

# FINANCIAL STATEMENTS

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Financial statements  
for the year ended  
31 December 2020

## SECURITIES COMMISSION MALAYSIA

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	3	151,677	152,515
Right-of-use assets	4	6,751	6,843
Other receivables	5	4,110	5,207
Other investments	6	75,423	165,182
		<u>237,961</u>	<u>329,747</u>
<b>Current assets</b>			
Other investments	6	788,233	581,421
Trade and other receivables	7	50,983	27,141
Cash and cash equivalents	8	90,649	95,230
		<u>929,865</u>	<u>703,792</u>
<b>Total assets</b>		<u>1,167,826</u>	<u>1,033,539</u>
<b>Reserves</b>			
Compensation fund reserve	9	100,000	100,000
Accumulated surplus		848,450	767,234
		<u>948,450</u>	<u>867,234</u>
<b>Total reserves</b>		<u>948,450</u>	<u>867,234</u>
<b>Non-current liabilities</b>			
Post-employment benefits	10	140,416	80,650
Deferred income	11	-	607
		<u>140,416</u>	<u>81,257</u>
<b>Current liabilities</b>			
Deferred income	11	704	1,984
Other payables and accruals	12	78,256	83,064
		<u>78,960</u>	<u>85,048</u>
<b>Total liabilities</b>		<u>219,376</u>	<u>166,305</u>
<b>Total reserves and liabilities</b>		<u>1,167,826</u>	<u>1,033,539</u>

The notes on pages 124 to 146 are an integral part of these financial statements.

## SECURITIES COMMISSION MALAYSIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
<b>Revenue</b>			
Levies		285,601	130,880
Fees and charges		13,887	12,188
Licence fees		1,380	3,223
Finance income		28,651	32,166
Registration fees		3,043	3,099
Other income		12,587	36,572
	13	<u>345,149</u>	<u>218,128</u>
<b>Less: Expenditure</b>			
Staff costs	14	164,475	155,744
Administrative expenses		28,972	32,211
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Rental expense		282	1,816
		<u>205,080</u>	<u>200,759</u>
<b>Net operating surplus</b>		140,069	17,369
Less: Funds to affiliates	15	(7,500)	(7,300)
<b>Surplus before tax for the year</b>	16	<u>132,569</u>	<u>10,069</u>
Tax expense	17	-	-
<b>Surplus after tax for the year</b>		<u>132,569</u>	<u>10,069</u>
<b>Other comprehensive expense, net of tax</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit liability	18	(51,353)	-
<b>Surplus and total comprehensive income for the year</b>		<u><u>81,216</u></u>	<u><u>10,069</u></u>

The notes on pages 124 to 146 are an integral part of these financial statements.

## SECURITIES COMMISSION MALAYSIA

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Compensation fund reserve RM'000	Accumulated surplus RM'000	Total RM'000
<b>At 1 January 2019</b>	100,000	757,165	857,165
Surplus and total comprehensive income for the year	-	10,069	10,069
<b>At 31 December 2019/1 January 2020</b>	100,000	767,234	867,234
Surplus for the year	-	132,569	132,569
Remeasurement of defined benefit liability	-	(51,353)	(51,353)
Surplus and total comprehensive income for the year	-	81,216	81,216
<b>At 31 December 2020</b>	100,000	848,450	948,450

Note 9

The notes on pages 124 to 146 are an integral part of these financial statements.

