

# MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

## OVERVIEW OF COMPANY'S BUSINESS

Sarawak Consolidated Industries Berhad ("SCIB" or "the Group") is a Kuching-based integrated construction-and-manufacturing Group founded in 1975 as a small enterprise and has since evolved into an entity listed on the Main Market of Bursa Malaysia Securities Berhad.

Our core business is the manufacturing of precast concrete products such as Concrete Spun Pipes, Prestressed Spun Concrete Piles, RC Square Piles, RC Box Culverts, Prestressed Girder Beams, Precast Concrete Industrialised Building System ("IBS"), a construction technique whereby components are manufactured in a control environment either onsite or offsite, and other related concrete products, and other related concrete products.

The Group is the largest precast concrete products and IBS manufacturer in East Malaysia certified with Quality Management System ISO9001:2015 by SIRIM QAS. The Group's brand is well-known among housing developers and contractors in Sarawak as well as other parts of Borneo.

We operate three (3) factories in Kuching located in the Pending Industrial Estate and the Demak Laut Industrial Park with a total capacity of 500,000 tonnes yearly, which is sufficient to cater Sarawak's large public infrastructure projects such as the State's portion of the Pan Borneo Highway, Sarawak's coastal road and bridges, water and power supply, public schools, hospitals and health clinics and other infrastructure and construction projects across Oman, Qatar, Brunei and Indonesia. SCIB is a home to 281 employees and contract workers as of 31 December 2019.

### Our vision

We are a business founded on excellence and are dedicated to the creation of prosperity that can be shared with all.

### Our mission

- To operate on sound management principles in order to grow and create value for our shareholders and create career opportunities as well as financial rewards for our employees
- To produce and distribute best-in-class products leveraging on our in-house expertise
- To be a good corporate citizen by actively engaging with the community that we operate and work in while recognising the role business plays in society

### Our key markets

The Group began by supplying precast concrete and IBS products to Sarawak and parts of Sabah, Kalimantan and Brunei where we are the market leader. Now, the Group has spread its wings, diversifying to the rest of Malaysia, as well as overseas markets such as Indonesia, Oman and Qatar where it has a presence. Besides civil infrastructure projects, our products such as pipes, piles, culverts, beams and other precast concrete IBS components are used extensively in commercial, industrial and residential property projects too.

Building strategic relationships with our customers is important to us and we have gone above and beyond the normal supplier/customer affiliation as part of our plan to extend our reach and presence beyond Sarawak and Malaysia.

## MANAGEMENT DISCUSSION & ANALYSIS (MD&A) (CONT'D)

### Our strengths and opportunities

The Group has shown excellent track records as a manufacturer that not only in supplying the products but also in offering customers technical expertise, professional consultation, and customised solutions. Our record of projects and our brand-recognition, especially in Sarawak, where we are a preferred supplier not just for government but also for the private sector, is a testament to our reliability and quality.

These are our underlying strengths:

- i) The leading spun pile and IBS hollow core and panel walls manufacturer in East Malaysia
- ii) Largest precast concrete pipe manufacturer in East Malaysia
- iii) All factories are certified with Quality Management System ISO 9001: 2015 by SIRIM QAS
- iv) An experienced and reliable in-house engineering design team
- v) A wharf facility for shipments across Borneo
- vi) A total solutions provider with a wide product range

While Sarawak continues to be an important market for us, we seek opportunities throughout Malaysia and beyond to:

- i) Increase market acceptance and government support of the IBS system
- ii) Increase use of the IBS system as developers and contractors facing labour shortages
- iii) Continue roll-out of large infrastructure projects in Sarawak such as the Pan Borneo Highway, Sarawak coastal road and bridges, water and power supply, public schools, hospitals and health clinics.
- iv) Expand to overseas markets

### Our business strategies

The Group's construction division is diversifying geographically from our main market in East Malaysia by leveraging on our presence in Indonesia, Oman and Qatar to tender for projects. Our manufacturing division will leverage on our experience in producing quality building materials through our entry into higher value-added projects in the Engineering, Manufacturing, Construction and Commissioning ("EMCC") sector where we can increase sales of our precast concrete and IBS products.

For the future, the Group is busy strengthening its construction capabilities to ensure we are capable of handling more value-added jobs, especially in the EMCC sector. SCIB is also adopting technology to better assist our customers in terms of efficiency and productivity.

### KEY FACTS (AS AT APRIL 2020)

- More than RM800 million construction projects supported
- 500,000 tonnes annual capacity
- 3 integrated factories based in Sarawak
- 5 countries' presence- Malaysia, Indonesia, Brunei, Oman and Qatar
- RM1.1 billion order book value
- Contractor Grade G7- licensed by Construction Industry Development Board
- Largest precast concrete & IBS manufacturer in East Malaysia
- Wharf facility for shipment across Borneo

# MANAGEMENT DISCUSSION & ANALYSIS (MD&A) (CONT'D)

## COMPANY FINANCIAL REVIEW

The Group has shown an increase of 13.3% in revenue at RM86.0 million for the financial year ended 31 December 2019 ("FY2019") as compared to the RM76.0 million recorded for the preceding financial year ended 31 December 2018 ("FY2018"), which the manufacturing division being the key driver and largest contributor to the Group's revenue. The increase in manufacturing revenue mainly contributed by the rolling out of Sarawak's state infrastructure project which include water and power supply, Sarawak's coastal road and bridges. The increase in supply of IBS components in public schools and health clinics construction also contributed to the increase in revenue.

During the financial year under review, the Group's gross profit ("GP") has shown a marginal increase of 51.6% at RM17.3 million, as compared to RM11.4 million recorded for FY2018, mainly due to the turnaround of construction division that contributed RM1.4 million during FY2019, as compared to RM2.9 million losses in FY2018. Subsequently, the Group's other income for FY2019 stood at RM3.0 million, mainly attributed by the recognition of gain from subsidiary's creditor winding up of RM1.0 million and interest income of RM0.7 million.

### Our financial highlights for the past 5 financial years

Financial year ended 31 December	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
<b>Revenue</b>	65,872	57,027	68,785	75,957	86,048
- Manufacturing/Corporate	65,767	56,844	61,098	75,957	77,511
- Construction/EPCC*	105	183	7,312	-	8,902
- Property Trading	-	-	375	-	(365)
<b>Gross profit / (loss)</b>					
- Manufacturing/Corporate	13,208	7,691	11,637	14,323	16,076
- Construction/EPCC*	(58)	43	760	(2,913)	1,256
- Property Trading	-	-	44	-	(35)
<b>Profit / (loss) before tax</b>	234	1,592	(118)	(9,928)	3,193
<b>Profit / (loss) for the year attributable to owners of the Company</b>	240	1,592	(258)	(9,792)	3,150
<b>Adjusted EBITDA</b>	6,012	2,370	5,089	2,041	6,609
<b>Total assets</b>	84,352	92,891	108,619	101,941	116,109
<b>Current assets</b>	40,244	52,253	57,774	58,945	65,719
<b>Total liabilities</b>	34,064	41,011	49,763	53,090	64,108
<b>Shareholders' equity</b>	50,288	51,880	58,856	48,851	52,001
<b>Current liabilities</b>	23,557	28,086	39,273	36,637	44,321
<b>Loans and borrowings</b>	19,512	23,827	23,830	26,305	37,426
<b>Total no. of shares</b>	73,582,500	73,582,500	85,882,500	85,882,500	85,882,500

### Financial ratios

	2015	2016	2017	2018	2019
<b>Gross profit margin</b>	20%	14%	18%	15%	20%
<b>Net assets per share</b>	0.68	0.71	0.69	0.57	0.61
<b>Debts to total funds ratio</b>	42%	35%	43%	49%	52%

Remark:-

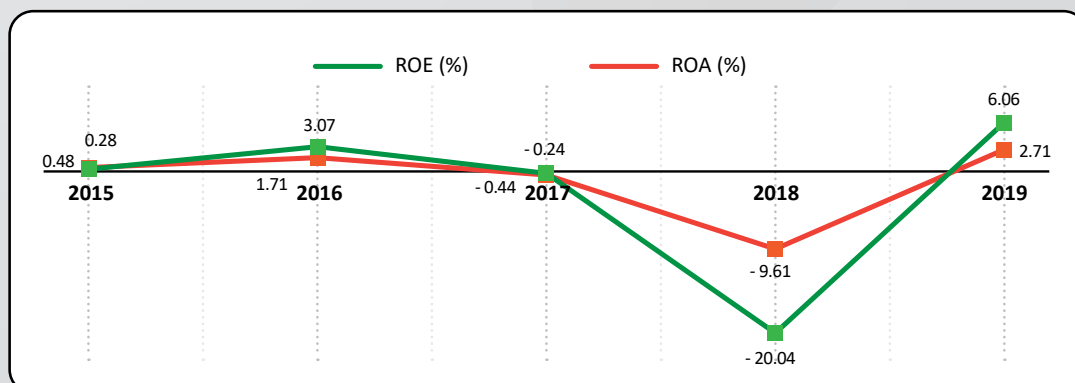
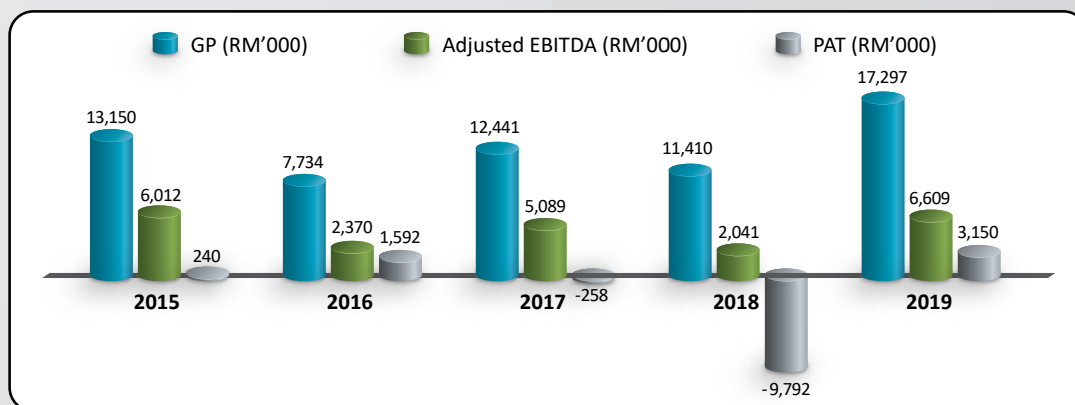
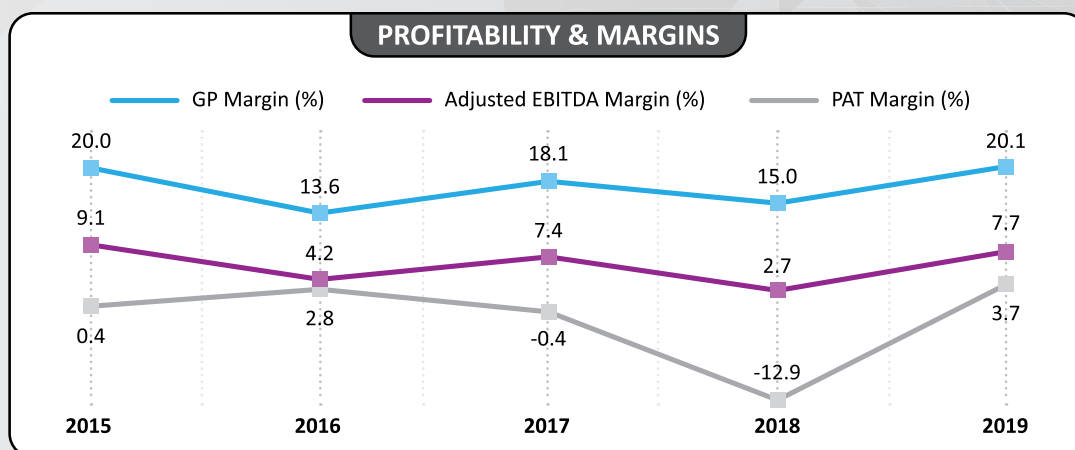
\* Construction/EPCC segment – involved in the installation of Industrialised Building System components, construction contracts, engineering, procurement, construction and commission ("EPCC") which includes, among others, piping system, process control and instrumentation, equipment installation and other related services.

