2017 Annual Report

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

COMPANY NO 25583-W

SARAWAK CONSOLIDATED INDUSTRIES BERHAD
COMPANY NO 25583-W

CONTENTS

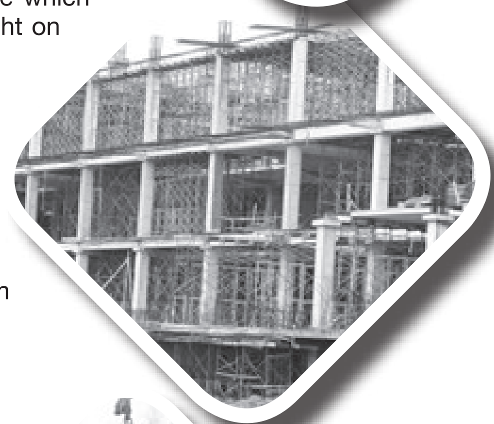
CORPORATE PROFILE

Sarawak Consolidated Industries Berhad (“SCIB”) was founded in 1975 and has evolved from a small enterprise into a reputable Group of companies listed on the Main Market of Bursa Malaysia Securities Berhad. Currently, SCIB is operating three factories in Kuching, Sarawak, one factory in the Pending Industrial Estate and two factories in the Demak Laut industrial park.

SCIB is well known for professional management and has long history of innovative ideas and technological advances. Coupled with its wealth of experience and research acquired in more than three decades, SCIB offers its clients in-depth expertise through a combination of technology, efficiency and speed.

Amongst the concrete products manufactured for use in the construction and infrastructure sectors are pre-stressed spun pile, reinforced concrete square pile, spun concrete pipe, reinforced concrete box culvert, pre-stressed beam, concrete roofing tiles and prefabricated concrete elements or Industrialised Building System (“IBS”) components such as Hollowcore slab, Wall panel, Column and Beam.

SCIB has become a much respected household name, a name synonymous with quality and service. With its commitment to quality, SCIB was awarded by SIRIM QAS ISO9001:2015 Quality Documentation System as well as product certification.
With long term focus on growth, SCIB underwent a group rationalization exercise which resulted in group structure in 2001. From a manufacturing base, SCIB sets its sight on diversifying and expanding into property development.



In year 2005, SCIB has entered into an agreement with Elematic Oy Ab, Finland in Technology and Product Design Transfer for the prefabricated Industrialised Building System.

Through Elematic market leadership and international presence, SCIB offers customers the benefits of :-
- The latest solutions and technology in prefabricated Industrialised Building System
- Unique benchmarking possibilities
- Extensive design and engineering resources

Advantages of prefabricated Industrialised Building System are as follows:
- Improved speed of construction
- Reduced site costs and time due to off-site manufacture
- Quality assured factory production
- Wide range of appearance and finishes
- Reduced manpower at site
- Longer span and greater load capacity
- Better sound insulation
- Low maintenance cost
- Durable due to higher strength of materials
- Less cleaning and clearing of construction debris
- Less exposure to stolen steel bars at site
- No plastering for bottom and side surfaces required
- Competitive cost when designed to optimum solution

In July 2017, SCIB acquired a subsidiary company namely Carlton Gardens Sdn. Bhd. which is in the business of engineering and construction to expand its business into Sabah and to position itself to deliver growth from market opportunities in Sabah.

Going forward SCIB, being the largest manufacturer of precast concrete IBS components in Sarawak will definitely benefit from the Government’s support on IBS usage in Malaysia considering its benefits of reduced manpower at site, improved speed and quality-assured factory production. Our goal in creating value and growth will be assisted by the expanded market coverage and increased production capacity that will position SCIB to meet future demand of precast concrete.

CORPORATE PROFILE (contd.)

OUR PRODUCTS


Spun Pile


Square Pile

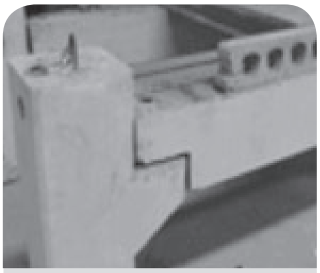

Box Culvert


U-Drain


Prestressed Beam

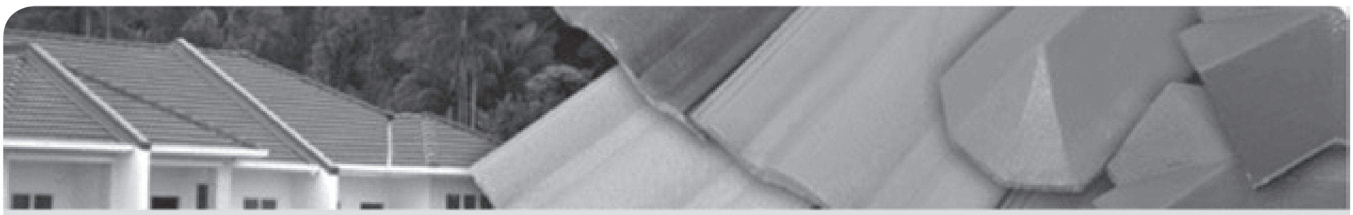

Concrete Pipe


Precast Column


Precast Beam


Hollowcore Slab


Wall Panel


Bold Roll Concrete Roof Tiles

Santubong Suites

CORPORATE PROFILE (contd.)

OUR FACTORIES

Main Factory, Pending Industrial Estate, Kuching

IBS Factory, Demak Laut Industrial Park, Kuching

Roofing tiles, Light Weight Blocks and Spun Pile Factory, Demak Laut Industrial Park, Kuching

CORPORATE PROFILE (contd.)

OUR PROJECTS

We supply our products to some notable projects including:

The Summer Mall
- Supply of IBS components and square piles

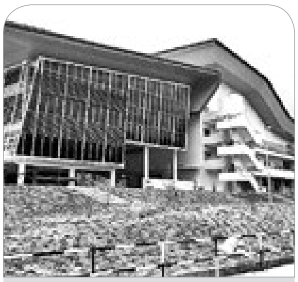
The Faculty of Medicine & Health Science for Universiti Malaysia Sarawak "UNIMAS"
- Supply of IBS components and spun piles

Central Teaching Faculty for UNIMAS
- Supply of IBS components and spun piles

Royal Custom Malaysia Sarawak Headquarter
- Supply of IBS components

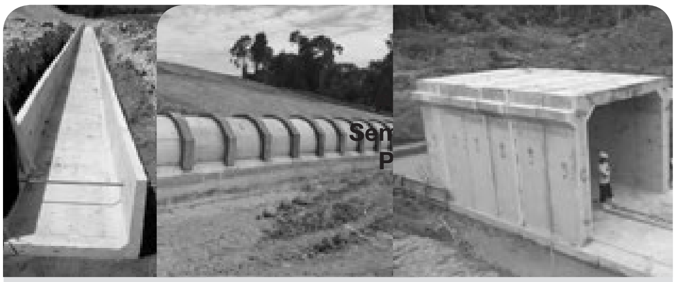
Proposed Klinik Kesihatan Jenis 3XP on Lot 3081 & 3082, Malaysia
- Supply of IBS components

Three Storey Commercial Complex at Jalan Wan Alwi
- Supply of IBS components and square piles



Pusat Islam for UNIMAS
- Supply of IBS components and spun piles

Vivacity Project – an integrated mixed development comprising a retail podium, a block of hotel and 4 blocks of service apartments at Jalan Wan Alwi, Kuching.
- Supply of IBS components and spun piles



Pan Borneo Highway Projects
-Supply of foundation piles, box culverts, pipes and beams

Cadangan Perlaksanaan Sembilan (9) Buah Projek IBS di Sarawak
-Supply of IBS components and square piles.

Giant Mall, Semariang
- Supply of IBS products

KUB Mill at Mukah
- Supply of IBS hollow core slabs and square piles

CORPORATE INFORMATION

DIRECTORS

YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	*(Non-Independent Non-Executive Chairman)*
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	*(Independent Non-Executive Director)*
YM. Tunku Dato' Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan	*(Non-Independent Non-Executive Director)*
Tuan Haji Soedirman Bin Haji Aini	*(Independent Non-Executive Director)*
Encik Shamsul Anuar Bin Ahamad Ibrahim	*(Independent Non-Executive Director)*
Encik Rewi Hamid Bugo	*(Non-Independent Non-Executive Director)*
Tuan Haji Zaidi Bin Haji Ahmad	*(Executive Director)*

GROUP CHIEF EXECUTIVE OFFICER

Encik Ariff Abdul Rashid

COMPANY SECRETARY

Voon Jan Moi (MAICSA 7021367)

REGISTERED OFFICE

Lot 1258, Jalan Utama
Pending Industrial Estate
93450 Kuching, Sarawak

Tel : 082-334485
Fax : 082-334484

AUDITORS

Ernst & Young
Chartered Accountants
3rd Floor, Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak

Tel : 082-243233
Fax : 082-421287

INVESTOR RELATION

Attn: Encik Shamsul Anuar Bin Ahamad Ibrahim
Email: scib@scib.com.my

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name: SCIB
Stock Code: 9237

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/ 46,
47301 Petaling Jaya, Selangor Darul Ehsan

Tel: 03-78418000
Fax: 03-78418151

PRINCIPAL BANKERS

Malayan Banking Berhad
Small Medium Enterprise Development Bank Malaysia Berhad
AmBank (M) Berhad
AmIslamic Bank Berhad
Kuwait Finance House (Malaysia) Berhad

WEBSITE

www.scib.com.my

CORPORATE STRUCTURE

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

COMPANY NO. 25583-W

- 100% **INVESTMENT HOLDING** SCIB Holdings Sdn. Bhd.
  - 100% **PROPERTY** SCIB Properties Sdn. Bhd.
  - 100% **MANUFACTURING** SCIB Concrete Manufacturing Sdn. Bhd.
  - 100% **OTHERS** SCIB Infraworks Sdn. Bhd.
- 100% **CONSTRUCTION** SCIB Industrialised Building System Sdn. Bhd.
- 100% **CONSTRUCTION** Carlton Gardens Sdn. Bhd.

VISION AND MISSION STATEMENT

our VISION

To be a company founded on excellence.

our MISSION

We are dedicated to the creation and demonstration of a concept of linked prosperity.

Our mission consists of three interrelated parts:

- **ECONOMIC MISSION:** To operate the Company on sound management principles for growth and increasing values for our shareholders and creating career opportunities and financial rewards for our employees;
- **PRODUCT MISSION:** To make, distribute and sell the finest quality products in innovative and creative way while optimizing the utilization of resources; and
- **SPECIAL MISSION:** To operate the Company in a way that actively recognizes the central role that business plays in the structure of society by initiating innovative ways to improve the quality of life of a broad community.

Underlying the mission is the determination to seek new and creative ways to achieving all three parts.

DIRECTORS' PROFILE

YBHG. TAN SRI DATUK AMAR (DR.) HAMID BIN BUGO

Non-Independent Non-Executive Chairman / Aged 72, Male, Malaysian

Tan Sri Hamid was appointed as a Non-Executive Chairman on 23 October 2001 and redesignated as the Executive Chairman from 22 November 2007 till 24 February 2010. He was then redesignated as the Non-Independent Non-Executive Chairman on 24 February 2010. He graduated with a Bachelor and Masters of Art (Economics) from Canterbury University, New Zealand, and a Teaching Post-Graduate Diploma from Christchurch Teachers' College in 1970. He received his Honorary Degree of Doctor of Commerce from Lincoln University in 2001.

He held various distinguished positions in the public service, including the first general manager of Land Custody and Development Authority, Permanent Secretary of Ministry of Resource Planning and finally State Secretary of Sarawak from 1992 till 2000.

Tan Sri Hamid also sits on the Board of Sapura Resources Berhad, Sapura Kencana Petroleum Berhad and Petroleum Sarawak Berhad .

He is deemed a substantial shareholder of the Company via Pacific Unit Sdn Bhd.

Tan Sri Hamid is the father of Encik Rewi Hamid Bugo, a Director of the Company.

YBHG. DATU IR. HAJI MOHIDDEN BIN HAJI ISHAK

Independent Non-Executive Director / Aged 65, Male, Malaysian

YBhg. Datu Ir. Haji Mohidden was appointed as an Independent Non-Executive Director on 1st September 2015. He graduated with Bachelor of Engineering from University of Auckland, New Zealand and he is a member of Institute of Engineers Malaysia.

Datu Ir. Haji Mohidden was the General Manager of Bintulu Development Authority ("BDA") from year July 2003 to April 2015. He has many years of experience on the Board of various companies namely Bintulu Port Authority, BDA Properties Sdn. Bhd., Laku Management Sdn. Bhd., Kemena Industries Sdn. Bhd. and Samalaju Properties Sdn. Bhd.

Datu Ir. Haji Mohidden also sits on the Board of University Putra Malaysia and served as the Board member of Bintulu Muslim Charitable Board, Lembaga Amanah Anak Yatim Sarawak and Malaysian Red Crescent Bintulu Chapter.

YM. TUNKU DATO' AHMAD BURHANUDDIN BIN TUNKU DATUK SERI ADNAN

Non-Independent Non-Executive Director / Aged 57, Male, Malaysian

Tunku Dato' Ahmad Burhanuddin was appointed as a Non-Independent Non-Executive Director on 27 July 2017. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants.

He has served as Executive Director of CIMB Bank, the Financial Controller (CFO) of Commerce Asset Holdings (now CIMB Berhad), Executive Director of Commerce Asset Fund Managers, Group Chief Internal Auditor of the Commerce Group and chaired various committees in CIMB including being the Chairman of the Building Committee, the Group Customer Care and Management Support Division and the Corporate Client Solutions. He was the managing director of Themed Attractions Resorts & Hotels owners and managers of Legoland Resort Malaysia, the Datai Langkawi, Kidzania Kuala Lumpur and Singapore, and Puteri Habour in Iskandar Puteri.

He was the President of the Malaysian Association of Amusement Themeparks & Family Attractions (MAATFA) in 2013 for a two-year term and also is the President of The Malay College Old Boys Association since June 2016.

Tunku Dato' Ahmad Burhanuddin also sits on the Board of MAA Group Berhad.

DIRECTORS' PROFILE (contd.)

TUAN HAJI SOEDIRMAN BIN HAJI AINI

Independent Non-Executive Director / Aged 61, Male, Malaysian

Tuan Haji Soedirman was appointed as a Non-Independent Non-Executive Director since 1 January 2013. He was re-designated as an Independent Non-Executive Director on 19 May 2016. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants.

He started his career with Petronas in 1982 and after serving 13 years with the Company, he resigned in 1995 to join the Sarawak State Government. He is currently the General Manager of Sarawak Economic Development Corporation (SEDC). His previous employment in the Sarawak Civil Service includes being the Permanent Secretary of Ministry of Social Development, Director of State Implementation Monitoring Unit, Permanent Secretary of the Ministry of Industrial Development, Deputy State Financial Secretary and State Accountant- General. Between November 2002 and September 2003, he was seconded to Amanah Saham Sarawak Berhad as its Chief Executive Officer.

Tuan Haji Soedirman sits on the Board of various Government-Linked Companies and Non-Governmental Organisations.

ENCIK SHAMSUL ANUAR BIN AHAMAD IBRAHIM

Independent Non-Executive Director / Aged 55, Male, Malaysian

Encik Shamsul Anuar Bin Ahamad Ibrahim was appointed as an Independent Non-Executive Director on 1st September 2015. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants.

Encik Shamsul Anuar joined ASSAR Group of Companies in 1993 as the Finance & Administration Manager of Amanah Saham Sarawak Bhd (ASSB). Since then, he has been assigned to various positions in the group and made the Chief Executive Officer of ASSB in 2003. In 2007, he was promoted to his current position i.e. the Group Corporate Affairs General Manager of Permodalan ASSAR Sdn Bhd (the holding company of ASSB).

He also sits on the Board of Sarawak Transport Company Berhad.

ENCIK REWI HAMID BUGO

Non-Independent Non-Executive Director / Aged 44, Male, Malaysian

Encik Rewi Hamid Bugo was appointed as a Non-Independent Non-Executive Director on 1st September 2015. He graduated with a Bachelor of Science degree and Master of Commerce (1st Class Honours) degree from the University of Canterbury, New Zealand.

He was appointed as the Managing Director of Sego Holdings Sdn. Bhd. in 1997 and sits on the Board of a number of private companies that are engaged in property development, the tourism industry and the Oil and Gas industry.

Encik Rewi Hamid Bugo also sits on the Board of Thriven Global Berhad.

He is presently the Deputy President of SHEDA, the Sarawak Housing and Real Estate Developers' Association for the 2015-2018 terms.

He is deemed a substantial shareholder of the Company via Pacific Unit Sdn Bhd.

He is the son of YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo, a Director and Major shareholder of the Company.

DIRECTORS' PROFILE (contd.)

TUAN HAJI ZAIDI BIN HAJI AHMAD

Executive Director / Aged 58, Male, Malaysian

Tuan Haji Zaidi was appointed as an Executive Director since 22 January 2003. He resigned as the Executive Director on 1 January 2013 and was appointed as a Chief Executive Officer (CEO) on the same date. On 2 March 2018, he ceased as the CEO of SCIB and was re-appointed as the Executive Director of the Company.

He graduated with a Master of Business Administration from Leicester University, United Kingdom and a Diploma in Banking Studies from the Institute of Technology MARA.

He gained many years of experience in banking and finance and was the Executive Director/ Chief Executive Officer of a licensed finance company from 1994 till 2000. He sits on the board of a number of private companies involved in manufacturing, property development and construction. He is also the director of SCIB subsidiary companies.

He also served as the President of PIBAKAT, Sarawak Society for Parents of Children with Special Needs.
Tuan Haji Zaidi holds direct interest of 190,800 shares (0.22%) and indirect interest of 135,715 shares

Notes:

1. *Family Relationship with Director and/or Major Shareholder*
   Save as disclosed above, none of the Directors has any family relationship with any director and/or major shareholder of the Company.

2. *Conflict of interest*
   None of the Directors has any conflict of interests with the Company.

3. *Conviction of Offences*
   None of the Directors has been convicted of any offences other than traffic offences in the past five (5) years.

4. *Directorships*
   Saved as disclosed above, none of the Directors has other directorship in Public Companies.

5. Details of the Board members' participation in the various Board Committees are set out in Corporate Governance Overview Statement in this Annual Report.

6. *Directors' Training*
   All Directors have attended various in-house or external programmes to enable them to discharge their duties and responsibilities effectively. In addition, all Directors are encouraged to attend seminars, conferences and various training programmes to keep abreast with market and economic developments as well as with the new statutory and regulatory requirements.

DIRECTORS' PROFILE (contd.)

