date with the constantly technological changing environment and competent in carrying out their duties and responsibilities.

(e) Board Committees

The Board has established various board committees to assist in discharging its duties. These include the ARMC and Nomination and Remuneration Committee, These Board Committees are delegated with specific duties to review and consider all matters within their scope of responsibility as defined in their respective terms of reference.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Cont'd

INTERNAL CONTROL SYSTEM *cont'd*

(f) Anti-Bribery and Corruption Policy & Procedures

The Group adopts a zero-tolerance approach to all forms of bribery and corruption. The Group is committed in conducting its business free from any acts of bribery and corruption by upholding high standards of ethics and integrity. The Group has established an anti-bribery and corruption policy & procedures which prohibits all forms of bribery and corruption practices. All employees to read and understand the policy and to take an assessment test. All business partners including consultants and contractors are required to acknowledge and agree to comply with the Group's anti-bribery and corruption policy and procedures. The said policy is also made available at the Company's website.

(g) Whistle Blowing Policy

The Group has put in place a whistle blowing policy which allows, supports and encourages its employees to report and disclose any improper or illegal activities within the Group. The whistle blowing policy is made available on the Company's website.

(h) Safety and Health Management

The Group has been emphasising the safety and health of employees and stakeholders by enforcing precautionary measures and guidelines in all factory premises as stipulated by the relevant authorities since the breakout of the COVID-19 pandemic.

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control performed under a limited assurance engagement. Their limited assurance engagement was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on the procedures performed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor was it factually inaccurate.

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the risk management and internal control system to safeguard shareholders' investment and the Group's assets.

In addition, the Board has received assurance from the Managing Director, Group General Manager and Group Financial Controller that the Group's risk management and internal control system are operating adequately and effectively in all material aspects.

The Board will continue to monitor all major risks affecting the Group and take appropriate action plans to strengthen the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement is made in accordance with the resolution of the Board dated 18 April 2022.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 ("Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs), and the requirements of the Act.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors ensured that the Management has:

- a. adopted and consistently applied suitable accounting policies;
- b. made judgments and estimates that are prudent and reasonable;
- c. ensured applicable financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Company and its subsidiaries ("Group") keep accounting records which disclose the financial position of the Group with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act. The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

STATUS OF UTILISATIONS OF PROCEEDS

The Company was listed on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 16 October 2020 (“Listing”). In conjunction with the Listing, the Company undertook a public issue of 209,348,000 new ordinary shares at an issued price of RM0.34 per ordinary share, raising a total gross proceeds of approximately RM71.178 million (“Listing Proceeds”).

The status of the utilisation of the Listing Proceeds as at 31 March 2022 is as follows:-

Details of Utilisation	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance Unutilised (RM'000)	Intended timeframe for utilisation from the date of Listing
Capital expenditure and expansion				
- Purchase and upgrade of new machinery and equipment	18,500	18,500	-	
- Construction of factories	7,500	492	7,008	Within 36 months
- Purchase and installation of Enterprise Resource Planning information technology system	4,000	95	3,905	
Repayment of bank borrowings	9,188	9,188	-	Within 6 months
Working capital	27,490	27,490	-	Within 6 months
Estimated listing expenses	4,500	4,500	-	Within 3 months
Total	71,178	60,265	10,913	

The utilisation of the Listing Proceeds as disclosed above should be read in conjunction with the Prospectus for the Listing dated 29 September 2020.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/payable to the External Auditors by the Company and the Group for the financial year ended 31 December 2021 (“FYE 2021”) are as follows: -

	Company RM	Group RM
Audit Fee	25,000	125,000
Non-Audit Fee	64,000	64,000

MATERIAL CONTRACT INVOLVING DIRECTORS AND/OR MAJOR SHAREHOLDERS' INTEREST

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the directors and/or major shareholders' interest either still subsisting at the end of the FYE 2021 or entered into since the end of the previous period.

RECURRENT RELATED PARTY TRANSACTION (“RRPT”)

Details of the RRPT of a revenue or trading nature that entered into by the Company and/or the Group with the related parties are disclosed in Note 29 of the Notes to the Financial Statements on page 111 of this Annual Report. The quantum involved in the RRPT is not substantial and does not require the shareholders' approval pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	10,905,815	5,403,595
Attributable to:		
Owners of the Company	10,905,815	5,403,595

DIVIDENDS

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

	2021 RM
Single tier final dividend of 0.40 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 16 July 2021	3,200,000

At the forthcoming Annual General Meeting, a single tier final dividend of 0.21 sen per ordinary share, amounting to RM1,680,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2021, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT

Cont'd

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS' REPORT

Cont'd

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Tung Eng Hai*
Wong Meng Kee*
Rizvi Bin Abd Halim
Wong Kar Wai
Eugene Lee Cheng Hoe
Daphne Choy Gaik Choo

* *Directors of the Company and certain subsidiaries*

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

Tung Siew Luan
Tung Cheng Im
Redzuan Bin Husain
Fawiza Binti Faiz

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2021	Alloted	Sold	At 31.12.2021
Direct interests:				
Wong Meng Kee	1,459,204	-	-	1,459,204
Wong Kar Wai	600,000	-	-	600,000
Rizvi Bin Abd Halim	400,000	-	-	400,000
Daphne Choy Gaik Choo	400,000	-	-	400,000
Eugene Lee Cheng Hoe	400,000	-	-	400,000
Indirect interests*:				
Tung Eng Hai ⁽¹⁾	285,524,412	-	-	285,524,412
Wong Meng Kee ⁽²⁾	292,388,412	-	-	292,388,412

⁽¹⁾ *Shares held through company in which the director has substantial financial interests.*

⁽²⁾ *Shares held through company in which the director has substantial financial interests and shares held through spouse.*

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, the directors are also deemed to have interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

DIRECTORS' REPORT

Cont'd

DIRECTORS' INTERESTS *cont'd*

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

DIRECTORS' BENEFITS

Since the end of previous financial period, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 23 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company were RM20,000,000 and RM30,000 respectively.

SUBSIDIARIES

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

The auditors' report on the accounts of the subsidiaries did not contain any qualification.

INTERESTS IN OTHER RELATED CORPORATIONS

Other than as disclosed elsewhere in this report, the Company does not have any interests in shares in its other related corporations during the financial year.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of the significant events during the financial year are disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT

Cont'd

AUDITORS

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

The details of the auditors' remuneration are disclosed in Note 22 to the financial statements.

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

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

.....
TUNG ENG HAI
Director

.....
WONG MENG KEE
Director

Date: 31 March 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	43,558,905	24,551,429	-	-
Right-of-use assets	6	43,374,668	46,572,356	-	-
Investment properties	7	523,151	529,637	-	-
Investment in subsidiaries	8	-	-	147,662,998	147,662,998
Total non-current assets		87,456,724	71,653,422	147,662,998	147,662,998
Current assets					
Inventories	9	182,528,888	88,954,853	-	-
Current tax assets		5,984,709	81,425	-	-
Trade and other receivables	10	199,325,534	158,142,387	57,368,564	33,973,443
Cash and short-term deposits	11	35,411,485	129,420,001	13,002,234	34,321,117
Total current assets		423,250,616	376,598,666	70,370,798	68,294,560
TOTAL ASSETS		510,707,340	448,252,088	218,033,796	215,957,558
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	217,655,644	217,655,644	217,655,644	217,655,644
Reorganisation reserve	13	(120,947,002)	(120,947,002)	-	-
Retained earnings/(accumulated losses)		178,258,208	170,552,393	91,160	(2,112,435)
TOTAL EQUITY		274,966,850	267,261,035	217,746,804	215,543,209

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

Cont'd

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Non-current liabilities					
Loans and borrowings	14	8,629,022	8,017,864	-	-
Deferred tax liabilities	15	5,490,376	3,027,056	-	-
Total non-current liabilities		14,119,398	11,044,920	-	-
Current liabilities					
Loans and borrowings	14	158,101,076	116,972,243	-	-
Provision	16	387,429	176,894	-	-
Current tax liabilities		238,781	445,362	-	-
Trade and other payables	17	62,286,593	52,203,003	286,992	414,349
Derivative financial liabilities	18	607,213	148,631	-	-
Total current liabilities		221,621,092	169,946,133	286,992	414,349
TOTAL LIABILITIES		235,740,490	180,991,053	286,992	414,349
TOTAL EQUITY AND LIABILITIES		510,707,340	448,252,088	218,033,796	215,957,558

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 december 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	19	659,939,334	562,726,736	6,750,000	-
Cost of sales		(620,697,479)	(506,831,159)	-	-
Gross profit		39,241,855	55,895,577	6,750,000	-
Other income	20	2,407,026	2,082,187	238,519	237,546
Distribution expenses		(9,970,223)	(9,499,368)	-	-
Administrative expenses		(11,516,194)	(12,064,757)	(1,577,554)	(2,165,977)
Other expenses		(11,193)	(3,693)	(482)	-
Operating profit/(loss)		20,151,271	36,409,946	5,410,483	(1,928,431)
Finance costs	21	(5,841,138)	(6,395,759)	-	-
Profit/(loss) before tax	22	14,310,133	30,014,187	5,410,483	(1,928,431)
Income tax expense	24	(3,404,318)	(8,752,270)	(6,888)	-
Profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year		10,905,815	21,261,917	5,403,595	(1,928,431)
Profit/(loss) attributable to:					
Owners of the Company		10,905,815	21,261,917	5,403,595	(1,928,431)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		10,905,815	21,261,917	5,403,595	(1,928,431)
Earnings per share attributable to owners of the Company (sen)					
- Basic and diluted	25	1.4	2.7	-	-

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 december 2021

Group	Note	← Attributable to owners of the Company →			Total equity
		Share capital	Reorganisation reserve	Retained earnings	
		RM	RM	RM	RM
At 1 January 2020		147,663,000	(120,947,002)	149,290,476	176,006,474
Profit for the financial year, representing total comprehensive income for the financial year		-	-	21,261,917	21,261,917
Transaction with owners					
Shares issued for the public issue	12	71,178,320	-	-	71,178,320
Shares issuance expenses	12	(1,185,676)	-	-	(1,185,676)
Total transaction with owners		69,992,644	-	-	69,992,644
At 31 December 2020		217,655,644	(120,947,002)	170,552,393	267,261,035
Profit for the financial year, representing total comprehensive income for the financial year		-	-	10,905,815	10,905,815
Transaction with owners					
Dividend paid	26	-	-	(3,200,000)	(3,200,000)
At 31 December 2021		217,655,644	(120,947,002)	178,258,208	274,966,850

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 december 2021

Cont'd

Company	Note	Share capital RM	(Accumulated losses)/ retained earnings RM	Total equity RM
At 1 January 2020		147,663,000	(184,004)	147,478,996
Loss for the financial year, representing total comprehensive loss for the financial year		-	(1,928,431)	(1,928,431)
Transaction with owners				
Shares issued for the public issue	12	71,178,320	-	71,178,320
Shares issuance expenses	12	(1,185,676)	-	(1,185,676)
Total transaction with owners		69,992,644	-	69,992,644
At 31 December 2020		217,655,644	(2,112,435)	215,543,209
Profit for the financial year, representing total comprehensive income for the financial year		-	5,403,595	5,403,595
Transaction with owners				
Dividend paid	26	-	(3,200,000)	(3,200,000)
At 31 December 2021		217,655,644	91,160	217,746,804