## MANAGEMENT DISCUSSION & ANALYSIS (MD&A) (CONT'D)

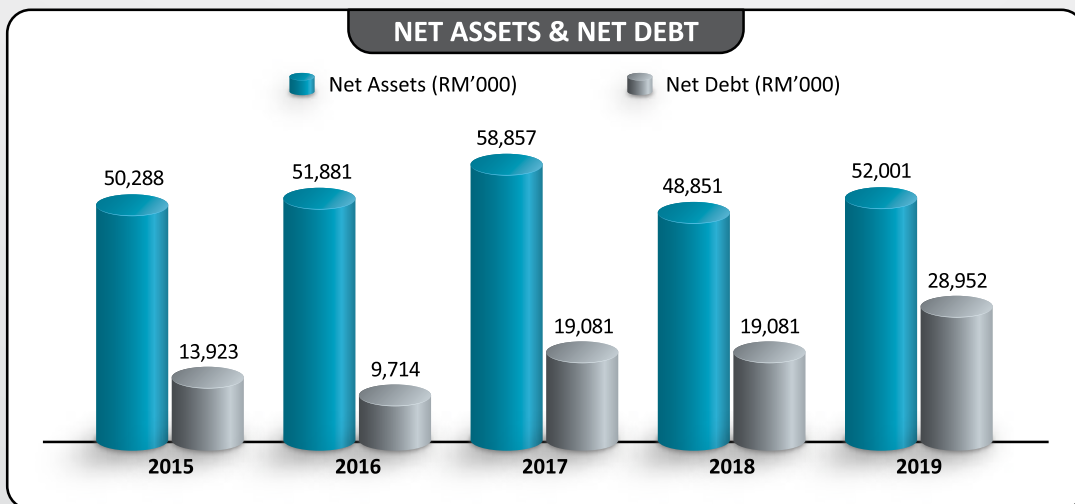
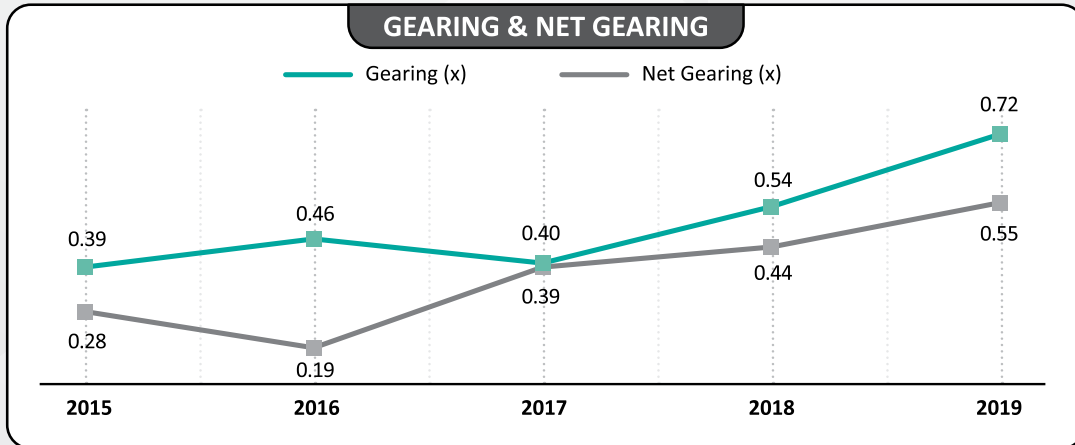
The Group has managed to turn around the business by recording a profit before tax of RM3.2 million in the financial year under review compared to the loss before tax of RM9.9 million in the corresponding year of 2018 mainly attributable to contributions from manufacturing division. Lower impairment loss and depreciation has brought down the overall expenses for the financial year under review as compared to the corresponding year of 2018. Revenue also increased by 13.3% to RM86.0 million compared to the RM76.0 million recorded in 2018 with the contribution of the new source of revenue from construction/EPCC segment.

The Group's total assets gained 13.9% to RM116.1 million as of 31 December 2019 compared to the RM101.9 million recorded in the corresponding year of 2018.

Our current assets increased by 11.5% to RM65.7 million as at 31 December 2019 compared to the RM58.9 million recorded in the corresponding year of 2018 whereby total liabilities increased by 20.8% or RM11.0 million to RM64.1 million. Cash and bank balances stood at RM8.5 million as of 31 December 2019.



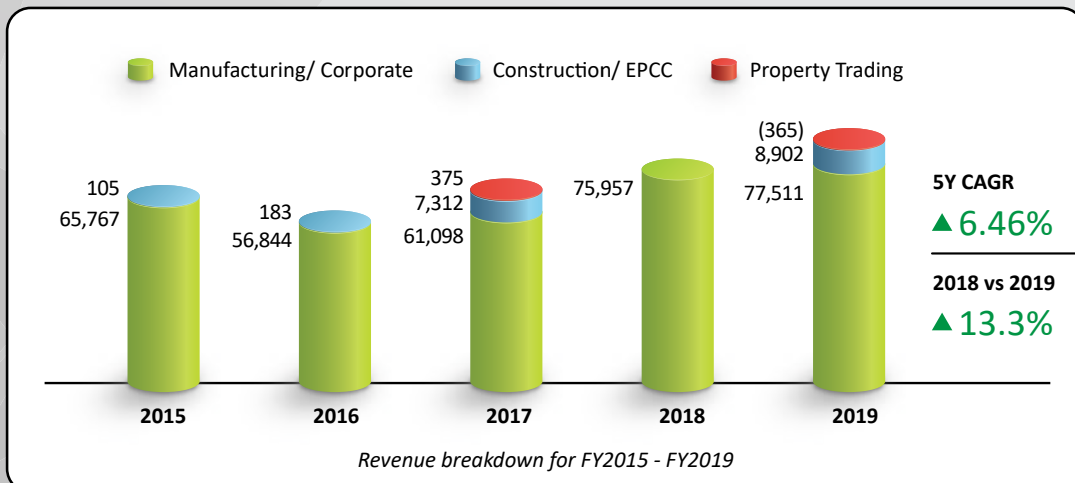
# MANAGEMENT DISCUSSION & ANALYSIS (MD&A) (CONT'D)



## OPERATION REVIEW BY BUSINESS SEGMENT

The Group's business segments are as follows:

1. Manufacturing/Corporate
2. Construction/EPCC
3. Property Trading



## MANAGEMENT DISCUSSION & ANALYSIS (MD&A) (CONT'D)

### Manufacturing/Corporate Segment

- Manufacturing/Corporate Segment steadily increased by 2.0% at RM77.5 million for FY2019 as compared to RM76.0 million recorded in FY2018 mainly attributed by the increase in sales to Pan Borneo Highways, rolling out of the Sarawak Water Supply projects and the sales of foundation piles for the reconstruction of dilapidated schools in the State of Sarawak.

### Construction/EPCC Segment

- Construction/EPCC Segment has recognised income at RM8.9 million for FY2019 (N/A for FY2018-Nil) mainly due to the contracts secured across Indonesia, Oman and Qatar which partially recognised in the fourth quarter ended 31 December 2019.

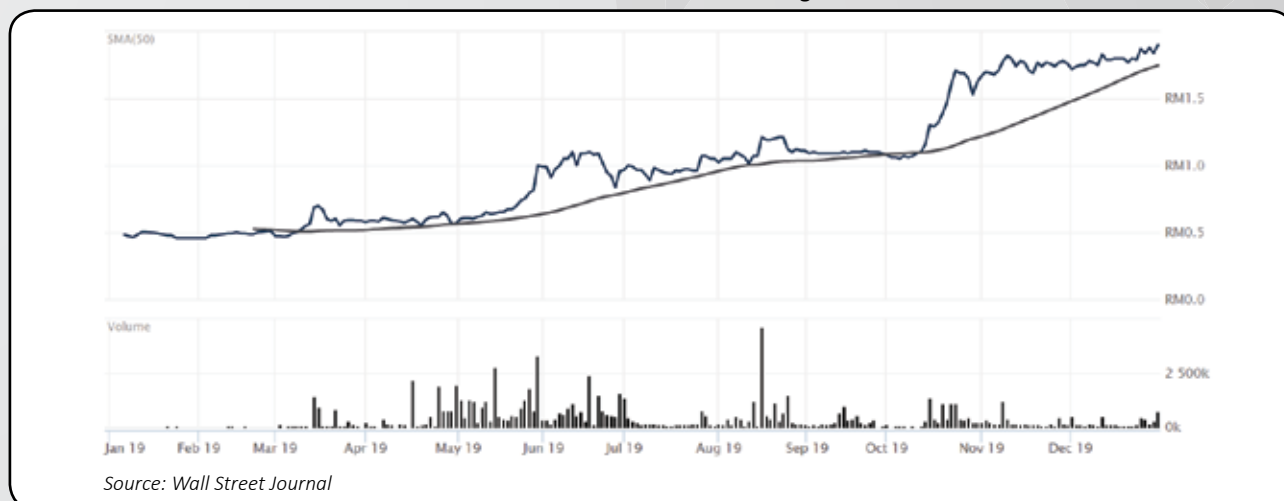
### Property Trading Segment

- Property Trading Segment has recorded reversal of sale of RM0.4 million as a result of the termination of a sale and purchase agreement signed in previous financial year.

### Share Price Performance

As at 31 December 2019, the Group's share price closed at RM1.90 with a total market capitalisation of RM163.2 million. Year-to-date high and low share prices marked RM1.90 and RM0.46 respectively.

#### 2019 Share Price Performance & Trading Volume



### Dividend

It is in the Group's plan to establish a Dividend Policy as the Group continues to focus on growing and moving towards a healthy financial position to put forward the commitment.

### ANTICIPATED OR KNOWN RISKS

#### Risks

The Group is exposed to operational and financial risks arising from its operations and from the use of financial instruments. These risks are being monitored quarterly through the Board's Risk Management Committee ("RMC") and the Risk Management Working Group ("RMWG") at the management level.

The RMWG has met numerous times to identify, address and manage those risks that are deemed critical and will greatly affect the daily operations of our factories. The said committee will also review the effectiveness of the actions taken to mitigate those risks and recommends further steps where and when required. Management is of the opinion that the operational and financial risks are properly mitigated to a minimum level.