No	Name of Director	Conferences, seminars and training programmes
1	YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	- The New Companies Act 2016 – Highlights On Key Changes by Tengis Corporate Services Sdn Bhd - The DNA Of A Successful Organisation by CEO & President of Malaysian Institute of Integrity - Out Of The Vicious Cycle Of Poverty by UiTM Sarawak - Integrity As A Culture In Our Society by Pustaka Negeri Sarawak - ASEAN Integrity Dialogue (AID) 2017 – Reinventing Good Governance Through Universal Values by Institute Integriti Malaysia - Sustaining Your Financial Health In Your Golden Years by Shenton Song
2	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	- Companies Act 2016 by Tengis Corporate Services Sdn Bhd - Effective Internal Audit Function for Audit Committee Workshop by Bursa Malaysia
3	YM. Tunku Dato' Ahmad Burhanuddin bin Tunku Datuk Seri Adnan	- Mandatory Accreditation Programme (MAP) by Research Institute of Investment Analysts Malaysia
4	Tuan Haji Soedirman Bin Haji Aini	- The New Companies Act 2016 (2017) by Sara Resort Management Sdn Bhd - Industry 4.0 & Digitalisation by Malaysian Institute of Management (MIM) - MIA International Accountants Conference 2017 by Malaysian Institute of Accountants (MIA)
5	Encik Shamsul Anuar Bin Ahamad Ibrahim	- MIA International Accountants Conference 2017 by Malaysian Institute of Accountants (MIA) - Cyber Threat & Fraud Risk Management by Crime Scene Investigation (CSI) - Capital Market Director Programme by Securities Industry Development Corporation (SIDC)
6	Encik Rewi Hamid Bugo	- Highlights Of The New Companies Act For Directors by Thriven Global Berhad
7	Tuan Haji Zaidi Bin Haji Ahmad	- Advocacy Sessions to Enhance Quality of Management Discussion and Analysis - Annual Regional Real Estate and Property Development - Program Latihan dan Kolaborasi Pengurusan Lean ke Jepun

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the year ended 31 December 2017, ten(10) Board Meetings were held. The attendance of the Directors at the Board Meetings is as follows:

	Attendance
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	10/10
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	10/10
YM. Tunku Dato' Ahmad Burhanuddin bin Tunku Datuk Seri Adnan*	3/3
Tuan Haji Soedirman Bin Haji Aini	8/10
Encik Shamsul Anuar Bin Ahamad Ibrahim	9/10
Encik Rewi Hamid Bugo	9/10
Encik Shamsul Anuar Bin Ahamad Ibrahim	9/10
Tuan Haji Zaidi Bin Haji Ahmad**	not applicable

*Appointed on 27 July 2017
**Appointed on 2 March 2018

KEY SENIOR MANAGEMENT PROFILE

TUAN HAJI ZAIDI BIN HAJI AHMAD
Executive Director / Aged 58, Male, Malaysian

Details of the Executive Director is set out on page 11 the Directors' Profile of this Annual Report.

ENCIK ARIFF ABDUL RASHID
Chief Executive Officer / Aged 55, Male, Malaysian

Encik Ariff was appointed as SCIB's Chief Executive Officer on 2 March 2018.

He has Certificate in Contractors Building Course and Building Management Course and gained more than 30 years working experience in various organisations involved in transport solutions, oil & gas, manufacturing and agriculture as project manager, marketing manager and managing director.

MR. CHIEW JONG WEI
Chief Financial Officer / Aged 43, Male, Malaysian

Mr. Chiew Jong Wei joined SCIB on 19 February 2018 as the Chief Financial Officer of the Company.

He is a Fellow Member of The Chartered Association of Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA).

He has more than 20 years working experience in audit firm and commercial companies as Accountant, Financial Controller, Head of treasury and Head of finance.

MR. CHAI TZE KHANG
General Manager / Aged 44, Male, Malaysian

Mr. Chai joined SCIB in year 1997 as a production engineer. He was appointed to his current position as the General Manager of the Company in year 2008.

He graduated with a Bachelor of Science Degree in Industrial Engineering and Management from Oklahoma State University, USA.

He gained more than 19 years of experience in Manufacturing operation and sales and marketing throughout his career in various position such as QA manager and factory manager. He is also the director of SCIB's subsidiary companies.

MS WONG LI WEN
Head of Corporate Services / Aged 35, Female, Malaysian

Ms Wong Li Wen joined SCIB in 2008 as an Accountant and was the Finance Manager since year 2012. She was then appointed as the Chief Financial Officer of the Company on 4th April 2016 and was re-designated as the Group's Head of Corporate Services on 19th February 2018.

She is a Fellow Member of The Chartered Association of Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA).

She has more than 13 years working experience in audit firm and commercial companies as Accountant, Company Secretary, Finance Manager and Chief Financial Officer.

KEY SENIOR MANAGEMENT PROFILE (contd.)

Notes:

1. *Family Relationship with Director and/or Major Shareholder*
   Saved as disclosed above, the Chief Executive Office and none of the Key Senior Management has any family relationship with any director and/or major shareholder of the Company.

2. *Conflict of interest*
   The Chief Executive Officer and none of the Key Senior Management has any conflict of interests with the Company.

3. *Conviction of Offences*
   The Chief Executive Officer and none of the Key Senior Management has been convicted of any offences other than traffic offences in the past five(5) years.

4. *Directorships*
   Saved as disclosed above, the Chief Executive Officer and none of the Key Senior Management has other directorship in Public Companies.

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors, I am pleased to report our business and financial performance for 2017 and comment on the acquisition of Carlton Gardens Sdn Bhd (CGSB) during the year.

Business Performance

The Malaysian economy, as measured by gross domestic product (GDP), grew 5.9% in 2017 compared with the 4.2% expansion in 2016, driven mainly by private sector.

The general business environment in Sarawak was challenging. Despite that, Sarawak registered an economic growth of 3.2% in 2017 against earlier projected growth of between 6%-7% per annum for 2016-2020.

SCIB managed to register a respectable performance of RM68.8 million in revenue, an increase of RM12 million or 21% from RM57 million registered in 2016. The acquisition of Carlton Gardens Sdn Bhd (CGSB) has given recognition of revenue of RM7 million for the year under review. The details of which are stated in our Management Discussion and Analysis (MD&A) statement.

As in previous years, our infrastructure-related products contributed significantly to the total revenue of the group due to the off-take from the Pan Borneo Highway and some government projects. However our IBS segment did not perform to expectation despite our push for more supply of our IBS-related products. A few IBS-related projects secured from our customers were put on hold but expected to roll out this year with improving economic environment.

On a positive note, we managed to deliver our IBS components to a few school projects. This was well received as it greatly reduced construction period as compared to in-situ construction. With this development, we remain optimistic in the adoption of IBS precast concrete components in construction projects. We will strengthen our collaboration with the various stakeholders especially architects, housing developers and CIDB to help ensure that the government's objective of the use of IBS in the construction industry is being met.

In 2017, SCIB produced 158,351 tons of precast concrete products and IBS components compared with 143,212 tons in 2016, an increase of 10.6% year-on-year. This performance was achieved despite the adverse effect by the competitive price from similar products especially spun piles imported from outside Sarawak.

A total of 149,418 tons were delivered to customers but it does not translate into a corresponding increase in turnover partly because the company was unable to recover a large portion of cost increases in steel prices during the year.

This situation led to a slight reduction from our targeted gross margin of 20% although we recorded an increase to 18% in 2017 compared with 14% in 2016.

Financial Performance

The increase in revenue resulted in a higher gross profit of RM12.4 million as compared to RM7.7 million in 2016. However this increase was negated by an increase in selling and distribution expenses as the majority of our products were delivered for the Pan Borneo Highway across Sarawak. The group registered a loss before tax of RM0.258 million as compared to a profit before tax of RM1.59 million registered in 2016. Further details of the financial performance can be read in our MD & A Report

The acquisition of Carlton Gardens Sdn Bhd (CGSB)

The acquisition of CGSB was also significant for SCIB, being the first substantial acquisition made by the Group for a number of years. This project is deemed an opportunity for SCIB to penetrate in Sabah.

The total consideration payable for CGSB was RM9.5 million which was partly financed through internal funds, and RM4.2 million by way of an issuance of 7.3 million ordinary shares of SCIB at a price of RM0.58 per share to the vendors of CGSB. Accordingly, the vendors of CGSB gave a profit guarantee of RM7.1 million. As part of this transaction, the Group also took the opportunity to issue new placement shares of up to 36 million to selected non-related parties.

CHAIRMAN'S STATEMENT (contd.)

However new developments have emerged which pertains to the performance of our factory that impacted delivery and installation works of the PRIMA project. At time of reporting, our management is still assessing the impact of such developments on the operations and financial aspects of the said contract. Thereafter our board would make an informed decision on this venture.

Sustainability and Diversity

SCIB remained steadfast in being the largest precast concrete manufacturer in Borneo, we are always looking for opportunities for mergers and acquisitions. Sustainability of future operations and as a going concern is seriously being addressed by our Board.

2017 is another clean year as we do not record any major factory-related incidents. We embraced lean management system under the purview of Malaysian Productivity Council. We applaud ourselves as an organization in a traditionally male-dominated sector that respect and embrace diversity as a good 17% of our employees are women.

SCIB has factory, marketing, sales, training, finance, administration and support teams and our people are our greatest asset. In 2017 they worked very hard to produce what I consider to be a good result achieved in not the easiest of markets. I would therefore like to take this opportunity to thank them all for their contribution to SCIB's performance in 2017. I am confident that they will produce a better result in 2018.

Board and Management

The Board will continue in its present form and with the addition of two new Directors, would consist of three (3) Non-Independent Non-Executive Directors and three (3) Independent Directors. We welcomed YM Tunku Dato' Ahmad Burhanuddin bin Tunku Datuk Seri Adnan who brings with him a wealth of banking and management experience to the group.

The directors will continue to be responsible for maintaining and enhancing SCIB's corporate governance standards and will participate in the Audit, Risk, Remuneration and Nomination Committees.

Also announced in march this year was that Zaidi Haji Ahmad, who has been with SCIB for fifteen (15) years, of which five (5)were as CEO, has been re-designated as an Executive Director. Encik Ariff Abdul Rashid and Mr. Chiew Jong Wei were appointed as the Chief Executive Officer and the Chief Financial Officer of the Group effective March 2018 and February 2018 respectively. These appointments are to strengthen the group internally as we intend to branch out into other activities in the new future.

Future Outlook

Last year I said that the group foresees challenging times ahead but remains cautiously optimistic. Indeed these are uncertain times but we know that new challenges will present themselves as we go forward. That said, we are confident that we shall be able to meet them because of the resilience, innovative skills and dedication of our employees and the urgent need for companies like SCIB to provide the means to enhance the performance of industries in which we are involved in particular, the construction industry. I believe that it is because of the effort, creativity and collaboration of all our employees that makes us the preferred supplier of precast concrete and IBS components in Sarawak.

I am therefore pleased to say that the current year has started well, our financial position is strong and our order books are historically impressive. Therefore, against this background, we will continue to invest in our core business of developing market leading precast concrete and IBS solutions. We will also be taking additional measures to enhance the co-ordination between our sales and support teams to improve our service to our customers and remain open to inorganic growth opportunities to accelerate our development should they arise.

Finally I thank our shareholders, customers and business associates for their continued support and I thank the Board and our staff for their hard work and commitment to SCIB.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) for Sarawak Consolidated Industries Berhad should be read in conjunction with the Company's Annual Report 2017 and the cautionary statement regarding forward-looking information in page 16 of Future Outlook of Chairman statement of this annual report.

Our principal activities and business operations

Sarawak Consolidated Industries Berhad ("SCIB") was founded in 1975 and has evolved from a small enterprise into a reputable Group of companies listed on the Main Market of Bursa Malaysia Securities Berhad.

The Group's core business is in the manufacturing and sale of precast concrete pipes, pre-stressed spun concrete piles, precast industrialised building system components ("IBS") and other related concrete products.

SCIB has become a much respected household name, a name synonymous with quality and service. With its commitment to quality, SCIB was awarded by SIRIM QAS ISO9001:2015 Quality Documentation System as well as product certification. We pride ourselves as the sole Spun pile manufacturer and the largest industrialised building system (IBS) manufacturer of precast concrete components in East Malaysia. With its strong brand name, SCIB gain trust and support from many housing developers and contractors in Sarawak and other parts of Borneo.

Currently, SCIB operates three (3) factories in Kuching, Sarawak located in the Pending Industrial Estate and the Demak Laut industrial park with a capacity of 350,000 tonnes yearly. We have recently invested RM4.8 million for the manufacture of concrete pipe and beams which expanded our annual production capacity by 47,800 tonnes. The new plant is to cater for the expected increase in demand from the rolling out of the Pan Borneo Highway projects.

The group employs approximately 263 employees on a permanent basis assisted by 82 sub contract workers to effectively run our daily operations.

Our vision

Our vision is to be a company founded on excellence. We are dedicated to the creation and demonstration of a concept of linked prosperity.

Our mission include:-

i) to operate the Company on sound management principles for growth and increasing values for our shareholders and creating career opportunities and financial rewards for our employees;
ii) to make, distribute and sell the finest quality products in innovative and creative way while optimizing the utilization of resources; and
iii) to operate the Company in a way that actively recognizes the central role that business plays in the structure of society by initiating innovative ways to improve the quality of life of a broad community.

Our key markets

The group supply to all markets within Sarawak and parts of Sabah, Kalimantan and Brunei. We envisaged ourselves as the market leader in the geographical market we served. All our products such as pipes, piles, culverts, beams and other precast concrete IBS components are used extensively in infrastructure projects, commercial, industrial and residential housing projects.

We pride ourselves on being forthright with our customers and in providing a positive working environment in which quality and efficiency are the norms. Ultimately our performance and our success will be judged by our customers. We remained steadfast in our goal of building relationships beyond the normal supplier/customer affiliation through building strategic partnerships with our customers and have them consider us as part of their business too.

Our strengths and opportunities

We pride ourselves as a reputable manufacturer that offers our customers technical expertise, professional consultations and customized solutions. Our past records speak volumes of our branding and as the preferred supplier to most government projects especially in Sarawak.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (contd.)

We believe in our underlying strengths as described below:-

i) The sole spun pile and IBS hollow core and Panel walls manufacturer in East Malaysia
ii) Largest precast concrete pipe manufacturer in East Malaysia
iii) Our main products are SIRIM QAS ISO9001:2015 certified
iv) An experienced and reliable in-house engineering design team
v) A wharf facility for shipment across Borneo
vi) A total solutions provider with a wide product range

We see ample opportunities for the group to reap arising from the government's policies to expand our economy, among others, are as follows:-

i) Increased market acceptance and government support in IBS system
ii) Shortage of labour encourage developers & contractors to opt for IBS system
iii) Increase in government spending on infrastructure projects such as Pan Borneo Highway, Schools and SCORE projects
iv) An improved market environment

Our business strategies

The Group constantly remain focused on increasing its production efficiency, managing its cost structure as well as intensify sales of our traditional products. 2017 was no exception though we fell short of our expectation of securing new IBS projects. In 2017, the Group incurred around RM3.6 million in new capital expenditure for the expansion of our beam and pipe plants and the upgrading of the existing plant. This is to cater for the increase in demand from various government projects. Going forward, it is imperative for the group to constantly implement cost saving measures which improve our plant utilisation and productivity.

Our primary objectives and achievement for year 2017 are as follows:

2017 Strategic Objective	Performance till 31 Dec 2017	Comments
Gross revenue of RM105.2 million	RM68.78 million	Due to the deferment of some mega projects to year 2018.
15 new customers	82 new customers	Our best achievement as we have targeted smaller sized contractors.
Zero customer complaints	16 complaints	Corrective actions are in place. We are constantly reviewing the effectiveness of some preventive and corrective actions taken.
Gross profit margin of 20%	18% gross profit margin	Operational cost structure is managed well at 9% of revenue. Increase in steel prices, competitive pricing and the lack of new IBS projects have impacted margins.
Net profit margin of 3%	-0.4% net profit margin	

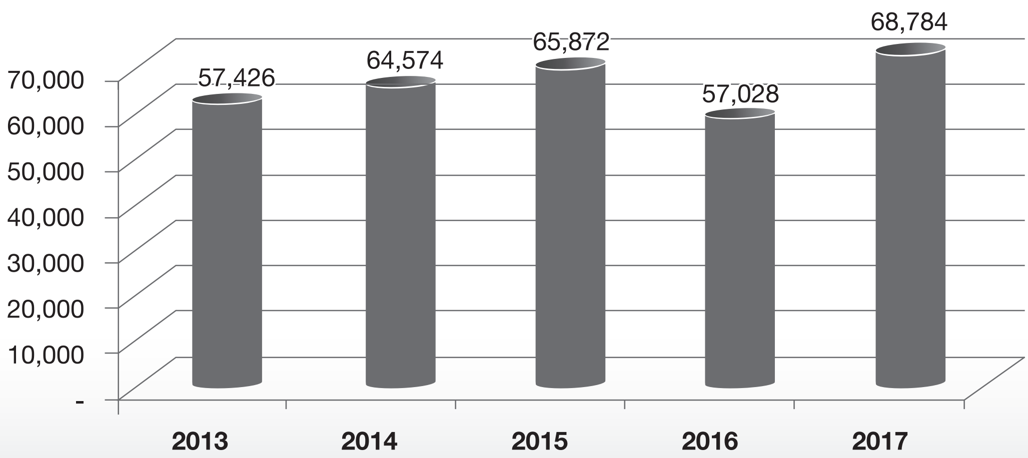
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (contd.)

Our financial highlights for the past 5 financial years

Financial year ended 31 December	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	57,426	64,574	65,872	57,028	68,784
Gross profit	7,995	12,767	13,150	7,735	12,441
(Loss)/ profit before tax	(3,430)	(2,933)	234	1,592	(118)
(Loss)/ profit for the year attributable to equity holders of the Company	(2,820)	(2,939)	240	1,592	(258)
Earnings before interest, tax and depreciation	1,477	2,335	5,952	7,596	5,827
Total assets	86,755	90,067	84,352	92,891	108,619
Current assets	41,248	42,286	40,244	52,253	57,774
Total liabilities	33,768	40,019	34,064	41,011	49,763
Shareholders equity	52,987	50,048	50,288	51,881	58,857
Current liabilities	26,868	29,680	23,557	28,086	39,273
Loans and borrowings	15,438	16,638	19,512	23,827	23,830
Total no. of shares	73,582,500	73,582,500	73,582,500	73,582,500	85,882,500

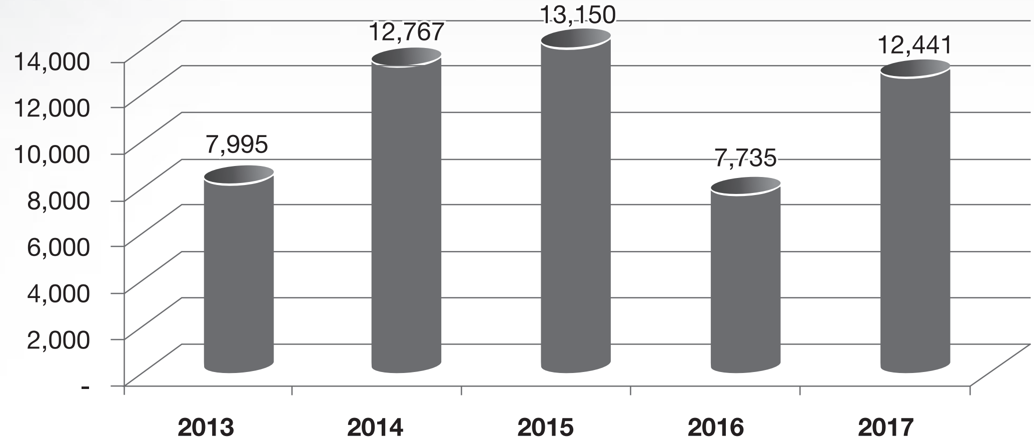
Financial ratios					
Net assets per share	0.76	0.72	0.68	0.68	0.69
Debts to total funds ratio	32%	33%	42%	34%	43%

REVENUE (RM'000)

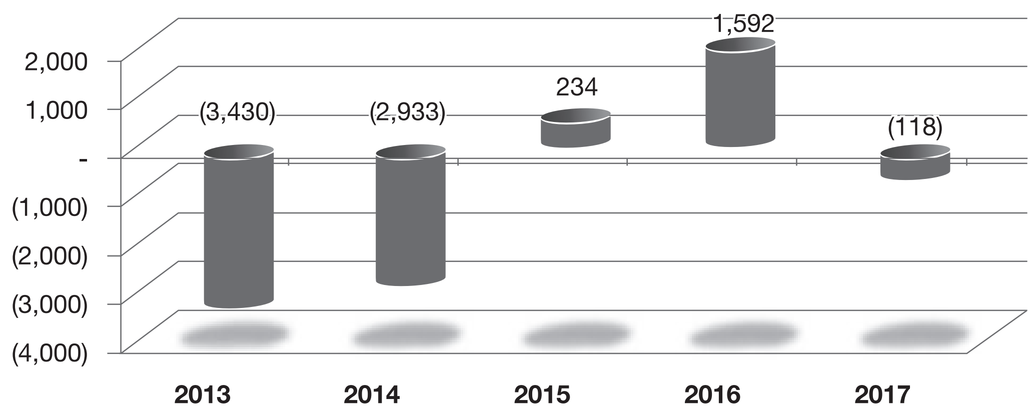


MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (contd.)