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 december 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities					
Profit/(loss) before tax		14,310,133	30,014,187	5,410,483	(1,928,431)
Adjustments for:					
Amortisation/depreciation of investment properties		6,486	6,485	-	-
Depreciation of property, plant and equipment		4,706,369	3,393,662	-	-
Depreciation of right-of-use assets		2,705,414	3,297,445	-	-
Dividend income		-	-	(6,750,000)	-
Bad debts recovered		-	(19,842)	-	-
Fair value loss on derivative financial instruments		458,582	64,417	-	-
Gain on disposal of property, plant and equipment		(46,999)	(33,111)	-	-
Interest expenses		5,841,138	6,395,759	-	-
Interest income		(1,008,916)	(1,554,861)	(238,519)	(237,546)
Net unrealised (gain)/loss on foreign exchange		(574,232)	570,611	-	-
Provision for employee benefits (net)		210,535	(79,898)	-	-
Property, plant and equipment written off		2	758	-	-
Right-of-use assets written off		7,871	-	-	-
Operating profit/(loss) before changes in working capital		26,616,383	42,055,612	(1,578,036)	(2,165,977)
<u>Changes in working capital:</u>					
Inventories		(93,574,035)	(26,821,397)	-	-
Trade and other receivables		(40,666,221)	20,420,507	163,543	(1,349,219)
Trade and other payables		10,140,896	16,979,667	(94,527)	284,319
Net cash (used in)/generated from operations		(97,482,977)	52,634,389	(1,509,020)	(3,230,877)
Income tax paid		(7,050,863)	(10,161,782)	(6,888)	-
Income tax refunded		-	107,171	-	-
Interest paid		(284,440)	(186,067)	-	-
Interest received		1,008,916	1,554,861	238,519	237,546
Net cash (used in)/from operating activities		(103,809,364)	43,948,572	(1,277,389)	(2,993,331)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 december 2021

Cont'd

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from investing activities					
Dividend received		-	-	6,750,000	-
Purchase of property, plant and equipment	(A)	(21,966,580)	(4,424,541)	-	-
Purchase of right-of-use assets	(B)	(475,755)	(400,723)	-	-
Proceeds from disposal of property, plant and equipment		47,000	35,800	-	-
Change in pledged bank balances		682,942	(2,975,391)	-	-
Change in pledged deposits		40,849,167	(682,942)	-	-
Net cash from/(used in) investing activities		19,136,774	(8,447,797)	6,750,000	-
Cash flows from financing activities					
	(C)				
Interest paid		(5,556,698)	(6,209,692)	-	-
Net change in amount owing by subsidiaries		-	-	(23,591,494)	(33,863,874)
Dividend paid		(3,200,000)	-	(3,200,000)	-
Drawdown of bankers' acceptance		662,679,618	510,601,438	-	-
Repayment of bankers' acceptance		(614,420,703)	(534,235,933)	-	-
Drawdown of term loans		3,822,342	-	-	-
Repayment of term loans		(8,241,153)	(1,468,167)	-	-
Repayment of lease liabilities		(2,887,223)	(5,881,207)	-	-
Issuance of share capital		-	71,178,320	-	71,178,320
Net cash from/(used in) financing activities		32,196,183	33,984,759	(26,791,494)	37,314,446
Net (decrease)/increase in cash and cash equivalents		(52,476,407)	69,485,534	(21,318,883)	34,321,115
Cash and cash equivalents at the beginning of the financial year		82,689,428	13,203,894	34,321,117	2
Cash and cash equivalents at the end of the financial year	11	30,213,021	82,689,428	13,002,234	34,321,117

STATEMENTS OF CASH FLOWS

For the financial year ended 31 december 2021

Cont'd

(A) The property, plant and equipment were purchased by internal funds.

(B) Purchase of right-of-use assets:

	Note	Group	
		2021 RM	2020 RM
Purchase of right-of-use assets	6	1,262,865	1,956,393
Financed by way of lease arrangement		(485,151)	(1,517,185)
Operating lease recognised as right-of-use assets		(301,959)	(38,485)
Cash payments on purchase of right-of-use assets		475,755	400,723

(C) Reconciliation of liabilities arising from financing activities:

	Group			
	1.1.2021 RM	Cash flows RM	Non-cash acquisition RM	31.12.2021 RM
Term loans	10,768,179	(4,418,811)	-	6,349,368
Lease liabilities	7,894,925	(2,887,223)	787,110	5,794,812
Bankers' acceptance	106,327,003	48,258,915	-	154,585,918
	124,990,107	40,952,881	787,110	166,730,098

	Group			
	1.1.2020 RM	Cash flows RM	Non-cash acquisition RM	31.12.2020 RM
Term loans	12,236,346	(1,468,167)	-	10,768,179
Lease liabilities	12,220,462	(5,881,207)	1,555,670	7,894,925
Bankers' acceptance	129,961,498	(23,634,495)	-	106,327,003
	154,418,306	(30,983,869)	1,555,670	124,990,107

Company

There were no non-cash changes in liabilities arising from financing activities.

(D) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM3,359,224 (2020: RM6,604,791).

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Southern Cable Group Berhad (the “Company”) is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 3rd Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Lot 42, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 8.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 March 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs

MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 138	Financial Instruments: Recognition and Measurement

* *Early adopted the amendment to MFRS 16 Leases issued by the Malaysian Accounting Standards Board (“MASB”) on 6 April 2021.*

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group’s and the Company’s existing accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

2. BASIS OF PREPARATION *cont'd*

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

- (a) The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRSs	1 January 2022 [^] / 1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2022 [^] / 1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2022 [^]
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]
MFRS 141	Agriculture	1 January 2022 [^]

[^] *The Annual Improvements to MFRSs 2018-2020*

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

2. BASIS OF PREPARATION *cont'd*

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

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below:

Annual Improvements to MFRSs 2018-2020

Annual Improvements to MFRSs 2018-2020 covers amendments to:

- MFRS 1 *First-time Adoption of MFRSs* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRSs.

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a MASB in April 2018.

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

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

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

Amendments to MFRS 101 Presentation of Financial Statements

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

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

2. BASIS OF PREPARATION *cont'd*

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

- (b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below: *cont'd*

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation. In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

Amendments to MFRS 116 Property, Plant and Equipment

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

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

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

- (c) The initial application of the above applicable new MFRS and amendments/improvements to MFRSs are not expected to have any material impact on the prior and current periods of financial statements.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

2. BASIS OF PREPARATION *cont'd*

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiary and business combination

The acquisitions of Southern Cable Sdn. Bhd., Nextol Polymer Sdn. Bhd. and Daya Forwarding Sdn. Bhd. have been accounted for as a business combination amongst entities under common control. Accordingly, the financial statements of Southern Cable Group Berhad have been consolidated using the merger method of accounting.

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

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

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

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.1 Basis of consolidation *cont'd*

(a) Subsidiary and business combination *cont'd*

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

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

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

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

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

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

(b) Transactions eliminated on consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b).

3.3 Foreign currency transactions

Translation of foreign currency transactions

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

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

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

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

3.4 Financial instruments

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

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.4 Financial instruments *cont'd*

(a) Subsequent measurement

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

(i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**
Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.
- **FVOCI**
Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.4 Financial instruments *cont'd*

(a) Subsequent measurement *cont'd*

(i) Financial assets *cont'd*

Debt instruments *cont'd*

- **FVPL**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Equity instruments

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

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

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at FVPL.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.4 Financial instruments *cont'd*

(a) Subsequent measurement *cont'd*

(ii) Financial liabilities *cont'd*

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

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

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

(c) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:

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

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

(d) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.4 Financial instruments *cont'd*

(d) Derecognition *cont'd*

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

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

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

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

(e) Offsetting of financial instruments

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

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

(f) Derivatives

The Group and the Company use interest swap contracts to hedge the exposure of floating interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.5 Property, plant and equipment *cont'd*

(b) Subsequent costs

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

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

	Useful lives (years)
Freehold buildings	50
Leasehold land	
- Long-term leasehold land	51 - 56
- Short-term leasehold land	46 - 47
Leasehold buildings	50
Furniture, fittings and office equipment	4 - 10
Plant and machineries	10 - 20
Motor vehicles	5
Factory tools and equipment	10
Electrical installation and renovation	10
Fire protection system	10

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

(d) Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.6 Leases

(a) Definition of lease

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

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

(b) Lessee accounting

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

The Group presents right-of-use assets that do not meet the definition of investment property in Note 7 and lease liabilities in Note 14. The Group presents right-of-use assets as separate lines in the statements of financial position.

Right-of-use asset

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Lease liability

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.6 Leases *cont'd*

(b) Lessee accounting *cont'd*

Lease liability *cont'd*

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

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

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

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

Short-term leases and leases of low value assets

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

3.7 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

The Group uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

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

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.8 Inventories

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

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

- Raw materials: purchase costs on a first-in-first out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based in normal operating capacity. These costs are assigned on a weighted average cost basis.

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

3.9 Cash and cash equivalents

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

3.10 Impairment of assets

(a) Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.10 Impairment of assets *cont'd*

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

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than the credit term unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.10 Impairment of assets *cont'd*

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

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

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

Impairment losses are recognised in profit or loss.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.11 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.12 Employee benefits *cont'd*

(c) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

3.13 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.14 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expects to better predict the amount of consideration to which it is entitled.

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sale of goods

The Group manufactures and sells manufactured cables, wires, related products and services including aluminium rods, trading of cables and wires and copper strips, manufacture and supply plastic compounds and wooden drum to customers. Revenue from sale of manufactured and trading goods are recognised at the point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with credit term, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.14 Revenue and other income *cont'd*

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised on an accrual basis.

(d) Dividend income

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

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

3.16 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.16 Income tax *cont'd*

(b) Deferred tax *cont'd*

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

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

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

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.17 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.18 Operating segments

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

3.19 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

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

3.19 Fair value measurements *cont'd*

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

3.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Impairment of trade receivables

The impairment provisions for trade and other receivables are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, as well as forward looking estimates at the end of each reporting period.

The assessment of the correlation between forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the trade receivables. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's trade and other receivables are disclosed in Note 27(b)(i).

(b) Inventories

The inventories comprise of costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The allocation of raw materials cost and overhead, including fixed and variable cost, to the inventories costing involve estimation made by the directors based on the previous experience and historical data. The inaccurate allocation will cause inaccurate inventories balances as at the financial year end.