## SECURITIES COMMISSION MALAYSIA

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>			
Surplus before tax		132,569	10,069
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Amortisation of deferred income		(1,887)	(1,984)
Recognition of recovery of legal/enforcement costs		(8,683)	(11,210)
Finance income		(28,651)	(32,166)
Gain on disposal of property, plant and equipment		(11)	(50)
Adjustment of property, plant and equipment costs		-	396
<b>Operating surplus/(deficit) before working capital changes</b>		104,688	(23,957)
Changes in working capital:			
Post-employment benefits		8,413	4,960
Trade and other receivables		(21,747)	(1,086)
Other payables and accruals		3,875	14,240
<b>Net cash generated from/(used in) operating activities</b>		95,229	(5,843)
<b>Cash flows from investing activities</b>			
Maturity of investments in Malaysian Government Securities and Government Guaranteed Bonds		20,672	91,251
Increase in restricted deposits placed with licensed banks		(2,236)	(12,730)
Increase in deposits placed with licensed banks		(137,725)	(100,343)
Finance income received		27,653	30,950
Proceeds from recovery of legal/enforcement costs		-	22,506
Proceeds from disposal of plant and equipment		19	59
Acquisition of property, plant and equipment		(10,429)	(7,374)
<b>Net cash (used in)/from investing activities</b>		(102,046)	24,319
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,817)	18,476
<b>Cash and cash equivalents at 1 January</b>		44,553	26,077
<b>Cash and cash equivalents at 31 December</b>		37,736	44,553
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	8	15,853	23,155
Deposits placed with licensed banks	8	74,796	72,075
		90,649	95,230
Less: Restricted deposits		(52,913)	(50,677)
		37,736	44,553

The notes on pages 124 to 146 are an integral part of these financial statements.

## SECURITIES COMMISSION MALAYSIA

### NOTES TO THE FINANCIAL STATEMENTS

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (SCMA) for the regulation and development of capital markets. The SC has direct responsibility for supervising and monitoring the activities of market institutions including the exchanges and clearing houses and regulating all persons licensed under the *Capital Markets and Services Act 2007*. The address of the SC is at:

3, Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur, Malaysia

These financial statements were authorised for issue by the Board Members on 25 January 2021.

#### 1. Basis of preparation

##### (a) Statement of compliance

The financial statements of the SC have been prepared in accordance with *Malaysian Financial Reporting Standards* (MFRSs) and International Financial Reporting Standards.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the SC:

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020***

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The SC plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for MFRS 3, *Business Combinations* and MFRS 14, *Agriculture* which is not applicable to the SC.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* which is not applicable to the SC.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the SC.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

**(i) Post-employment benefits**

The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, medical inflation rate and life expectancy. As such, the estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision are as disclosed in Note 10.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the SC, unless otherwise stated.

### (a) Financial instruments

**(i) Recognition and initial measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the SC becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**(ii) Financial instrument categories and subsequent measurement**

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the SC changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

***Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is



reduced by impairment losses. Finance income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Finance income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(e)(i)) where the effective interest rate is applied to the amortised cost.

### ***Financial liabilities***

#### ***Amortised cost***

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Finance cost is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

### **(iii) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### **(iv) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the SC currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

## **(b) Property, plant and equipment**

### **(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the SC and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

Buildings	50 years
Office equipment, furniture and fittings	5 – 10 years
Computer and application systems	3 years
Motor vehicles	5 years

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

## (c) Leases

### (i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- as a lessee, it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- as a lessee, it has the right to direct the use of the asset. The SC has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the SC has the right to direct the use of the asset if either the SC has the right to operate the asset; or the SC designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the SC allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the SC is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

## **(ii) Recognition and initial measurement**

### **As a lessee**

The SC has classified leasehold land which in substance was a finance lease as right-of-use assets.

The SC has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The SC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## **(iii) Subsequent measurement**

### **As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## **(d) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the SC in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of restricted deposits.

## **(e) Impairment**

### **(i) Financial assets**

The SC recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

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

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the SC is exposed to credit risk.

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

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

At each reporting date, the SC assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

## (ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

## **(f) Revenue and other income**

### **(i) Revenue**

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third party. The SC recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

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

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

### **(ii) Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the SC will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the SC for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

### **(iii) Registration fees and licence fees**

Registration fees and licence fees are recognised as they accrue in profit or loss.

### **(iv) Finance income**

Finance income is recognised as it accrues using the effective interest method in profit or loss.

## (g) Employee benefits

### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the SC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (ii) State plans

The SC's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (iii) Defined benefit plans

#### Post-employment benefits

The SC provides post-employment medical coverage to eligible employees engaged prior to 1 January 2003.