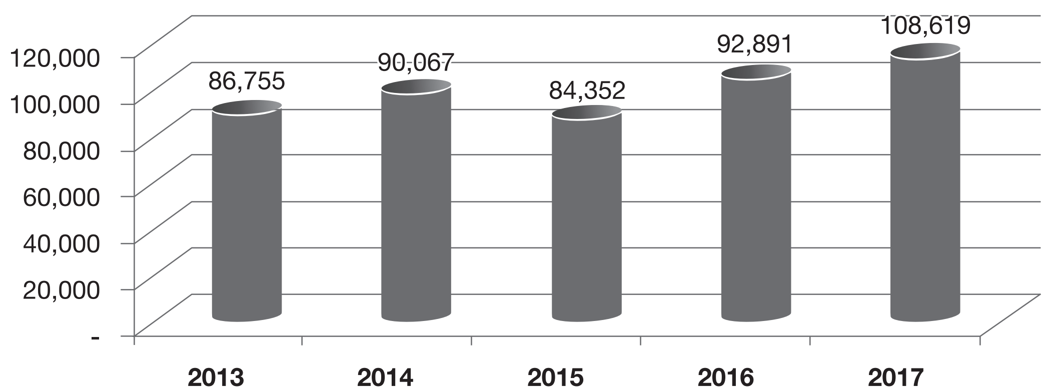
GROSS PROFIT (RM'000)



LOSS/PROFIT BEFORE TAX (RM'000)

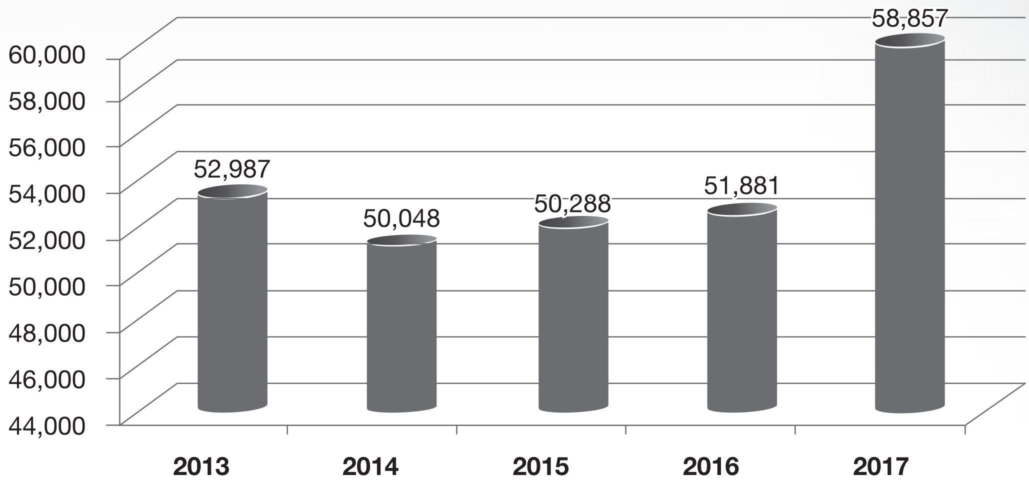


TOTAL ASSETS (RM'000)

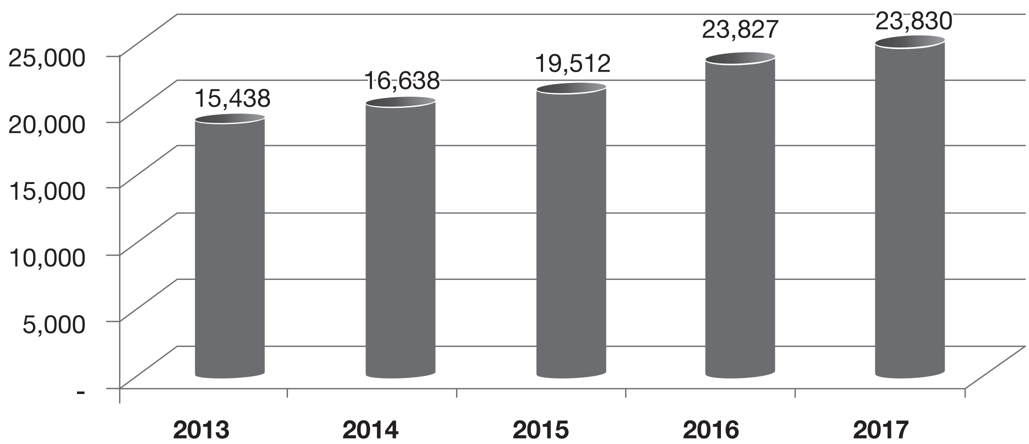


MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (contd.)

SHAREHOLDERS EQUITY (RM'000)



LOANS & BORROWINGS (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (contd.)

Our financial performance for the year under review

Revenue

21%

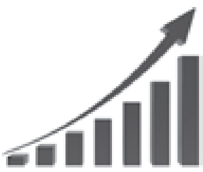
Revenue for the Group has increased by around RM12 mil or 21% from RM57 mil registered in year 2016 to RM69 mil for the year under review. Around 88% of the Group's revenue is contributed by the manufacturing division of which major contributions are from the sales of spun piles, square piles, pipe and industrialised building system components.

Sales volume for our traditional products has increased by 10,244 tons to 142,169 tons for year 2017 from 131,926 tons reported in 2016 and sales volume for Industrialised Building System (IBS) products recorded an increase of 2,069 tons to 7,248 tons in 2017 as compared to 5,179 tons reported last year.

The group reported increase in sales of pipes, RC products and Square piles primarily due to rolling out of road projects and Pan Borneo Highway project.

The construction division has reported a revenue of RM7 million mainly derived from the newly acquired subsidiary namely Carlton Gardens Sdn. Bhd. (CGSB).

Gross profit



4%

Gross profit margin has improved by 4% from 14% reported for the year ended 31 December 2016 to 18% for the year ended 31 December 2017 mainly due to sale of higher margin products.

Net loss before tax

The Group's bottom line has decreased by RM1.85 million to net loss of RM0.26 million as compared to net profit of RM1.59 million last year. Despite this, our EBIDTA before extraordinary charge off increased by RM2.3 million or 82.1% from RM2.8 million in 2016 to RM5.1 million in 2017.

Major changes in financial position

Total assets

Our total assets increased by 17% or RM15.73 million to RM108.62 million.

Non-current assets

Our non-current assets increased by RM10.21 million to RM50.85 million mainly due to acquisition of property, plant and equipment amounting to around RM3.6 million for the expansion of our pipe and beam plant and also consolidation of the building and plant & machinery of our newly acquired subsidiary company, CGSB. amounting to RM4.3 million. The effect of increase was mitigated by the recognition of depreciation charges of RM4.3 million.

A goodwill of RM5.65 million was recognised on the acquisition of CGSB. On 03 July 2017, SCIB acquired 100% equity interest in CGSB, a company incorporated in Malaysia and engaged in business of engineering and construction, project and construction management. CGSB has a contract in hand to supply and install interlocking blocks and associated structural and finishing works for the construction of 620 residential units together with necessary amenities, utilities and facilities of the Beaufort 1Malaysia People's Housing Program (PR1MA) Affordable Housing project.

Current assets

Our current assets increased by 10% or RM5.5 million to RM57.77 million attributed mainly to:-

1. An increase in inventories for finished goods by 21% or RM4 million and an increase in trade receivables by 37% or RM6.3 million due to demand for the Pan Borneo Highway projects and

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (contd.)

2. The Group's trade receivables increased mainly attributed to the receivables of the newly acquired subsidiary, CGSB. Other current receivables increased by four(4) times for the year under review as compared to preceding year mainly due to increase in amount due from contract customers arising from CGSB's project where the value of revenue recognised has exceeded the progress billings.

Cash and bank balances decreased by RM9.4 million of which RM5.26 million was paid as part of the purchase consideration for the acquisition CGSB and RM3.4 million was attributed to the acquisition of property, plant and equipment made during the year under review. The Company also raised RM3 million from the private placement exercise which was used for working capital purposes during the year.

Total liabilities

Total liabilities increased by RM8.75 million or 21% attributed mainly to an increase in Trade payables by 54% or RM7.6 million. During the year under review, revolving credit and hire purchase facilities totalling to RM1.8 million was drawdown for working capital requirement as well as for expansion of plant albeit mitigated by repayment of RM3.31 million made during the year.

Risks

The Group and the Company are exposed to operational and financial risks arising from their 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 recommend further steps where and when required. Management is of the opinion that the operational and financial risks are properly mitigated to a minimum level.

Credit risks

The Group's 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. A net reversal of impairment loss on trade receivables RM735,000 was recorded during the year. Though our average debtors' turnover period is deemed high at around 123 days, our management is confident that these debts are collectible as most of the debtors are our long-term active customers. We believe ample steps have been taken to assess and manage those credit risks in 2017.

Liquidity risks

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of our stand-by revolving credit facilities up to the limit of RM19 million which gives net cash inflow of RM1.8 million during the year under review. We believed we have managed this risk well.

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's and the Company's exposure to market risk for changes in interest rate environment relates mainly to its loans and borrowings. Baring any further increase in the banks' BFR, we do not foresee that the group will be greatly affected by an increase in interest rate.

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, risk relating to changes in political, social and economic conditions and competition and/or business risks.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (contd.)

However, the Board through the Risk Management Committee have undertaken the necessary measures and instil effort to mitigate the various risks identified.

Operational risks

In running the day to day business, the operational risks arise includes 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.

Future outlook

SCIB expects a stronger performance in 2018. A healthy and strong order book of RM64 million as at January is expected to bring in higher revenue to the Group. Demand for our precast infrastructure products and foundation piles would increase exponentially in 2018 in tandem with the encouraging progress of major projects undertaken. SCIB is also actively promoting the use of precast concrete products to consultants, contractors and developers emphasizing on the benefits of speed, reduction in labour workforce and enhanced productivity and efficiency. Sale of IBS products is expected to improve after taking into account the rolling out of school and teacher quarters, government clinic and hospital extension projects.

Cashflow-wise the group need to monitor the increase in trade receivables and debtors' turnover period as it may affect monthly cash collection. Consequently this will result in an increase working capital requirement. However, new borrowings of RM7 million and private placement proceeds of approximately RM18 million should mitigate this risk effectively.

Going forward SCIB, being the largest manufacturer of precast concrete IBS components in Sarawak, will definitely benefit from the Government's push on IBS usage in Malaysia considering its benefits of reduced manpower at site, improved speed and quality-assured factory production. Our goal in creating value and growth will be assisted by this expanded market coverage and increased production capacity that will position SCIB to meet future demand of precast concrete products and IBS components.

(This Management Discussion and Analysis statement is made in accordance with a resolution of the Board of Directors dated 24 March 2018).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

Sarawak Consolidated Industries Berhad **("SCIB" or "the Company")** supports high standards of corporate governance as stipulated in the Principles and Recommendations set out in the Malaysian Code on Corporate Governance **("the Code")** released in April 2017. SCIB develops and maintains sound policies and practices as a fundamental part of the Board of Directors' **("Board")** responsibility to promote and drive long term sustainable growth. The Board, Management and staff of SCIB remain steadfast and focused in ensuring the highest level of corporate governance taking into account the interests of the investors and all other stakeholders.

The Board is guided by and mindful of the Principles and Recommendations of the Code. The Group will continue to uphold corporate governance practices and endeavor to ensure that the prescriptions of the Principles and Recommendations of the Code are supported and implemented, where applicable and appropriate. The following sections outline the Group's good governance policies and practices.

(A) BOARD OF DIRECTORS

Board Balance and Independence

For the financial year ended 31 December 2017, the Board consists of six (6) members, of whom all are Non-Executive Directors. The Company's Chief Executive Officer, Tuan Haji Zaidi Bin Haji Ahmad is responsible for all day-to-day management and for leading the development and execution of the Company's long and short-term plans. The Chief Executive Officer 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. For the financial year ended 31 December 2017, the Board comprises the following Directors:

No.	Name	Designation
1	YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	Non-Independent Non-Executive Chairman
2	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	Independent Non-Executive Director
3	YM. Tunku Dato' Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan*	Non-Independent Non-Executive Director
4	Tuan Haji Soedirman Bin Haji Aini	Independent Non-Executive Director
5	Encik Shamsul Anuar Bin Ahamad Ibrahim	Independent Non-Executive Director
6	Encik Rewi Hamid Bugo	Non-Independent Non-Executive Director

* Appointed as Non-Independent Non-Executive Director on 27 July 2017

Tuan Haji Zaidi Bin Haji Ahmad has ceased as the Company's Chief Executive Officer on 2 March 2018 and was appointed as the Company's Executive Director on the same day. Currently, the Board consists of One (1) Executive Director and Six (6) Non-Executive Directors out of which three (3) are Independent Directors.

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 Group.

Three (3) of the Independent Non-Executive Directors fulfill the criterias of independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). Encik Shamsul Anuar Bin Ahamad Ibrahim is the Independent Director duly identified by the Board to whom concerns or queries concerning the SCIB Group may be conveyed to.

The Board views that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender. The Board does recognize the value of woman member in the Board and will continue to assess the needs to adopt a gender diversity policy or target in due course.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (contd.)

The Group's 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 carry out their roles and responsibilities as Independent Directors effectively.

Based on the composition of the Board as at 31 December 2017, one third of the Board consist of independent directors which are in accordance with Paragraph 15.02 of the Listing requirements of the Main Market of Bursa Malaysia Securities Berhad. Although the Company has not met the best practices of having at least half of the board independent, the Remuneration and 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 Group'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. The Board has in place the Audit Committee, Remuneration and Nomination Committee and Risk Management Committee with clear Terms of References to assist the Board in deliberations and recommendations for check and balance. The Committees comprise majority of independent non-executive Directors which are able to provide diverse perspectives and insights supporting the Board to make decision objectively.

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.

Roles and Responsibilities of the Board

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 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.

In furtherance, the Board also delegated specific tasks to the Board Committees namely the Audit Committee, Remuneration and 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 ultimate approval still lies with the entire Board. Certain Board functions are also delegated to the Management and the Board ensures Management is of the highest caliber.

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 (contd.)

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

Board Meetings and 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 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 Malaysia Securities Berhad and Securities Commission. Special Board meetings may be convened to consider urgent proposals or matters that require the expeditious review or consideration by the Board. 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.

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. As part of the integrated risk management initiatives, the Board also notes the decisions and salient issues deliberated by the Board Committees and main Management Committees through minutes of these 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 two (2) days before the Board meeting. 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. 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.

Training and Development of Directors

All directors have attended the Mandatory Accreditation Programme **("MAP")** assigned by BMSB. The members of the SCIB Board 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 Board of Directors are also provided with the Board Policy Manual that contained information including but not limited to the structure of the Group, 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 Secretary facilitates the organisation of internal training programmes and Directors' attendance in external programmes, and keeps a complete record of the training received or attended by the Board of Directors. 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 (contd.)

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 Group 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 and 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 Articles of Association of SCIB provide that at every annual general meeting of SCIB, 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 Articles further provide 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 the annual general meeting of SCIB is subject to the prior assessment by the Remuneration and 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.

(B) 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 prescribed by the Code. The functions and terms of reference of Board Committees and Management Committees, as well as authority delegated by the Board to these Committees, have been 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 SCIB are as follows:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (contd.)

Details of the Board members' participation in the various Board Committees are set out below:-

Directors	Audit Committee	Remuneration and Nomination Committee	Risk Management Committee
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	-	Chairman	-
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	Member	Member	Member
YM. Tunku Dato' Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan	-	-	-
Tuan Haji Soedirman Bin Haji Aini	-	-	Chairman
Encik Shamsul Anuar Bin Ahamad Ibrahim	Chairman	Member	Member
Encik Rewi Hamid Bugo	Member	-	Member

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. At every Board meeting, the Chairman of the respective committee meetings, will provide summary of the reports, deliberation and recommendations made at the respective meetings for the Board's deliberation and recommendation where board decisions are required. 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. The Board has approved the terms of reference of each Committee, and where applicable, these comply with the Recommendations of the Code.

The salient terms of reference and frequency of meetings of the Board Committees are as follows:

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

- *Remuneration and Nomination Committee*
  - The terms of reference of the Remuneration and Nomination Committee are set out in the paragraph on "Appointment of Board Members and Terms of Reference of the Remuneration and Nomination Committee" in this Statement on Corporate Governance; and
  - The Remuneration and Nomination Committee meets as and when required, and at least once a year.

- *Risk Management Committee*
  - Oversees the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management;
  - Reviews and approves risk management policies and risk tolerance limits;
  - Ensures infrastructure, resources, processes and systems are in place for risk management; and
  - The Risk Management Committee holds at least four (4) meetings a year.

Appointment of Board Members and Terms of Reference of Remuneration and Nomination Committee

The Remuneration and Nomination Committee will recommend candidates for all directorships to be filled to the Board. The new Directors will undergo a familiarisation programme, which includes presentation of an overview of the Group's profile, products, factories and track records to facilitate the new Directors' understanding of the SCIB Group. The Company Secretary will ensure that all appointments of new Director are properly carried out and all legal and regulatory obligations are met.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (contd.)

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

The Remuneration and 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 and Nomination Committee will evaluate the person's ability to discharge such responsibilities/ functions as expected from an Independent Non-Executive Director, and whether a Director is independent as defined in the guidelines issued in the Main Market Listing Requirements of BMSB.