The carrying amount of the Group's inventories is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land		Furniture, fittings and office equipment		Plant and machineries		Motor vehicles		Factory tools and equipment		Electrical installation and renovation		Fire and protection system		Capital work-in-progress		Total	
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		
Cost																			
At 1 January 2020		2,325,189	2,149,355	3,741,606	55,652,241	3,040,066	13,058,118	4,341,938	684,160	44,000	85,036,673								
Additions		-	-	246,829	2,621,729	75,000	774,632	641,332	65,019	-	4,424,541								
Disposals		-	-	(5,276)	-	(125,700)	-	-	-	-	(130,976)								
Written off		-	-	(1,975)	(1,200)	-	(2,800)	-	-	-	(5,975)								
Transfers from right-of-use assets	6	-	-	-	6,177,054	1,686,443	-	-	-	1,109,187	8,972,684								
At 31 December 2020		2,325,189	2,149,355	3,981,184	64,449,824	4,675,809	13,829,950	4,983,270	749,179	1,153,187	98,296,947								
Additions		-	-	350,464	11,221,276	-	2,767,475	646,980	-	6,980,385	21,966,580								
Disposals		-	-	-	-	(128,660)	-	-	-	-	(128,660)								
Written off		-	-	-	-	-	-	(11,580)	-	-	(11,580)								
Transfers from right-of-use assets	6	-	-	-	3,251,554	900,700	91,900	-	-	-	4,244,154								
At 31 December 2021		2,325,189	2,149,355	4,331,648	78,922,654	5,447,849	16,689,325	5,618,670	749,179	8,133,572	124,367,441								

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group	Note	Freehold land	Freehold buildings	Furniture, fittings and office equipment	Plant and machineries	Motor vehicles	Factory tools and equipment	Electrical installation and renovation	Fire and protection system	Capital work-in-progress	Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation											
At 1 January 2020		-	225,968	2,752,616	48,552,591	2,765,329	8,727,818	3,580,117	270,055	-	66,874,494
Depreciation for the financial year	22	-	42,987	290,036	1,807,117	130,008	872,035	186,721	64,758	-	3,393,662
Disposals		-	-	(2,587)	-	(125,700)	-	-	-	-	(128,287)
Written off		-	-	(1,778)	(1,199)	-	(2,240)	-	-	-	(5,217)
Transfers from right-of-use assets	6	-	-	-	1,978,499	1,644,667	(12,300)	-	-	-	3,610,866
At 31 December 2020		-	268,955	3,038,287	52,337,008	4,414,304	9,585,313	3,766,838	334,813	-	73,745,518
Depreciation for the financial year	22	-	42,987	311,808	2,947,687	109,562	998,291	236,113	59,921	-	4,706,369
Disposals		-	-	-	-	(128,659)	-	-	-	-	(128,659)
Written off		-	-	-	-	-	-	(11,578)	-	-	(11,578)
Transfers from right-of-use assets	6	-	-	-	1,555,819	893,587	47,480	-	-	-	2,496,886
At 31 December 2021		-	311,942	3,350,095	56,840,514	5,288,794	10,631,084	3,991,373	394,734	-	80,808,536
Carrying amount											
At 31 December 2021		2,325,189	1,837,413	981,553	22,082,140	159,055	6,058,241	1,627,297	354,445	8,133,572	43,558,905
At 31 December 2020		2,325,189	1,880,400	942,897	12,112,816	261,505	4,244,637	1,216,432	414,366	1,153,187	24,551,429

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Assets pledged as security

	Group	
	2021 RM	2020 RM
Freehold land	2,325,189	2,325,189
Freehold buildings	1,837,413	1,880,400
	<u>4,162,602</u>	<u>4,205,589</u>

Freehold land and buildings have been pledged as security to secure credit facilities of the Group as disclosed in Note 14.

6. RIGHT-OF-USE ASSETS

Group	Note	Leasehold land RM	Leasehold buildings RM	Plant and machineries RM	Motor vehicles RM	Factory equipment RM	Warehouse accommodation RM	Workers' accommodation RM	Capital work-in- progress RM	Total RM
Cost										
At 1 January 2020		12,290,015	30,969,668	18,187,717	4,531,503	91,900	-	156,992	1,109,187	67,336,982
Additions		-	231,345	1,164,193	522,370	-	-	38,485	-	1,956,393
Transfers to property, plant and equipment	5	-	-	(6,177,053)	(1,686,444)	-	-	-	(1,109,187)	(8,972,684)
At 31 December 2020		12,290,015	31,201,013	13,174,857	3,367,429	91,900	-	195,477	-	60,320,691
Additions		-	479,454	-	481,452	-	115,447	186,512	-	1,262,865
Written off		-	-	-	-	-	-	(168,654)	-	(168,654)
Transfers to property, plant and equipment	5	-	-	(3,251,554)	(900,700)	(91,900)	-	-	-	(4,244,154)
At 31 December 2021		12,290,015	31,680,467	9,923,303	2,948,181	-	115,447	213,335	-	57,170,748

NOTES TO THE FINANCIAL STATEMENTS

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6. RIGHT-OF-USE ASSETS *cont'd*

Group	Note	Leasehold land	Leasehold buildings	Plant and machineries	Motor vehicles	Factory equipment	Warehouse accommodation	Workers' accommodation	Capital work-in-progress	Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation										
At 1 January 2020		1,158,592	6,515,003	3,321,975	2,983,383	34,462	-	48,341	-	14,061,756
Amortisation/depreciation for the financial year	22	202,423	602,471	1,684,626	706,888	9,190	-	91,847	-	3,297,445
Transfers to property, plant and equipment	5	-	15,321	(1,981,520)	(1,644,667)	-	-	-	-	(3,610,866)
At 31 December 2020		1,361,015	7,132,795	3,025,081	2,045,604	43,652	-	140,188	-	13,748,335
Amortisation/depreciation for the financial year	22	202,422	611,686	1,181,586	588,976	3,828	21,205	95,711	-	2,705,414
Written off		-	-	-	-	-	-	(160,783)	-	(160,783)
Transfers to property, plant and equipment	5	-	-	(1,555,819)	(893,587)	(47,480)	-	-	-	(2,496,886)
At 31 December 2021		1,563,437	7,744,481	2,650,848	1,740,993	-	21,205	75,116	-	13,796,080
Carrying amount										
At 31 December 2021		10,726,578	23,935,986	7,272,455	1,207,188	-	94,242	138,219	-	43,374,668
At 31 December 2020		10,929,000	24,068,218	10,149,776	1,321,825	48,248	-	55,289	-	46,572,356

(a) Assets under leases

The Group leases buildings for its workers' accommodation and warehouse. The leases for workers' accommodation and warehouse generally have lease term between one (1) to two (2) years. The lease for warehouse has an option to renew another two (2) years. As at 31 December 2021, the Group has included the potential future cash flows of exercising the extension options in the lease liabilities.

The Group leases plant and machineries, motor vehicles and factory equipment with lease term of three (3) to five (5) years and have options to purchase the assets at the end of the contract term.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

6. RIGHT-OF-USE ASSETS *cont'd*

(b) Assets pledged as security

	Group	
	2021	2020
	RM	RM
Leasehold land	10,726,578	10,929,000
Leasehold buildings	23,935,986	24,068,218
	34,662,564	34,997,218

Leasehold land and buildings have been pledged as security to secure credit facilities of the Group as disclosed in Note 14.

7. INVESTMENT PROPERTIES

Group	Note	Leasehold buildings RM	Freehold land RM	Freehold building RM	Total RM
Cost					
At 1 January 2020/ 31 December 2020/ 31 December 2021		180,000	198,616	215,887	594,503
Accumulated amortisation and depreciation					
At 1 January 2020		19,519	-	38,862	58,381
Amortisation/depreciation for the financial year	22	2,168	-	4,317	6,485
At 31 December 2020		21,687	-	43,179	64,866
Amortisation/depreciation for the financial year	22	2,168	-	4,318	6,486
At 31 December 2021		23,855	-	47,497	71,352
Carrying amount					
At 31 December 2021		156,145	198,616	168,390	523,151
At 31 December 2020		158,313	198,616	172,708	529,637

The strata title for a leasehold building has yet to be obtained as at the financial year ended 31 December 2021.

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2021	2020
	RM	RM
Direct operating expenses:		
- Non-income generating investment properties	9,306	28,313

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

7. INVESTMENT PROPERTIES *cont'd*

Fair value information

The directors estimated the fair value of investment properties of approximately RM864,013 (2020: RM RM864,013) is categorised at Level 3 of the fair value hierarchy.

There are no Level 1 and Level 2 investment properties or transfers between levels during the financial year ended 31 December 2021.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Land and building	Sales comparison approach	Price per square foot	The higher the price per square foot, the higher the fair value

Valuation processes applied by the Group

The Group's finance department includes a team that performs valuation analysis of land and buildings required for financial reporting purposes, including Level 3 fair values. This team reports directly to the director.

Highest and best use

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 RM	2020 RM
At cost:		
Unquoted shares	147,662,998	147,662,998

Details of subsidiaries are as follows:

Name of Company	Country of Incorporation	Ownership		Principal activities
		2021	2020	
Southern Cable Sdn. Bhd. ("Southern")	Malaysia	100%	100%	Manufacture of cables and wires, and related products and services including aluminium rods, trading of cables and wires, and copper strips and supply and installation of rectifiers.
Nextol Polymer Sdn. Bhd. ("Nextol")	Malaysia	100%	100%	Manufacture of plastic compounds.
Daya Forwarding Sdn. Bhd. ("Daya")	Malaysia	100%	100%	Manufacture and trading of wooden cable drums.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVENTORIES

	Group	
	2021 RM	2020 RM
At cost:		
Raw materials	71,544,233	25,619,118
Work-in-progress	24,714,404	19,590,300
Finished goods	86,126,417	43,425,652
Packing materials	30,251	20,338
Trading products	113,583	299,445
	182,528,888	88,954,853

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM575,335,269 (2020: RM462,551,754).

10. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Trade					
Trade receivables	(a)	194,681,966	153,934,927	-	-
Non-trade					
Other receivables		76,371	15,565	-	-
Amount owing by subsidiaries	(b)	-	-	57,368,564	33,809,900
Deposits		331,685	518,851	-	-
Advance payments	(c)	77,457	149,815	-	-
Prepayments		4,158,055	3,523,229	-	163,543
		4,643,568	4,207,460	57,368,564	33,973,443
Total trade and other receivables		199,325,534	158,142,387	57,368,564	33,973,443

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranges from 30 to 120 days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(b) Amount owing by subsidiaries

Amount owing by subsidiaries are unsecured, non-interest bearing and repayable upon demand.

(c) Advance payments

Being advance payment for the purchase of raw materials.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

11. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	27,213,021	29,288,404	13,002,234	1,237,151
Short-term deposits	8,198,464	100,131,597	-	33,083,966
	35,411,485	129,420,001	13,002,234	34,321,117

For the purpose of statements of cash flows, cash and cash equivalents comprise of the following:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Short-term deposits	8,198,464	100,131,597	-	33,083,966
Less: Pledged deposits	(5,198,464)	(46,047,631)	-	-
	3,000,000	54,083,966	-	33,083,966
Cash and bank balances	27,213,021	29,288,404	13,002,234	1,237,151
Less: Pledged cash and bank balances	-	(682,942)	-	-
	30,213,021	82,689,428	13,002,234	34,321,117

Short-term deposits placed with licensed banks of the Group have been pledged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 14.

12. SHARE CAPITAL

	Group/Company		Group/Company	
	Number of shares 2021	Number of shares 2020	Amount 2021	Amount 2020
	Unit	Unit	RM	RM
Issued and fully paid up (no par value):				
At 1 January	800,000,000	295,326,000	217,655,644	147,663,000
Issuance of shares pursuant to share split	-	295,326,000	-	-
Issuance of shares pursuant to Public Issue	-	209,348,000	-	71,178,320
Shares issuance expense	-	-	-	(1,185,676)
At 31 December	800,000,000	800,000,000	217,655,644	217,655,644

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

The Company did not issue any new shares or debentures during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

13. REORGANISATION RESERVE

	Group	
	2021	2020
	RM	RM
At 1 January/31 December	(120,947,002)	(120,947,002)

Reorganisation reserve represents the difference between the purchase consideration to acquire Southern, Nextol and Daya and the share capital of the Company as upon consolidation.