The SC's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed by an independent qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the SC, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The SC determines the net finance cost or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Costs and expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The SC recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**(h) Funds to affiliates**

The SC provides funds to eligible affiliates to undertake capital market activities. These funds are recognised in profit or loss when payments have been made.

**(i) Contingencies****Contingent assets**

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

**(j) Fair value measurement**

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the SC can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The SC recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3. Property, plant and equipment

	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer and application systems RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2019	232,162	113,350	76,565	1,702	2,220	425,999
Additions	-	891	2,854	51	3,578	7,374
Disposals	-	(194)	(1,127)	-	-	(1,321)
Write off	-	-	(983)	-	-	(983)
Transfer from/(to)	-	161	2,463	-	(2,624)	-
Adjustment	-	-	-	-	(396)	(396)
At 31 December 2019/1 January 2020	232,162	114,208	79,772	1,753	2,778	430,673
Additions	-	1,001	2,160	-	7,268	10,429
Disposals	-	(24)	(312)	-	-	(336)
Transfer from/(to)	-	4,702	2,018	-	(6,720)	-
At 31 December 2020	232,162	119,887	83,638	1,753	3,326	440,766
<b>Depreciation and impairment loss</b>						
At 1 January 2019						
Accumulated depreciation	90,640	106,428	70,976	1,404	-	269,448
Accumulated impairment loss	109	-	-	-	-	109
	90,749	106,428	70,976	1,404	-	269,557
Depreciation for the year	4,643	1,963	4,105	185	-	10,896
Disposals	-	(193)	(1,119)	-	-	(1,312)
Write off	-	-	(983)	-	-	(983)
At 31 December 2019/1 January 2020						
Accumulated depreciation	95,283	108,198	72,979	1,589	-	278,049
Accumulated impairment loss	109	-	-	-	-	109
	95,392	108,198	72,979	1,589	-	278,158
Depreciation for the year	4,643	2,274	4,264	78	-	11,259
Disposals	-	(16)	(312)	-	-	(328)
At 31 December 2020						
Accumulated depreciation	99,926	110,456	76,931	1,667	-	288,980
Accumulated impairment loss	109	-	-	-	-	109
	100,035	110,456	76,931	1,667	-	289,089
<b>Carrying amounts</b>						
At 1 January 2019	141,413	6,922	5,589	298	2,220	156,442
At 31 December 2019/ 1 January 2020	136,770	6,010	6,793	164	2,778	152,515
At 31 December 2020	132,127	9,431	6,707	86	3,326	151,677



#### 4. Right-of-use assets

	<b>Leasehold land RM'000</b>
At 1 January 2019	6,935
Depreciation	(92)
At 30 December 2019/1 January 2020	6,843
Depreciation	(92)
At 31 December 2020	6,751

The SC leases two leasehold land that run for 99 years which expire in 2094 and 2096.

#### 5. Other receivables

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Staff financing	5,347	6,486
Less: Unearned profit		
- Islamic financing on housing and motor vehicles	(189)	(286)
	5,158	6,200
Less: Amount due within 12 months (Note 7)	(1,048)	(993)
Amount due after 12 months	4,110	5,207

The rates and tenure of staff financing are as follow:

	<b>Rate charged (per annum)</b>	<b>Maximum repayable period</b>
Islamic financing and conventional housing loans	2%	25 years
Islamic financing and conventional motor vehicle loans	4%	7 years
Study loans	-	5 years
Computer loans	-	4 years

The Islamic and conventional housing and motor vehicle financing are secured over the properties and motor vehicles of the borrowers, respectively.

The maturity structure of the financing to staff as at the end of the financial year is as follows:

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Within 1 year	1,048	993
More than 1 year and up to 5 years	2,887	3,218
More than 5 years	1,223	1,989
	5,158	6,200

## 6. Other investments

	Non-current		Current		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Amortised costs:</b>						
– Malaysian Government Securities and Government Guaranteed Bonds	75,423	131,182	55,195	20,108	130,618	151,290
– Deposits placed with licensed banks	-	34,000	733,038	561,313	733,038	595,313
	75,423	165,182	788,233	581,421	863,656	746,603

Included in deposits placed with licensed banks are amounts restricted for stockbroking industry development of RM14.1 million (2019: RM13.6 million) and amount restricted for planning and implementing capacity building programmes in relation to the accounting and auditing profession of approximately RM1.9 million (2019: RM1.6 million).