The terms of reference of the Remuneration and Nomination Committee are as follows:

- To establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and Senior Management;
- To assess and recommend to the Board technically competent persons of integrity with strong sense of professionalism for appointment as Directors;
- In the case of persons for the position of Independent Non- Executive Director, to evaluate the persons' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- To assess and recommend to the Board, the re-appointment of Directors upon the expiry of their respective terms of appointment;
- To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
- To determine annually whether a Director is independent as may be defined in the guidelines as stated in the Main Market Listing Requirements of BMSB;
- To establish the mechanisms for the formal assessment on the effectiveness of the Board as a whole, the effectiveness and performance of each Director. The annual assessment to be conducted would be based on objective performance criteria as approved by the Board;
- To ensure that all Directors receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements;
- To recommend to the Board the removal of a Director if he is ineffective, errant or negligent in discharging his responsibilities;
- To oversee the appointment, management succession planning and performance evaluation of the key Senior Management Officers;
- To recommend to the Board the removal of key Senior Management Officers if they are ineffective, errant or negligent in discharging their responsibilities;
- To assess and recommend to the Board, the terms of reference of Board Committees and to review the adequacy of committee structure of Board Committees;
- To review annually and recommend to the Board the overall remuneration policy for Directors and key Senior Management Officers to ensure that rewards commensurate with their contributions to the Company's growth and profitability, and that the remuneration policy supports the Company's objectives and shareholder value and is consistent with the Company's culture and strategy;
- To review annually the performance of the Executive Directors and recommend to the Board specific adjustments in remuneration and/or reward payments if any, reflecting their contributions for the year; and which are competitive and consistent with the Company's objectives, culture and strategy;
- To ensure that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board;
- Keeps abreast of the terms and conditions of service of the Executive Directors and key Senior Management Officers including their total remuneration package for market comparability, and reviews and recommends changes to the Board whenever necessary;
- Keeps abreast of the remuneration packages for Members of Board Committees to ensure that they commensurate with the scope of responsibilities held and reviews and recommends changes to the Board whenever necessary; and
- To carry out such other responsibilities as may be specified by or delegated by the Board from time to time.

The Remuneration and Nomination Committee upon its recent annual review carried out, was satisfied that the size of the Board is optimum and that there is appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board. The Remuneration and Nomination Committee was satisfied that all the members of the Board are suitably qualified to hold their positions as Directors in view of their respective academic and

CORPORATE GOVERNANCE OVERVIEW STATEMENT (contd.)

professional qualifications, experience and qualities. Furthermore, all the Directors have been assessed as complying with the standards for "fit and proper" criteria. The Independent Directors had also been assessed as complying with the definition of Independent Director as defined in the Main Market Listing Requirements of BMSB.

The Remuneration and Nomination Committee had also reviewed the Board Members' directorships in companies other than SCIB; 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 BMSB.

All assessments and evaluations carried out by the Remuneration and Nomination Committee in the discharge of all its functions shall be properly documented. The Remuneration and Nomination Committee and the Board shall assess the independence of all independent directors annually.

The Remuneration and Nomination Committee carries out the annual review of the overall remuneration policy for Directors and key Senior Management Officers whereupon recommendations are submitted to the Board for approval. The Remuneration and 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 calibre. The Remuneration and 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.

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

The disclosure of the remuneration of individual Directors of the Group on named basis for the financial year ended 31 December 2017 is set out as below:

	Director Fees RM	Meeting allowances and other emoluments RM	Total remuneration RM
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	96,000	12,700	108,700
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	30,000	7,600	37,600
YM. Tunku Dato' Ahmad Burhanuddin bin Tunku Datuk Seri Adnan *	12,903	-	12,903
Tuan Haji Soedirman Bin Haji Aini	30,000	3,600	33,600
Encik Shamsul Anuar Bin Ahamad Ibrahim	30,000	13,600	43,600
Encik Rewi Hamid Bugo	30,000	6,400	36,400
Total	228,903	43,900	272,803

*Appointed on 27 July 2017

(C) COMPANY SECRETARY

The Company Secretary is qualified secretary as required pursuant to the Malaysian Companies Act 2016. The Company Secretary is a fellow member of the Malaysian Association of 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (contd.)

(D) SHAREHOLDERS AND INVESTORS' RELATIONS

We maintain a regular policy of disseminating information that is material for shareholders' information via announcements made to Bursa Malaysia Securities Berhad **("BMSB").** In compliance with the Main Market Listing Requirements of BMSB, the Company also releases timely financial information on a quarterly basis, which includes an overview of the performance of SCIB Group.

In addition, the Company also put in place electronic facility to enable communication with shareholders via its website www.scib.com.my. Shareholders can access to and obtain all information (operational, financial, corporate governance and investor relations aspects) on SCIB Group 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.

The Annual General Meeting **("AGM")** is the principal forum for dialogue with shareholders who are encouraged and given sufficient opportunity to enquire about the Group'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.

Encik Shamsul Anuar Bin Ahamad Ibrahim is the appointed Independent Director to whom concerns may be conveyed to.

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 BMSB, 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 42nd AGM to be held on 31st May 2018 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.

(E) ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors aim to present a clear, balanced and understandable assessment of SCIB Group's financial position, performance and prospects in presenting its annual financial statements and quarterly announcements to shareholders. These financial statements are drawn-up in accordance with the provisions of the Companies Act 2016, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards and are reviewed by the Audit Committee prior to approval by the Board. In compliance with statutory requirements, the annual accounts are subjected to audit by an independent external auditor.

Risk Management and Internal Control

The Board acknowledges their responsibility for SCIB Group's system of risk management and internal control, which is designed to identify and manage the risks of the businesses of SCIB Group, in pursuing of its objectives. The system of risk management and internal control spans over financial, operational and compliance aspects, particularly to safeguard SCIB Group's assets and hence shareholders' investments. In executing this responsibility, the Board via the Audit 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 SCIB Group's system of risk management and internal control is presented in the Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (contd.)

Relationship with the Auditors

The external auditors, Messrs. Ernst & Young have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. There have not been any non-audit services that have compromised their independence as external auditors of SCIB.

Messrs. Ernst & Young and the audit team are competent in carrying out their work and they have the necessary audit experience in the industry in which SCIB Group operates. Messrs. Ernst & Young are registered with Audit Oversight Board.

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

(F) SUSTAINABILITY

The Group is committed to operate its business in accordance with environmental, social and economic responsibility.

The Company recognizes the importance of environment in which it operates in and place its best effort to become an environmentally responsible corporate citizen. Further details can be found in the Sustainability Statement of this annual report.

(This Corporate Governance overview statement is made in accordance with a resolution of the Board of Directors dated 24 March 2018)

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors is required under the Main Market Listing Requirements of BMSB, to issue a statement explaining their responsibility 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 2017 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 keeps 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' Responsibility is made in accordance with a resolution of the Board of Directors dated 24 March 2018)

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee (**"AC"** or **"Committee"**) comprises the following Directors:

Encik Shamsul Anuar Bin Ahamad Ibrahim
Chairman/Independent Non-Executive Director

YBhg Datu Ir Haji Mohidden Bin Haji Ishak
Member/Independent Non-Executive Director

Encik Rewi Hamid Bugo
Member/Non-Independent Non-Executive Director

TERMS OF REFERENCE

Objectives

The Committee shall give assurance to the shareholders of Sarawak Consolidated Industries Berhad **("Company")** that compliance with specified financial standards and disclosure policies developed and administered by Bursa Malaysia Securities Berhad are being adhered to. In addition, the Committee shall assure that certain standards of corporate responsibility, integrity and accountability to the Company's shareholders are being inculcated in the duties and responsibilities of the Board of Directors of the Company.

Composition

The Committee shall be appointed by the Board of Directors and shall consist of not less than three (3) members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.

The Chairman of the Committee shall be approved by the Board of Directors and shall be an independent non-executive director.

Meetings and Quorum

Meetings shall be held not less than four (4) times a year. The Committee may invite any person to any particular Audit Committee meeting, specific to the relevant meeting. A quorum shall consist of two (2) members. The majority shall be independent directors.

Authority

a. The Committee is authorized by the Board of Directors to investigate any activities within its terms of reference, having full and unrestricted access to any information pertaining to Sarawak Consolidated Industries Berhad and its group of companies **("Group")**.

b. The Committee shall have the necessary resources which are required to perform its duties and shall have direct communication channels with the external auditors, person(s) carrying out the internal audit function or activity and independent professional advice if it considers necessary.

c. The Committee shall, upon request of the external auditor, convene meeting of the Audit Committee, excluding the attendance of the Executive Directors if deemed necessary, to consider any matter the external auditor believes should be brought to the attention of the Board of Directors or shareholders.

Roles and Responsibilities of the Audit Committee

The duties and responsibilities of the Committee shall be to review:

a. 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 the evaluation of the Group's risk management and internal control system;

b. the assistance given by the Group's employees to both the external and internal auditors;

AUDIT COMMITTEE REPORT (contd.)

c. the effectiveness of the system of internal control, including the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;

d. the audit fees proposed by the external auditors;

e. the performance of the external auditors and to make recommendations to the Board of Directors on their appointment and removal;

f. the appointment, replacement and dismissal of the Internal Audit Manager;

g. the 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;

h. the quarterly and annual financial statements of the Company and the Group for recommendation to the Board of Directors for approval, focusing particularly on:

- Changes in or implementation of new accounting policies and practices;
- Significant adjustments arising from the audit;
- The going concern assumption; and
- Compliance with the applicable approved accounting standards and other legal and regulatory requirements;

i. the adequacy and effectiveness of risk management, internal control and governance systems instituted in the Company and the Group;

j. any related party transactions **("RPT")** that may arise within the Company and the Group;

k. to verify the allocation of options to employees under the relevant criteria imposed by the Company's Share Option Scheme; and

l. any other functions as may be agreed to by the Committee and the Board of Directors, or as may be required or empowered by statutory legislation or guidelines issued by the relevant governing authorities.

SUMMARY OF ACTIVITIES

The following activities were carried out by the Committee during the 12-month period ended 31 December 2017 in discharging its duties and functions:

a. Attendance of Meetings

Five (5) Audit Committee meetings were held during the 12-month period ended 31 December 2017, namely on 21 February 2017, 27 March 2017, 23 May 2017, 23 August 2017 and 20 November 2017 respectively. The details of attendance of each member at the Audit Committee meetings are as follows:

Name of Audit Committee Members	Attendance at Audit Committee Meetings
Encik Shamsul Anuar Bin Ahamad Ibrahim *Chairman/Independent Non-Executive Director*	5/5
YBhg Datu Ir Haji Mohidden Bin Haji Ishak *Member/Independent Non-Executive Director*	5/5
Encik Rewi Hamid Bugo *Member/Non-Independent Non-Executive Director*	5/5

b. Financial Reporting

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

AUDIT COMMITTEE REPORT (contd.)

c. **Internal Audit**

i. Reviewed the audit plan to ensure adequate scope and coverage on the activities of the Company and the Group, taking into consideration the assessment of key risk areas; and

ii. Reviewed the internal audit reports, audit recommendations made and Management's responses thereof. Where appropriate, the Committee has directed action to be taken by Management to rectify and improve the risk management and internal control system and procedures, based on internal audit's recommendations and suggestions for improvement.

d. **External Audit**

i. Reviewed the external auditors' scope of work and audit plan for the year;

ii. Reviewed with external auditors the results of the audit and the audit report in particular, and accounting issues and significant audit adjustments arising from the external audit; and

iii. Evaluated the performance of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.

e. **Risk Management**

Reviewed the risk management activities and the adequacy and effectiveness of risk management, internal control and governance systems instituted in the Company and the Group.

f. **Related Party Transaction (RPT)**

Reviewed the related party transactions entered into by the Company and the Group, on a quarterly basis.

INTERNAL AUDIT FUNCTION

The Committee is supported by Internal Audit in the discharge of its duties and responsibilities. The role of Internal Audit is to undertake independent regular and systematic reviews of the risk management and internal control system so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively.

The internal audits cover the review of the adequacy of operational control, risk management, compliance with established internal financial policies and operational procedures and guidelines, amongst others. A risk based approach is adopted for all audits. The audits ensure that the instituted control is appropriate, effectively applied and achieves acceptable risk exposures consistent with the Group's risk management policy.

In particular Internal Audit has, under the remit of the Committee, conducted internal audits and submitted four (4) quarterly reports on the internal audit work performed on operating units, encompassing the various areas of operations, including Pending, IBS, SPDL, Roofing and Carlton Gardens Sdn Bhd operations, and ISO 9001 Quality Management System. Where any significant weaknesses were identified, measures were taken to rectify and improve the risk management and internal control accordingly.

The overall review of the risk management and internal control system revealed that internal control and policies were generally sound and sufficient, and functioning satisfactorily.

The total costs incurred for the Internal Audit function in respect of the financial year ended 31 December 2017 were RM134,000. The Internal Audit Manager was identified as the head of internal audit function, who shall report directly to the Audit Committee and shall be responsible for the regular review and/or appraisal of effectiveness of the risk management, internal control and governance processes within the Group.

(This Audit Committee Report is made in accordance with a resolution of the Board of Directors dated 24 March 2018)

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
Financial year ended 31 December 2017

BOARD'S RESPONSIBILITY

The Board of Directors **("Board")** affirms its overall responsibility for the risk management and internal control system for Sarawak Consolidated Industries Berhad **("Company")** and its group of companies **("Group")**, and for continually reviewing its adequacy and effectiveness to safeguard shareholders' investment, the 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 the system of risk management and internal control should provide reasonable assurance in achieving its corporate objectives as the Board acknowledges the 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 the 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.

The Board is pleased to set out below the Statement on Risk Management and Internal Control, outlining the nature and scope of risk management and internal control of the Group, which complies with Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements **("MMLR")** and the Malaysian Code on Corporate Governance.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

A sound system of risk management and internal control incorporates the 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 the continuing adequacy and effectiveness of the system of risk management and internal control.

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

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

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process is regularly reviewed by the Board, which would include on its agenda the management of significant risks that may impede business objectives. Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and by designing, implementing and monitoring internal control in order to mitigate and control these risks.

Four (4) Risk Management Committee meetings were held during the 12-month period ended 31 December 2017, namely on 21 February 2017, 23 May 2017, 22 August 2017 and 16 November 2017, with agendas encompassing the following areas:

- Reviewing and monitoring the status of the adopted risk management action plans under the strategy mapping of the Group's Risk Management Framework, which relates and links the three Company Missions, i.e., Economic Mission, Product Mission and Special Mission, to the strategy mapping;
- Reviewing the significant business risks and operational risks faced by the Group and the risk profile of the Group; and
- The adequacy, effectiveness and relevance of the risk management action plans were reviewed as part of the on going risk management process and revisions were made and adopted as appropriate.

On a quarterly basis, the Risk Management Committee reports to the Board and submits a report to the Audit Committee on the status of the approved risk management practices.

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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (contd.)

Financial year ended 31 December 2017

INTERNAL CONTROL SYSTEM

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

- **Compliance:** The Group's Accounting and Administration Regulations and Policies, Staff Manual and ISO 9001 Quality Management System documentation clearly outline the 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 the integrity of the information provided.

- **Financial Performance:** Interim financial results are reviewed by the Audit Committee and approved by the Board, together with the 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 authorized limits requires decision by the Board. Comprehensive appraisal procedures apply to all major investment decisions.

- **Accountability and 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 the risk management and internal control system through quarterly reviews, which is undertaken by Internal Audit. The reviews include a balanced assessment of the significant risks and the adequacy and effectiveness of the risk management and internal control system of the Group. Where any significant weaknesses were identified, Internal Audit, together with input from the Management, would recommend measures to improve the risk management and internal control accordingly.

Further details of the activities of Internal Audit are set out in the Audit Committee Report.

ASSURANCE FROM MANAGEMENT

The Board has received reasonable assurance from the Executive Director 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 the risk management and internal control system of the Group.

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 Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, 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 Group, 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.

RPG 5 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 the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditor was made solely for, and directed solely to the Board in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad 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.

(This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 24 March 2018)

ADDITIONAL COMPLIANCE INFORMATION

1. **Share Buy-Back**
During the financial year ended 31 December 2017, the Company did not enter into any share buy-back transactions.

2. **Options, Warrants or Convertible Securities**
There were no options, warrants or convertible securities issued or exercised during the financial year ended 31 December 2017.

3. **Depository Receipt Programme**
The Company did not sponsor any Depository Receipt Programme.

4. **Sanctions and/or Penalties Imposed**
Since the end of the previous financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

5. **Non-Audit Fees Paid to External Auditors**
The amount of non-audit fees paid to external auditors or a firm or corporation affiliated to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2017 amounted to RM33,800.

6. **Variation in Results**
There was no variance of 10% or more between the results for the financial year ended 2017 and the unaudited results previously announced.

7. **Profit Guarantee**
There was no profit guarantee given by the Company during the financial year ended 2017.

8. **Status of Utilisation of Proceeds raised from Corporate Proposal**
Saved for the proposed private placement of up to 36,397,125 new ordinary share capital in SCIB to be subscribed by potential investors to be identified later, there are no other outstanding proposals which have been announced by the Company but pending implementation. On 3 November 2017, RM3,000,000 proceeds were raised by the Company from the issuance of 5,000,000 private placement shares to placee at RM0.60 per share. The remaining number of private placement shares stood at 31,397,125 as at 31st December 2017.

Description	Proposed utilisation RM'000	Actual utilisation as at 31/12/2017 RM'000	Balance as at 31/12/2017 RM'000	Estimated timeframe for utilisation of proceeds from the date of listing of the Placement Shares
Business expansion	10,000	-	10,000	Within 12 months
Working capital	2,838	2,530	308	Within 12 months
Repayment of bank borrowings	8,000	-	8,000	Within 6 months
Estimated expenses in relation to the Proposals	1,000	470	530	Within 2 months
Total	21,838	3,000	18,838	

9. **Material Contracts or Loans with Related Parties**
There were no material contracts or loans entered by the Company and its subsidiaries involving Directors and major shareholders' interests either subsisting at the end of the financial year or entered into since the end of previous financial year.

10. **Recurrent Related Party Transactions**
The type and value of recurrent related party transactions are disclosed in Note 31 of the Notes to the Financial Statement 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 recognizes the central role that business plays in the structure of society to improve the quality of life of a broad community.

Managing Sustainability
Sustainability is driven within our corporate structure through SCIB's Risk Management Committee and SCIB's Risk Management Working Group (RMWG) where sustainability issues or sustainability-related risks were identified during the risk management assessments. RMWG is led by the Executive Director and comprises of management team from all of the Group's business units. RMWG will oversee and 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.

RMWG will set direction and focus to facilitate formulation of strategies for meeting sustainability mission. 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.

Materiality assessment
We conduct materiality assessment to help us to determine and prioritise main focal areas where efforts are intensified.

As a start, we chose to concentrate on our manufacturing division in Kuching, which is the key driver and largest contributor to the Group's revenue. We expect to extend the scope of reporting to cover other business segments and jurisdictions in forthcoming reports.

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

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.

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.

Safe Workplace Initiative

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 recognize 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:-

Health & Safety policies and procedures
We establish health and safety policies and procedures and formulate safety and health plans throughout the year. In 2017, we have sent around 17 workers who exposed to noise and vibration at work place to audiometric test and 8 workers for blood test and lung test relating medical surveillance for occupational mineral dust exposure.