14. LOANS AND BORROWINGS

		Group	
		2021	2020
	Note	RM	RM
Non-current:			
Term loans	(a)	5,048,669	2,748,780
Lease liabilities	(b)	3,580,353	5,269,084
		<u>8,629,022</u>	<u>8,017,864</u>
Current:			
Term loans	(a)	1,300,699	8,019,399
Lease liabilities	(b)	2,214,459	2,625,841
Bankers' acceptance	(c)	154,585,918	106,327,003
		<u>158,101,076</u>	<u>116,972,243</u>
Total loans and borrowings:			
Term loans	(a)	6,349,368	10,768,179
Lease liabilities	(b)	5,794,812	7,894,925
Bankers' acceptance	(c)	154,585,918	106,327,003
		<u>166,730,098</u>	<u>124,990,107</u>

(a) Term loans

Term loans of the Group bears interest ranging from 3.97% to 6.64% (2020: 3.27% to 6.64%) per annum and are secured and supported as follows:

- (i) Legal charge over freehold land and buildings of subsidiaries as disclosed in Note 5;
- (ii) Legal charge over leasehold land and buildings of a subsidiary as disclosed in Note 6;
- (iii) Joint and several guarantee by several directors of the Group; and
- (iv) Corporate guarantee by a related company.

(b) Lease liabilities

Certain property, plant and equipment of the Group as disclosed in Note 6 are pledged for leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of lease term. The effective interest rate ranges from 3.90% to 6.68% (2020: 1.97% to 6.68%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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14. LOANS AND BORROWINGS *cont'd*

(b) Lease liabilities *cont'd*

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

	Group	
	2021	2020
	RM	RM
Minimum lease payments:		
Not later than one year	2,443,722	3,114,290
Later than one year but not later than five years	3,796,268	5,532,000
	6,239,990	8,646,290
Less: Future finance charges	(445,178)	(751,365)
Present value of minimum lease payments	5,794,812	7,894,925
Present value of minimum lease payments payable:		
Not later than one year	2,214,459	2,625,841
Later than one year but not later than five years	3,580,353	5,269,084
	5,794,812	7,894,925
Less: Amount due within twelve months	(2,214,459)	(2,625,841)
Amount due after twelve months	3,580,353	5,269,084

(c) Bankers' acceptance

The bankers' acceptance bears interests ranging from 2.47% to 3.62% (2020: 2.41% to 3.55%) per annum and is secured and supported as follows:

- (i) Legal charge over leasehold land and building of a subsidiary as disclosed in Note 6;
- (ii) Letter of set-off over first party short-term deposits as disclosed in Note 11; and
- (iii) Corporate guarantee by a related company.

15. DEFERRED TAX LIABILITIES

	As at 1 January 2021 RM	Recognised in profit or loss (Note 24) RM	As at 31 December 2021 RM
Group			
Deferred tax liabilities:			
Property, plant and equipment	3,027,056	2,463,320	5,490,376
	3,027,056	2,463,320	5,490,376
	As at 1 January 2020 RM	Recognised in profit or loss (Note 24) RM	As at 31 December 2020 RM
Group			
Deferred tax liabilities:			
Property, plant and equipment	1,793,363	1,233,693	3,027,056
	1,793,363	1,233,693	3,027,056

NOTES TO THE FINANCIAL STATEMENTS

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15. DEFERRED TAX LIABILITIES *cont'd*

Unrecognised deferred tax assets

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

	Group	
	2021	2020
	RM	RM
Deductible temporary different of property, plant and equipment	11,800	-
Unused tax losses	122,200	50,000
Unabsorbed capital allowances	64,900	48,200
Unclaimed lease liabilities	4,200	19,000
	203,100	117,200

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendment to Section 44(5F) of Income Tax Act 1967, the time limit on the carried forward unused tax losses has been extended to maximum 10 consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unused tax losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

16. PROVISION

Group	Short-term compensated leaves	Total
	RM	RM
At 1 January 2020	256,792	256,792
Recognised in profit or loss	176,894	176,894
Utilised/paid during the financial year	(256,792)	(256,792)
At 31 December 2020	176,894	176,894
At 1 January 2021	176,894	176,894
Recognised in profit or loss	387,429	387,429
Utilised/paid during the financial year	(176,894)	(176,894)
At 31 December 2021	387,429	387,429

Short-term compensated leaves

The provision is made for short-term compensated leaves for employees and is based on the number of days of outstanding compensated leaves of each employee multiplied by their respective salary/wages as at year end.

NOTES TO THE FINANCIAL STATEMENTS

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17. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Trade					
Third parties	(a)	30,865,792	31,626,113	-	-
Non-trade					
Other payables		29,054,594	17,318,168	13,992	191,119
Accruals		2,366,207	3,258,722	273,000	190,400
Amount owing to a subsidiary	(b)	-	-	-	32,830
		31,420,801	20,576,890	286,992	414,349
Total trade and other payables		62,286,593	52,203,003	286,992	414,349

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days.

(b) Amount owing to a subsidiary

Amount owing to a subsidiary is unsecured, non-interest bearing and repayable upon demand.

For explanation on the Group's and the Company's liquidity risk management processes, refer to Note 27(b)(ii).

18. DERIVATIVE FINANCIAL LIABILITIES

	Group	
	2021 RM	2020 RM
Derivatives used for hedging:		
Forward foreign exchange contracts	607,213	148,631

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity. The notional principal amounts of the Group's outstanding forward foreign exchange contracts as at 31 December 2021 were RM70,878,397 (2020: RM25,589,248).

NOTES TO THE FINANCIAL STATEMENTS

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18. DERIVATIVE FINANCIAL LIABILITIES *cont'd*

Fair value hedge

	Carrying amount RM	Change in fair value RM	Nominal value RM	Line item in the financial statements
31 December 2021				
Derivatives used for hedging:				
Forward foreign exchange contracts	607,213	458,582	70,878,397	Derivatives liabilities
31 December 2020				
Derivatives used for hedging:				
Forward foreign exchange contracts	148,631	22,416	25,589,248	Derivatives liabilities

19. REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At a point in time:				
Dividend income	-	-	6,750,000	-
Manufacturing of cables and wires	652,970,685	559,039,951	-	-
Related products and services	6,968,649	3,686,785	-	-
	659,939,334	562,726,736	6,750,000	-

20. OTHER INCOME

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Bad debts recovered	-	19,842	-	-
Interest income	1,008,916	1,554,861	238,519	237,546
Gain on disposal of property, plant and equipment	46,999	35,000	-	-
Net unrealised foreign exchange gain	574,232	-	-	-
Sundry income	625,053	174,176	-	-
Scrap sales	151,826	298,308	-	-
	2,407,026	2,082,187	238,519	237,546

NOTES TO THE FINANCIAL STATEMENTS

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21. FINANCE COSTS

	Group	
	2021 RM	2020 RM
Interest expenses on:		
- Term loans	192,989	467,987
- Lease liabilities	362,669	587,965
- Bankers' acceptance	5,001,040	5,153,740
- Bank overdrafts	9,704	18,426
- Others	274,736	167,641
	5,841,138	6,395,759

22. PROFIT/(LOSS) BEFORE TAX

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

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Auditors' remuneration					
- Current year		125,000	120,000	25,000	20,000
- Prior year		-	2,750	-	-
- Other		64,000	59,604	64,000	59,064
Depreciation of property, plant and equipment	5	4,706,369	3,393,662	-	-
Depreciation of right-of-use assets	6	2,705,414	3,297,445	-	-
Depreciation of investment properties	7	6,486	6,485	-	-
Employee benefits expense	23	26,811,241	26,041,943	248,000	172,000
Expense relating to lease of low value asset		1,864	3,572	-	-
Expense relating to short-term lease		107,468	132,047	-	-
Fair value loss on derivative financial instruments		458,582	64,417	-	-
Property, plant and equipment written off		2	758	-	-
Right-of-use assets written off		7,871	-	-	-
Net realised foreign exchange loss		258,851	308,213	-	-

NOTES TO THE FINANCIAL STATEMENTS

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23. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Salaries, allowances and bonuses	24,177,378	22,732,931	248,000	172,000
Defined contribution plans	1,987,493	1,800,742	-	-
Provision for employee benefits (net)	210,535	(79,898)	-	-
Other staff related expenses	435,835	1,588,168	-	-
	26,811,241	26,041,943	248,000	172,000

Employee benefits expense include staff cost under cost of sales, administrative expenses and distribution expenses.

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Included in employee benefits expense are:				
Directors' remuneration				
- Salaries, allowances and bonuses	2,230,853	2,149,053	248,000	172,000
- Defined contribution plans	213,420	238,261	-	-
- Other staff related expenses	3,641	10,554	-	-
	2,447,914	2,397,868	248,000	172,000

24. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2021 and 31 December 2020 are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	1,289,300	7,551,000	-	-
- Adjustment in respect of prior years	(348,302)	(32,423)	6,888	-
	940,998	7,518,577	6,888	-
Deferred tax (Note 15):				
- Origination of temporary differences	2,308,220	634,493	-	-
- Adjustments in respect of in prior years	155,100	599,200	-	-
	2,463,320	1,233,693	-	-
Income tax expense recognised in profit or loss	3,404,318	8,752,270	6,888	-

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

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

24. INCOME TAX EXPENSE *cont'd*

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(loss) before tax	14,310,133	30,014,187	5,410,483	(1,928,431)
Tax at the Malaysian statutory income tax rate of 24%	3,434,432	7,203,428	1,298,516	(58,917)
Adjustments:				
Income not subject to tax	(253,200)	(97,800)	(1,677,200)	-
Non-deductible expenses	1,225,488	1,444,965	378,684	58,917
Deferred tax not recognised on temporary differences	85,900	1,700	-	-
Utilisation of reinvestment allowance claimed	(895,100)	(366,800)	-	-
Adjustments in respect of current income tax in prior years	(348,302)	(32,423)	6,888	-
Adjustments in respect of deferred tax in prior years	155,100	599,200	-	-
Income tax expense	3,404,318	8,752,270	6,888	-

25. EARNINGS PER SHARE

(a) Basic earnings per ordinary share

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

	Group	
	2021 RM	2020 RM
Profit attributable to owners of the Company	10,905,815	21,261,917
Weighted average number of ordinary shares	800,000,000	800,000,000
Basic earnings per ordinary share (sen)	1.4	2.7

(b) Diluted earnings per ordinary share

The diluted earnings per share of the Group for the financial year are equivalent to the basic earnings per ordinary shares of the Group as the Company has no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

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26. DIVIDENDS

	Group/Company	
	2021	2020
	RM	RM
31 December 2021		
Single tier final dividend of 0.40 sen per ordinary share in respect of the financial year ended 31 December 2020, paid on 16 July 2021	3,200,000	-

At the forthcoming Annual General Meeting, a single tier final dividend of 0.21 sen (2020: 0.40 sen) per ordinary share, amounting to RM1,680,000 (2020: RM3,200,000) in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2021, will be proposed for the shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

- (i) Amortised cost
- (ii) FVPL

	Carrying amount	Amortised cost	FVPL
	RM	RM	RM
As at 31 December 2021			
Financial assets			
Group			
Trade and other receivables less prepayments and advance payment	195,090,022	195,090,022	-
Cash and short-term deposits	35,411,485	35,411,485	-
	<u>230,501,507</u>	<u>230,501,507</u>	-
Company			
Other receivable	57,368,564	57,368,564	-
Cash and short-term deposits	13,002,234	13,002,234	-
	<u>70,370,798</u>	<u>70,370,798</u>	-
Financial liabilities			
Group			
Loans and borrowings	(166,730,098)	(166,730,098)	-
Trade and other payables	(62,286,593)	(62,286,593)	-
Derivative financial liabilities	(607,213)	-	(607,213)
	<u>(229,623,904)</u>	<u>(229,016,691)</u>	<u>(607,213)</u>
Company			
Other payables	(286,992)	(286,992)	-

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

	Carrying amount RM	Amortised cost RM	FVPL RM
As at 31 December 2020			
Financial assets			
Group			
Trade and other receivables less prepayments and advance payment	154,469,343	154,469,343	-
Cash and short-term deposits	129,420,001	129,420,001	-
	283,889,344	283,889,344	-
Company			
Other receivable less prepayments	33,809,900	33,809,900	-
Cash and short-term deposits	34,321,117	34,321,117	-
	68,131,017	68,131,017	-
Financial liabilities			
Loans and borrowings	(124,990,107)	(124,990,107)	-
Trade and other payables	(52,203,003)	(52,203,003)	-
Derivative financial liabilities	(148,631)	-	(148,631)
	(177,341,741)	(177,193,110)	(148,631)
Company			
Other payables	(414,349)	(414,349)	-

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's and the Company's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

27. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Trade receivables

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

The carrying amounts of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, The Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group has no significant concentration of credit risk from its receivables.