## 7. Trade and other receivables

	2020 RM'000	2019 RM'000
Levies	36,372	12,854
Finance income receivable	9,562	8,564
Other receivables	877	1,031
Deposit	252	624
Prepayments	2,872	3,075
Short term staff financing (Note 5)	1,048	993
	50,983	27,141

## 8. Cash and cash equivalents

	2020 RM'000	2019 RM'000
Cash and bank balances	15,853	23,155
Deposits placed with licensed banks	74,796	72,075
	90,649	95,230

The deposits placed with licensed banks earned income at rates ranging from 1.50% to 3.05% per annum (2019: 2.90% to 3.75% per annum).

Included in deposits placed with licensed banks are amounts restricted for brokers' security deposits of approximately RM1.3 million (2019: RM1.3 million), and cash and deposits of approximately RM51.6 million (2019: RM49.4 million) held on behalf of government agencies or funds.

The bank balances are placed with licensed banks.

## 9. Compensation fund reserve

This represents an amount allocated from the accumulated surplus for the Capital Market Compensation Fund Corporation.

## 10. Post-employment benefits

	2020 RM'000	2019 RM'000
Net defined benefit liability	80,650	75,690
Expense recognised in profit or loss	10,373	6,747
Expense recognised in OCI	51,353	-
Benefits paid	(1,960)	(1,787)
	<hr/>	<hr/>
Total employee benefit liabilities	<u>140,416</u>	<u>80,650</u>

The defined benefit plan is an unfunded post-employment medical plan, which provides medical benefits for participants and their eligible dependants after retirement age until the death of the participant or spouse, or for child dependants up to age 18 or age 24, if they are still studying.

As such, the ultimate cost of the plan depends on the longevity of the retirees and their eligible dependants, the incidence and cost of events resulting in claims under the plan, and the inflation of such costs in the future.

### Funding

The plan is unfunded. Employer contributions to the plan refer to the medical claim amounts paid directly by the SC. The SC expects to pay approximately RM2.3 million in contributions to its defined benefit plan in 2021.

### Movement in net defined benefit liability

	2020 RM'000	2019 RM'000
Net defined benefit liability at 1 January	80,650	75,690
	<hr style="border-top: 1px dashed #000;"/>	<hr style="border-top: 1px dashed #000;"/>
<b>Included in profit or loss</b>		
Current service cost	3,953	2,321
Finance cost	6,420	4,426
	<hr/>	<hr/>
	10,373	6,747
	<hr style="border-top: 1px dashed #000;"/>	<hr style="border-top: 1px dashed #000;"/>
<b>Other</b>		
Benefits paid	(1,960)	(1,787)
Remeasurement of defined benefit liability	51,353	-
	<hr/>	<hr/>
Net defined benefit liability at 31 December	<u>140,416</u>	<u>80,650</u>

### Defined benefit obligation Actuarial assumptions

Principal actuarial assumptions at the end of reporting period (expressed as weighted averages):

	<b>2020</b>	<b>2019</b>
Discount rate	4.9%	5.8%
Medical cost inflation	10%, reducing to 6% in 4 years	10%, reducing to 5% in 4 years
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 20 years (2019: 20.6 years).