## MANAGEMENT DISCUSSION & ANALYSIS (MD&A) (CONT'D)

### Credit risk

The Group and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties. Trade debtors' turnover period reduced from 144 days to 131 days mainly benefits from the deconsolidation of a subsidiary under creditors' voluntary winding up. Reversal of net expected credit loss of RM5.1 million is mainly due to the deconsolidation of a subsidiary under creditors' voluntary winding up. Our management is confident that these debts are collectible as most of the debtors are our long-term active customers. Ample steps have been taken to assess and manage the credit risks in 2019.

### Liquidity risk

The Group and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group has a total revolving bank facilities limit of RM26.7 million, of which only RM17.6 million or 66.1% was drawn down in the financial year under review. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of our stand-by revolving credit facilities.

As far as practicable, the Group will constantly raise committed funding from both capital markets and financial institutions and prudently balance its portfolio through short term funding so as to achieve overall cost-effectiveness.

### Interest rate risk

The Group is exposed to market risks as there are risks for changes in interest rates, mainly in loans and borrowings. Despite the possibility of fluctuation in the bank's base financing rate, the Group does not foresee that it will be greatly affected if there is such an increase.

### Risks inherent in the infrastructure and construction industries

By virtue that the Group is involved in the manufacturing of precast concrete products and IBS components for use in the infrastructure and construction industries, we are exposed and will be affected by the inherent risk factors such as risks arising from changes in government policies, legislation and regulations affecting the infrastructure and construction industries, risks relating to changes in political, social and economic conditions and competition and/or business risks. Furthermore, the Group is also exposed to construction risks such as an increase in construction cost due to any escalation of material and service costs, availability of skilled manpower, materials, subcontractors' performance, and default or breach of contractual obligations and terms.

### Operational risks

In running the day to day business, the operational risks that arise include shortages of raw materials, price uncertainties of raw materials, factory productivity and efficiency, labour shortage, machines downtime, skill and competency of the Company's employees and quality of products and services.

### Foreign exchange risks

The Group is exposed to foreign exchange risks with its geographical presence in other foreign countries such as Indonesia, Qatar, Oman, and others (if any) due to currency fluctuations. The Group adopts a natural hedge policy whereby expenses are incurred in the same currency in which revenue is generated. As a result, no significant realised (actual) foreign gain or loss is expected due to the fluctuation of currency exchange.

## MANAGEMENT DISCUSSION & ANALYSIS (MD&A) (CONT'D)

### OUTLOOK

The year ahead is looking turbulent and prospects seem challenging given the COVID-19 pandemic, which, if prolonged, could mean worse economic and financial conditions to come. The risk of a recession is now higher and all businesses will have to brace themselves for it by ensuring that they have planned for what the future may hold.

For SCIB, our plan to sustain business began in 2019 when the Group decided to leverage on its established manufacturing base in building materials to expand its construction services and moving into EMCC, as this would not only strengthen the Group's construction foothold, but also build credible track records in the construction industry which aligns with SCIB's goal on becoming a one stop integrated provider in civil construction.

As a step towards this direction, the Group has secured five (5) EPCC projects with a total value of RM175.4 million in Malaysia and overseas in the financial year under review. Additionally, the Group also accepted three (3) Letter of Award and Acceptance ("LOA") for EPCC projects in Oman and Qatar worth approximately RM864.5 million in April 2020. These projects will contribute to the Group's revenue in 2020 and serve as a base for future projects in the sector.

The Group's key strategy is focused on expanding beyond Sarawak and Malaysia, strengthening our in-house construction capabilities by moving up the value-chain in order to ensure that we remain competitive as well as exploring where we can add value in terms of efficiency and productivity through supply-chain partnerships or technology.

At the same time, the Group will continue to leverage on its strong presence and local-base in Sarawak, where a number of infrastructure projects are in the pipeline, including, among others the Pan Borneo Highway, Second Trunk Road, Sarawak's Coastal Road and Bridges and the Water and Power Supply Grid Programme. In line with the government initiative to implement IBS for the construction sectors in Malaysia, the group is expecting to benefit from these projects such as construction of public schools, hospital, health clinics and government quarters in Sarawak and Sabah.

SCIB's construction division intends to push out into Indonesia, Oman and Qatar aggressively and the Group views overseas projects as an opportunity to diversify geographically. One such massive project is in neighbouring Kalimantan, where Indonesia has planned to relocate its capital. Others include the supporting infrastructure for Qatar's hosting of FIFA World Cup 2022 and the development of a special economic zone in Oman to attract foreign investment.

With the uncertainties of the COVID-19 pandemic, global economy has sped up its progress in the digital economy as well as technology advancements more than ever. Moving forward, SCIB is looking into further adopting Industry 4.0 for its operation and technologies. One of the adoptions of the Group is looking into 3D printing, which can help the construction industries in speeding up its effectiveness and efficiency as this would streamline the day to day operations and decrease the dependency of man power on site.

As a close, the Group is cautious for the 2020 outlook as we see the pandemic having an impact on the domestic and global economies that will last throughout this year and if prolonged, even beyond that. The Group has plans in place to sustain the business not just for the present but also for the future, in the steps taken to focus on geographical diversification for the construction division and the value-added activities undertaken by the manufacturing division.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

The Board of Directors (“**Board**”) of Sarawak Consolidated Industries Berhad (“**SCIB**” or “**the Company**”) supports high standards of corporate governance practices as stipulated in the Principles and Recommendations of the Malaysian Code on Corporate Governance (“**MCCG**”) which was released on 26 April 2017, in implementing its governance system and ensuring compliance with the Main Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The Board acknowledges its fundamental responsibility to promote and drive long term sustainable growth, whilst taking into account the interests of the investors and all other stakeholders.

The Board is pleased to present an overview of the Corporate Governance Statement, which provides key highlights on how the Company complies with the three (3) principles of the MCCG 2017 during the financial year ended 31 December 2019, which are as follows:

1. Principle A: Board Leadership and Effectiveness
2. Principle B: Effective Audit and Risk Management
3. Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This statement was approved by the Board of Directors on 27 April 2020 and is complemented with a Corporate Governance Report (“**CG Report**”) based on a prescribed format pursuant to paragraph 15.25 of the Listing Requirements of Bursa Securities.

The CG Report is available on the Company’s website as well as via announcement on the website of Bursa Securities.

As at 31 December 2019, the Company complied in most of the material aspects with the principles as set out in the MCCG.

The Company has applied twenty-eight (28) of thirty-six (36) recommended practices of MCCG, which 2 recommended practices are not applicable. In addition, the Company has applied 2 of 4 Step-Up recommended practices

A summary of the corporate governance practices as well as the Board’s key focus areas in relation to the the corporate governance practices are as described below, under each corporate governance principle.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Responsibilities

The Board is responsible for the effective leadership and long-term success of the Company.

The Board Members, in discharging their duties are constantly mindful that the interests of our customers, investors and all other stakeholders are well safeguarded.

The Board has formally adopted a Board Charter, which outlines the roles and responsibilities of the Board and those which it delegates to the various Board Committees.

The Board is responsible for formulating and reviewing the Company’s strategic plan and key policies, and to chart the course of the Company’s business operations while providing effective oversight of the Management’s performance as well as the risk management procedures and key controls.

The principal responsibilities of the Board include the following:

- Formulates the Company’s annual business plan and the medium-term and long-term strategic plans;
- Approves the Company’s annual budget and carries out periodic review of the progress made by the various operating divisions against their respective business targets;
- Prescribes the minimum standards and establishes policies on the management of credit risks and other key areas of the Company’s operations;
- Oversight of the Company’s business operations and financial performance;
- Ensures the operating infrastructure, system of controls, systems of risk management, financial controls and operational controls, are in place and properly implemented; and
- Undertakes various functions and responsibilities as required from time to time.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

In furtherance, the Board also delegated specific tasks to the Board Committees namely the Audit Committee, Remuneration & Nomination Committee and Risk Management Committee.

All the Board Committees have their own terms of reference to deal with particular issues and report back to the Board with the necessary recommendation, if any.

The Board Committees comprise majority of independent non-executive Directors which are able to provide diverse perspectives and insights supporting the Board to make decision objectively.

The ultimate approval still lies with the entire Board and certain Board functions are also delegated to the Management and the Board ensures Management is of the highest caliber.

The Directors are at liberty to seek independent professional advice on matters relating to the discharge of their duties and the cost of securing such professional services will be borne by the Company.

### 2. **Board Composition**

As at the date of this Report, the Board consists of seven (7) members, of whom two (2) are Non-Independent Non-Executive Directors, four (4) are Independent Non-Executive Directors and one (1) is an Executive Director, as follows, which complies with Paragraph 15.02 of the Listing Requirements of Bursa Securities, which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be independent:

No.	Name of Directors	Designation
1	YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	Non-Independent Non-Executive Chairman
2	Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir	Non-Independent Non-Executive Director
3	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	Independent Non-Executive Director
4	YBhg. Datu Haji Soedirman Bin Haji Aini	Independent Non-Executive Director
5	Encik Shamsul Anuar Bin Ahamad Ibrahim	Independent Non-Executive Director
6	Encik Sr. Mohd Nazri Bin Mat Noor	Independent Non-Executive Director
7	Encik Rosland Bin Othman	Group Managing Director / Chief Executive Officer / Executive Director

The profile of each Director is disclosed in the Directors' Profile of this Annual Report.

The Non-Executive Chairman is primarily responsible for the leadership and management of the Board, ensuring the Board and Board Committees execute their responsibilities in the best interest of the Company.

The Company's Non-Independent Executive Director which is also the Managing Director/Chief Executive Officer is responsible for providing the vision and strategic direction of the Company and to formulate appropriate corporate strategies and develop the business.

He is also involved in all day-to-day management and for leading the development and execution of the Company's long and short-term plans.

He acts as a direct liaison between the Board and the Management and communicates on behalf of the Company to the Board, shareholders, employees, Government Authorities and other stakeholders.

The Independent Non-Executive Directors play a significant role in bringing impartiality and scrutiny to the Board's deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner.

To further enhance the function of the Independent Non-Executive Directors, the Board has also defined their roles and responsibilities to include the following:

- Provides independent and objective views, assessment and suggestions in deliberations of the Board;
- Ensures effective check and balance in the proceedings of the Board;
- Mitigates any possible conflict of interest between the policy-making process and day-to-day management of the Company; and
- Constructively challenge and contribute to the development of the business strategies and direction of the Company.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Independent Non-Executive Directors do not engage in the day-to-day management of the Company and do not participate in any business dealings and are not involved in any other relationship with the Company.

This ensures that the Independent Non-Executive Directors remain free of conflict of interest situations and execute their roles and responsibilities effectively.

The members of the Board possess wide-ranging experiences, skills and expertise in accounting, economics, engineering and business management and are persons of high caliber and integrity, which give added strength to the leadership which is necessary for the effective stewardship of the Company.

The Board is confident that there are sufficient experienced and independent-minded Directors on the Board to provide sufficient check and balance.

Given that there are four (4) experienced Independent Directors representing more than 50% of the Board, the Board collectively would be able to function independently of management.