Each factory is required to record and monitor their respective Lost Time Injury (LTI) which is the record of productive time lost when worker are unable to return to work. LTI is used as a key performance indicator to measure work safety.

SUSTAINABILITY STATEMENT (contd.)

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.

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.

Safety talks and training

Safety and health talks are conducted throughout the year 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. Courses conducted in 2017 include First Aid and CPR training, Advokasi Kempen Perjalanan Selamat ke Tempat Kerja, Safe Operating Procedure Cleaning Roofing tile machine, Penggunaan PPE Ear Plug and Establish and Training Emergency Response Team.

Upgrade of factory facilities and infrastructures

We also progressively upgrade our factory facilities and infrastructures to provide a favourable working environment. We establish safe operating procedures for machineries and set up emergency respond team in every factory.

Lean Management programme

All factory managers and key supervisors have attended the Lean management programme organized by Malaysia Productivity Corporation (MPC) during the year 2017 which enriches employees' knowledge in lean management tools and techniques. This has benefited the Company in terms of improvement in work processes and resource planning and allocation, better time efficiency and higher operational productivity, reduction of reject rate and wastages and improvement in performance and product quality. Lean management improves involvement with workers which leads to better productivity and improved employee's morale.

Human resource development

We ensure there are growth, development and progression opportunities for our employees through in-house training, seminar, workshops and talks. This will equip them with latest job-related updates and learning. A total of 172 employees have benefited from the fifty-one (51) 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, 4 employees were promoted and 40 employees were transferred to other departments or job functions for further development.

SUSTAINABILITY STATEMENT (contd.)

Educational assistance

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.

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 SPM. During the year under review, 185 children have benefited from Tabung SCIB.

Appreciate Our Employees

We organized labour day celebration to show our appreciation of employees' efforts and contributions to SCIB while encouraging networking and socializing between colleagues. We hold a badminton match in conjunction with the labour day celebration this year which was participated by 28 persons.

Healthy lifestyle

In order to encourage our employees to adopt healthy lifestyle, SCIB also subsidized some social and recreational events such as the Braveheart Extraordinaire Run 2017 which was participated by 20 of our employees. The Company also sponsor Badminton club to support interested employees to play the sport twice a week. The Company practices a Non-Smoking policy in the office and factory premises.

SUSTAINABILITY STATEMENT (contd.)

Embracing the marketplace

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

Corporate Governance and compliance

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.

Our Board of Directors oversee the conduct of the Company's business providing governance of the Company's affairs and direction to optimize the development, growth and performance of the Group.

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.

Human rights and ethics

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.

Better products and services

We have invested in prefabricated industrialised building system which was acquired from worldly recognized vendor namely Elematic OyAb, Finland to ensure we uphold the highest quality standards. Our products are also SIRIM QAS ISO9001:2008 certified / credited which assured customers of quality.

We offer our customers with excellent value-added services such as technical and extensive professional advice and consultation, problem solving and customized 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.

We conduct customers satisfaction survey once a year 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.

Supply chain and procurement

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 emphasizing 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.

SCIB deal 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.

SUSTAINABILITY STATEMENT (contd.)

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

Investment in technology and Research & Development

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

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.

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.

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.

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

SCIB Volunteers

Our employees have shown great spirit of volunteerism in various fund raising activities organized by the Kuching Autistic Association and Sarawak Society for Parents of Children with Special Needs (PIBAKAT) by setting up food stalls sponsored by the Company.

Training for tomorrow

Throughout 2017 SCIB provides industrial training for 14 undergraduates from local institutions of higher learning in the areas of Civil Engineering, Welder, Occupational Safety & Health Officer and Mechanical and Manufacturing Engineering for duration between 3-6 months, giving them learning opportunities to improve their practical knowledge and field exposure.

This sustainability statement is made in accordance with a resolution of the Board of Directors dated 24 March 2018.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD
(Company No 25583-W)

Directors' Report and Audited Financial Statements

31 December 2017

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are described in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Loss for the year	258,227	977,418

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Reserves and provisions

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

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo
YBhg. Datu Haji Mohidden Bin Haji Ishak
YM. Tunku Dato' Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan (Appointed on 27 July 2017)
Haji Soedirman Bin Haji Aini
Shamsul Anuar Bin Ahamad Ibrahim
Rewi Hamid Bugo
Haji Zaidi Bin Haji Ahmad (Appointed on 2 March 2018)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT (contd.)

Directors' interest

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares in the ultimate holding company during the financial year were as follows:

	Number of ordinary shares			
	As at 1.1.2017	**Acquired**	**Disposed**	**As at 31.12.2017**
Direct interest:				
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	3,429,200	-	-	3,429,200
YBhg. Datu Haji Mohidden Bin Haji Ishak	50,000	5,000	-	55,000
Rewi Hamid Bugo	2,088,300	-	-	2,088,300
Indirect interest:				
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	9,281,600	-	-	9,281,600
Rewi Hamid Bugo	9,281,600	-	-	9,281,600

YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo and Rewi Hamid Bugo by virtue of their interests in shares in the Company, are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Indemnification of officers

There was no amount of indemnity given or insurance effected during the financial year, or since the end of financial year for the directors and officers of the Company.

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

 (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

 (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

 (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

DIRECTORS' REPORT (contd.)

Other statutory information (contd.)

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

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 9 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

YBhg. Tan Sri Datuk Amar (Dr.) Hamid bin Bugo

Shamsul Anuar Bin Ahamad Ibrahim

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

We, **YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo** and **Shamsul Anuar Bin Ahamad Ibrahim**, being two of the directors of **Sarawak Consolidated Industries Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 55 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

YBhg. Tan Sri Datuk Amar (Dr.) Hamid bin Bugo

Shamsul Anuar Bin Ahamad Ibrahim

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Haji Zaidi Bin Haji Ahmad**, being the officer primarily responsible for the financial management of **Sarawak Consolidated Industries Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 55 to 116 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **Haji Zaidi Bin Haji Ahmad**
at Kuching in the State of Sarawak
on 13 April 2018.

Haji Zaidi Bin Haji Ahmad

Before me,
Evelyn Lau Sie Jiong
Commissioner For Oaths
No. 10, Lot 663, Ground Floor,
Lorong 2, Jalan Ong Tiang Swee,
93200 Kuching, Sarawak

INDEPENDENT AUDITORS' REPORT

to the Members of Sarawak Consolidated Industries Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Sarawak Consolidated Industries Berhad.**, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described as below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Goodwill

The Group recorded a provisional goodwill amounting to RM5.6 million, which arose from the acquisition of a subsidiary engaged in engineering and construction, project and construction management during the financial year as shown in Note 15 to the financial statements. The impairment test for goodwill is significant to our audit as the assessment process is highly judgmental and the quantum involved is material to the Group.

INDEPENDENT AUDITORS' REPORT

to the Members of Sarawak Consolidated Industries Berhad (contd.)
(Incorporated in Malaysia)

Report on the audit of the financial statements (contd.)

Goodwill (contd.)

The Group considered the subsidiary as the cash-generating units ("CGU"). The recoverable amount of the CGU to which the goodwill was allocated is based on the value-in-use ("VIU"). Estimating the VIU of the CGU involved estimating the future cash inflows and outflows that will be generated by the CGU, and discounting it at an appropriate rate. Significant judgement was required in determining the assumptions to be used to estimate the recoverable amount of the CGU to which the above goodwill had been allocated to and was based on assumptions that are affected by expected future demand or economic conditions. The assumptions used included estimates of future contracts, prices, operating costs, terminal value growth rates and discount rates.

Our audit procedures, among others, included assessing the assumptions on which the cash flow projections were based. We also assessed the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expected to derive from the asset.

In addition, we also evaluated the adequacy of the disclosures of the key assumptions on which the Group had based its cash flow projections. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 15 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT
to the Members of Sarawak Consolidated Industries Berhad (contd.)
(Incorporated in Malaysia)

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

INDEPENDENT AUDITORS' REPORT

to the Members of Sarawak Consolidated Industries Berhad (contd.)
(Incorporated in Malaysia)

Other matters

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

Ernst & Young

ERNST & YOUNG
AF: 0039
Chartered Accountants

YONG NYET YUN
2708/04/18 (J)
Chartered Accountant

Kuching, Malaysia
Date: 13 April 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	4	68,784,472	57,027,827	2,578,065	7,618,542
Cost of sales	5	(56,343,304)	(49,293,099)	-	-
Gross profit		12,441,168	7,734,728	2,578,065	7,618,542
Other items of income					
Interest income	6	97,851	139,909	57,437	16,332
Other income	7	868,862	7,819,154	-	-
Other items of expense					
Selling and distribution expenses		(6,079,726)	(4,275,967)	-	-
Administrative and other expenses		(5,654,322)	(7,764,562)	(3,491,197)	(3,489,764)
Finance costs	8	(1,791,768)	(1,740,052)	(56,431)	(20,957)
Share of results of associate		-	(320,678)	-	-
(Loss)/profit before tax	9	(117,935)	1,592,532	(912,126)	4,124,153
Income tax expense	12	(140,292)	-	(65,292)	-
(Loss)/profit net of tax, representing total comprehensive (loss)/income for the year		(258,227)	1,592,532	(977,418)	4,124,153
Total comprehensive (loss)/ income attributable to equity holders of the Company		(258,227)	1,592,532	(977,418)	4,124,153
Earnings per share: (Loss)/profit attributable to equity holders of the Company (sen per share):					
Basic and diluted	13	(0.30)	2.16		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	43,077,379	38,051,001	5,248,291	5,346,899
Intangible asset	15	5,647,967	-	-	-
Other assets	16	2,119,965	2,587,933	-	-
Investment in subsidiaries	17	-	-	46,300,039	36,800,039
		50,845,311	40,638,934	51,548,330	42,146,938
Current assets					
Inventories	19	23,260,757	19,227,515	-	-
Trade and other receivables	20	24,370,545	17,319,947	3,186,659	49,568
Other current assets	21	5,017,536	1,228,612	16,096	37,351
Cash and bank balances	23	5,125,144	14,476,446	698,621	5,594,436
		57,773,982	52,252,520	3,901,376	5,681,355
TOTAL ASSETS		108,619,293	92,891,454	55,449,706	47,828,293
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	24	13,603,129	11,050,426	36,700	34,529
Trade and other payables	25	25,575,522	17,022,735	2,307,253	929,241
Other current liabilities	26	93,966	13,266	16,700	-
		39,272,617	28,086,427	2,360,653	963,770
Net current assets		18,501,365	24,166,093	1,540,723	4,717,585
Non-current liabilities					
Loans and borrowings	24	10,226,722	12,777,056	35,466	72,166
Other payables	25	146,272	147,468	29,706	25,058
Deferred tax liabilities	27	117,406	-	-	-
		10,490,400	12,924,524	65,172	97,224
Total liabilities		49,763,017	41,010,951	2,425,825	1,060,994
Net assets		58,856,276	51,880,503	53,023,881	46,767,299
Equity attributable to equity holders of the Company					
Share capital	28	85,913,168	73,582,500	85,913,168	73,582,500
Share premium	29	-	5,096,668	-	5,096,668
Accumulated losses		(27,056,892)	(26,798,665)	(32,889,287)	(31,911,869)
Total equity		58,856,276	51,880,503	53,023,881	46,767,299
TOTAL EQUITY AND LIABILITIES		108,619,293	92,891,454	55,449,706	47,828,293

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Share capital (Note 28) RM	Share premium (Note 29) RM	Non-distributable Accumulated losses RM	Equity attributable to equity of the Company RM
Opening balance at 1 January 2016	73,582,500	5,096,668	(28,391,197)	50,287,971
Total comprehensive income	-	-	1,592,532	1,592,532
Closing balance at 31 December 2016	73,582,500	5,096,668	(26,798,665)	51,880,503
Opening balance at 1 January 2017	73,582,500	5,096,668	(26,798,665)	51,880,503
Total comprehensive loss	-	-	(258,227)	(258,227)
Shares issued for acquisition of a subsidiary	4,234,000	-	-	4,234,000
Shares issued for cash	3,000,000	-	-	3,000,000
Transitions to no-par value regime	5,096,668	(5,096,668)	-	-
Closing balance at 31 December 2017	85,913,168	-	(27,056,892)	58,856,276

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Share capital (Note 28) RM	Share premium (Note 29) RM	Non-distributable Accumulated losses RM	Equity attributable to equity of the Company RM
Opening balance at 1 January 2016	73,582,500	5,096,668	(36,036,022)	42,643,146
Total comprehensive income	-	-	4,124,153	4,124,153
Closing balance at 31 December 2016	73,582,500	5,096,668	(31,911,869)	46,767,299
Opening balance at 1 January 2017	73,582,500	5,096,668	(31,911,869)	46,767,299
Total comprehensive loss	-	-	(977,418)	(977,418)
Shares issued for acquisition of a subsidiary	4,234,000	-	-	4,234,000
Shares issued for cash	3,000,000	-	-	3,000,000
Transitions to no-par value regime	5,096,668	(5,096,668)	-	-
Closing balance at 31 December 2017	85,913,168	-	(32,889,287)	53,023,881

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

Group	Note	2017 RM	2016 RM
Operating activities			
(Loss)/profit before tax		(117,935)	1,592,532
Adjustments for:			
Depreciation of property, plant and equipment	9	4,250,843	4,404,043
Interest expense	8	1,791,768	1,740,052
Gain on disposal of associate	9	-	(3,565,210)
Impairment loss on trade and other receivables	9	107,103	2,114,013
Reversal of impairment loss on trade receivables	9	(831,765)	(3,775,292)
Reversal of impairment loss on other receivables	9	(13,381)	-
Interest income	6	(97,851)	(139,909)
Inventories written down	9	13,243	105,041
Property, plant and equipment written off	9	-	659
Share of results of associate		-	320,678
Total adjustments		5,219,960	1,204,075
Operating cash flows before changes in working capital		5,102,025	2,796,607
Changes in working capital			
Increase in inventories		(3,583,823)	(2,234,862)
(Increase)/decrease in trade and other receivables		(4,732,008)	1,254,476
Decrease/(increase) in other assets		467,968	(527,484)
Increase in other current assets		(3,244,642)	(867,172)
Increase in trade and other payables		5,392,406	3,736,448
Decrease in other current liabilities		-	(1,105,427)
Increase in fixed deposit pledged to bank		(13,176)	(14,279)
Total changes in working capital		(5,713,275)	241,700
Cash flows from operations		(611,250)	3,038,307
Interest paid		(1,791,768)	(1,740,052)
Interest received		97,851	139,909
Income taxes paid, net of refund		(13,601)	(66,556)
Net cash flows (used in)/from operating activities		(2,318,768)	1,371,608
Investing activities			
Acquisition of property, plant and equipment	14	(3,438,494)	(2,163,250)
Net cash outflows on acquisition of a subsidiary	17(a)	(5,265,065)	-
Proceeds from disposal of associate		-	5,000,000
Net cash flows (used in)/from investing activities		(8,703,559)	2,836,750

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017 (contd.)

Group (contd.)	Note	2017 RM	2016 RM
Financing activities			
Proceeds from drawdown of revolving credit		1,809,276	8,795,023
Proceeds from shares issuance	28	3,000,000	-
Repayment of term loans		(2,737,662)	(3,492,530)
Repayment of obligations under finance leases		(577,478)	(584,494)
Net cash flows from financing activities		1,494,136	4,717,999
Net (decrease)/increase in cash and cash equivalents		(9,528,191)	8,926,357
Cash and cash equivalents at 1 January		14,113,463	5,187,106
Cash and cash equivalents at 31 December	23	4,585,272	14,113,463

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2017

Company	Note	2017 RM	2016 RM
Operating activities			
(Loss)/profit before tax		(912,126)	4,124,153
Adjustments for:			
Depreciation of property, plant and equipment	9	110,941	109,005
Interest expense	8	56,431	20,957
Impairment loss in investment in subsidiary	9	-	472,648
Interest income	6	(57,437)	(16,332)
Dividend income	4	-	(5,000,000)
Property, plant and equipment written off	9	-	3
Total adjustments		109,935	(4,413,719)
Operating cash flows before changes in working capital		(802,191)	(289,566)
Changes in working capital			
Increase in other receivables		(3,137,091)	(2,616)
Increase in other current assets		(4,388)	(4,669)
Increase in trade and other payables		1,382,660	643,415
Increase in fixed deposit pledged to bank		(13,176)	(14,279)
Total changes in working capital		(1,771,995)	621,851
Cash flows (used in)/from operations		(2,574,186)	332,285
Interest paid		(56,431)	(20,957)
Interest received		57,437	16,332
Income tax paid, net of refund		(22,949)	(15,000)
Net cash flows (used in)/from operating activities		(2,596,129)	312,660
Investing activities			
Acquisition of property, plant and equipment	14	(12,333)	(4,373)
Dividend received from a subsidiary		-	5,000,000
Acquisition of a subsidiary	17	(5,266,000)	-
Net cash flows (used in)/from investing activities		(5,278,333)	4,995,627
Financing activity			
Repayment of obligations under finance leases		(34,529)	(32,360)
Proceeds from share issuance	28	3,000,000	-
Net cash flows from/(used in) financing activity		2,965,471	(32,360)
Net (decrease)/increase in cash and cash equivalents		(4,908,991)	5,275,927
Cash and cash equivalents at 1 January		5,231,453	(44,474)
Cash and cash equivalents at 31 December	23	322,462	5,231,453

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company is located at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are described in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have also been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the applicable new and amended MFRSs and Annual Improvements which were effective for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014-2016 Cycle: Amendments to MFRS 12: Disclosure of Interests in Other Entities – Clarification of the Scope of Disclosure Requirements in MFRS 12	1 January 2017

(a) Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. The application of these amendments has had no impact on the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(b) Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRS Standards 2014 - 2016 Cycle:	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatment	1 January 2019
MFRS 16: Leases	1 January 2019
Annual improvements to MFRS Standards 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combination	1 January 2019
(ii) Amendments to MFRS 11: Joint Arrangements	1 January 2019
(iii) Amendments to MFRS 112: Income Taxes	1 January 2019
(iv) Amendments to MFRS 123: Borrowing Costs	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Except for the new or revised MFRSs and amendments to MFRSs discussed below, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group and on the Company in the current or future reporting periods.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not required to be restated. During 2017, the Group and the Company have performed an assessment of all aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company adopt MFRS 9.

Based on the analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of facts and circumstances that existed at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

(i) Classification and measurement

The Group and the Company do not expect a significant impact on their statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. They expect to continue measuring at fair value through profit or loss all financial assets currently measured at fair value through profit or loss.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of these loans and receivables. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade and other receivables. The Group and the Company have determined that there will be no significant impact on the Group's and the Company's financial statements.

(iii) Impairment disclosures requirements

The impairment disclosures are expected to be expanded significantly in comparison to the existing disclosures required under the current standard.

The Group and the Company do not have any impact of applying the standard on the financial statements of the Group and of the Company.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 15 Revenue from Contracts with Customers (contd.)