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

	<b>Defined benefit obligation Increase RM'000</b>	<b>Decrease RM'000</b>
<b>2020</b>		
Discount rate (1% movement)	(21,343)	26,819
Medical cost inflation rate (1% movement)	26,819	(21,764)
<b>2019</b>		
Discount rate (1% movement)	(13,630)	17,501
Medical cost inflation rate (1% movement)	16,856	(13,388)

## 11. Deferred income

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
At 1 January 2020/2019	2,591	4,575
Less: Recognised in profit or loss during the year	(1,887)	(1,984)
Deferred income	704	2,591
Current liabilities	704	1,984
Non-current liabilities	-	607
	704	2,591

## 12. Other payables and accruals

	2020 RM'000	2019 RM'000
Other payables	70,730	75,909
Accruals	5,735	5,475
Brokers' security deposits	1,791	1,680
	<u>78,256</u>	<u>83,064</u>

## 13. Revenue

	Note	2020 RM'000	2019 RM'000
Revenue	13.1	300,868	146,291
Other income			
- finance		28,651	32,166
- others		15,630	39,671
		<u>44,281</u>	<u>71,837</u>
Total revenue		<u>345,149</u>	<u>218,128</u>

### 13.1 Nature of goods and services

The following information reflects the typical transactions of the SC:

Nature of services	Significant payment term	Timing of recognition or method used to recognise revenue
Levies	30 days	Revenue is derived from Malaysia and recognised at a point in time.
Fees and charges	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.
Licence	Not applicable	Revenue is derived from Malaysia and recognised over time.

## 14. Staff costs

	2020 RM'000	2019 RM'000
Remuneration, bonus, staff medical, staff training and overtime	133,814	129,710
Employees Provident Fund and SOCSO contribution	18,103	17,442
Private Retirement Scheme	2,185	1,845
Post-employment benefits	10,373	6,747
	<u>164,475</u>	<u>155,744</u>

## 15. Funds to affiliates

SC provides funds to various entities involved in projects and programmes that develop, promote and enhance the well-being of the Malaysian capital market.

## 16. Surplus before tax

	Note	2020 RM'000	2019 RM'000
<b>Surplus before tax is arrived at after charging:</b>			
Auditors' remuneration		100	100
Executive members' emoluments		4,942	4,287
Non-executive members' allowance		1,123	1,288
Rental expense:			
Property	(a)	86	1,540
Plant and equipment	(b)	199	276
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Adjustment of property, plant and equipment costs		-	396
		<u>          </u>	<u>          </u>
<b>and after crediting:</b>			
Gain on disposal of plant and equipment		11	50
		<u>          </u>	<u>          </u>

### Note (a)

The SC leases an office building on a short-term lease and has elected not to recognise right-of-use assets and lease liabilities for the arrangement.

### Note (b)

The SC leases IT equipment considered as leases of low-value items and short-term leases. The SC has elected not to recognise right-of-use assets and lease liabilities for these arrangements.

## 17. Tax expense

The SC was granted approval from the Minister of Finance to be exempted from taxation with effect from Year Assessment (YA) 2007 onwards.

## 18. Other comprehensive expense

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
<b>2020</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit liability	51,353	-	51,353

## 19. Related parties

### Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the SC either directly or indirectly.

The SC has related party relationship with Securities Industry Development Corporation (SIDC), as the Chairman of the SC is also the Chairperson of SIDC.

Lee Hishammuddin Allen & Gledhill (LHAG) is deemed to be a related party of the SC by virtue of a Board Member of the SC is also a partner of LHAG.

### Significant related party transactions

The significant related party transactions of the SC are shown below:

	2020 RM'000	2019 RM'000
<b>Related party</b>		
Management fee	129	509
Legal fees	(34)	(289)
Provision of funds to affiliates	(3,500)	(2,500)

The balances which arose from the transactions above are included in Note 7 and Note 12.

## 20. Capital commitments

	2020 RM'000	2019 RM'000
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
<i>Approved but not contracted for:</i>		
Within one year	18,170	25,470
Within two – three years	1,700	-

## 21. Financial instruments

### 21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised costs (AC).

	Carrying amount RM'000	AC RM'000
<b>2020</b>		
<b>Financial assets</b>		
Other receivables	4,110	4,110
Other investments	863,656	863,656
Trade and other receivables*	47,852	47,852
Cash and cash equivalents	90,649	90,649
	<u>1,006,273</u>	<u>1,006,273</u>
<b>Financial liabilities</b>		
Other payables and accruals*	(77,824)	(77,824)
<b>2019</b>		
<b>Financial assets</b>		
Other receivables	5,207	5,207
Other investments	746,603	746,603
Trade and other receivables*	24,066	24,066
Cash and cash equivalents	95,230	95,230
	<u>871,106</u>	<u>871,106</u>
<b>Financial liabilities</b>		
Other payables and accruals*	(71,624)	(71,624)