This allows for effective oversight of the management as well as to support objective and independent deliberation, review and decision making.

None of the Independent Non-Executive Directors hold office for more than nine (9) years under the reporting period.

The Board is well aware that the tenure of an independent director should not exceed a cumulative term of nine (9) years as recommended by the MCCG.

Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director.

The NRC and the Board also noted that pursuant to the MCCG, the Board may provide justifications and seek shareholders' approval in the event there is intention to retain a Director who has served a cumulative term of nine (9) years as an Independent Director. The Board views that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender.

The Remuneration & Nomination Committee have assessed the Board's size and composition and was satisfied that the Board's size is appropriate given the scale of the Company's business and operations and the composition well balanced with the right mix of diverse knowledge, skills and attributes constituting an effective Board able to discharge its duties professionally and efficiently.

### **Directors' Code of Ethics**

The Directors observed a code of ethics in accordance with the code of conduct as set out in the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

### **Board Meetings & Supply of Information**

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year to facilitate the Directors to plan ahead and organise the next financial year's Board meetings into their respective schedules.

The Board holds meetings of no less than four (4) times a year as soon as the Company's quarterly and annual results are finalised in order to review and approve the results for submission to Bursa Securities and the Securities Commission.

Special Board meetings may be convened to consider urgent proposals or matters that require the expeditious review or consideration by the Board.

The minutes of the Board meetings were circulated to all Directors for their perusal and comments.

The Directors may request for further clarification or raise comments on the minutes prior to the minutes being confirmed as a correct record of the proceedings of the Board at the subsequent meeting.

At the Board meetings, the Board reviews management reports on the business performance of the Company as well as the major subsidiaries, and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also the comparison against pro-rated business targets.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

As part of the integrated risk management initiatives, the Board also notes the decisions and salient issues deliberated by the Board Committees and the Management Committees through minutes of the Committees' meetings.

The Board Members deliberate, and in the process, assess the viability of business propositions and proposals, and the principal risks that may have significant impact on the Company's business or on its financial position, and the mitigating factors.

The Board also assesses various types of credit propositions and matters that are required to be submitted to the Board for concurrence or approval, in accordance with the guidelines issued by the Board.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters noted by the Audit Committee and which require the Board's notice or direction.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance to a structured agenda.

For effective Board proceedings, the Directors would receive the structured agenda together with comprehensive management reports and proposal papers at least five (5) business days before the Board meeting, which is in accordance to MCCG.

This is to accord sufficient time for the Directors to peruse the Board papers and to seek any clarification or further details that they may need from the Management or the Company Secretary, or to consult independent advisers, if they deem necessary.

The Company has appointed qualified Company Secretary as required pursuant to the Malaysian Companies Act 2016.

The Company Secretary is a fellow member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

She is competent in carrying out her work and plays supporting and advisory roles to the Board with the assistance of the Management.

She ensures adherence and compliance to the procedures and regulatory requirements from time to time.

Confidential papers or urgent proposals are presented and tabled at the Board meetings under supplemental agenda.

The Board meeting papers are prepared and presented in a concise and comprehensive format to ensure that the Directors have a complete and relevant depiction of the issues in order that the Board deliberation and decision-making are performed systematically and in a well-informed manner.

The directors remain fully committed and dedicated in fulfilling their duties and responsibilities as reflected by their attendance at Board meetings during the financial year, in which details of the number of Meetings held and the attendance of each Director can be found in the Report on Directors' Profile in this Annual Report.

### **Training & Development of Directors**

All Directors have attended the Mandatory Accreditation Program ("MAP") and the Directors have continued to attend seminars and briefings during the financial year in order to enhance their skills and knowledge, and to keep abreast with changing commercial risks in line with market and economic developments.

The Directors are also provided with the Board Policy Manual that contained information including but not limited to the structure of the Company, management and the operation as well as the Directors' duties and obligations.

The Directors also keep up-to-date with market developments and related issues through discussion meetings with the other Senior Management Officers.

These provide the platforms to disseminate emergent strategic directions and ideas as well as intellectual interactions which enhance the knowledge and relevance of the Directors.

The Company's Human Resources Department facilitates the organisation of internal training programmes and Directors' attendance in external programmes.

The details of directors' training participated during the financial year are highlighted in the Directors' Profile report herein this Annual report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Time Commitment of Directors

Directors are at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Company and do not adversely affect the Directors' performance and contributions as a member of the Board and Board Committee.

### Re-Appointment and Re-Election of Directors

The Remuneration & Nomination Committee will consider and recommend to the Board for the continuation in service of those Directors who are due for re-election/re-appointment.

The Constitution of the Company provides that at its every annual general meeting, one-third of Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election.

The Constitution further provides that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The re-appointment and re-election of Directors at its annual general meeting is subject to the prior assessment by the Remuneration & Nomination Committee and the recommendations thereafter submitted to the Board for approval or the Director concerned to continue to hold office.

The Board does not fix a maximum tenure limit for Directors as the Board is of the view that there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's affairs.

The Board is of the view that there is no need to set a time-frame on how long an Independent Director should serve on the Board in view of the following reasons:

- The ability of a Director to serve effectively as an Independent Director is very much a function of his calibre, qualification, experience and personal qualities, and has no compelling relationship to his tenure as an Independent Director; and
- The Board conducts annual assessment of Independent Directors in respect of inter-alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement.

### Board Committees

To assist the Board in discharging its duties, the Board has established several Board Committees whose compositions and terms of reference are in accordance with the best practices.

The functions and terms of reference of Board Committees as well as authority delegated by the Board to these Committees, were approved by the Board, and are reviewed from time to time to ensure that they are relevant and up-to-date.

The Board Committees of the Company are as follows:

- Audit Committee
- Remuneration & Nomination Committee
- Risk Management Committee

Details of the Board members' membership in the various Board Committees are set out as below:

No.	Name Of Directors	Audit Committee	Remuneration & Nomination Committee	Risk Management Committee
1	YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	-	Chairman	-
2	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	Member	Member	Member
3	YBhg. Datu Haji Soedirman Bin Haji Aini	Member	-	Chairman
4	Encik Shamsul Anuar Bin Ahamad Ibrahim	Chairman	Member	Member
5	Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir	-	-	-
6	Encik Sr. Mohd Nazri Bin Mat Noor	-	-	-
7	Encik Rosland Bin Othman	-	-	-

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

All proceedings, matters arising, deliberations in terms of the issue discussed, and recommendations made by the Board Committees at the Committees' meetings are recorded in the minutes by the Company Secretary, confirmed by the Board Committees, signed by the Chairman of the said Committees.

Upon invitation, Management representatives were present at the Board Committees' meetings to provide additional insight into matters to be discussed during the said committee meetings, if so required.

All the Board Committees do not have executive powers but to report to the Board on all matters considered and their recommendations thereon.

### Audit Committee

The terms of reference of the Audit Committee are set out under the Audit Committee Report in this Annual Report and further details are disclosed under Principle B: Effective Audit and Risk Management in this Statement.

The Audit Committee meets at least four (4) times a year.

### Remuneration & Nomination Committee

The Remuneration & Nomination Committee will recommend candidates for all directorships to be filled to the Board.

Any new Director will undergo a familiarisation programme, which includes presentation of an overview of the Company's profile, products, factories and track records to facilitate the new Directors' understanding of the Company.

The Company Secretary will ensure that all appointments of new Director are properly carried out and all legal and regulatory obligations are met.

The Remuneration & Nomination Committee comprises three (3) Non-Executive Directors, the majority of whom are independent. Meetings of the Remuneration & Nomination Committee are held as and when required, and at least once a year.

The Remuneration & Nomination Committee will recommend the proposed appointment of a new Director and the re-appointment of Directors upon the expiry of their respective tenures of office for approval of the Board.

The Remuneration & Nomination Committee had also reviewed the Board Members' directorships in companies other than the Company; the number of directorships held are well within the restriction of not more than five (5) directorships in public listed companies as stated in the Main Market Listing Requirements of Bursa Securities.

All assessments and evaluations carried out by the Remuneration & Nomination Committee in the discharge of all its functions shall be properly documented.

The Remuneration & Nomination Committee and the Board shall assess the independence of all independent directors annually.

In 2019, the Remuneration & Nomination Committee carried out the annual review of the overall remuneration fees or salaries and benefits for Directors and key Senior Management Officers and recommended to the Board for approval.

The Remuneration & Nomination Committee and the Board ensure that the Company's remuneration policy remains supportive of its corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to draw in and to retain persons of high caliber.

The Remuneration & Nomination Committee reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are competitive and are in tandem with the Company's corporate objectives, culture and strategy.

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Risk Management Committee

Among others, the Risk Management Committee has the following roles & responsibilities:

- a. Develop and recommend the Group's risk policies and objectives aligned with its strategic business objectives;
- b. Communicate Board's risk policies, objectives, responsibilities, and reporting lines;
- c. Identify and communicate to the Board on all risks (present and potential) the Group faces, its changes and management action plans to manage those risks;
- d. Perform risk oversight and review of risk profiles of the Group and regularly review business units' risk management processes;
- e. Provide guidance to business units of the Group's and its risk appetite and capacity, and other criteria which, when exceeded, trigger an obligation to report upward to the Board;
- f. All other risk management matters delegated by the Board.

More information about the activities of the Risk Management Committee is set out in the Statement on Risk Management & Internal Control.

### Remuneration

The remuneration of the Executive Director is structured to link rewards to the Company and individual performance.

As for Non-Executive Directors, the level of remuneration reflects mainly on their experience, qualification and competence of the Non-Executive Director concerned.

The Non-Executive Directors are remunerated with Directors' fees which are subject to shareholders' approval at the AGM annually. In recommending the proposed Directors' fees, the Remuneration & Nomination Committee takes into consideration the qualification, duty and responsibility, and contribution required from a Director in view of the Company's complexity, and also the market rate among the industry.

The Directors are paid annual fees and meeting allowance for each Board meeting that they attend.

The disclosure of the remuneration of individual Directors of the Company on named basis for the financial year ended 31 December 2019 is set out as below:

No.	Name of Directors	Salaries	Fees	Meeting Allowances & Other Emoluments	Benefits in Kind	Total Remuneration
		RM	RM	RM	RM	RM
<b>EXECUTIVE DIRECTOR</b>						
1	Encik Rosland Bin Othman <i>Appointed on 1 October 2019</i>	134,310	-	67,558	-	<b>201,868</b>
<b>NON-EXECUTIVE DIRECTOR</b>						
2	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	-	30,000	9,500	-	<b>39,500</b>
3	YBhg. Datu Haji Soedirman Bin Haji Aini	-	30,000	11,200	-	<b>41,200</b>
4	Encik Shamsul Anuar Bin Ahamad Ibrahim	-	30,000	17,000	-	<b>47,000</b>
5	YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah <i>Appointed on 1 August 2019</i>	-	29,000	10,000	-	<b>39,000</b>
6	Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir <i>Appointed on 1 April 2019</i>	-	22,500	-	-	<b>22,500</b>
7	Tuan Haji Zaidi Bin Haji Ahmad <i>Resigned on 9 August 2019</i>	-	18,226	6,720	-	<b>24,946</b>
8	YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo <i>Resigned on 1 October 2019</i>	-	72,000	17,400	-	<b>89,400</b>
9	Encik Rewi Hamid Bugo <i>Resigned on 1 October 2019</i>	64,839	17,500	21,788	-	<b>104,127</b>
<b>TOTAL</b>		<b>199,149</b>	<b>249,226</b>	<b>161,166</b>	-	<b>609,541</b>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. Audit Committee

The terms of reference of the Audit Committee are set out under the Audit Committee Report in this Annual Report. The Audit Committee meets at least four (4) times a year.