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's and the Company's trade receivables are as follows:

	Trade receivables						Total
	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	>120 days past due	
At 31 December 2021							
Gross carrying amount as default	117,573,234	33,552,344	15,984,960	10,929,972	5,296,923	11,344,533	194,681,966
Impairment losses	-	-	-	-	-	-	-
Net balance	117,573,234	33,552,344	15,984,960	10,929,972	5,296,923	11,344,533	194,681,966
At 31 December 2020							
Gross carrying amount as default	79,794,282	27,940,656	17,381,488	10,010,359	8,481,892	10,326,250	153,934,927
Impairment losses	-	-	-	-	-	-	-
Net balance	79,794,282	27,940,656	17,381,488	10,010,359	8,481,892	10,326,250	153,934,927

As at the end of the reporting date, the Group and the Company consider the trade receivables as low credit risk.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

27. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities, cash and cash equivalents and derivatives), The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than the credit term in making a contractual payment.

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of the reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible. Refer to Note 3.10(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Group is exposed to credit risk in relation to financial guarantees given to banks in respect of performance and warranty bonds issued to certain customers.

The maximum exposure to credit risks amounts to RM29,217,846 (2020: RM40,816,440), representing the maximum amount the Group could pay if the guarantees are called.

Generally, the Group considers the financial guarantees to be of low credit risk as the guarantees are provided as performance and warranty bonds on delivery performance.

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Financial guarantee contracts *cont'd*

The Group monitors delivery performance on an on-going basis. As at the reporting date, there was no indication of any delivery performance issues.

As at the reporting date, there was no loss allowance for impairment as determined by the Group for the financial guarantees.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables and loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's finance department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

	← Contractual cash flows →				Total RM
	Carrying amount RM	On demand or within one year RM	Between one to five years RM	More than five years RM	
As at 31 December 2021					
Financial liabilities					
Group					
Term loans	6,349,368	1,236,178	4,360,226	1,702,280	7,298,684
Lease liabilities	5,794,812	2,443,722	3,796,268	-	6,239,990
Bankers' acceptance	154,585,918	154,585,918	-	-	154,585,918
Trade and other payables	62,286,593	62,286,593	-	-	62,286,593
Derivative financial liabilities	607,213	607,213	-	-	607,213
	<u>229,623,904</u>	<u>221,159,624</u>	<u>8,156,494</u>	<u>1,702,280</u>	<u>231,018,398</u>
Company					
Other payables	286,992	286,992	-	-	286,992

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(ii) Liquidity risk *cont'd*

Maturity analysis *cont'd*

	← Contractual cash flows →				Total RM
	Carrying amount	On demand or within one year	Between one to five years	More than five years	
	RM	RM	RM	RM	
As at 31 December 2020					
Financial liabilities					
Group					
Term loans	10,768,179	9,251,474	1,541,776	2,105,142	12,898,392
Lease liabilities	7,894,925	3,114,946	5,532,017	-	8,646,963
Bankers' acceptance	106,327,003	106,327,003	-	-	106,327,003
Trade and other payables	52,203,003	52,203,003	-	-	52,203,003
Derivative financial liabilities	148,631	148,631	-	-	148,631
	177,341,741	171,045,057	7,073,793	2,105,142	180,223,992
Company					
Other payables	414,349	414,349	-	-	414,349

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's trade and other receivables, cash and bank balances and trade and other payables.

Management has set up a policy that requires all companies within the Group to manage their treasury activities and exposures. The Group's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group also take advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

27. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(iii) Foreign currency risk *cont'd*

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	Group	
	2021	2020
	RM	RM
Financial assets and (liabilities) not held in functional currency:		
Trade receivables		
United States Dollar ("USD")	2,195,590	10,779,770
Cash and bank balances		
USD	7,161,030	3,812,160
Trade payables		
USD	(3,601,730)	(833,900)
Other payables		
USD	(32,020)	(39,680)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant on the Group's total equity and profit for the financial year.

	Carrying amount	Change in rate	Effect on profit for the financial year/equity
	RM	%	RM
31 December 2021			
USD	5,722,870	+15%	652,407
		-15%	(652,407)
31 December 2020			
USD		+15%	1,563,892
	13,718,350	-15%	(1,563,892)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings and short-term deposits with floating interest rates.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

27. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(iv) Interest rate risk *cont'd*

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year.

	Carrying amount RM	Change in basis point	Effect on profit for the financial year/equity RM
31 December 2021			
Group			
Term loans	(6,349,368)	+50	(24,128)
		-50	24,128
Bankers' acceptance	(154,585,918)	+50	(587,426)
		-50	587,426
Short-term deposits	8,198,464	+50	31,154
		-50	(31,154)
31 December 2020			
Group			
Term loans	(10,768,179)	+50	(40,919)
		-50	40,919
Bankers' acceptance	(106,327,003)	+50	(404,043)
		-50	404,043
Short-term deposits	100,131,597	+50	380,500
		-50	(380,500)
Company			
Short-term deposits	33,083,966	+50	125,719
		-50	(125,719)

(c) Fair value measurement

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

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year (2020: no transfers in either directions).

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

27. FINANCIAL INSTRUMENTS *cont'd*

(c) Fair value measurement *cont'd*

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

Group	Carrying amount	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	
	RM	RM	RM	RM	RM	RM	RM	RM
31 December 2021								
Financial liabilities								
Term loans	5,048,669	-	-	-	-	-	4,960,697	4,960,697
Derivative financial liabilities	607,213	-	607,213	-	-	-	607,213	-
31 December 2020								
Financial liabilities								
Term loans	2,748,780	-	-	-	-	-	2,741,182	2,741,182
Derivative financial liabilities	148,631	-	148,631	-	-	-	148,631	-
Level 2 fair value								
<u>Fair value of financial instruments carried at fair value</u>								

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Level 3 fair value

Fair value of financial instruments not carried at fair value

The fair value of liability component of term loans is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

28. COMMITMENTS

The Group has made commitments for the following capital expenditures:

	Group	
	2021	2020
	RM	RM
Capital expenditures contracted but not provided for:		
- Plant and machineries, Construction of buildings and Enterprise Resources Planning information technology system	7,518,191	7,150,179
Capital expenditures not contracted and not provided for:		
- Plant and machineries, Construction of buildings and Enterprise Resources Planning information technology system	9,401,601	21,051,215
	16,919,792	28,201,394

29. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Subsidiaries;
- (ii) Entities in which directors have substantial financial interest;
- (iii) A person(s) connected to a director; and
- (iv) Key management personnel of the company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Rental expense charged by				
A person connected to a director	54,000	54,000	-	-
Dividend received				
Subsidiaries	-	-	6,750,000	-

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

29. RELATED PARTIES *cont'd*

(c) Compensation of key management personnel

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, allowances and bonuses	3,488,018	3,414,255	248,000	172,000
Defined contribution plans	361,925	387,308	-	-
Other staff related expenses	22,681	28,593	-	-
	<u>3,872,624</u>	<u>3,830,156</u>	<u>248,000</u>	<u>172,000</u>

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using net gearing ratio. The net gearing ratio is calculated as total net debts divided by equity attributable to the owners of the Group. The net gearing ratio as at 31 December 2021 and 31 December 2020 are as follows:

	Note	Group	
		2021 RM	2020 RM
Loans and borrowings	14	166,730,098	124,990,107
Less: Cash and short-term deposits	11	(35,411,485)	(129,420,001)
Total net debts		<u>131,318,613</u>	<u>(4,429,894)</u>
Total equity		<u>274,966,850</u>	<u>267,261,035</u>
Net gearing ratio (times)		<u>0.48</u>	<u>NA</u>

There were no bank borrowings for the Company for the financial years ended 31 December 2021 and 31 December 2020. Accordingly, calculation of net debts equity ratio is not meaningful to the Company. There were no changes in the Group's approach to capital management during the financial years under review.

The Group is required to comply with externally imposed capital requirements on current ratio, leverage ratio and maintain certain net worth in respect of its bank borrowings. The Group has complied with those capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Coronavirus Disease (“COVID-19”) outbreak

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order (“MCO”) to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments on the overall impact of the situation on the Group’s and the Company’s operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

(b) Status of Corporate Proposals

On 28 April 2021, MIDF Amanah Investment Bank Berhad had, on behalf of the Board of Directors of the Company, announced that the Company proposes to undertake the transfer of the listing of and quotation for the entire issued share capital of the Company from the ACE Market to Main Market of Bursa Securities (“Transfer”). The Transfer was completed on 28 October 2021.

32. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group’s strategic business units which are regularly reviewed by the directors for the purpose of making decisions about resources allocation and performance assessment.

The four reportable operating segments are as follows:

Segments	Product and services
Power cables and wires	Used in electrical systems for the distribution of power.
Communications cables and wires	Used to transmit data including text, sound and images by using electrical current of various frequencies.
Control and instrumentation cables and wires	Used to transmit electrical signals and data to measure, monitor, control and regulate industrial process automation plants.
Related products and services	Includes manufacture of copper and aluminium rod, plastic compound, wooden cable drums, trading and supply of cables and wires.

Inter-segment pricing is determined on negotiated basis.

Segments profit

Segment performance is used to measure performance as Group’s Managing Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

32. SEGMENT INFORMATION cont'd

Segments liabilities cont'd

	Note	Power cables and wires		Communication cables and wires		Control and instrumentation cables and wires		Related products and services		Adjustments and eliminations		Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
31 December 2020												
Revenue:												
Revenue from external customers		458,423,501	21,708,224	28,153,546	54,441,465	-	562,726,736					
Inter-segment revenue	A	-	-	-	26,111,149	(26,111,149)	-					
		458,423,501	21,708,224	28,153,546	80,552,614	(26,111,149)	562,726,736					
Segment profit		46,027,777	3,405,770	3,554,056	2,853,422	54,552	55,895,577					
Other income							2,082,187					
Unallocated expenses							(21,567,818)					
Finance costs							(6,395,759)					
Income tax expense							(8,752,270)					
Profit for the financial year							21,261,917					
Results:												
<i>Included in the measure of segments profit are:</i>												
Employee benefits expense							26,041,943					
Depreciation and amortisation							6,697,592					

NOTES TO THE FINANCIAL STATEMENTS

Cont'd

32. SEGMENT INFORMATION *cont'd*

A. Inter-segment revenue

Inter-segment revenue are eliminated on combination.