The Group and the Company plan to adopt the new standard on the required effective date using the modified retrospective method. The directors have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected:

(i) Sale of goods

The Group and the Company currently recognise revenue from sales of goods under MFRS 118 upon transfer of significant risk and rewards of ownership of the goods to the customer on delivery of goods. Under MFRS 15, sales of goods is generally expected to be the only performance obligation. The Group and the Company expect the revenue recognition to occur at a point in time when the control of the asset is transferred to the customer, generally on delivery of the goods. As such, adoption of MFRS 15 is not expected to have any impact on the Group's and the Company's revenue and profit or loss.

(ii) Construction contracts

The Group currently recognises revenue from construction contract using the stage of completion method under MFRS 111 for contracts where the contractual terms are such that the construction contract represented the continuous transfer of work in progress to the purchaser. Under MFRS 15, for all its construction contract, performance obligations are satisfied over time. As such, adoption of MFRS 15 is not expected to have any impact on the Group's revenue and profit or loss.

(iii) Variable consideration

For the sale goods, some customers provide with right of return, trade discounts or rebates. Such provisions give rise to variable consideration under MFRS 15. The Group and the Company currently recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts. Under MFRS 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associate uncertainty is subsequently resolved. On the adoption of MFRS 15, the Group and the Company do not expect any adjustment required as the right of return, trade discounts or rebates are known in relatively short time of period.

(iv) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group and the Company have assessed that the impact of some of these disclosures will be significant. In particular, the Group and the Company expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made, i.e. when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

The Group and the Company consider that they are achieving their scheduled milestones and expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2. **Summary of significant accounting policies** (contd.)

2.3 **Standards issued but not yet effective** (contd.)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company plan to assess the potential effect of MFRS 16 on its financial statements in year 2018.

2.4 **Basis of consolidation**

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

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. **Summary of significant accounting policies** (contd.)

2.4 Basis of consolidation (contd.)

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Other contingent consideration that is within the scope of MFRS 139 is measured at fair value at each reporting date and changes in fair value are recognised in profit or loss in accordance with that MFRS. Other contingent consideration not within the scope of MFRS 139 is measured at fair value at each reporting date and changes in fair value is recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

2. **Summary of significant accounting policies** (contd.)

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.7 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Long-term leasehold land	60 years
Buildings	5 - 20 years
Concrete jetty	20 years
Plant, machinery and equipment	5 - 25 years
Furniture, fittings and office equipment	5 - 10 years
Motor vehicles	4 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. Summary of significant accounting policies (contd.)

2.8 Property, plant and equipment (contd.)

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

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. **Summary of significant accounting policies** (contd.)

2.10 **Financial assets** (contd.)

(a) **Financial assets at fair value through profit or loss** (contd.)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) **Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) **Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) **Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

2. Summary of significant accounting policies (contd.)

2.10 Financial assets (contd.)

(d) Available-for-sale financial assets (contd.)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade, other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management and exclude fixed deposits that are pledged to banks for banking facilities granted to the Group.

2.13 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contracts costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of cost incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost formula
- Consumables: purchase costs on first-in-first-out basis
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighed average cost formula.
- Cost of properties held for sale - acquisition costs and other costs incurred in bringing the inventories to their present condition.

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

2.15 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. **Summary of significant accounting policies** (contd.)

2.15 Provisions (contd.)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Certain unexpired financial guarantees issued were not recognised as no value has been placed on the guarantees provided by the holding company as the directors regard the value of the credit enhancement provided by the said guarantees to be minimal. Other information on financial guarantee contracts are disclosed in Note 32 and Note 33.

2.19 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it operates in. The Malaysian companies in the Group make contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. **Summary of significant accounting policies** (contd.)

2.20 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable:

(i) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.13.

(iii) Sale of properties

Revenue from sale of properties is recognised upon the transfer of significant risk and rewards of ownership to the purchasers with no further substantial contractual acts. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due.

(iv) Interest income

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

(v) Dividend and other income

Dividend and other income are recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.21 Revenue (contd.)

(vi) Management and consultancy fees

Revenue from management and consultancy services rendered is recognised when services are rendered.

2.22 Taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.22 Taxes (contd.)

(b) Deferred tax (contd.)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective managers responsible for the performance of the respective segments under their charge. The managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved.

2.25 Contingencies

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

2. Summary of significant accounting policies (contd.)

2.26 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfer have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

3. **Significant accounting judgements and estimates** (contd.)

3.1 Key sources of estimation uncertainty (contd.)

Impairment assessment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use ("VIU") of the cash-generating units to which goodwill is allocated.

When VIU calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating-unit ("CGU") and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 15.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

4. Revenue

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
Sale of goods	61,097,516	56,844,453	-	-
Management fee from subsidiaries	-	-	2,318,865	2,359,342
Construction contracts	7,311,956	183,374	-	-
Dividend income received from a subsidiary	-	-	-	5,000,000
Rental income	-	-	259,200	259,200
Sales of property	375,000	-	-	-
	68,784,472	57,027,827	2,578,065	7,618,542

Sale of goods represents trading sales of construction materials, precast concrete pipes, pre-stressed spun concrete piles and other related concrete products and after allowance for goods returned and trade discounts.

5 Cost of sales

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
Cost of goods sold	49,460,693	49,152,889	-	-
Construction contract costs	6,551,863	140,210	-	-
Cost of property sold	330,748	-	-	-
	56,343,304	49,293,099	-	-

6. Interest income

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
Interest income from loans and receivables	97,851	139,909	57,437	16,332

7. Other income

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
Rental income	2,250	14,250	-	-
Reversal of impairment loss on trade receivables	500,000	3,775,292	-	-
Other income	179,520	62,612	-	-
Transportation and other project income	139,665	401,790	-	-
Gain on disposal of associate	-	3,565,210	-	-
Sale of diesel	47,427	-	-	-
	868,862	7,819,154	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

8. Finance costs

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Interest expense on:				
Bank overdrafts	1,818	9,977	357	6,955
Revolving credits	1,342,767	1,044,392	-	-
Term loans	359,533	614,890	-	-
Obligations under finance leases	87,650	70,793	5,334	7,504
Advances from subsidiaries	-	-	50,740	6,498
	1,791,768	1,740,052	56,431	20,957

9. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory audits	101,784	87,244	31,000	29,000
- Other services	6,000	6,000	6,000	6,000
Depreciation of property, plant and equipment (Note 14)	4,250,843	4,404,043	110,941	109,005
Employee benefits expense (Note 10)	8,928,543	8,920,515	1,985,260	2,062,852
Gain on disposal of associate	-	(3,565,210)	-	-
Impairment loss on trade and other receivables	107,103	2,114,013	-	-
Reversal of impairment loss on trade receivables (Note 20)	(831,765)	(3,775,292)	-	-
Reversal of impairment loss on other receivables	(13,381)	-	-	-
Impairment loss in investment in subsidiary	-	-	-	472,648
Inventories written down	13,243	105,041	-	-
Non-executive directors' remuneration (Note 11)	272,803	250,700	272,803	250,700
Operating leases:				
- minimum lease payments for plant and machineries	496,012	452,785	-	-
- minimum lease payments for land and buildings	747,000	720,000	-	-
- minimum lease payments for rental of office equipment	30,496	20,787	11,007	6,903
Property, plant and equipment written off	-	659	-	3

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

10. Employee benefits expense

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Wages and salaries	7,695,744	7,600,421	1,649,245	1,618,597
Social security contributions	113,333	102,717	20,171	17,878
Contributions to defined contribution plan	797,936	801,196	182,163	179,364
Other benefits	321,530	416,181	133,681	247,013
	8,928,543	8,920,515	1,985,260	2,062,852

11. Directors' remuneration

The details of remuneration received by directors of the Group and of the Company during the year were as follows:

	Group/Company	
	2017	**2016**
	RM	RM
Non-executive directors' remuneration (Note 9):		
Fees	228,903	216,000
Other emoluments	43,900	34,700
	272,803	250,700
Total directors' remuneration (Note 31(b))	272,803	250,700

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as follows:

	Number of Directors			
	2017		2016	
	Executive	**Non-Executive**	**Executive**	**Non-Executive**
RM400,001 - RM450,000	-	-	-	-
RM350,001 - RM400,000	-	-	-	-
RM100,001 - RM150,000	-	1	-	1
RM1 - RM50,000	-	5	-	5

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

12. Income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Statements of profit or loss and other comprehensive income				
Current income tax:				
Based on results for the year	116,000	-	41,000	-
Underprovision of income tax in respect of previous year	24,292	-	24,292	-
Income tax expense recognised in profit or loss	140,292	-	65,292	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the Malaysian statutory tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Accounting (loss)/profit before tax	(117,935)	1,592,532	(912,126)	4,124,153
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	(28,304)	382,208	(218,910)	989,797
Adjustments:				
Income not subject to tax	-	(855,650)	-	(1,200,000)
Non-deductible expenses	456,786	231,891	267,443	88,006
Effect of utilisation of previously unrecognised capital allowances and unutilised tax losses	(53,989)	(412,679)	(16,576)	-
Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances	(258,493)	654,230	9,043	122,197
Underprovision of income tax in respect of prior year	24,292	-	24,292	-
Income tax expense recognised in profit or loss	140,292	-	65,292	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

12. Income tax expense (contd.)

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Unutilised tax losses	15,471,000	15,101,000	5,015,000	4,978,000
Unabsorbed capital allowances	7,828,000	8,682,000	-	-
Other deductible temporary differences	1,537,000	-	-	-
	24,836,000	23,783,000	5,015,000	4,978,000

As at 31 December 2017 and 2016, the deferred tax assets were not recognised as it was not probable that future taxable profit will be available against which the unutilised tax losses and unabsorbed capital allowances can be utilised. The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Group is subject to the provisions of the Income Tax Act, 1967.

13. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing profit for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS amounts are calculated by dividing profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The Company does not have any potential ordinary share in issue which will cause a dilution in EPS. Accordingly, diluted earnings per share is the same as basic earnings per share.

	Group	
	2017	**2016**
(Loss)/profit net of tax, attributable to equity holders of the company (RM)	(258,227)	1,592,532
Weighted average number of ordinary shares	85,882,500	73,582,500
Basic and diluted (loss)/profit per share (sen)	(0.30)	2.16

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

14. Property, plant and equipment

	Long-term leasehold land RM	Buildings RM	Concrete jetty RM	Plant, machinery and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Group								
At 31 December 2017								
Cost								
At 1 January 2017	16,556,855	19,146,315	404,466	61,641,087	2,813,650	1,308,152	1,368,875	103,239,400
Additions	-	608,592	-	732,975	130,913	-	3,418,034	4,890,514
Transfer	-	1,806,523	-	2,845,968	-	-	(4,652,491)	-
Adjustment	-	(107,500)	-	-	-	-	-	(107,500)
Acquisition of subsidiary	-	2,862,000	-	1,603,654	8,494	-	30,793	4,504,941
Revaluation surplus	-	274,200	-	214,993	-	-	-	489,193
At 31 December 2017	16,556,855	24,590,130	404,466	67,038,677	2,953,057	1,308,152	165,211	113,016,548
Accumulated depreciation								
At 1 January 2017	3,996,753	10,857,426	330,206	46,266,770	2,522,819	1,214,425	-	65,188,399
Depreciation charge for the year (Note 9)	615,944	1,183,649	37,807	2,262,812	118,973	43,257	-	4,262,442
Adjustment	-	(11,599)	-	-	-	-	-	(11,599)
Acquisition of subsidiary	-	286,200	-	212,595	1,132	-	-	499,927
At 31 December 2017	4,612,697	12,315,676	368,013	48,742,177	2,642,924	1,257,682	-	69,939,169
Net carrying amount	11,944,158	12,274,454	36,453	18,296,500	310,133	50,470	165,211	43,077,379

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

14. Property, plant and equipment (contd.)

	Long-term leasehold land RM	Buildings RM	Concrete jetty RM	Plant, machinery and equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Group (contd.)								
At 31 December 2016								
Cost								
At 1 January 2016	16,556,855	19,126,280	404,466	60,938,741	2,751,589	1,308,152	-	101,086,083
Additions	-	20,035	-	702,346	71,994	-	1,368,875	2,163,250
Written off	-	-	-	-	(9,933)	-	-	(9,933)
At 31 December 2016	16,556,855	19,146,315	404,466	61,641,087	2,813,650	1,308,152	1,368,875	103,239,400
Accumulated depreciation								
At 1 January 2016	3,533,133	9,901,071	310,206	43,540,353	2,337,699	1,171,168	-	60,793,630
Depreciation charge for the year (Note 9)	463,620	956,355	20,000	2,726,417	194,394	43,257	-	4,404,043
Written off	-	-	-	-	(9,274)	-	-	(9,274)
At 31 December 2016	3,996,753	10,857,426	330,206	46,266,770	2,522,819	1,214,425	-	65,188,399
Net carrying amount	12,560,102	8,288,889	74,260	15,374,317	290,831	93,727	1,368,875	38,051,001

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

14. Property, plant and equipment (contd.)

	Long-term leasehold land RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
Company				
At 31 December 2017				
Cost				
At 1 January 2017	6,490,851	18,482	488,273	6,997,606
Additions	-	12,333	-	12,333
At 31 December 2017	6,490,851	30,815	488,273	7,009,939
Accumulated depreciation				
At 1 January 2017	1,147,724	14,712	488,271	1,650,707
Depreciation charge for the year (Note 9)	108,397	2,544	-	110,941
At 31 December 2017	1,256,121	17,256	488,271	1,761,648
Net carrying amount	5,234,730	13,559	2	5,248,291
At 31 December 2016				
Cost				
At 1 January 2016	6,490,851	20,282	488,273	6,999,406
Additions	-	4,373	-	4,373
Written off	-	(6,173)	-	(6,173)
At 31 December 2016	6,490,851	18,482	488,273	6,997,606
Accumulated depreciation				
At 1 January 2016	1,039,327	20,274	488,271	1,547,872
Depreciation charge for the year (Note 9)	108,397	608	-	109,005
Written off	-	(6,170)	-	(6,170)
At 31 December 2016	1,147,724	14,712	488,271	1,650,707
Net carrying amount	5,343,127	3,770	2	5,346,899

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

14. Property, plant and equipment (contd.)

Acquisitions of property, plant and equipment during the financial year were made by the following means:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Cash	3,438,494	2,163,250	12,333	4,373
Finance lease	1,344,520	-	-	-
	4,783,014	2,163,250	12,333	4,373

The net carrying amount of plant and machinery and motor vehicles held under finance leases at the reporting date was as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Plant and machinery	2,900,913	2,050,270	-	-
Motor vehicles	50,468	93,724	1	1
	2,951,381	2,143,994	1	1

Leased assets are pledged as security for the related finance lease liabilities (Note 24).

In addition to assets held under finance leases, the Group's buildings with a net carrying amount of RM8,828,629 (2016: RM7,933,129) are pledged as security for the Group's loans and borrowings (Note 24).

Certain leasehold land of the Group and the Company with a net carrying amount of RM10,721,236 (2016: RM11,313,884) and RM4,011,808 (2016: RM4,096,909), respectively, are pledged as security for banking facilities as disclosed in Note 24.

15. Intangible asset

Provisional goodwill

	Group	
	2017	**2016**
	RM	RM
Cost		
At 1 January	-	-
Arising from acquisition of a subsidiary (Note 17(a))	5,647,967	-
At 31 December	5,647,967	-

The carrying amount of the provisional goodwill arose from the acquisition of Carlton Gardens Sdn. Bhd. ("CGSB"). The subsidiary is a cash-generating unit.

The value-in-use calculation is based on estimate of revenue and gross margin of projects in the 5 years period at a discount rate of 13.6%. The discount rate used is pre-tax and reflect specific risks relating to the industry in which the subsidiary operates.

The Group believes that any reasonable possible change in the above key assumptions applied is not likely to materially cause the recoverable amount to be lower than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

16. Other assets

Other assets represent properties received by the Group as settlement consideration for trade receivables outstanding balances.

The movements of other assets during the year are as follows:

	Group	
	2017	**2016**
	RM	RM
Balance at 1 January	2,587,933	2,060,449
Additions during the year	51,996	527,484
Disposal during the year	(519,964)	-
Balance at 31 December	2,119,965	2,587,933

17. Investment in subsidiaries

	Company	
	2017	**2016**
	RM	RM
Unquoted shares, at cost	48,800,041	39,300,041
Less: Impairment loss	(2,500,002)	(2,500,002)
	46,300,039	36,800,039

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held by the Company:			
SCIB Holdings Sdn. Bhd.	Investment holding	100	100
SCIB Industrialised Building System Sdn. Bhd.	Supply and installation of industrialised building system components	100	100
Carlton Gardens Sdn. Bhd.	Engineering and construction, project and construction management	100	-
Held through subsidiary:			
SCIB Properties Sdn. Bhd.	Property investment and development	100	100
SCIB Infraworks Sdn. Bhd.	Dormant	100	100
SCIB Concrete Manufacturing Sdn. Bhd.	Trading of construction materials, manufacturing and sale of precast concrete pipes, prestressed spun concrete pipes and other related concrete products	100	100

The subsidiaries are audited by Ernst & Young, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

17. Investment in subsidiaries (contd.)

(a) Acquisition of a subsidiary

On 28 December 2016, the Company entered into a share sales agreement ("SSA") to acquire the entire equity interest in Carlton Gardens Sdn. Bhd. ("CGSB") for a purchase consideration of RM9,500,000 to be satisfied by via a combination of cash amounted to RM5,266,000 and the issuance of 7,300,000 new ordinary shares at an issue price of RM0.58 per share.

In addition to the purchase consideration, an amount of RM7,191,236 will be refunded by the vendor in the event that CGSB fails to achieve a profit before tax amounting to at least RM7,191,236 from the date of acquisition up to the financial year ended 31 December 2018.

On 1 July 2017, the Company completed the acquisition of CGSB. The goodwill arising from the business combination have been arrived on a provisional basis as the directors have not finalised the valuation of the contingent consideration receivable. Upon the completion of valuation of the contingent consideration receivable (within 12 months from the date of acquisition), any changes in the value of the contingent consideration receivable as compared to the provisional value will be adjusted on retrospective basis.

The fair value of the identifiable assets and liabilities of CGSB as at the date of acquisition were:

	Fair value recognised on acquisition RM
Property, plant and equipment	4,494,207
Inventories	462,662
Trade and other receivables	1,580,547
Other current assets	590,273
Cash and bank balances	935
Trade and other payables	(3,159,185)
Deferred tax liabilities	(117,406)
Total identifiable net assets at fair value	3,852,033
Provisional goodwill arising on acquisition (Note 15)	5,647,967
Purchase consideration	9,500,000
Less: purchase consideration satisfied by issuance of ordinary shares (Note 28)	(4,234,000)
Purchase consideration satisfied by cash	5,266,000

Cash flows on acquisition

Net cash acquired with the subsidiary	935
Cash paid	(5,266,000)
Net cash flows on acquisition	(5,265,065)

Impact of acquisition in statement of profit or loss and other comprehensive income
From the date of acquisition, Carlton Gardens Sdn. Bhd. has contributed RM241,307 to the Group's loss net of tax. If the combination had taken place at the beginning of the financial year, the Group's loss from continuing operations, net of tax would have been RM585,273 and revenue from continuing operations would have been RM70,891,712.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

18. Investment in associate

	Group	
	2017	**2016**
	RM	RM
Unquoted shares, at cost	-	3,000,000
Share of post-acquisition reserves	-	(1,565,210)
Disposed off during the year	-	(1,434,790)
	-	-

In 2016, the wholly owned subsidiary of the Company, SCIB Properties Sdn. Bhd. disposed its entire 40% interest in Influx Meridian Sdn. Bhd. for a sale consideration of RM5,000,000.