#### Relationship with the External Auditors

The Audit Committee has in place policies and procedures to review and assess the appointment or re-appointment of the external auditors in respect of their suitability, objectivity and independence.

The Audit Committee in this regard assesses and reviews annually among others, the adequacy of their experience and resources, their audit engagements and the experience of the engagement partners and staff in accordance with the requirements of the Company.

The Audit Committee also meets with the external auditors without the presence of the Management to enable the Audit Committee to discuss matters privately with them.

There have not been any non-audit services that have compromised their independence as external auditors of the Company.

The external auditors, Crowe Malaysia PLT, are registered with Audit Oversight Board of the Securities Commission.

Through the Audit Committee, the Company has established a formal and transparent relationship with the external auditors.

### 2. Risk Management and Internal Control

The Board acknowledges their responsibility for the Company's system of risk management and internal control, which is designed to identify and manage the risks of the businesses of the Company, in pursuing of its objectives.

The system of risk management and internal control spans over financial, operational and compliance aspects, particularly to safeguard the Company's assets and hence shareholders' investments.

In executing this responsibility, the Board via the Audit Committee, Risk Management Committee and the in-house internal audit department, has adopted procedures to monitor the ongoing adequacy and integrity of the system of risk management and internal control.

Information on the Company's system of risk management and internal control is presented in the Statement on Risk Management and Internal Control in this Annual Report.

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

### 1. Communication with Stakeholders

We maintain a regular policy of disseminating information that is material for shareholders' information via announcements made to Bursa Securities.

In compliance with the Main Market Listing Requirements of Bursa Securities, the Company also releases timely financial information on a quarterly basis, which includes an overview of the performance of the Company.

In addition, the Company also put in place electronic facility to enable communication with shareholders via its website which shareholders can access to and obtain all information (operational, financial, corporate governance and investor relations aspects) on the Company by accessing this website.

All announcements made by the Company and information that are relevant to the shareholders and investors are available in this website.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Company had its Investors briefing on 2 December 2019, 4 February 2020 and 3 March 2020 which gave us the opportunity to share about our business profile, products, recent developments and future prospects with research analysts, fund managers and their sales team.

Investors briefing creates valuable opportunity for the Company to meet with research analyst and fund managers to share our business updates that are relevant to the analyst coverage area and provide information for their research paper.

### **2. Conduct of General Meetings**

The Annual General Meeting (“AGM”) is the principal forum for dialogue with shareholders who are encouraged and given sufficient opportunity to enquire about the Company’s activities and prospects as well as communicate their expectations and concerns.

Each item of special business included in the Notice of Annual General Meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate evaluation of the proposed resolution.

Shareholders are encouraged to put forward their questions on the proposed resolutions tabled at the general meetings.

Members of the Board, the external auditors, senior management and/or advisers of the Company are present to answer queries raised at the general meetings.

Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, the Company is required to ensure that any resolution set out in the notice of general meetings is voted by poll.

Hence, all the resolutions tabled at the forthcoming 44th AGM to be held on 18 June 2020 will be voted by way of a poll.

The shareholders will be briefed on the voting procedures while the results of the poll will be verified by an Independent Scrutineer.

### **KEY FOCUS AREAS AND FUTURE PRIORITIES**

The Board is satisfied that the Company has maintained high standards of corporate governance and strived to achieve the highest level of integrity and ethical standard, in all its business dealings.

Moving forward, the Board will continue to operationalise and improve the Company’s corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

This Statement is made in accordance with the resolution of the Board of Directors dated 27 April 2020.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, to issue a statement explaining their responsibilities for preparation of the annual audited financial statements.

The Directors are also required by the Companies Act 2016 to prepare financial statements for each financial year which gives a true and fair view of the financial position of the Group and of the Company as at the financial year end and their financial performance and the cash flows for the financial year then ended.

The Directors considered that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2019 contained in this Annual Report, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. The Directors also considered that all Malaysian Financial Reporting Standards and International Financial Reporting Standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

*(This Statement of Directors' Responsibilities is made in accordance with a resolution of the Board of Directors dated 27 April 2020)*



# AUDIT COMMITTEE REPORT

The Board of Directors (“Board”) of the Company is pleased to present Audit Committee (“AC”) Report for financial year ended 31 December 2019.

## 1. COMPOSITION & ATTENDANCE

During the financial year ended 31 December 2019, AC held six (6) meetings, on 14 January 2019, 26 February 2019, 28 March 2019, 29 May 2019, 21 August 2019 and 22 November 2019.

Details of attendance of members of AC in its meetings are as follows:

MEMBERS & DESIGNATION	MEETING ATTENDANCE
Encik Shamsul Anuar Bin Ahamad Ibrahim <i>Chairman / Independent Non-Executive Director</i>	6/6
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak <i>Member / Independent Non-Executive Director</i>	6/6
YBhg. Datu Haji Soedirman Bin Haji Aini <i>Member / Independent Non-Executive Director</i> <i>(Appointed on 18 June 2019)</i>	2/2
Encik Rewi Hamid Bugo <i>Member / Non-Independent Non-Executive Director</i> <i>(Resigned on 1 October 2019)</i>	2/4

AC consists of qualified individuals having required skills and expertise to discharge its functions and duties.

AC’s literacy and understanding of financial reporting standards and information have contributed to meaningful discussions in overseeing integrity of financial reporting processes and financial statements.

The Chairman of AC is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants, which complies with paragraph 15.09(1)(c)(i) of Main Market Listing Requirements of Bursa Malaysia.

Meetings of AC were conducted in accordance with the requisite quorum as stipulated in its Terms of Reference, which requires at least two (2) members, with majority of members present must be independent non-executive directors.

By invitation, the Group Managing Director / Chief Executive Officer, the Finance Director, the Chief Financial Officer, the Chief Operating Officer and / or representative of the internal auditors, were invited to attend all the meetings held during the financial year, to present reports on financial results, internal audit matters and other matters for AC’s deliberation and approval, if required.

In addition, other senior management personnel were invited to attend these meetings, when necessary, to brief AC on specific matters.

The External Auditors were invited to brief AC on audit related matters during the financial year and provide a high-level review of the financial position of the Company and its subsidiaries (“Group”).

Specific time was also allocated for the External Auditors, to have private discussions with AC in absence of the Management.

AC has appointed Encik Ahmad Zaidi Adenan, Manager of Risk Compliance, to act as the Secretary of AC.

Members of AC were provided with agenda and relevant papers prior to each meeting.

Matters of discussion of AC Meetings will be notified to the Board in its meeting for notation and action by the Board, if required.

# AUDIT COMMITTEE REPORT (CONT'D)

## 2. TERMS OF REFERENCE

The terms of reference of AC, as follows, was reviewed and updated on 24 May 2018 to reflect requirements of applicable practices and guidance of the Malaysian Code on Corporate Governance 2017:

### a. Objectives

AC shall give assurance to shareholders of the Group that compliance with specified financial standards and disclosure policies developed and administered by Bursa Malaysia Securities Berhad are being adhered to.

In addition, AC shall assure that certain standards of corporate responsibility, integrity and accountability to the Company's shareholders are being inculcated as duties and responsibilities of the Board.

### b. Composition

Members of AC shall be appointed by the Board and shall consist of not less than three (3) members, all of whom shall be non-executive directors.

Majority of AC members shall be independent non-executive directors, which the Chairman of AC shall be approved by the Board and shall be an independent non-executive director.

### c. Meetings & Quorum

Meetings shall be held not less than four (4) times a year.

AC may invite any person to its meeting, specific to relevancies.

A quorum shall consist at least two (2) members, with majority of members present must be independent non-executive directors.

### d. Authority

- AC is authorised by the Board to investigate any activities within its terms of reference, having full and unrestricted access to any information pertaining to the Group.
- AC shall have necessary resources which are required to perform its duties and shall have direct communication channels with the external auditors, person(s) executing the internal audit function and independent professional advice if it considers necessary.
- AC shall have a meeting excluding attendance of the Executive Directors and Management, to consider any matter the external auditor believes should be brought to attention of AC and the Board.

### e. Roles & Responsibilities of AC

Roles & responsibilities of AC shall be to review:

- With the external and internal auditors: the audit plans, scope of the audits, the audit reports – management letters, major findings and Management's responses thereof, and evaluation of the Group's internal control system;
- Assistance given by the Group's employees to both the external and internal auditors;
- Effectiveness of system of internal control, including adequacy of scopes, functions and resources of the internal audit function, and that it has necessary authority to execute its work;
- Audit fees proposed by the external auditors;
- Performance of the external auditors and to make recommendations to the Board on their appointment, removal or replacement;
- Appointment, dismissal or replacement of the Head of Internal Audit;
- Performance and remuneration of the internal auditors and ensure they are free from any relationships or conflicts of interest, which could impair their objectivity and independence;

## AUDIT COMMITTEE REPORT (CONT'D)

- Quarterly and annual financial statements of the Group for recommendation to the Board for approval, focusing particularly on:
  - Changes in or implementation of new accounting policies and practices;
  - Significant adjustments arising from the audit;
  - Going concern assumption; and
  - Compliance with the applicable approved accounting standards and other legal and regulatory requirements;
- Adequacy and effectiveness of internal control and governance systems instituted in the Group;
- Any related party transactions (“RPT”) that may arise within the Group;
- Verify allocation of options to employees under relevant criteria imposed by the Company’s Share Option Scheme; and
- any other functions as may be agreed to by AC and the Board, or as may be required or empowered by statutory legislation or guidelines issued by relevant governing authorities.

### 3. SUMMARY OF ACTIVITIES

The following activities were executed by AC during the financial year ended 31 December 2019 in discharging its duties and functions:

#### a. Financial Reporting

Reviewed the quarterly, interim and annual financial statements of the Group prior to recommending them for approval by the Board.

#### b. Internal Audit

- Reviewed the audit plan to ensure adequate scope and coverage on activities of the Group, taking into consideration assessment of key risk areas;
- Reviewed the internal audit reports, audit recommendations made and Management’s responses thereof; and
- Where appropriate, AC has directed action to be taken by Management to rectify and improve the internal control system and procedures, based on internal audit’s recommendations and suggestions for improvement.

#### c. External Audit

- Reviewed the external auditors’ scopes of work and audit plan for the year;
- Reviewed with external auditors on results of the audit and the audit report in particular, and accounting issues and significant audit adjustments arising from the external audit exercise; and
- Evaluated performance of the external auditors and made recommendations to the Board on their appointment, remuneration, removal or replacement.

#### d. Related Party Transaction (“RPT”)

Reviewed related party transactions entered into by the Group, on a quarterly basis, to ensure adequacy of the Review Procedures and to ensure compliance to Chapter 10.08 and Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia.