Geographical information

Revenue and non-current assets information based on the geographical location of customers are as follows:

	Revenue RM	Non-current assets RM
31 December 2021		
Local	641,279,555	87,456,724
Overseas	18,659,779	-
	<u>659,939,334</u>	<u>87,456,724</u>
31 December 2020		
Local	523,446,681	71,653,422
Overseas	39,280,055	-
	<u>562,726,736</u>	<u>71,653,422</u>

The Group operates predominantly in Malaysia and hence, non-current assets are all held in Malaysia.

Information about major customers

For power cables and wires, communication cables and wires and control and instrumentation cables and wires, revenue from one (1) customer represented approximately RM148,131,794 (2020: RM80,716,000) of the Group's total revenue.

STATEMENT BY DIRECTORS

(Pursuant to Section 251(2) of the Companies Act 2016)

We, **TUNG ENG HAI** and **WONG MENG KEE**, being two of the directors of SOUTHERN CABLE GROUP BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

TUNG ENG HAI
Director

Penang

Date: 31 March 2022

WONG MENG KEE
Director

STATUTORY DECLARATION

(Pursuant to Section 251(1) of the Companies Act 2016)

I, **SONG SWEE KIM**, being the officer primarily responsible for the financial management of SOUTHERN CABLE GROUP BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SONG SWEE KIM
(MIA Membership No: 27362)

Subscribed and solemnly declared by the abovenamed at George Town in the State of Penang on 31 March 2022.

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of Southern Cable Group Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Southern Cable Group Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We 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 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.

Group

8.1 Trade receivables (Note 10 to the financial statements)

The Group has significant trade receivables as at 31 December 2021. We focused on this area because the Group made significant judgements and the level of uncertainty involved on assessing customer's specific conditions, credit history as well as forward looking information.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculation;
- discussing with management the significant credit exposures of receivables which were significantly overdue through understanding of ageing reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering level of activity with the customer and understanding explanation from management on recoverability of receivables with significant past due balances; and
- discussing with management the reasonableness of any impairment loss provided as at the end of the reporting period.

INDEPENDENT AUDITORS' REPORT

To the Members of Southern Cable Group Berhad
Cont'd

Key Audit Matters *cont'd*

Group

8.2 Inventories (Note 9 to the financial statements)

The Group accounting policy is to use standard costing in measuring its finished goods, which includes an element of estimation in the allocation of overhead costs. We considered this to be a key audit matter given the level of judgements involved in determining the cost of inventories and the significant balances of inventories.

Our response:

Our audit procedures included, among others:

- understanding the management's process in the application of standard costing in measuring its inventories, including the allocation of overhead costs;
- testing the costing on samples of inventories by recomputing the elements which made up the standard cost; and
- observing year end physical inventory count to observe physical existence and condition of the inventories and understanding the design and implementation of controls during the count.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT

To the Members of Southern Cable Group Berhad

Cont'd

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS *cont'd*

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 and 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 the 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.

INDEPENDENT AUDITORS' REPORT

To the Members of Southern Cable Group Berhad

Cont'd

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

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

OTHER MATTERS

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

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2022 J
Chartered Accountant

Kuala Lumpur

Date: 31 March 2022

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2022

Total Number of Issued Shares	:	800,000,000 ordinary shares
Class of Equity Securities	:	Ordinary shares ("shares")
Voting Rights by Show of Hands	:	One vote for every member
Voting Rights by Poll	:	One vote for every share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	%	No. of Shares	%
1-99	-	-	-	-
100-1,000	371	7.06	254,500	0.03
1,001-10,000	2,369	45.06	14,618,100	1.83
10,001-100,000	2,110	40.13	76,076,200	9.51
100,001-less than 5% of issued shares	406	7.72	167,498,388	20.94
5% and above of issued shares	2	0.04	541,552,812	67.69
TOTAL:	5,258	100.00	800,000,000	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Sino Shield Sdn. Bhd. ("Sino")	285,524,412	35.69	-	-
Semangat Handal Sdn. Bhd. ("Semangat")	256,028,400	32.00	-	-
Tung Eng Hai	-	-	285,524,412 ⁽¹⁾	35.69
Ooi Gaik Bee	-	-	285,524,412 ⁽¹⁾	35.69
Wong Meng Kee	1,459,204	0.18	292,388,412 ⁽²⁾	36.55
Tung Cheng Im	6,864,000	0.86	286,983,616 ⁽³⁾	35.87
Fawiza Binti Faiz	-	-	256,028,400 ⁽⁴⁾	32.00

Notes:

- (1) Deemed interested by virtue of his/her shareholdings in Sino pursuant to Section 8(4) of the Companies Act 2016 ("Act").
- (2) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act, his spouse, Tung Cheng Im's direct shareholdings in the Company pursuant to Section 221(9) of the Act.
- (3) Deemed interested by virtue of her spouse, Wong Meng Kee's direct and indirect shareholdings in the Company.
- (4) Deemed interested by virtue of her shareholdings in Semangat pursuant to Section 8(4) of the Act.

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2022

Cont'd

DIRECTORS' SHAREHOLDINGS

(As per the Register of Directors' Shareholdings)

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tung Eng Hai	-	-	285,524,412 ⁽¹⁾	35.69
Wong Meng Kee	1,459,204	0.18	292,388,412 ⁽²⁾	36.55
Rizvi Bin Abd Halim	400,000	0.05	-	-
Wong Kar Wai	600,000	0.08	-	-
Eugene Lee Cheng Hoe	400,000	0.05	-	-
Daphne Choy Gaik Hoe	400,000	0.05	-	-

Notes:

- (1) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act.
(2) Deemed interested by virtue of his shareholdings in Sino pursuant to Section 8(4) of the Act, his spouse, Tung Cheng Im's direct shareholdings in the Company pursuant to Section 221(9) of the Act.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2022

(without aggregating the securities from different securities accounts belonging to the same registered holder)

No	Name	No. of Shares held	%
1	Sino Shield Sdn. Bhd.	285,524,412	35.69
2	Semangat Handal Sdn. Bhd.	256,028,400	32.00
3	Tung Siew Luan	12,700,800	1.59
4	Tung Cheng Im	6,864,000	0.86
5	Tan Chin Keat	5,456,208	0.68
6	Teh Kiak Seng	4,000,000	0.50
7	Kenanga Nominees (Tempatan) Sdn. Bhd. Teh Kiak Seng	3,980,000	0.50
8	Ooi Hock Guan	2,600,000	0.33
9	Tan Chee Tat	2,248,100	0.28
10	Yeoh Chin Kiang	2,164,000	0.27
11	Kenanga Nominees (Tempatan) Sdn. Bhd. Lim Kok Khong	2,000,000	0.25
12	So Kean Thong	1,874,000	0.23
13	Ong Choo Chuan	1,824,000	0.23
14	Lim Chee How	1,761,200	0.22
15	Tung Cheng Suan	1,615,000	0.20
16	Teh Deng Wei	1,600,000	0.20
17	Poh Chean Juan	1,501,000	0.19
18	Ooi Sing Hwat	1,500,000	0.19
19	Wong Meng Kee	1,459,204	0.18

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2022

Cont'd

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 MARCH 2022 *cont'd*

(without aggregating the securities from different securities accounts belonging to the same registered holder)

No	Name	No. of Shares held	%
20	Oan Yee Lai	1,437,900	0.18
21	Sow Sian	1,409,300	0.18
22	Koh Soon Xiang	1,384,000	0.17
23	Chan Wing Ngon	1,330,000	0.17
24	Chong Heang Sue	1,309,488	0.16
25	Yiam Chorng Yin	1,309,488	0.16
26	Gee Hin Engineering Sdn. Bhd.	1,236,800	0.15
27	Ooi Geak See	1,164,100	0.15
28	Teh Eng Guan	1,129,000	0.14
29	Ong Tick Gee	1,120,000	0.14
30	Sonny Lim Choon Seong	1,037,000	0.13

LIST OF PROPERTIES

As at 31 December 2021

Property	Description and Existing Use of Building/Land	Tenure	Land Area (sq ft)	Date of acquisition	Age of Building (years)	Net book value as at 31 Dec 2021 RM'000	
1.	Land and buildings Lots 35 and 42, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	A single storey detached factory with double storey office Office and factory	Leasehold expiring on 10 December 2055 and 7 July 2055	194,999	1995	25	4,516
2.	Land and buildings Lot 34, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	A single storey and a three (3) storey factory Factory	Leasehold expiring on 16 April 2062	130,060	2005	15	5,840
3.	Land and buildings Lots 43 and 44, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	Two (2) units of single storey detached factory with double storey office Office and factory	Leasehold expiring on 14 June 2055	176,593	2007	Factory 14 Office 12	6,506
4.	Land and building PT 4846, Kawasan Perusahaan Cendana, 08000 Sungai Petani, Kedah Darul Aman	A single storey detached factory with office Office and factory	Freehold	55,262	2008	Office 17 and factory 5	1,341
5.	Land and buildings Lots 36 and 41, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	Two (2) units of single storey detached factory with office Office, factory and warehouse	Leasehold expiring on 16 April 2062	194,999	2011	Office and warehouse 25 Office and factory 7 years	4,810

LIST OF PROPERTIES

As at 31 December 2021

Cont'd

Property	Description and Existing Use of Building/Land	Tenure	Land Area (sq ft)	Date of acquisition	Age of Building (years)	Net book value as at 31 Dec 2021 RM'000		
6	Land and building Lot 39, Jalan Merbau Pulas, Kawasan Perusahaan Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	A single storey detached factory Office and factory		Leasehold expiring on 6 September 2069 (with an option to renew for a further 39 years)	93,797	2013	2	3,286
7	Land and building PTD 12913, 46 Jalan Alam Jaya 1, Taman Perindustrian Alam Jaya, 81500 Pekan Nanas, Johor Darul Takzim	One and a half (1½) storey semi-detached factory and office Office and warehouse		Freehold	12,680	2017	5	2,166
8	Land and building No. 12A-G, Pusat Teknologi Sunsuria, Jalan Teknologi, Taman Sains Selangor, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan	One and a half (1½) storey semi-detached industrial building Vacant		Leasehold expiring on 4 January 2110	11,055	2018	11	6,295
9	Land Lot 28, Kawasan Perindustrian Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	Vacant land Vacant		Leasehold expiring on 16 April 2062 (with an option to renew for a further 39 years)	119,307	2019	N/A	1,073
10	Land Lot 29, Kawasan Perindustrian Kuala Ketil, 09300 Kuala Ketil, Kedah Darul Aman	Vacant land Vacant		Leasehold expiring on 16 April 2062 (with an option to renew for a further 39 years)	115,206	2019	N/A	1,036

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of SOUTHERN CABLE GROUP BERHAD (“Southern Cable” or “the Company”) will be held on a fully virtual basis and entirely via remote participation and electronic voting via an online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657) on Monday, 27 June 2022 at 11:00 a.m. or any adjournment thereof, to transact the following businesses :-

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note 1*
2. To approve the payment of a Final Dividend of 0.21 sen per ordinary share for the financial year ended 31 December 2021. *(Ordinary Resolution 1)*
3. To approve the payment of Directors’ fees and benefits of up to RM300,000 for the financial year ending 31 December 2022. *(Ordinary Resolution 2)*
4. To re-elect the following Directors who retire by rotation pursuant to Clause 85 of the Company’s Constitution:-
 - i) Mr. Wong Kar Wai *(Ordinary Resolution 3)*
 - ii) En. Rizvi Bin Abd Halim *(Ordinary Resolution 4)*
5. To re-appoint Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next Annual General Meeting (“AGM”) and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 5)*

AS SPECIAL BUSINESS:

To consider and if thought fit, pass with or without any modifications, the following resolutions :-

6. **GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 (“ACT”)** *(Ordinary Resolution 6)*

“THAT subject always to the Constitution of the Company, the Act, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental/regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, 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 does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue in force until the conclusion of the AGM of the Company held next after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier.”