19. Inventories

	Group	
	2017	**2016**
	RM	RM
At cost:		
Properties held for sale	1,313,297	1,644,045
Raw materials	4,637,565	4,785,622
Store and spares	1,792,234	1,605,833
Finished goods	14,949,552	11,192,015
	22,692,648	19,227,515
At net realisable value:		
Finished goods - interlocking blocks	568,109	-
	23,260,757	19,227,515

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM45,446,691 (2016: RM45,246,652).

20. Trade and other receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Trade receivables				
Third parties	22,630,170	17,175,525	-	-
Retention sum - third parties	1,681,267	1,682,538	-	-
Amount due from related companies	1,836,917	1,915,015	-	-
	26,148,354	20,773,078	-	-
Less: Allowance for impairment	(2,888,960)	(3,777,646)	-	-
Trade receivables, net	23,259,394	16,995,432	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

20. Trade and other receivables (contd.)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Other receivables				
Deposits	240,185	171,118	22,443	21,209
Third parties	905,413	190,362	11,664	11,174
Amount due from subsidiaries	-	-	3,152,552	17,185
	1,145,598	361,480	3,186,659	49,568
Less: Allowance for impairment	(34,447)	(36,965)	-	-
Other receivables, net	1,111,151	324,515	3,186,659	49,568
Total trade and other receivables	24,370,545	17,319,947	3,186,659	49,568
Add: Cash and bank balances (Note 23)	5,125,144	14,476,446	698,621	5,594,436
Total loans and receivables	29,495,689	31,796,393	3,885,280	5,644,004

(a) Trade receivables

The Group's normal trade credit term is 60 to 90 days (2016: 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Trade receivables earn late payment interest of 1.5% (2016: 1.5%) per month for sale of goods and 10% (2016: 10%) per annum for sale of properties, and are assessed on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Group	
	2017	**2016**
	RM	RM
Neither past due nor impaired	12,601,280	9,810,726
1 to 30 days past due not impaired	3,325,992	2,477,177
31 to 60 days past due not impaired	1,737,862	1,474,189
61 to 90 days past due not impaired	1,074,167	922,150
91 to 120 days past due not impaired	995,962	491,267
More than 121 days past due not impaired	3,524,131	1,819,923
	10,658,114	7,184,706
Impaired	2,888,960	3,777,646
	26,148,354	20,773,078

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

20. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM10,658,114 (2016: RM7,184,706) that are past due at the reporting date but not impaired. Receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance account used to record the impairment are as follows:

	Collectively impaired RM	**Individually impaired** RM	**Total** RM
2017			
Trade receivables - nominal amount	1,500	2,887,460	2,888,960
Less: Allowance for impairment	(1,500)	(2,887,460)	(2,888,960)
	-	-	-
2016			
Trade receivables - nominal amount	1,500	3,776,146	3,777,646
Less: Allowance for impairment	(1,500)	(3,776,146)	(3,777,646)
	-	-	-

Movement in allowance accounts

	Group	
	2017 RM	**2016** RM
At 1 January	3,777,646	5,475,890
Charge for the year	96,241	2,077,048
Reversal of impairment losses (Note 9)	(831,765)	(3,775,292)
Written off	(153,162)	-
At 31 December	2,888,960	3,777,646

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

20. Trade and other receivables (contd.)

(b) Amount due from related companies

The amount due from related companies is amount due from companies in which certain directors of the Group and of the Company have financial interest. This amount is unsecured, earns interest at 8% (2016: 8%) per annum and is repayable on demand.

(c) Amount due from subsidiaries

This amount is unsecured, earns interest at 3.5% (2016: 3.5%) per annum and is repayable on demand.

21. Other current assets

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Prepaid operating expenses	494,348	1,087,097	16,096	11,708
Income tax recoverable	95,524	141,515	-	25,643
Amount due from customers for contract works (Note 22)	4,427,664	-	-	-
	5,017,536	1,228,612	16,096	37,351

22. Amount due from/(to) customers for contract works

	Group	
	2017	**2016**
	RM	RM
Construction contract costs incurred to date	19,921,929	12,180,747
Attributable profit/(loss)	1,116,924	(92,816)
	21,038,853	12,087,931
Less: Progress billings	(17,729,882)	(13,206,624)
	3,308,971	(1,118,693)
Add: Reclassification	1,105,427	1,105,427
	4,414,398	(13,266)
Presented as:		
Amount due from customers for contract works (Note 21)	4,427,664	-
Amount due to customers for contract works (Note 26)	(13,266)	(13,266)
	4,414,398	(13,266)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

23. Cash and bank balances

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash in hand and at banks	4,748,985	14,113,463	322,462	5,231,453
Fixed deposits with a licensed bank (pledged)	376,159	362,983	376,159	362,983
Cash and bank balances (Note 34)	5,125,144	14,476,446	698,621	5,594,436

Fixed deposits with a licensed bank amounting to RM376,159 (2016: RM362,983) are pledged as securities for bank overdraft facility of the Group (Note 23). The fixed deposits have a maturity period ranged from 1 month to 3 years (2016: 1 month to 3 years) and the effective interest rates ranged between 2.95% to 3.45% (2016: 2.95% to 3.45%).

For the purposes of the statements of cash flows, cash and cash equivalents comprised the following at the reporting date:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash and bank balances	5,125,144	14,476,446	698,621	5,594,436
Bank overdrafts (Note 24)	(163,713)	-	-	-
Fixed deposits with a licensed bank (pledged)	(376,159)	(362,983)	(376,159)	(362,983)
Cash and cash equivalents	4,585,272	14,113,463	322,462	5,231,453

24. Loans and borrowings

		Group		Company	
	Maturity	2017	2016	2017	2016
		RM	RM	RM	RM
Current					
Secured:					
Revolving credit:					
- BFR + 0.5% per annum floating rate	2018	6,530,366	3,873,934	-	-
- BFR + 1% per annum floating rate	2018	4,000,000	4,000,000	-	-
Bank loans:					
- BFR + 1% per annum floating rate	2018	1,861,608	1,861,608	-	-
- 7.60% per annum fixed rate		-	246,054	-	-
- BFR + 0.75% per annum floating rate	2018	573,315	630,000	-	-
Obligations under finance leases (Note 30(c))	2018	474,127	438,830	36,700	34,529
Bank overdrafts	On demand	163,713	-	-	-
		13,603,129	11,050,426	36,700	34,529

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

24. Loans and borrowings (contd.)

		Group		Company	
	Maturity	**2017** RM	**2016** RM	**2017** RM	**2016** RM
Non-current					
Secured:					
Revolving credit:					
- BFR + 0.5% per annum floating rate	2019-2022	8,295,330	9,142,486	-	-
Bank loans:					
- BFR + 0.75% per annum floating rate		-	573,315	-	-
- BFR + 1% per annum floating rate	2019	845,920	2,707,528	-	-
Obligations under finance leases (Note 30(c))	2019-2022	1,085,472	353,727	35,466	72,166
		10,226,722	12,777,056	35,466	72,166
Total loans and borrowings (Note 25)		23,829,851	23,827,482	72,166	106,695

The remaining maturities of the loans and borrowings as at 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
On demand or within one year	13,603,129	11,050,426	36,700	34,529
More than 1 year and less than 2 years	3,292,879	4,525,424	35,466	36,700
More than 2 years and less than 5 years	6,933,843	6,542,659	-	35,466
5 years or more	-	1,708,973	-	-
	23,829,851	23,827,482	72,166	106,695

BFR + 0.5% per annum floating rate revolving credit

This revolving credit facility was drawn down under a Commodity Murabahah Revolving Financing-i (CMRF-i) Facility. This revolving credit is secured by debenture incorporating fixed and floating charge over all the assets and a third legal charge over certain leasehold land of the Group together with the buildings thereon as disclosed in Note 14.

BFR + 1.00% per annum floating rate revolving credit

This revolving credit facility was drawn down under a Murabahah-Tawarruq Working Capital Financing-i Facility. This revolving credit is secured by first legal charge over certain leasehold land of the Company together with the buildings thereon as disclosed in Note 14.

BFR + 1.00% per annum floating rate bank loan

This loan was drawn down under Murabahah-Tawarruq Working Capital Financing-i Facility and Murabahah-Tawarruq Asset Financing-i Facility. This loan is secured by first legal charge over certain leasehold land of the Company together with the buildings thereon as disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

24. Loans and borrowings (contd.)

7.60% per annum fixed rate bank loan

This loan was drawn down under a Bai' Inah Facility. The loan is secured by a debenture incorporating a fixed and floating charge over all the assets and a second legal charge over certain leasehold land of the Group, together with the buildings thereon, as disclosed in Note 14.

BFR + 0.75% per annum floating rate bank loan

This loan was drawn down under a Ijarah Muntahiah Bitamlik Asset Backed Financing-i Facility. This loan is secured by first legal charge over certain leasehold land of the Company together with the buildings thereon as disclosed in Note 14.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 30(c)). The discount rate implicit in the leases of the Group and the Company are 2.5% to 3.8% (2016: 2.5% to 3.8%) and 3.7% (2016: 3.7%), respectively.

Bank overdrafts

Bank overdrafts are denominated in RM, bear interest at BLR + 1% and BLR + 1.5% per annum and certain bank overdraft is partly secured by the pledge of accumulated fixed deposits of RM300,000 built up by way of sinking fund of half yearly instalments of RM30,000 each commencing 1 July 2007, as disclosed in Note 23.

25. Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Current				
Trade payables				
Third parties	20,517,876	12,908,392	-	-
Retention sums	1,164,770	1,164,770	-	-
	21,682,646	14,073,162	-	-
Other payables				
Third parties	1,771,719	1,279,792	45,292	76,651
Accrued operating expenses	2,115,758	1,669,781	218,124	337,572
Deposits received	-	-	43,200	43,200
Amount due to subsidiaries	-	-	2,000,637	471,818
Other liabilities	5,399	-	-	-
	3,892,876	2,949,573	2,307,253	929,241
Total current trade and other payables	25,575,522	17,022,735	2,307,253	929,241

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

25. Trade and other payables (contd.)

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
Non-current				
Other payables				
Other liabilities	146,272	147,468	29,706	25,058
Total trade and other payables	25,721,794	17,170,203	2,336,959	954,299
Add: Loans and borrowings (Note 24)	23,829,851	23,827,482	72,166	106,695
Total financial liabilities carried at amortised costs	49,551,645	40,997,685	2,409,125	1,060,994

(a) Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2016: 30 to 90 days) terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of six months (2016: average term of six months).

(c) Amount due to subsidiaries

This amount is unsecured, bears interest at 3.50% (2016: 3.50%) per annum and is repayable on demand.

26. Other current liabilities

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
Amount due to customers for contract works (Note 22)	13,266	13,266	-	-
Income tax payable	80,700	-	16,700	-
	93,966	13,266	16,700	-

27. Deferred tax

	Group		Company	
	2017 RM	**2016** RM	**2017** RM	**2016** RM
Deferred tax assets	(2,905,000)	(2,030,000)	(301,000)	(304,000)
Deferred tax liabilities	3,022,406	2,030,000	301,000	304,000
	117,406	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

27. Deferred tax (contd.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	At 1 January RM	Recognised in profit or loss RM	Acquisition of a subsidiary RM	At 31 December RM
Group				
At 31 December 2017				
Deferred tax liability:				
Property, plant and equipment	2,030,000	875,000	117,406	3,022,406
Deferred tax assets:				
Allowance for impairment loss on trade receivables	(507,000)	23,000	-	(484,000)
Provision for stock obsolescence	(114,000)	(26,000)	-	(140,000)
Provision for bonus	(158,000)	(8,000)	-	(166,000)
Unabsorbed capital allowances	(1,015,000)	(873,000)	-	(1,888,000)
Unutilised business losses	(236,000)	9,000	-	(227,000)
	(2,030,000)	(875,000)	-	(2,905,000)
Total	-	-	117,406	117,406
Group				
At 31 December 2016				
Deferred tax liability:				
Property, plant and equipment	5,396,000	(3,366,000)	-	2,030,000
Deferred tax assets:				
Allowance for impairment loss on trade receivables	(1,369,000)	862,000	-	(507,000)
Provision for stock obsolescence	(258,000)	144,000	-	(114,000)
Provision for bonus	(150,000)	(8,000)	-	(158,000)
Unabsorbed capital allowances	(3,366,000)	2,351,000	-	(1,015,000)
Unutilised business losses	(253,000)	17,000	-	(236,000)
	(5,396,000)	3,366,000	-	(2,030,000)
Total	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

27. Deferred tax (contd.)

	At 1 January RM	Recognised in profit or loss RM	At 31 December RM
Company			
At 31 December 2017			
Deferred tax liability:			
Property, plant and equipment	304,000	(3,000)	301,000
Deferred tax assets:			
Provision for bonus	(36,000)	(3,000)	(39,000)
Unabsorbed capital allowance	(32,000)	(3,000)	(35,000)
Unutilised business losses	(236,000)	9,000	(227,000)
	(304,000)	3,000	(301,000)
Total	-	-	-
At 31 December 2016			
Deferred tax liability:			
Property, plant and equipment	321,000	(17,000)	304,000
Deferred tax assets:			
Provision for bonus	(35,000)	(1,000)	(36,000)
Unabsorbed capital allowance	(33,000)	1,000	(32,000)
Unutilised business losses	(253,000)	17,000	(236,000)
	(321,000)	17,000	(304,000)
Total	-	-	-

28. Share capital

	Group/Company			
	Number of ordinary shares		Amount	
	2017	2016	2017 RM	2016 RM
Issued and fully paid				
Ordinary Shares				
At 1 January	73,582,500	73,582,500	73,582,500	73,582,500
Issuance for cash	5,000,000	-	3,000,000	-
Issuance for acquisition of a subsidiary (Note 17(a))	7,300,000	-	4,234,000	-
Transition to no-par value regime	-	-	5,096,668	-
At 31 December	85,882,500	73,582,500	85,913,168	73,582,500

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

29. Share premium

	Group/Company 2017 RM	2016 RM
At 1 January	5,096,668	5,096,668
Transition to no-par value regime	(5,096,668)	-
At 31 December	-	5,096,668

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM5,096,668 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM5,096,668 for purposes as set out in Sections 618(3).

30. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group 2017 RM	2016 RM
Property, plant and equipment:		
Approved and contracted for	22,300	2,729,100
Approved but not contracted for	2,706,256	1,949,041
	2,728,556	4,678,141

(b) Operating lease commitments as lessee

The Group has entered into lease of lands. The leases have tenure of 5-15 years with options to renew and to buy at prevailing market rates.

Minimum lease payments recognised in profit or loss of the Group for the financial year ended 31 December 2017 amounted to RM774,000 (2016: RM720,000).

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group 2017 RM	2016 RM
Not later than one year	774,000	720,000
Later than 1 year but not later than 5 years	2,610,000	2,880,000
Later than 5 years	-	288,000
	3,384,000	3,888,000

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

30. Commitments (contd.)

(c) Finance lease commitments

The Group has finance lease for certain items of plant and machineries and motor vehicles (Note 14).

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	RM	RM	RM
Minimum lease payments:				
Not later than 1 year	559,433	473,462	39,864	39,864
Later than 1 year but not later than 2 years	387,535	243,461	36,461	39,864
Later than 2 years but not later than 5 years	814,281	125,179	-	36,461
Later than 5 years	-	4,465	-	-
Total minimum lease payments	1,761,249	846,567	76,325	116,189
Less: Amounts representing finance charges	(201,650)	(54,010)	(4,159)	(9,494)
Present value of minimum lease payments	1,559,599	792,557	72,166	106,695
Present value of payments:				
Not later than 1 year	474,127	438,830	36,700	34,529
Later than 1 year but not later than 2 years	329,002	231,012	35,466	36,700
Later than 2 years but not later than 5 years	756,470	118,273	-	35,466
Later than 5 years	-	4,442	-	-
Present value of minimum lease payments	1,559,599	792,557	72,166	106,695
Less: Amount due within 12 months (Note 24)	(474,127)	(438,830)	(36,700)	(34,529)
Amount due after 12 months (Note 24)	1,085,472	353,727	35,466	72,166

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

31. Related party transactions

In addition to the related party disclosures mentioned elsewhere in the financial statements, the Group had the following transactions with parties at terms agreed between parties during the financial year:

(a) Sale and purchase of goods and services

(i) Transactions with companies in which certain directors of the Company have financial interest:

	Group	
	2017	**2016**
	RM	RM
Income		
Sale of construction materials to:		
- Zecon Berhad	190,331	305,149
- Zecon Engineering & Construction Sdn. Bhd.	-	9,820
- Petra Jaya Properties Sdn. Bhd.	144,584	387,902
- Zecon Construction (Sarawak) Sdn. Bhd.	-	9,570
- Rekaruang Sdn. Bhd.	-	705,896
- Sego Holdings Sdn. Bhd.	-	157,370
- Oricon Sdn. Bhd.	45,930	-
Expenditure		
Rental expenses paid to Reignvest Corporation Sdn. Bhd.	720,000	720,000
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	376,471	294,150
Management fees paid to Santubong Suites Sdn. Bhd.	37,258	39,003
Purchase of roofing construction material from Super Glory Industries Sdn. Bhd.	175,117	-
Purchase of airfare ticket from IK Chin Travel Sdn. Bhd.	17,659	-

	Company	
	2017	**2016**
	RM	RM
Expenditure		
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	41,337	18,811

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

31. **Related party transactions** (contd.)

(a) **Sale and purchase of goods and services** (contd.)

(ii) Transactions with subsidiaries:

	Company 2017 RM	Company 2016 RM
Income		
Management fees received from:		
- SCIB Concrete Manufacturing Sdn. Bhd.	2,301,331	2,351,304
- SCIB Properties Sdn. Bhd.	5,950	427
- SCIB Industrialised Building System Sdn. Bhd.	11,584	7,611
Rental income received from:		
- SCIB Concrete Manufacturing Sdn. Bhd.	259,200	259,200
Dividend income received from:		
- SCIB Holdings Sdn. Bhd.	-	5,000,000
Interest income received from:		
- SCIB Infraworks Sdn. Bhd.	32	32
- SCIB Industrialised Building System Sdn. Bhd.	16	57
- SCIB Properties Sdn. Bhd.	1,350	4
- Carlton Garden Sdn. Bhd.	27,481	-
Advances received from:		
- SCIB Concrete Manufacturing Sdn. Bhd.	3,030,000	-
Payment on behalf from:		
- SCIB Concrete Manufacturing Sdn. Bhd.	10,772	11,987
Expenditure		
Interest expense paid to:		
- SCIB Concrete Manufacturing Sdn. Bhd.	49,831	6,498
- SCIB Industrialised Building System Sdn. Bhd.	909	-
Payment on behalf to:		
- SCIB Concrete Manufacturing Sdn. Bhd.	4,205	33,159
- Carlton Gardens Sdn. Bhd.	3,080,975	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

31. Related party transactions (contd.)

(b) Compensation of key management personnel

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Short term employee benefits	1,001,643	997,240	792,643	781,840
Defined contribution plan	79,296	87,267	54,816	61,993
	1,080,939	1,084,507	847,459	843,833
Included in the total key management personnel are:				
Directors' remuneration (Note 11)	272,803	250,700	272,803	250,700

32. Fair value of financial instruments

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Financial liabilities:				
Group				
Loans and borrowings (Note 24):				
- Obligations under finance leases	1,559,599	1,521,226	792,557	778,660
- Fixed rate bank loans	-	-	246,054	244,141
Company				
Loans and borrowings (Note 24):				
- Obligations under finance leases	72,166	71,410	106,695	105,083

Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

32. Fair value of financial instruments (contd.)

B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	20
Other current assets	21
Cash and bank balances	23
Loans and borrowings (current and non-current)	24
Trade and other payables (current and non-current)	25
Other current liabilities	26

The carrying amounts of these financial assets and liabilities, are reasonable approximation of fair values, due to their short-term nature or that they are floating rates instruments that are re-priced to market interest rate on or near the reporting date.