## AUDIT COMMITTEE REPORT (CONT'D)

### 4. INTERNAL AUDIT FUNCTION

AC is supported by Internal Audit Function in discharge of its roles and responsibilities.

The Group on 28 November 2018 has outsourced its Internal Audit Function's activities to an independent consultant namely CGRM Infocomm Sdn. Bhd. who shall report directly to AC and shall be responsible for regular review and/or appraisal of effectiveness of internal control system within the Group.

The role of Internal Audit Function is to undertake regular independent and systematic reviews of internal control system so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively as intended.

The Internal Audit Function covers review of adequacy of operational control, risk assessment, compliance with established internal policies, operational procedures and guidelines, amongst others.

A risk-based approach is adopted for all audits.

The audits ensure that the instituted internal control system is appropriate, effectively applied and achieves acceptable risk exposures consistent with the Group's risk management framework.

In particular, Internal Audit Function has, under remit of AC conducted and submitted four (4) reports on a quarterly basis on the internal audit work performed on operating units, encompassing various areas of operations, where any significant weaknesses were identified, measures were taken to rectify and improve the internal control system accordingly.

The overall review of the internal control system revealed that internal control is generally sound and sufficient, and functioning satisfactorily.

The total costs incurred for the Internal Audit in respect of the financial year ended 31 December 2019 were RM125,116 (2018-RM154,000).

This AC Report was approved by the Board on 27 April 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“Board”) is committed to continuously improving the Group’s risk management & internal control system and is pleased to present the following Statement on Risk Management & Internal Control for the financial year ended 31 December 2019.

This statement is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia and in accordance with the Principles as stipulated in the Malaysian Code on Corporate Governance 2017 (“MCCG2017”) and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

This statement outlines nature and scope of risk management and internal control of the Group and covers all of the Group’s operations except for associate companies.

## 1. THE BOARD’S RESPONSIBILITY

The Board affirms its overall responsibility for risk management and internal control system for the Company and its subsidiaries (“Group”), and for continually reviewing its adequacy and effectiveness to safeguard shareholders’ investment, interests of stakeholders, and the Group’s assets.

The Group maintains a sound system of risk management and internal control that covers finance, operations, governance and risk management.

The Board believes that system of risk management and internal control should provide reasonable assurance in achieving its corporate objectives as the Board acknowledges limitations that are inherent in such a system.

The Group’s system of risk management and internal control is designed to manage rather than to eliminate risk of failure in achieving corporate objectives.

Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatements, financial losses or fraud.

Pursuant to the above, the Board has instituted and has delegated to Audit Committee and Risk Management Committee to uphold risk management & internal control oversight within the Group.

## 2. THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee (“RMC”) is chaired by an Independent Non-Executive Director, who is neither the Chairman of the Board nor the Audit Committee.

The composition of RMC consists of all Independent Non-Executive Directors.

The roles and responsibilities of the RMC include the followings:

- Develop and recommend the Group’s risk policies and objectives aligned with its strategic business objectives;
- Communicate Board’s risk policies, objectives, responsibilities, and reporting lines;
- Identify and communicate to the Board on all risks (present and potential) the Group faces, its changes and Management action plans to manage those risks;
- Perform risk oversight and review of risk profiles of the Group and regularly review business units’ risk management processes;
- Provide guidance to business units of the Group’s and its risk appetite and capacity, and other criteria which, when exceeded, trigger an obligation to report upward to the Board; and
- All other risk management matters delegated by the Board.

Four (4) RMC meetings were held during the 12-month period ended 31 December 2019, on 28 March 2019, 28 June 2019, 21 August 2019 and 21 November 2019, with agendas encompassing the following areas:

- Reviewing and monitoring status of the adopted risk management action plans under the Group’s Risk Management Framework;
- Reviewing business risks and operational risks faced by the Group through risk profile of the Group; and
- Reviewing adequacy, effectiveness and relevance of the risk management action plans.

On a quarterly basis, RMC reports to the Board on status of the approved risk profile and mitigation actions plans.

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

### 3. THE AUDIT COMMITTEE

The terms of reference of the Audit Committee are defined under the Audit Committee Report in this Annual Report and further details are disclosed under Principle B: Effective Audit and Risk Management in this Statement of the Corporate Governance Overview Statement.

### 4. RISK MANAGEMENT FRAMEWORK

A sound system of risk management incorporates need to have an appropriate risk assessment framework, identification of internal control to manage and control these risks, implementation of an effective information and communications system, and an ongoing process for monitoring continuing adequacy and effectiveness of system of risk management.

As such, the Board has implemented a Risk Management Framework within the Group in order to minimize potential for undesired risk exposures for benefit of shareholders and other stakeholders.

The formalization of the Risk Management Framework involved setting up of RMC and Risk Compliance Department, which was established to undertake a risk assessment exercise and to draw up risk management action plans in order to identify, evaluate and manage risks faced by the Group.

RMC and Risk Compliance Department has established an ongoing process for identifying, evaluating and managing risks faced by the Group in its achievement of objectives and strategies.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing risks faced, and by designing, implementing and monitoring internal control in order to mitigate and control these risks.

The process is regularly reviewed by the Board, which would include on its agenda on the management of risks that may impede business objectives.

Salient points of the Risk Management Framework consist of the following elements:

1. Identification of risks;
2. Assessment of risks;
3. Mitigation of risks;
4. Implementation of risks' mitigation;
5. Monitoring and review of the risks; and
6. Communication of the risks.

As per the Risk Management Framework, the following risk elements shall be incorporated in the Risk Register & Profile of the Group:

1. Environment Risk;
2. Financial Risk;
3. Human Resources Risk;
4. Information Technology Risk;
5. Legal, Regulatory & Compliance Risk;
6. Operational Risk;
7. Stakeholder Management Risk; and
8. Market Risk.

### 5. INTERNAL CONTROL SYSTEM

Other key processes that have been established in reviewing adequacy and effectiveness of internal control system include the following:

- **Compliance**

The Group's Accounting and Administration Regulations and Policies, Staff Manual and ISO 9001 Quality Management System Documentations has clearly outline operating procedures that cover finance, human resources and operations.

Internal audit reviews are conducted at regular intervals to monitor compliance with the procedures and assess integrity of information provided.



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

- **Financial Performance**

Interim financial results are reviewed by the Audit Committee and approved by the Board, together with annual budgets and forecasts.

The variance between actual and budgeted results is analysed for effective Management actions thereafter and presented to the Audit Committee and the Board.

- **Authority Level**

The Board clearly defines delegated authority levels for revenue and capital expenditure.

The approval of capital and revenue proposals exceeding authorised limits requires decision by the Board.

Comprehensive appraisal procedures apply to all major investment decisions.

- **Accountability & Reporting**

The Group has a clear line of accountability, approval and reporting procedures taking into consideration segregation of duties and other control procedures.

These procedures are communicated throughout the Group.

- **Internal Audit Function**

The Board, via the Audit Committee, monitors risks management and internal control system through quarterly reviews, which is undertaken by Internal Audit.

The reviews include a balanced assessment of risks and adequacy and effectiveness of risk management and internal control system of the Group.

Where any weaknesses are identified, Internal Audit, together with input from the Management, would recommend measures to improve risk management and internal control accordingly.

### 6. ASSURANCE FROM THE MANAGEMENT

The Board has received reasonable assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's Risk Management Framework and internal control system are operating adequately and effectively, in all material respects, based on risk management and internal control system of the Group.

### 7. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Para 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Company for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Company, in all material respects: has not been prepared 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, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on adequacy and effectiveness of the Group's risk management and internal control system including assessment and opinion by the Directors and Management thereon.

The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Main Market Listing requirements of Bursa Malaysia and for no other purposes or parties.

The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

### 8. CONCLUSION

The Board is of the view that the risk management and internal control system instituted for the year under review are adequate and effective to safeguard the shareholders' investment, the interests of stakeholders, and the Group's assets.

*This Statement was approved by the Board on 27 April 2020.*

# ADDITIONAL COMPLIANCE INFORMATION

## 1. Audit Fees and Non-Audit Fees

The amount of audit and non-audit fees paid to the External Auditors by the Group and the Company for the financial year ended 31 December 2019 are as follows:

Services	Company (RM)	Group (RM)
Audit Fees	32,000.00	101,511.00
Non-Audit Fees	6,000.00	6,000.00

Services rendered by the External Auditors are not prohibited by regulatory and other professional requirements, and are based on globally practiced guidelines on auditors' independence.

## 2. Utilisation of Proceeds from Corporate Proposal

Saved for the Proposed Private Placement announced on 7 April 2020 of up to 36,750,000 new ordinary shares in SCIB, representing up to approximately 30% of the enlarged total number of issued SCIB Shares to placee(s) to be identified later, there are no other outstanding proposals which have been announced by the Company but pending implementation.

## 3. Material Contracts or Loans with Related Parties

There are material contracts concluded with the related parties during the financial year ended 31 December 2019, as follows:

- a. Sale and Purchase Agreement dated 22 January 2019 between Zecon Land Sdn. Bhd. and SCIB Concrete Manufacturing Sdn. Bhd. ("SCIBCM") for the purchase of one (1) unit of the four (4) Storey Shophouses described as Sublot 24 measuring approximately 459 square metres, more or less, in area in Vista Tunku (Phase One) together with the land on which the Shophouse is built for a purchase price of Ringgit Malaysia One Million Three Hundred Thousand (RM1,300,000) only at a discount of around 3% of the listed price to be satisfied by way of offsetting and partial settlement of outstanding amounts due and owing by Zecon Group to SCIBCM.

Zecon Land Sdn. Bhd. was a related company to SCIB, through interest of the director, Tuan Haji Zaidi Bin Haji Ahmad, who has resigned as a director of SCIB on 9 August 2019.

- b. Conditional Sale and Purchase Agreement dated 24 January 2019 between SCIB Concrete Manufacturing Sdn. Bhd. and Reignvest Corporation Sdn. Bhd. for the proposed acquisition of a parcel of land together with two (2) units of industrial buildings erected thereon situated at Sejingkat Industrial Park, Kuching measuring approximately 2.793 hectares more or less and described as Lot 830 Block 7, Muara Tebas Land District for a purchase consideration of RM8,236,000.

Reignvest Corporation Sdn. Bhd. was a related company to SCIB, through interest of the directors, YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo and Encik Rewi Hamid Bugo who have resigned as a director of SCIB on 1 October 2019.

## 4. Recurrent Related Party Transactions

The type and value of recurrent related party transactions are disclosed in Note 30 to the Financial Statements of this Annual Report.

# SUSTAINABILITY STATEMENT

## Our Approach to Sustainability

### Sustainability Mission

SCIB's sustainability mission statement is to operate in a way that actively recognises the central role that business plays in the structure of society to improve the quality of life of a broad community.

### Governance Structure

In recognizing that risk management is correlated to the overall sustainability performance, our sustainability agenda is driven within our governance structure through SCIB's Board Risk Management Committee and Risk Management Working Group ("RMWG") where sustainability issues or sustainability-related risks were identified during the risk management assessments. RMWG is led by the Chief Executive Officer and comprises of management team from all of the Group's business units. RMWG will manage the sustainability issues identified and report to the Risk Management Committee at the Board level. The Board of Directors will provide oversight of the Group's sustainability practices and is kept informed on the progress of sustainability-related matters.