\* Exclude non-financial instruments

### 21.2 Gains arising from financial instruments

	2020 RM'000	2019 RM'000
<b>Gains on:</b>		
Financial assets at amortised cost	<u>28,651</u>	<u>32,166</u>

### 21.3 Financial risk management

The SC has policies and guidelines on the overall investment strategies and tolerance towards risk. Investments are managed in a prudent manner to ensure the preservation and conservation of the fund. The SC has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk



## 21.4 Credit risk

Credit risk is the risk of a financial loss to the SC if a counterparty to a financial instrument fails to meet its contractual obligations. The exposure to credit risk arises principally from the individual characteristics of each customer. There are no significant changes as compared to prior periods.

### Receivables

#### *Risk management objectives, policies and processes for managing the risk*

The SC has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

#### *Recognition and measurement of impairment loss*

In managing credit risk of receivables, the SC manages its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, receivables will pay within 30 days.

The SC uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2020 which are grouped together as they are expected to have similar risk nature.

	<b>Gross-carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
<b>2020</b>			
Not past due	54,941	-	54,941
Past due 1 - 30 days	-	-	-
Past due 31 - 90 days	-	-	-
Past due 91 - 180 days	-	-	-
Past due more than 180 days	152	-	152
	<hr/> 55,093	<hr/> -	<hr/> 55,093
<b>2019</b>			
Not past due	32,087	-	32,087
Past due 1 - 30 days	-	-	-
Past due 31 - 90 days	-	-	-
Past due 91 - 180 days	-	-	-
Past due more than 180 days	261	-	261
	<hr/> 32,348	<hr/> -	<hr/> 32,348

The receivables that are past due has not recognised any loss allowance as the receivables are supported by collateral in the form of residential properties with respective fair value exceeding its outstanding debts.

The fair values of these collateralised properties are determined using the comparison method based on professional valuation.

No impairment was performed on the receivables.

### Cash and cash equivalents

The cash and cash equivalents are held with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These licensed banks and financial institutions have low credit risk. In addition, some of the bank balances are insured by government agencies. Consequently, the SC is of the view that the loss allowance is not material and hence, it is not provided for.

### Investments and other financial assets

*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have credit rating that are sovereign or near sovereign.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the SC has only invested in Malaysian government securities and government guaranteed bonds. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

## 21.5 Liquidity risk

Liquidity risk is the risk that the SC will not be able to meet its financial obligations as they fall due. The SC monitors and maintains a level of cash and cash equivalents deemed necessary by the SC to finance its operations and to mitigate the effects of fluctuations in cash flows.

### Maturity analysis

The table below summarises the maturity profile of the SC's financial liabilities as at the end of the reporting period. There is no contractual interest rate for other payables and accruals.

	Carrying amount RM'000	Contractual cash flow RM'000	Under 1 year RM'000
<b>2020</b>			
<b>Financial liabilities</b>			
Other payables and accruals	77,824	77,824	77,824
<b>2019</b>			
<b>Financial liabilities</b>			
Other payables and accruals	71,624	71,624	71,624

## 21.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates, that will affect the SC's financial position or cash flows.