The carrying amount of the current portion of loans and borrowings are reasonable approximations of fair value due to the insignificant impact of discounting.

Amount due to/from subsidiaries, finance lease obligations, fixed rate bank loans and borrowings

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Fair value of the financial guarantees of the Company given to banks for credit facilities granted to a subsidiary is determined by assessing whether the financial guarantee gives rise to credit enhancement to facilities granted to the subsidiary. If there is existence of credit enhancement, the fair value of the financial guarantee is determined by discounting the interest differential between a facility with financial guarantee and a facility without the financial guarantee.

C. Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value hierarchy of the Group's and the Company's liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

32. Fair value of financial instruments (contd.)

C. Fair value hierarchy (contd.)

Quantitative disclosures of the fair value measurement hierarchy for liabilities as at 31 December 2017 and 31 December 2016 were as follows:

	Date of valuation	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings					
- Obligations under finance lease	31 December 2017	-	1,521,226	-	1,521,226
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings					
- Obligations under finance lease	31 December 2016	-	778,660	-	778,660
- Fixed rated bank loans	31 December 2016	-	244,141	-	244,141
Company					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings					
- Obligations under finance lease	31 December 2017	-	71,410	-	71,410
	31 December 2016	-	105,083	-	105,083

There have been no transfers between any levels during the financial year.

33. Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, liquidity and interest rate risks. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group has a system of controls in place to maintain an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

33. Financial risk management objectives and policies (contd.)

The objectives of the Group's Risk Management are to:

- Ensure business going concern by avoiding and mitigating losses;
- Improve business performance by informing and improving decision making and planning;
- Promote a more innovative, less risk adverse culture in which the taking of calculated risks in pursuit of opportunities to benefit the Group is encouraged; and
- Provide a sound basis for integrated risk management and internal control as components of good corporate governance.

To ensure a sound system of internal controls, the Board has established a risk management framework for the Group. The Group's risk governance structure comprises two levels:

- The Risk Management Committee at the Board level; and
- The Risk Management Working Group comprising the heads of the respective operating units/departments.

The Board-level Risk Management Committee is responsible for:

- Ensuring the implementation of the risk management policy;
- Identifying, evaluating and managing principal risks faced by the Group;
- Updating the Board via the Audit Committee on the status of risks and controls;
- Overseeing the Risk Management Working Group;
- Reviewing the overall risk management guidelines/framework;
- Reviewing and recommending risk limits; and
- Assessing the adequacy and effectiveness of the risk management policies and systems.

The Board is responsible for:

- Monitoring the management of principal risks to ensure that appropriate and sound system of internal controls are in place; and
- Reviewing annually the risk management approach and practices.

The Audit Committee is responsible for:

- Advising the Board on Risk Management and internal control; and
- Collating the sources of assurance which inform how effectively risk is managed and the reliability of the internal control system.

Risk management activities are carried out by the management under the policies approved by the Risk Management Committee. Risk management activities are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's 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 Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts being insignificant.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

33. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM23,757,685 (2016: RM23,720,787) relating to corporate guarantees provided by the Company to banks on a subsidiary's bank loans and borrowings.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the customer profile of its trade receivables on an ongoing basis.

As at the reporting date, approximately 7% (2016: 9%) of the Group's trade and other receivables were due from related parties while the remaining balance are with non-related parties.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities to meet financial commitments and obligations when they fall due at a reasonable cost. The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

33. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturity

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2017				
Group				
Financial liabilities:				
Trade and other payables #	25,570,123	-	-	25,570,123
Loans and borrowings	13,688,436	10,343,065	-	24,031,501
Total undiscounted financial liabilities	39,258,559	10,343,065	-	49,601,624
2016				
Group				
Financial liabilities:				
Trade and other payables #	17,022,735	-	-	17,022,735
Loans and borrowings	11,088,131	11,087,438	1,708,996	23,884,565
Total undiscounted financial liabilities	28,110,866	11,087,438	1,708,996	40,907,300
2017				
Company				
Financial liabilities:				
Trade and other payables #	263,416	-	-	263,416
Loans and borrowings	39,864	36,461	-	76,325
Financial guarantee contracts*	23,757,685	-	-	23,757,685
Total undiscounted financial liabilities	24,060,965	36,461	-	24,097,426

33. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturity (contd.)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2016				
Company				
Financial liabilities:				
Trade and other payables #	414,223	-	-	414,223
Loans and borrowings	39,864	76,325	-	116,189
Financial guarantee contracts*	23,720,787	-	-	23,720,787
Total undiscounted financial liabilities	24,174,874	76,325	-	24,251,199

Trade and other payables exclude amount due to subsidiaries as they are not practicable to determine the expected contractual undiscounted cash flow with sufficient reliability since this balance has no fixed terms of repayment.

* Financial guarantee contracts of the Company represent financial guarantee given to banks for credit facilities granted to a subsidiary.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and its loans and borrowings.

The investments in financial products are short term in nature and they are not held for trading or speculative purposes. The financial products comprise mainly fixed deposits, which yield better returns than cash at bank.

The Group manages its interest rate risk exposure by maintaining a prudent mix of fixed and floating rate borrowings.

Sensitivity analysis for interest rate risk

At the reporting date, if the rates had been 25 basis points higher/lower, with all other variables held constant, the Group's and the Company's net of profit/(loss), net of tax would have been RM43,000 (2016: RM39,969) and RM Nil (2016: RM Nil) respectively, higher/lower interest expense on floating loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

34. Capital management (contd.)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholders or issue new shares.

No changes were made in the objective, policies and processes during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowing, trade and other payables, less cash and bank balances. Capital includes equity attributable to equity holders of the Company.

The Group is not subject to externally imposed capital requirements.

		Group		Company	
	Note	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
Loans and borrowings	24	23,829,851	23,827,482	72,166	106,695
Trade and other payables	25	25,721,794	17,170,203	2,336,959	954,299
Less: Cash and bank balances	23	(5,125,144)	(14,476,446)	(698,621)	(5,594,436)
Net debt		44,426,501	26,521,239	1,710,504	(4,533,442)
Capital					
Equity attributable to equity holders of the Company		58,856,276	51,880,503	53,023,881	46,767,299
Capital and net debt		103,282,777	78,401,742	54,734,385	42,233,857
Gearing ratio		43.01%	33.83%	3.13%	N/A

35. Segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(i) The manufacturing/corporate segment is involved in the manufacturing and sale of precast concrete, pipes, prestressed spun concrete piles and other related concrete products, and investment holding.

(ii) The property trading segment is in the business of property dealing and trading of properties.

(iii) The construction segment is involved in the installation of industrialised building system components and construction contracts.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No geographical analysis has been presented as the Group's business interest is predominantly located in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

35. Segment information (contd.)

	Manufacturing/ Corporate		Properties trading		Construction		Total segments		Adjustments and eliminations		Note	Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		2017	2016
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:													
External customers	61,242,811	56,883,184	375,000	-	7,311,956	183,374	68,929,767	57,066,558	(145,295)	(38,731)		68,784,472	57,027,827
Inter-segment	17,534	8,038	-	-	-	-	17,534	8,038	(17,534)	(8,038)		-	-
Total revenue	61,260,345	56,891,222	375,000	-	7,311,956	183,374	68,947,301	57,074,596	(162,829)	(46,769)		68,784,472	57,027,827
Results:													
Interest income	97,504	139,261	-	-	347	648	97,851	139,909	-	-		97,851	139,909
Depreciation	3,729,030	4,404,043	-	-	521,813	-	4,250,843	4,404,043	-	-		4,250,843	4,404,043
Share of results of associate	-	-	-	(320,678)	-	-	-	(320,678)	-	-		-	(320,678)
Other non-cash (income)/expenses	(235,662)	(3,256,846)	-	(3,565,210)	(489,138)	1,701,267	(724,800)	(5,120,789)	-	-	A	(724,800)	(5,120,789)
Segment profit/(loss)	1,185,246	3,845,620	(31,848)	1,953,693	637,258	(2,123,091)	1,790,656	3,676,222	(1,908,591)	(2,083,690)	B	(117,935)	1,592,532
Assets:													
Additions to non-current assets	4,014,173	2,690,734	-	-	820,837	-	4,835,010	2,690,734	-	-	C	4,835,010	2,690,734
Segment assets	97,763,178	92,023,310	1,702,393	1,732,548	15,834,720	394,076	115,300,291	94,149,934	(6,680,998)	(1,258,480)	D	108,619,293	92,891,454
Liabilities:													
Segment liabilities	42,782,903	40,178,949	13,170	4,177	13,647,942	2,086,305	56,444,015	42,269,431	(6,680,998)	(1,258,480)	E	49,763,017	41,010,951

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017 (contd.)

35. Segment information (contd.)

Adjustments and eliminations

Inter-segment revenues are eliminated on consolidation.

A. Other material non-cash (income)/expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2017 RM	2016 RM
Inventories written down	9	13,243	105,041
Impairment loss on trade and other receivables	9	107,103	2,114,013
Property, plant and equipment written off	9	-	659
Gain on disposal of associate	9	-	(3,565,210)
Reversal of impairment loss on trade and other receivables	9	(845,146)	(3,775,292)
		(724,800)	(5,120,789)

B. Reconciliation of (loss)/profit before tax

	Note	2017 RM	2016 RM
Segment profit		1,790,656	3,676,222
Share of results of associate		-	(320,678)
Finance costs	8	(1,791,768)	(1,740,052)
Inter-segment costs		(116,823)	(22,960)
(Loss)/profit before tax		(117,935)	1,592,532

C. Additions to non-current assets

	Note	2017 RM	2016 RM
Property, plant and equipment	14	4,783,014	2,163,250
Other assets	16	51,996	527,484
		4,835,010	2,690,734

D. Reconciliation of assets

	2017 RM	2016 RM
Segment assets	115,300,291	94,149,934
Inter-segment assets	(6,680,998)	(1,258,480)
Total assets	108,619,293	92,891,454

E. Reconciliation of liabilities

	2017 RM	2016 RM
Segment liabilities	56,444,015	42,269,431
Inter-segment liabilities	(6,680,998)	(1,258,480)
Total liabilities	49,763,017	41,010,951

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017 (contd.)

35. Segment information (contd.)

Information about a major customer

Revenue from one major customer amounted to RM3,297,036 (2016: RM3,626,086) arising from sales by the manufacturing/corporate segment.

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue by the Board in accordance with a resolution of the directors on 13 April 2018.

ANALYSIS OF SHAREHOLDINGS
AS AT 3 APRIL 2018

SHARE CAPITAL

Issued and Paid-up Capital	:	RM85,882,500
Class of Share	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Holders	% over Total Holders	Total Holdings	% over Total Holdings
1 to 99	373	14.31	14,310	0.02
100 to 1,000	272	10.44	202,419	0.24
1,001 to 10,000	1,540	59.09	6,586,600	7.67
10,001 to 100,000	382	14.66	10,453,800	12.17
100,001 to 4,294,124 (*)	34	1.30	25,558,425	29.76
4,294,125 and above (**)	5	0.20	43,066,946	50.14
	2,606	100.00	85,882,500	100.00

*Remark : * - Less than 5% of Issued Holdings*
*** - 5% and above of Issued Holdings*

SUBSTANTIAL SHAREHOLDERS

	No. of shares Held			
Name of Shareholders	Direct	%	Indirect	%
Pacific Unit Sdn. Bhd.	9,281,600	10.81	-	-
Sarawak Economic Development Corporation	6,481,250	7.55	-	-
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	4,221,100	4.91	9,281,600[(a)]	10.81
Mr. Lim Nyuk Foh	1,465,000	1.71	3,646,385[(b)]	4.25
Mr. Lim Nyuk Sang @ Freddy Lim	15,183,100	17.68	-	-
Encik Rewi Hamid Bugo	2,088,300	2.43	9,281,600[(c)]	10.81
Gaya Belian Sdn. Bhd.	7,120,996	8.29	-	-
Puan Marinah Binti Harris	-	-	7,120,996[(d)]	8.29
Puan Halijah Binti Harris	-	-	7,120,996[(d)]	8.29
Mr. Yee Wei Meng	5,000,000	5.82	-	-

Notes:
(a) Deemed interested by virtue of his substantial shareholdings in Pacific Unit Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
(b) Deemed interested by virtue of his substantial shareholdings in Bertam Development Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
(c) Deemed interested by virtue of his substantial shareholdings in Pacific Unit Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
(d) Deemed interested by virtue of his substantial shareholdings in Gaya Belian Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

DIRECTORS' SHAREHOLDINGS

	No. of shares held			
	Direct	%	Indirect	%
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	4,221,100	4.91	9,281,600[(a)]	10.81
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	55,000	0.06	-	-
YM. Tunku Dato' Ahmad Burhanuddin bin Tunku Datuk Seri Adnan	-	-	-	-
Tuan Haji Soedirman Bin Haji Aini	-	-	-	-
Encik Shamsul Anuar Bin Ahamad Ibrahim	-	-	-	-
Encik Rewi Hamid Bugo	2,088,300	2.43	9,281,600[(b)]	10.81
Tuan Haji Zaidi Bin Haji Ahmad	190,800	0.22	135,715[(c)]	0.16

Notes:
(a) Deemed interested by virtue of his substantial shareholdings in Pacific Unit Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
(b) Deemed interested by virtue of his substantial shareholdings in Pacific Unit Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
(c) Deemed interested by virtue of his substantial shareholdings in Oricon Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

CHIEF EXECUTIVE OFFICER SHAREHOLDINGS

	No. of shares held			
	Direct	%	Indirect	%
Encik Ariff Abdul Rashid	-	-	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 3 APRIL 2018 (contd.)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AS AT 3 APRIL 2018

	Name of Shareholders	No. of Shares	%
1.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim	15,183,100	17.68
2.	Pacific Unit Sdn. Bhd.	9,281,600	10.81
3.	Gaya Belian Sdn. Bhd.	7,120,996	8.29
4.	Sarawak Economic Development Corporation	6,481,250	7.55
5.	AmBank(M) Berhad Pledged Securities Account for Yee Wei Meng	5,000,000	5.82
6.	Yumas Enterprise Sdn. Bhd.	3,664,400	4.27
7.	Bertam Development Sdn. Bhd.	3,646,385	4.25
8.	Ta Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chor Sek Choon	3,000,000	3.49
9.	Tommy Bin Bugo @ Hamid Bin Bugo	2,993,300	3.49
10.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Rewi Hamid Bugo	2,088,300	2.43
11.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Nyuk Foh	1,259,000	1.47
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tommy Bin Bugo @ Hamid Bin Bugo	1,181,200	1.38
13.	Amanahraya Trustees Berhad For Amanah Saham Sarawak	1,000,000	1.16
14.	Chuan Thong Huat	747,100	0.87
15.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hamni Bin Juni	661,525	0.77
16.	Chin Fun Ming	623,500	0.73
17.	Yeow Kheng Chew	500,000	0.58
18.	Lee Geok Tin	450,400	0.52
19.	Gan Lee Choo	410,000	0.48
20.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Vathivaloo A/L A. S Ramaih	376,700	0.44
21.	Desmond Chiong Chung Seng	300,000	0.35
22.	Su Ming Keat	219,200	0.26
23.	Lim Nyuk Foh	206,000	0.24
24.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Zainal Abidin Bin Ahmad	196,600	0.23
25.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Zaidi Bin Ahmad	190,800	0.22
26.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ung Chin Min	174,000	0.20
27.	Lee Cheng Lim	160,600	0.19
28.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Leon Chin Yee	150,050	0.17
29.	Ho Kat Ann	150,000	0.17
30.	Digital Network Sdn. Bhd.	135,800	0.16
	Total	**67,551,806**	**78.67**

LIST OF PROPERTIES

Properties held by the Group as at 31 December 2017

PROPERTIES ACQUIRED BY THE GROUP

Tenure	Description/ Location	Approximate Area	Age of Building (Years)	Existing Use	Net Book Value @ 31.12.2017 (RM'000)	Date of Acquisition
60 years leasehold expiring 2069	Leasehold land at Lot No. 2351, Jalan Utama, 93450 Kuching, Sarawak (Amalgamation of land at lot 1167 and land at lot 1258, Jalan Utama, 93450 Kuching, Sarawak)	44,760 sq m (11 acres)	38	Factory Building & Office Premises	7,720	12 May 1975 (Land lot 1258) 1 March 1995 (Land lot 1167) 14 January 2009 (Land lot 2351, Amalgamated Land lot 1258 and Land lot 1167)
60 years leasehold expiring 2064	Leasehold land at Lot No. 1166, Block No. 8, Muara Tebas Land District, Kuching, Sarawak	40,470 sq m (10 acres)	12	Factory Building & Office Premises	10,356	24 August 2004
60 years leasehold expiring 2070	Leasehold land at Lot No. 1541, Block No. 8, Muara Tebas Land District, Kuching, Sarawak	12,500 sq m (3 acres)	5	Factory Building & Inventory Storage	2,417	26 July 2010

PROPERTIES LEASED BY THE GROUP

Tenure	Description/ Location	Approximate Area	Age of Building (Years)	Existing Use	Net Book Value @ 31.12.2017 (RM'000)	Date of Acquisition
60 years leasehold expiring 2053 (The land is leased from a Related Party company under a 15 years lease term expiring in year 2022)	Leasehold land at Lot No. 830, Block No. 7, Sejingkat Industrial Park, Kuching, Sarawak	27,930 sq m (7 acres)	4	Factory Building on a leased land	653	Building acquired on 30 September 2014
The land is leased from Prosper Lane Sdn. Bhd,. expiring in year 2021	Leasehold land at Woodford Estate, District of Beaufort, State of Sabah	(3 acres)	1	Factory Building on a leased land	3,072	Building acquired on 3 July 2017

This page has been deliberately left blank

SARAWAK CONSOLIDATED INDUSTRIES BERHAD
COMPANY NO 25583-W

Lot 1258, Jalan Utama, Pending Industrial Estate,
93450 Kuching, Sarawak, Malaysia.
Tel: +60 82-334 485 Fax: +60 82-334 484
Email: scib@scib.com.my