The Board of Directors is primarily responsible for the implementation and execution of the Group's sustainability practices and performances where it has delegated to the RMWG the task of monitoring and assessment of sustainability plans and targets. The Risk Management Committee will set direction and focus to facilitate formulation of strategies for meeting sustainability mission and report to the Board on a quarterly basis on the status of sustainability related matters.

We will constantly review our approach in addressing the key sustainability challenges facing SCIB which affects the employee, customer, environment and society as a whole.



### Scope of this Report

This report covers the manufacturing operations of Sarawak Consolidated Industries Berhad and its subsidiaries in Malaysia which is the key driver and largest contributor to the Group's revenue.

### Introduction

SCIB being the precast concrete manufacturer contribute to sustainability inherently. Precast concrete by nature is durable due to higher strength of materials, provide greater load capacity, better sound insulation and with quality assured factory production. Further, our investment in Industrialised Building system bring benefits which include improving speed of construction, reducing site costs and time due to off-site manufacture, less cleaning and clearing of construction debris, less exposure to stolen steel bars at site and reduces waste and debris on site. Thus, reducing public's concern on poor air quality in the neighborhood surrounding the construction site.

### Key Stakeholders' Engagement

We recognised the importance of engaging with our stakeholders considering the great influence they have on a Company's performance. We are strengthening our stakeholders' engagement not only for good corporate governance purposes but also to enable us to understand our stakeholders' needs, interests and motivations more effectively and help us build positive and mutually beneficial long-term relationships with our prominent stakeholders that will improve our Company's brand image, reputation and business outcomes.

## SUSTAINABILITY STATEMENT (CONT'D)

Our existing list of engagement activities are as follows:-

Key Stakeholders	Nature of Engagement
Customers	Customer surveys and customer complaints
Employees	Monthly assembly, in-house briefing, staff recreational program, employee satisfaction surveys, Town Hall Meeting
Suppliers	Periodic meetings and visiting
Shareholders and Investors	Company website, Quarterly reporting, Annual General Meeting, Quarterly Analyst briefing
Bankers/Financiers	Periodic meetings
Government Agencies and Regulatory Authorities	Correspondences, trainings and social activities
Community	Corporate Social Responsibility activities

### Materiality Assessment

We conduct materiality assessment to help us determine and prioritise main focal areas where efforts are intensified. Through our preliminary process of identifying and prioritisation of sustainability matters, we have broadly categorised the following key sustainability matters at this juncture, subject to further detailed assessment on the specific material matters.

Category	Key Material Sustainability Matters	Anticipated Impacts on the Group's Business
Economic	Product and service quality	Stringent quality control of our finished products and value-added services are essential to maintain customer satisfaction and for maintaining brand image to attract new sales.
	Corporate Governance and Risk management	Strong corporate governance and effective risk management system helps to improve the Company's financial stability and minimize risk of loss that will gain shareholders' confidence.
	Brand and reputation	Branding improves recognition and represents people's perception of the Company's customer service and reputation. Branding also creates trust from the stakeholders, supports advertising, inspires employees, generates new customers and thus increases financial value.
	Business Ethics	Application of ethical values in business environment helps the leaders to make strategic decisions that are socially acceptable. Business ethics increase employee retention, attract investors, promote customer loyalty, reduce business risks and lead to long term gains.
	Supply chain and procurement	Fair and unbiased business policies and ethical procurement procedures and practices are crucial to promote trust and transparency within the supply chain. Good relationships with key stakeholders across the supply chain will ensure lower cost, more competitive price and better margin.
Environmental	Investment in technology and Research and Development	Our investment in off-site precast manufacturing and prefabricated industrialised building system reduces debris, waste and air pollution at site. Investment in research and development help us to continuously source for environment friendly manufacturing solutions.
	Waste and energy management	Efficient waste management, recycling and energy saving program help to protect the environment from further harm.

## SUSTAINABILITY STATEMENT (CONT'D)

Social	Employee Health, Safety and Welfare	Safe work places and practices reduces risk of accidents and injuries, claim cost and business interruptions. It will help to improve corporate reputation and increase employee motivation. Healthy lifestyle and staff welfare will be conducive to enhance work commitments, increase productivity and reduce costs.
	Human resource development	Continuous staff training and development are crucial to help improve staff competency, work efficiency, retain talents and attract new talents that will improve productivity and enhance overall company's financial performance.
	Human rights - Fair employment and diversity	People are the key driver for business sustainability and the most valuable assets of a Company. Respecting and protecting human and labour rights help to promote harmonious working environment and enhance corporate image for corporate success and economic growth.
	Community support	Social contributions to the community exhibit that we are responsible corporate citizen and are committed towards making a better future for our next generation that will also help enhancing corporate image.

### Sustainability Framework

We are committed to nurture sustainability values within our Group from the aspects of Economic, Environmental and Social ("EES") and have conducted in-house briefings to create awareness from senior management to operational level where we collate inputs from various business units to arrive at sustainability commitments or action plans for the group.



SCIB's overall sustainability strategy takes on four (4) main focal areas as follows which drive the Group's sustainability direction and reporting processes:

- (1) Embracing the marketplace;
- (2) Protecting the environment from harm;
- (3) Inspiring and empowering our workforce; and
- (4) Giving back to the community

# SUSTAINABILITY STATEMENT (CONT'D)

## **ECONOMICS**

### ***Embracing the marketplace***

We are dedicated with our core values which are to uphold ethical, sustainable and responsible business practices as we believe that corporate success and economic growth of a company are built on trust from employees, customers, suppliers and the society as a whole.

<p><b><i>Better products and services</i></b></p>	<p>We have invested in prefabricated Industrialised Building System which was acquired from worldly recognised vendor namely Elematic OyAb, Finland to ensure we uphold the highest quality standards. Our products are also SIRIM QAS ISO9001:2015 certified / credited which assured customers of quality.</p> <p>We offer our customers with excellent value-added services such as technical and extensive professional advice and consultation, problem solving and customised solutions. With our reliable in-house design team, we provide total one-stop solutions to customers with advantages from our wide product range. We truthfully and reliably exhibit our products to our consultants and customers.</p> <p>We also continuously pursuing product innovation to develop and introduce new products, and new design that enhance quality and improve overall performance.</p> <p>We conduct customer satisfaction survey on project basis to help us understand our customer better and get their feedback for continuous improvement. We listen and understand customer complaints, offer prompt solution and execute them timely with close follow up to ensure complaints are closed promptly and customers are satisfied with the solution provided.</p>
<p><b><i>Corporate governance and compliance</i></b></p>	<p>We are committed to achieve good corporate governance and code of conduct with a high level of transparency and ethical integrity in dealing with various stakeholders via various communication channels such as regular meeting, timely disclosure to Bursa Malaysia Securities Berhad, annual general meeting and annual report.</p> <p>Our Board of Directors oversee the conduct of the Company's business providing governance of the Company's affairs and direction to optimise the development, growth and performance of the Group.</p> <p>We adopt effective risk assessment and management system that are evaluated every quarter of the year where we ensure adequacy and integrity of the Company's internal control system are in placed to manage the risks identified with a view to long term viability of the company in consideration of economic, environmental and social impacts.</p>
<p><b><i>Brand and reputation</i></b></p>	<p><b><i>Press release</i></b></p> <p>We use press release to help our customers, suppliers, employee, investors and other target stakeholders to learn more about our Company's recent developments, successes and advancements which is also an integral marketing tool to increase sales potentials and attract investors. In 2019, the Company distributed press release in regards to the Company accepting five (5) letters of award and acceptance worth up to RM175.4 million across Malaysia, Indonesia, Qatar and Oman and on our improved bottom line for Quarter 3 financial results. The Company also distributed a press release in February 2020 following the announcement of Quarter 4 financial results and another press release in regards to the acceptance of three (3) letters of award and acceptance worth up to RM864.5 million across Qatar and Oman in April 2020.</p> <p><b><i>Market briefing</i></b></p> <p>Market briefing creates valuable opportunity for the Company to meet with research analyst and fund managers to share our business updates that are relevant to the analyst coverage area and provide information for their research paper. We had our market briefing on 2 December 2019, 4 February 2020 and 3 March 2020 which gave us the opportunity to share about our business profile, products, recent developments and future prospects with research analysts, fund managers and their sales team. We also attempted to revamp our corporate website to give a refreshing new interface with stakeholders and enhances the website credibility and efficiency for a better navigation experience.</p>

## SUSTAINABILITY STATEMENT (CONT'D)

<p><b>Business ethics</b></p>	<p>We have our Code of Conduct policies in place which serve as a central guide and reference for our employees to handle their day-to-day decision making and business dealing. The Group will put in place Files of Adequate Procedures in June 2020, pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission (Amendment) Act 2018, in line with our Government efforts to combat bribery and whistleblowing policies to promote transparency, compliance and ethical value.</p>
<p><b>Supply chain and procurement</b></p>	<p>We follow business policies and processes that are fair, unbiased and applied consistently. We engage in ethical procurement procedures, good management practices, internal control systems and promote transparency emphasising on corporate accountability. We exercise due care and business professionalism in all communications within our supply chain in maintaining good relationships with our customers and suppliers and avoiding behaviors or actions that may negatively impact the supply management decisions.</p> <p>SCIB deals with good and reliable diverse set of suppliers to ensure high quality of materials are used for production. We have our Quality Assurance team who are consistently checking and inspecting our materials to ensure they meet desired quality standards. We evaluate our suppliers once a year in terms of quality, pricing and services.</p>

### **SOCIAL**

- **Inspiring and empowering our workforce**

We acknowledge that employees are the key to successful business operations and we value and care for all aspects of their wellbeing.

<p><b>Employee Health, Safety and Welfare</b></p>	<p>Health and safety is given top priority in SCIB. We strive to provide a safe, healthy and quality working environment for our employees aiming at reducing accidents and injuries, improving workflow and efficiency. We recognise that a good health and safety environment are crucial to boost staff morale, retain and attract skilled employees, increase productivity and reduce costs. Our various efforts are as follows:-</p> <p><u>Health &amp; Safety policies and procedures</u></p> <p>We continue to strengthen our health and safety policies and procedures and formulate safety and health plans throughout the year via our Safety 365 Awareness programs. Among others, are the Noise Monitoring and Chemical Health Risk Assessment (CHRA) undertaken at our factories in line with the requirements of relevant regulation enacted under the Occupational Safety &amp; Health Act (1994). In 2019, we have sent nine (9) workers who were exposed to exceptionally high level of noise and vibration at work to undergo audiometric test in line with the Noise Mapping Report issued by DOSH Competent person in 2018.</p> <p>Based on the report, action has been taken to proactively issue ear plug and ear muff on monthly basis to enforce the importance of wearing hearing protection device. Based on CHRA report, we are not required to send any workers for medical surveillance as workers' exposure to two major source of health hazards, namely silica dust and benzene (additive in diesel) are not significant. In 2020, we have plans for another round of Noise Monitoring and CHRA exercise and to update ourselves with the latest amendment (if any) of the relevant regulation.</p> <p>Additionally, we have also established campaigns, banners, posters, brochures and signboards at prominent areas to disseminate Health and Safety messages to workers such as poster on Silica Dust Hazards were put up. We provide Personal Protective Equipment (PPE) such as hand glove, safety boot, hard hat, face mask and ear plug to our workers and conduct regular inspection to ensure wearing of PPE.</p> <p>Each factory is required to record and monitor their respective Lost Time Injury (LTI) which is the record of productive time lost when worker is unable to return to work. LTI is used as a key performance indicator to measure work safety. We have also installed Safety Performance Board at the main entrance to monitor the Man-hour Accident Free target.</p>
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## SUSTAINABILITY STATEMENT (CONT'D)

Safety accidents are also investigated to determine the root causes, to identify unsafe conditions or actions and to recommend corrective actions to prevent future recurrence. New employees are provided with orientation of the safety and health risks and procedures at the workplace.