NOTICE OF ANNUAL GENERAL MEETING

Cont'd

7. PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

(Special Resolution)

“THAT the proposed amendments to the Constitution of the Company as set out in the “Appendix A”, be approved and adopted with immediate effect AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments for and on behalf of the Company.”

8. To transact any other business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a Final Dividend of 0.21 sen per ordinary share in respect of the financial year ended 31 December 2021, if approved by the shareholders at the Third AGM of the Company, will be paid on 29 July 2022 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 15 July 2022.

A depositor shall qualify for entitlement to the dividend only in respect of :-

- (i) Shares transferred into the Depositor’s Securities Account before 4.30 p.m. on 15 July 2022 in respect of ordinary transfers; and
- (ii) Shares bought on Bursa Securities on a cum-entitlement basis according to the Rules of Bursa Securities.

By order of the Board

TEA SOR HUA (MACS 01324) (CCM PC NO. 201908001272)

Company Secretary

Petaling Jaya, Selangor Darul Ehsan
29 April 2022

Notes:

- (a) *According to the Revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021 (“Revised Guidance Note and FAQs”). The Revised Guidance Note and FAQs state that an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.*
- (b) *A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) who is entitled to attend, participate, speak and vote at the Third AGM (“3rd AGM” or “Meeting”) shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*
- (c) *A proxy may but need not be a member of the Company. A proxy appointed to attend, participate, speak (in the form of real-time submission of typed texts) and vote at the Meeting shall have the same rights as the members to speak at the Meeting.*
- (d) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.*
- (e) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

NOTICE OF ANNUAL GENERAL MEETING

Cont'd

- (f) 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- (g) The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be deposited at the office of the Company’s Poll Administrator, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting, otherwise, the instrument of proxy should not be treated as valid. The proxy may also be lodged electronically via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>
- (h) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 63(b) of the Company’s Constitution to issue a General Meeting Record of Depositors as at **20 June 2022**. Only members whose names appear in the General Meeting Record of Depositors as at **20 June 2022** shall be entitled to attend, participate, speak (in the form of real-time submission of typed texts) and vote at the Meeting.
- (i) All the resolutions set out in this Notice of the Meeting will be put to vote by poll.
- (j) The members are advised to refer to the Administrative Notes on the registration process for the Meeting.
- (k) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the Meeting at short notice. Kindly check Bursa Securities’ and Company’s website at <https://www.southerncable.com.my/> for the latest updates on the status of the Meeting.

EXPLANATORY NOTES TO ORDINARY BUSINESS AND SPECIAL BUSINESS

1. Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2021

The Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the audited financial statements. Hence, this Agenda is not put forward for voting.

2. Items 3 of the Agenda - Directors’ Fees and Benefits

Pursuant to Section 230(1) of the Act, the Directors’ fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved by the shareholders at a general meeting. This resolution is to facilitate payment of Directors’ fees and benefits for the financial year ending 31 December 2022. In the event the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM of the Company for such shortfall.

3. Item 4 of the Agenda - Re-election of Directors

Clause 85 of the Company’s Constitution provides that one-third (1/3) of the Directors of the Company for the time being or if their number is not three or a multiple of three, then the number nearest to one-third (1/3) shall retire by rotation at an AGM of the Company and be eligible for re-election provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Hence, two (2) out of six (6) Directors of the Company are to retire in accordance with Clause 85 of the Company’s Constitution.

Mr. Wong Kar Wai and Encik Rizvi Bin Abd Halim (“Retiring Directors”) who were appointed to the Board on 28 May 2019, will retire and being eligible, have offered themselves for re-election at the 3rd AGM in accordance with Clause 85 of the Company’s Constitution.

The Board has endorsed the Nomination and Remuneration Committee’s recommendation to seek for shareholders’ approval to re-elect the Retiring Directors as they possess the required skill sets to facilitate and contribute to the Board’s effectiveness and value.

The Retiring Directors had abstained from all deliberations and decisions on their own eligibility to stand for re-election at the Board meeting.

The details and profiles of the Retiring Directors are provided in the Directors’ Profile on Pages 26 to 28 of the Company’s Annual Report 2021.

NOTICE OF ANNUAL GENERAL MEETING

Cont'd

4. **Item 6 of the Agenda - General Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Act**

The Company had at its Second Annual General Meeting held on 10 June 2021 ("2nd AGM"), obtained a general mandate pursuant to Sections 75 and 76 of the Act from its shareholders, to empower the Directors to issue and allot shares in the Company to such persons, at any time, 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 does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("20% General Mandate"). This 20% General Mandate will expire at the conclusion of this AGM.

As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to this 20% General Mandate granted to the Directors at the 2nd AGM which will lapse at the conclusion of this AGM.

In view of the challenging time due to the COVID-19 pandemic, Bursa Securities had on 16 April 2020 introduced this 20% General Mandate and on 23 December 2021, further extended the implementation and utilisation of this 20% General Mandate to 31 December 2022 to allow a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Listing Requirements of Bursa Securities of not more than twenty per centum (20%) of the total number of issued shares (excluding treasury shares) for the issue of new securities.

The Ordinary Resolution 6 proposed under item 6 of the Agenda, is to seek the 20% General Mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act. This 20% General Mandate may be utilised by the Company to issue and allot new ordinary shares **until 31 December 2022** and thereafter, unless extended by Bursa Securities, the 10% limit under Paragraph 6.03(1) of the Listing Requirements of Bursa Securities will be reinstated. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

The Board of Directors' Statement

The Board of Directors of Southern Cable ("Board"), after due consideration, is of the opinion that this 20% General Mandate is in the best interest of the Company and its shareholders due to the unprecedented challenges brought by the COVID-19 pandemic, this 20% General Mandate is the most appropriate avenue of fund raising at this juncture. This 20% General Mandate will enable the Company to raise funds expeditiously without having to incur interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow. The funds raised will be used to finance the day-to-day operational expenses, working capital for the on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

5. **Item 7 of the Agenda – Proposed Amendments to the Constitution of the Company**

The proposed amendments to the Constitution of the Company under item 7 of the Agenda are mainly to enhance administrative efficiency.

The proposed amendments to the Constitution of the Company shall take effect once the special resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Meeting.

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF SOUTHERN CABLE GROUP BERHAD. (“THE COMPANY”)

This is the Appendix A referred to item 7 of the Agenda of the Notice of Third Annual General Meeting (“3rd AGM”) of the Company dated 29 April 2022.

Clause No.	Existing Clause	Proposed Clause
61 <i>Meetings of members at two or more venues</i>	The meeting of its Members may be held by fully virtual or hybrid at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and subject to Clause 69, the Chairman shall be present at the main venue of the meeting. For fully virtual general meeting, the broadcast venue shall be the main venue of the meeting and all the provisions of this Constitution as to meetings of Members shall also apply to such fully virtual general meeting.	<p>(a) The meeting of its Members may be held by fully virtual or hybrid at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing.</p> <p>(b) For a hybrid general meeting, the main venue of the meeting shall be in Malaysia and subject to Clause 69, the Chairman shall be present at the main venue of the meeting.</p> <p>(c) For a fully virtual general meeting, the broadcast venue or the online meeting platform which located in Malaysia shall be recognised as the main venue of the meeting and all the provisions of this Constitution as to meetings of Members shall also apply to such fully virtual general meeting.</p> <p>(d) For a fully virtual general meeting, the main venue of the meeting shall be the broadcast venue which shall be located in Malaysia and the Chairman shall be present at the broadcast venue of the meeting; or the Uniform Resource Locator (“URL”) address of the online meeting platform or the physical address of the Registrant shall be in Malaysia and the Chairman who is present virtually at the meeting shall be deemed to be present at the main venue of the meeting.</p>

APPENDIX A

Cont'd

Clause No.	Existing Clause	Proposed Clause
107(b) <i>Meeting of Directors</i>	A member of the Board may participate in a meeting of the Board by means of a telephone conference or any other audio, or audio visual, communication means which allows all persons participating in the meeting to hear and speak with each other and such Director shall be regarded for all purposes as personally attending such a meeting and shall be counted in a quorum and be entitled to vote on the resolution tabled at a meeting of the Board.	The meeting of the Directors may be held by fully virtual or hybrid at more than one venue using any technology or method. A member of the Board or any invitees may participate in a the meeting of the Board by means of a telephone conference, or any other audio, or audio visual, or communication means which allows all persons participating in the meeting to hear and speak with each other and such Director or person shall be regarded for all purposes as personally attending attended such a meeting and such Director shall be counted in a quorum and be entitled to vote on the resolutions tabled at a the meeting of the Board .
107(c) <i>Meeting of Directors</i>	Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Directors attending the meeting PROVIDED that at least one (1) of the Directors present at the meeting was at such place for the duration of that meeting.	- Deleted -
123(a) <i>Participation at Committee Meeting by way of telephone and video conference</i>	Notwithstanding any provisions to the contrary contained in this Constitution, any member of a committee may participate at a committee meeting by means of a telephone conference or any other audio, or audio visual, communication means which allows all persons participating in the meeting to hear and speak with each other and such committee member shall be regarded for all purposes as personally attending such a meeting and shall be counted in a quorum and be entitled to vote on the resolution tabled at a meeting of the committee.	Notwithstanding any provisions to the contrary contained in this Constitution, the committee meetings may be held by fully virtual or hybrid at more than one venue using any technology or method. any A committee member of a committee or any invitees may participate at a committee in the meeting by means of a telephone conference or any other audio, or audio visual, or communication means which allows all persons participating in the meeting to hear and speak with each other and such committee member or person shall be regarded for all purposes as personally attending attended such a meeting and such committee member shall be counted in a quorum and be entitled to vote on the resolutions tabled at a meeting of the committee meeting .
123(b) <i>Participation at Committee Meeting by way of telephone and video conference</i>	Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the committee members attending the meeting PROVIDED that at least one (1) of the members present at the meeting was at such place for the duration of that meeting.	- Deleted -

APPENDIX A

Cont'd

Clause No.	Existing Clause	Proposed Clause
135(a) <i>Preparation, and circulation and publication of audited financial statements and reports of directors and auditors thereon</i>	The Directors shall cause to be prepared, sent to every Member and laid before the Company in its annual general meeting, the audited financial statements and the reports of directors and auditors thereon in accordance to the Act. The interval between the close of a financial year of the Company and the issue of such reports shall not exceed four (4) months or such other period as may be allowed by the Act and/or the provisions in the Listing Requirements.	The Directors shall cause to be prepared and circulated , sent to every Member and laid before the Company in its annual general meeting, the audited financial statements and the reports of directors and auditors thereon in accordance to the Act. The interval between the close of a financial year of the Company and the issue of such reports shall not exceed four (4) months or such other period as may be allowed by the Act and/or the provisions in the Listing Requirements.
135(b) <i>Preparation, and circulation and publication of audited financial statements and reports of directors and auditors thereon</i>	A copy of each the audited financial statements and reports of directors and auditors thereon in printed form or in CD-ROM form or in such other form of electronic media or means or any combination thereof as permitted under the Act and the Listing Requirements, shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed by all Members entitled to attend and vote at the meeting), be sent to every Member of, and to every holder of debentures of the Company , the auditors of the Company and every person who is entitled to receive notices of general meeting under the provision of the Act or of this Constitution, provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware (or to the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise) and which does not appear on the Record of Depositors or the Register as the case may be, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.	A copy of each the audited financial statements and reports of directors and auditors thereon in printed form or in CD-ROM form or in such other form of electronic media or means or any combination thereof as permitted under the Act and the Listing Requirements, shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed by all Members entitled to attend and vote at the meeting), be sent or circulated to every Member of the Company , and to every holder of debentures of the Company , the auditors of the Company and every person who is entitled to receive notices of general meeting under the provision of the Act or of this Constitution, provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware (or to the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise) and which does not appear on the Record of Depositors or the Register as the case may be, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.