### 21.6.1 Interest rate risk

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

	2020 RM'000	2019 RM'000
<b>Fixed rate instruments</b>		
Financial assets	938,452	818,678

#### *Interest rate risk sensitivity analysis*

##### *Fair value sensitivity analysis for fixed rate instruments*

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

## 21.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of fixed deposits is assumed to reasonably approximate their fair values.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

#### Fair value of financial instruments not carried at fair value

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
<b>2020</b>					
<b>Non-current Financial assets</b>					
Long term receivables Malaysian Government Securities and Government Guaranteed Bonds	-	-	4,110	4,110	4,110
	-	77,444	-	77,444	75,423
	-	77,444	4,110	81,554	79,533
<b>2019</b>					
<b>Non-current Financial assets</b>					
Long term receivables Malaysian Government Securities and Government Guaranteed Bonds	-	-	5,207	5,207	5,207
	-	133,206	-	133,206	131,182
	-	133,206	5,207	138,413	136,389

**Level 1 fair value**

Level 1 fair value is derived from unadjusted quoted price in active markets for identical financial assets that the entity can access at the measurement date.

**Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets, either directly or indirectly.

**Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets.

**Financial instruments not carried at fair value**

Type	Description of valuation technique and input used
Long-term receivables	Discounted cash flows using a rate based on the current market rate of borrowing.

**22. Reserves management**

The SC's financial management objective is to maintain adequate reserves to safeguard the SC's ability to perform its duties and functions independently and effectively. Management monitors the long-term capital commitments to ensure that sufficient funds are available to meet the obligations. The SC's investments are managed in a prudent manner to ensure the preservation of the funds.

**23. Contingencies**

The SC is of the opinion that the recognition of the following penalty imposed and corresponding receivable is not required, as the case is currently still ongoing.

**Contingent asset**

In previous financial year, the Audit Oversight Board (AOB) has imposed 3 sanctions against an audit firm and its partners amounting to RM631,000 for breaching the AOB's registration condition imposed under section 31O(3) of the SCMA.

The involved parties have applied to the High Court for judicial review on the AOB's decision. On 10 August 2020, the High Court quashed the sanctions imposed against the audit firm and its partners.

On 13 August 2020, the SC and AOB have filed an appeal to the Court of Appeal to set aside the High Court decision. The matter is pending hearing in the Court of Appeal.

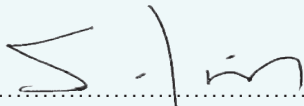
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## SECURITIES COMMISSION MALAYSIA STATEMENT BY BOARD MEMBERS

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In the opinion of the Board Members, the financial statements set out on pages 120 to 146 are drawn up in accordance with *Malaysian Financial Reporting Standards* and *International Financial Reporting Standards* so as to give a true and fair view of the financial position of the Securities Commission Malaysia as of 31 December 2020 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Board Members:



.....  
**Syed Zaid Albar**  
Chairman



.....  
**Wee Hoe Soon @ Gooi Hoe Soon**  
Member

Kuala Lumpur

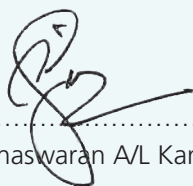
Date: 25 January 2021

## SECURITIES COMMISSION MALAYSIA

### STATUTORY DECLARATION

I, **Vignaswaran A/L Kandiah**, the officer primarily responsible for the financial management of the Securities Commission Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 120 to 146 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the *Statutory Declarations Act, 1960*.

Subscribed and solemnly declared by the abovenamed **Vignaswaran A/L Kandiah**, NRIC No. 561128-10-6171, at Kuala Lumpur in the Federal Territory on 25 January 2021.



Vignaswaran A/L Kandiah  
Officer

Before me:



H-2-10,  
Plaza Damas,  
Jalan Sri Hartamas 1,  
50480 Kuala Lumpur

## INDEPENDENT AUDITORS' REPORT TO THE BOARD MEMBERS OF THE SECURITIES COMMISSION MALAYSIA

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Securities Commission Malaysia (SC), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 120 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the SC as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### Basis for Opinion

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

#### Independence and Other Ethical Responsibilities

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

#### Responsibilities of Board Members of the SC for the Financial Statements

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

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

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

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

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

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

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



## Other Matter

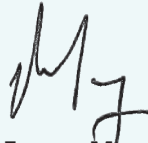
This report is made solely to the Board Members, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

Petaling Jaya, Malaysia

Date: 25 January 2021



**Foong Mun Kong**  
Approval Number: 02613/12/2022 J  
Chartered Accountant