We are also preparing ourselves towards achieving occupational safety & health (OSH) certification under ISO45001:2018 by year 2020 and have completed stage 2 audit for ISO45001:2018 in December 2019. This initiative is a two-pronged approach for improving the condition at the workplace in a more systematic way, as well as for benchmarking and improving our health and safety practices to be at par with a globally accepted best practices in order to meet the ever-increasing society's expectation.

### Health & Safety Committee

Health & Safety Committee has been established to identify, evaluate and control safety issues and foreseeable risks at our workplace. The Committee provides link for better communication between workers on the ground and the management bringing together broad range of expertise and experience to help identify safety hazards at work and find solutions or new ways to enhance the safety practices. Workers are encouraged to express their safety and health concerns to the Committee where issues can be responded to and addressed accordingly.

### Healthy lifestyle

In order to encourage our employees to adopt healthy lifestyle, SCIB also subsidised some social and recreational events such as the CMS Tribal Run 5.0 on 4 August 2019 which was participated by 47 of our employees.

On 15 December 2019, we organised Sports Day at Padang Jubilee MBKS packed with loads of friendly competition, race, games and activities to encourage our employees to get out in the sunshine and have healthy fun which also helps in team building.

The Company also sponsors Badminton club to support interested employees to play the sport twice a week.

### Safety talks and training

Safety and health talks are conducted throughout the year and during monthly assembly by experienced staff to create awareness on the importance of personal safety and hygiene. Health and safety officer regularly educate fellow workers about the risks at work place and safety procedures to prevent untoward accidents. Staffs are provided with appropriate safety programs and training to further enhance their knowledge on health and safety at workplace. Our safety supervisors also have regular Toolbox Meeting with our subcontractors' workers to highlight any Health, Safety and Environment related matters of concern. Courses conducted in 2019 included ISO Auditing Skills, Effective Safety & Health Committee, ERT (Security Preparedness for Emergency Response) Briefing, Emergency Preparedness for Fire Incidence and FMM Briefing on update on Requirements for BOMBA fire certificate and BOMBA Safety training.

### Upgrade of factory facilities and infrastructures

We also progressively pursuing upgrading of our factory facilities and infrastructures in order to provide a favorable working environment. We establish safe operating procedures for machineries and set up emergency response team (ERT) in every factory. Our Health and Safety team are working closely with our Repair and Maintenance team to enhance our Planned Preventive Maintenance Programs to reduce hazards of major accident at the factory. We continuously ensure that our workers and personnel are adequately protected when working in critical areas exposed to work hazards and provide them with adequate Personal Protective Equipment. In 2019, we have upgraded our toilet, pantry, roofing and office flooring.

### Appreciate our employees

We organised labour day celebration to show our appreciation of employees' efforts and contributions to SCIB while encouraging networking and socializing between colleagues. We held a Badminton Tournament in conjunction with the labour day celebration this year on 1 May 2019 which was participated by 35 persons. In 2019, we had our Majlis Berbuka Puasa in May 2019, In-house Gawai Raya open house in July 2019 and Chinese New Year celebration on 6 February 2020.



## SUSTAINABILITY STATEMENT (CONT'D)

We organised our first ever Town Hall on 15 February 2020 at Grand Margherita Hotel, Kuching for the purpose of engaging with our employees, sharing our important updates, culture and values promoting teamwork, collaboration and creating opportunity to hear honest feedbacks and views of employees.

We also extend our appreciation to our staff with long service award, annual increment and bonuses as well as free gifts and lucky draws during our Annual Dinner on 8 March 2020.

### *True Spirit of Giving - Tabung SCIB*

Tabung SCIB, established in 2003, is a true spirit of giving by all employees of SCIB on monthly basis in which SCIB also contributes to the fund on a 1 to 1 basis. It is governed by staff representatives with the objectives to assist child education through offer of scholarships, to provide loan to employees during emergencies and to assist the less privileged. Cash rewards were also given to children of our employees who achieve excellent academic results in the school year end examinations as well as in public examinations such as UPSR, PMR and SPM. During the financial year under review, twenty-five (25) children have benefited from Tabung SCIB.

### *Human resource development*

We ensure that there are growth, development and progression opportunities for our employees through in-house training, seminars, workshops and talks. This will equip them with latest job-related updates and learning. A total of 304 employees have benefited from the hundred-five (105) trainings both internal and external conducted over the year.

We also provide the opportunity of department rotation to our employees where they are able to expand their knowledge, experience and expertise in various job scopes. During the year, four (4) employees were promoted and forty (40) employees were transferred to other departments or job functions for further development.

We shall have our competency and succession program developed for key and critical positions and will assess job requirements and skills of our existing employees and then identify potential candidates to be coached, nurtured and groomed for succession to these key and critical positions with career development plan and training needs analysis.

We are committed in providing educational opportunities to our employees. Financial aids have been provided to our employees to support their quest for further education learning. The Company also offer educational assistance and career development plan to employees helping them earn professional degree/ master qualification for job enhancement. In 2019, two (2) employees benefited from the educational assistance.

### *Human rights- Fair employment and diversity*

We treat everyone including our employees, customers, suppliers with respect and integrity and ensure we protect our employee rights at all times adhering to local regulations and Employment Act. We acknowledge employees' right to a minimum wage and fair salary and ensure monthly remuneration are paid on time. Our recruitment of employee is conducted through a fair and transparent process based on qualification, experience, merit and attributes. We practice gender diversity with 17% of our total employees are female.

In 2019, we have conducted employee surveys which reached out to around 15% of total employees and out of which 89% have responded and satisfied working in SCIB.

## SUSTAINABILITY STATEMENT (CONT'D)

- **Giving back to the community**

We believe that Companies live within the community and they are inter-dependent of one another.

### Community Support

#### SCIB Volunteers

Our employees have shown great spirit of volunteerism in various fund-raising activities organised by the Sarawak Society for Parents of Children with Special Needs (PIBAKAT) on 30 June 2019 and the Kuching Autistic Association (KAA) on 21 July 2019 by setting up food stores sponsored by the Company. We also participated in the Zumbathon Charity 2019 on 23 June 2019 to support the various activities organised by the community to raise funds to help children with special needs.

#### Training for tomorrow

Throughout 2019, SCIB provides industrial training for 15 undergraduates from local institutions of higher learning in the areas of Civil Engineering, Accounting, Safety and Health, Electrical and Mechanical for duration between 2 to 6 months. We believe that these young students are the future of manufacturing and construction industry in Malaysia and our training program gives them learning opportunities and insights into the industry to improve their practical knowledge and field exposure.

On 2 October 2019, SCIB signed Memorandum of Understanding with Akademi Binaan Malaysia and CIDB Malaysia to collaborate in providing training to CIDB registered contractors in Malaysia to create awareness of Industrialised Building System in Malaysia's construction industry.

## ENVIRONMENT

### Protecting the environment from harm

We also recognise the importance of environment in which we operate in and place our best effort to become an environmental responsible corporate citizen.

### Waste and energy management

#### Pursuing ISO certification

We are also committed to answer the society's ever-louder call for greater corporate responsibility in managing the environmental impact operations may exert to the environment surrounding the factories. Since our factories are closely located to major water bodies such as river, we are doing our best to ensure that the water discharged from our premises has characteristics that is always within the tolerable limit permissible by relevant statute, and in particular the Environmental Quality Act 1974. We also intend to go extra miles pursuing the environmental certification under ISO14001:2015 in the near future.

Our investment in off-site precast manufacturing and prefabricated industrialised building system contribute positively towards sustainability inherently considering that it reduces debris, waste and air pollution at site. Further more, our operations do not discharge excessive or harmful dust or smoke into the air.

#### Recycle of waste

We recycle waste materials back to production if they are reusable otherwise, we sell to scrap collectors who might be able to use them. We are also improving our drainage system to dispose production slurry more appropriately and effectively.

In August 2019, SCIB participated in the Recycle Waste program known as the Coral Reef Propagation Project in collaboration with the Jabatan Perikanan Malaysia for laying of our obsolete or defect pipes and U-culverts outside Sematan sea area.

## SUSTAINABILITY STATEMENT (CONT'D)

We have conducted several training to enhance awareness and put in place adequate controls over handling of scheduled waste within our premises in line with Environmental Quality (Scheduled Waste) Regulation, 2005. A two-days training entitled 'Scheduled Waste-Rules & Regulations' was held between 17 to 18 September 2019 where twenty-five (25) personnel attended with representatives from all three factories participated. Additionally, a training entitled 'Safety in Scheduled waste Handling & Storage' was carried out on 16 January 2020 which was attended by fifteen (15) designated 'scheduled waste controller handler' to equip them with knowledge on proper method of collection, storage, spillage and disposal of scheduled waste.

### Investment in technology and Research & Development

Our precast concrete are factory-made products under stringent ISO accredited procedures and quality system. We employ quality plant and machineries such as batching plant technology which create minimal wastages. We also conduct research and development to find supplemental materials in manufacturing to reduce cement consumption such as the use of admixtures as hardening accelerators.

We are now looking into designing and construction of more effective slurry pit as additional engineering controls against transmission of harmful pollutants to the environment and will conduct scheduled checks to ensure that water discharged are close to PH neutral and less harmful to the environment.

Our factory managers have taken initiatives to reduce the usage of diesel and sludge oil, progressively replacing with formulated mould oil which is less harmful to human health and the environment.

### Save the trees

We have invested in our information technology system to reduce the usage of paper in our daily operations and also practice recycling paper waste.

### Save energy

We encourage employees to switch off non-essential electrical machinery, equipment and appliance when not in use.

*(This Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 27 April 2020)*



# SUSTAINABILITY STATEMENT (CONT'D)



## SUSTAINABILITY STATEMENT (CONT'D)



Badminton Tournament on 1 May 2019



Zumbathon on June 2019



CMS Tribal Run in August 2019



SCIB Sports Day in December 2019



SCIB Sports Day in December 2019

# SUSTAINABILITY STATEMENT (CONT'D)



Town hall meeting -15 February 2020



Town hall meeting -15 February 2020



Town hall meeting -15 February 2020



Town hall meeting -15 February 2020



Town hall meeting -15 February 2020



SCIB Annual dinner - 8 March 2020



SCIB Annual dinner - 8 March 2020

# SUSTAINABILITY STATEMENT (CONT'D)

## OUR PEOPLE



Chinese New Year Celebration in February 2019