ADMINISTRATIVE GUIDE

ADMINISTRATIVE GUIDE FOR THE FULLY VIRTUAL THIRD ANNUAL GENERAL MEETING (“3rd AGM”)

Day and Date	: Monday, 27 June 2022
Time	: 11.00 a.m. or at any adjournment thereof
Online Meeting platform	: https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC - D6A357657)
Mode of Communication	: 1) Pose questions to the Board of Directors of the Company (“Board”) via real-time submission of typed texts at the meeting platform during live streaming of the 3 rd AGM. 2) Submit questions by logging into the Boardroom Smart Investor Portal at https://investor.boardroomlimited.com prior to 3 rd AGM.

Dear Shareholders,

As a precautionary measure amid the COVID-19 outbreak, the Company’s 3rd AGM will be conducted on a fully virtual basis via Online Meeting Platform, as the safety of our members, Directors, staff and other stakeholders who will attend the 3rd AGM is of paramount importance to us.

The conduct of a fully virtual 3rd AGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021 (“**Revised Guidance Note and FAQs**”). The Revised Guidance Note and FAQs state that in a fully virtual general meeting, all meeting participants including the Chairman of the meeting, board members, senior management, and shareholders are required to participate in the meeting online. Physical gatherings no matter how small are prohibited.

According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia.

We strongly encourage you to participate in the fully virtual 3rd AGM via the Virtual Meeting Facilities provided to exercise your right as a member of the Company to participate (including to pose questions to the Board and/or Management of the Company) and vote at the 3rd AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 3rd AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when our fully virtual 3rd AGM has commenced. It is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

A. **Entitlement to Participate in the 3rd AGM**

In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 June 2022 (General Meeting Record of Depositors) shall be eligible to participate in the meeting or appoint proxy(ies) to participate on his/her behalf.

B. **Form(s) of Proxy**

If you are unable to attend the 3rd AGM, you are encouraged to appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Form of Proxy in accordance with the notes and instructions printed therein.

Please ensure that the original form is deposited with Boardroom Share Registrars Sdn Bhd not less than forty-eight (48) hours before the time appointed for holding the meeting. Details of Boardroom Share Registrars Sdn Bhd can be found in the enquiry section of this document.

Alternatively, you may deposit your Form(s) of Proxy by electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> (kindly refer to Section E below).

C. **Revocation of Proxy**

If you have submitted your Form(s) of Proxy and subsequently decide to appoint another person or wish to participate in our electronic 3rd AGM yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty-eight (48) hours before the meeting.

ADMINISTRATIVE GUIDE

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D. Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the 3rd AGM will be conducted by poll. Poll administrators and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

E. Virtual Meeting Facilities

Procedure	Action
Before the day of the 3rd AGM	
1. Register Online with Boardroom Smart Investor Portal (For first time registration only)	<p>[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.]</p> <ol style="list-style-type: none"> Access website https://investor.boardroomlimited.com Click <<Register>> to sign up as a user. Complete registration and upload softcopy of MyKad (front and back) or Passport in JPEG, PNG or PDF format. Please enter a valid email address. Your registration will be verified and approved within one (1) business day and an email notification will be provided.
2. Submit a request for remote participation	<p>Registration for remote access will be opened on 29 April 2022. Please note that the closing time to submit your request is at 11.00 a.m. on 25 June 2022 (48 hours before the commencement of the 3rd AGM).</p> <p>Individual Members</p> <ol style="list-style-type: none"> Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. Select SOUTHERN CABLE GROUP BERHAD THIRD (3RD) ANNUAL GENERAL MEETING from the list of Corporate Meetings and click “Enter”. Click on “Register for RPEV”. Read and accept the General Terms & Conditions and click “Next”. Enter your CDS Account Number and thereafter submit your request. <p>Appointment of Proxy</p> <ol style="list-style-type: none"> Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. Select SOUTHERN CABLE GROUP BERHAD THIRD (3RD) ANNUAL GENERAL MEETING from the list of Corporate Meetings and click “Enter”. Click on “Submit eProxy Form”. Read and accept the General Terms and Conditions by clicking “Next” Enter your CDS Account Number and number of securities held. Select your proxy – either the Chairman of the meeting or individual named proxy(ies) and enter the required particulars of your proxy(ies). Indicate your voting instructions – FOR or AGAINST or ABSTAIN. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate DISCRETIONARY. Review and confirm your proxy appointment. Click “Apply”. Download or print the eProxy form as acknowledgment. <p>Corporate Shareholders, Authorised Nominee, and Exempt Authorised Nominee</p> <ol style="list-style-type: none"> Write into bsr.helpdesk@boardroomlimited.com by providing the name of the Member and CDS Account Number, accompanied by the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case may be) to submit the request. Please provide a copy of the Corporate Representative’s or Proxy’s MyKad (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address

ADMINSTRATIVE GUIDE

Procedure	Action
Before the day of the 3rd AGM	
3. Email notification	a. You will receive notification(s) from Boardroom that your request(s) has/have been received and is/are being verified. b. Upon system verification against the General Meeting Record of Depositories as at 20 June 2022 , you will receive an email from Boardroom either approving or rejecting your registration for remote participation together with the Meeting ID and your remote access user ID and password. You will also be notified in the event your registration is rejected.
On the day of the 3rd AGM	
4. Login to Meeting Platform	a. The Meeting Platform will be open for login one (1) hour before the commencement of the 3 rd AGM. b. The Meeting Platform can be accessed via one of the following: <ul style="list-style-type: none"> ➤ Scan the QR Code provided in the email notification; or ➤ Navigate to the website at https://meeting.boardroomlimited.my c. Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification in Step 3.
5. Participate	<p><i>[Note: Please follow the User Guides provided in the confirmation email above to view the live webcast, submit questions, and vote.]</i></p> a. If you would like to view the live webcast, select the broadcast icon.  b. If you would like to ask a question during the 3 rd AGM, select the messaging icon.  c. Type your message within the chatbox and once completed, click the send button.
6. Voting	a. Once polling has been opened, the polling icon  will appear with the resolutions and your voting choices until the Chairman declares the end of the voting session. b. To vote, select your voting direction from the options provided. A confirmation message will appear to indicate that your vote has been received. c. To change your vote, re-select your voting preference. d. If you wish to cancel your vote, please press " Cancel ".
7. End of Participation	Upon the announcement by the Chairman on the closure of the 3 rd AGM, the live webcast will end.

F. No Distribution of Door Gifts

There will be no distribution of door gifts for shareholders/proxies who join or participate in the 3rd AGM.

G. No Recording or Photography

No recording or photography of the 3rd AGM proceedings is allowed without the prior written permission of the Company.

ADMINISTRATIVE GUIDE

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H. **Enquiry**

If you have any enquiries prior to the 3rd AGM, please contact the following during office hours from Monday to Friday (8.30 a.m. to 5.30 p.m.):

Boardroom Share Registrars Sdn. Bhd.

Address : 11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

General Line : 603-7890 4700

Fax Number : 603-7890 4670

Email : bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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SOUTHERN CABLE

SOUTHERN CABLE GROUP BERHAD

201901011439 (1320767-M)
(Incorporated in Malaysia)

PROXY FORM

(Before completing this form please refer to the notes below)

No. of shares held	:	
CDS Account No.	:	

I/We* _____ NRIC/Passport/Registration No.* _____
(Full name in block)

of _____
(Address)

with email address _____ mobile phone no. _____

being a member/members* of **SOUTHERN CABLE GROUP BERHAD** ("the Company") hereby appoint(s):-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

and

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Mobile Phone No.			

or failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Third Annual General Meeting of the Company to be held on a fully virtual basis and entirely via remote participation and electronic voting via an online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657) on Monday, **27 June 2022 at 11:00 a.m.** or at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her discretion.

No.	Ordinary Resolutions	For	Against
1.	To approve the payment of a Final Dividend of 0.21 sen per ordinary share for the financial year ended 31 December 2021.		
2.	To approve the payment of Directors' fees and benefits of up to RM300,000 for the financial year ending 31 December 2022.		
3.	To re-elect Mr. Wong Kar Wai as a Director of the Company.		
4.	To re-elect En. Rizvi Bin Abd Halim as a Director of the Company.		
5.	To re-appoint Baker Tilly Monteiro Heng PLT as Auditors of the Company.		
6.	To approve the authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

No.	Special Resolution	For	Against
1.	To approve the Proposed Amendments to the Constitution of the Company.		

Dated this _____ day of _____ 2022

Signature of Member(s)/Common Seal

Fold this flap for sealing

Then fold here

AFFIX
STAMP
HERE

The Share Registrar
SOUTHERN CABLE GROUP BERHAD
[Registration No. 201901011439 (1320767-M)]
c/o **Boardroom Share Registrars Sdn. Bhd.**
[199601006647 (378993-D)]
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

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Notes:

- (a) According to the Revised Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021 ("Revised Guidance Note and FAQs"). The Revised Guidance Note and FAQs state that an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.
- (b) A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) who is entitled to attend, participate, speak and vote at the Third AGM ("3rd AGM" or "Meeting") shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- (c) A proxy may but need not be a member of the Company. A proxy appointed to attend, participate, speak (in the form of real-time submission of typed texts) and vote at the Meeting shall have the same rights as the members to speak at the Meeting.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- (e) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (f) 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- (g) The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be deposited at the office of the Company's Poll Administrator, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid. The proxy may also be lodged electronically via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>.
- (h) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at **20 June 2022**. Only members whose names appear in the General Meeting Record of Depositors as at **20 June 2022** shall be entitled to attend, participate, speak (in the form of real-time submission of typed texts) and vote at the Meeting.
- (i) All the resolutions set out in this Notice of the Meeting will be put to vote by-poll.
- (j) The members are advised to refer to the Administrative Notes on the registration process for the Meeting.
- (k) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the Meeting at short notice. Kindly check Bursa Securities' and Company's website at <https://www.southerncable.com.my/> for the latest updates on the status of the Meeting.

S O U T H E R N C A B L E . C O M . M Y

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