SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Co. No. 25583-W

Annual Report 2018

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 its professional management and has a 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 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. ("CGSB") 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. However, on 11 January 2019, SCIB received Notice from the Directors of Carlton Gardens Sdn. Bhd. that CGSB cannot by reasons of its liabilities continue its business, and the Directors of CGSB have made a statutory declaration to that effect pursuant to Section 440(1) of the Companies Act 2016, and accordingly a licensed liquidator has been appointed.

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.

OUR PRODUCTS

Spun Pile

Square Pile

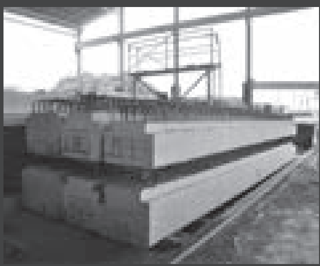
Box Culvert

U-Drain

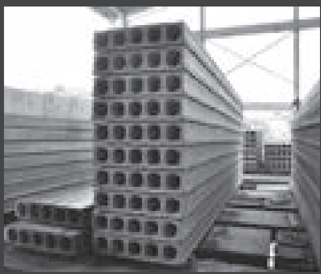
Prestressed Beam

Concrete Pipe

Precast Column



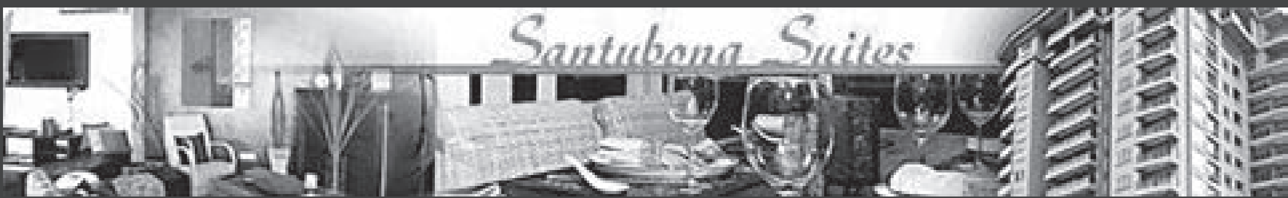
Precast Beam



Hollowcore Slab

Wall Panel

Bold Roll Concrete Roof Tiles



Santubong Suites

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

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 Customs Malaysia Sarawak Headquarter
- Supply of IBS components

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

Sego Centre, 4 Storey Office Building, Petra Jaya
- Supply of precast column, precast beams and IBS hollow core slabs

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

Giant Mall, Semariang
- Supply of IBS components

Vivacity Project - an integrated mixed development comprising a retail podium 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

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

The Cove, Santubong Kuching
-Supply of IBS precast hollow core slabs and precast beams

Darul Hana Bridge, Kuching
-Supply of Precast plank

Sekolah DAIF
-Supply of IBS components

8 Stories Apartment, Bintulu
-Supply of IBS precast hollow core slabs and precast beams

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)

YBhg. Datu 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
(Non-Independent Non-Executive Director)

Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir
(Non-Independent Non-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: 082-752668
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

Boardroom 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
RHB Bank Berhad

WEBSITE

www.scib.com.my

CORPORATE STRUCTURE

SARAWAK CONSOLIDATED INDUSTRIES BERHAD
(Co. 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.
  (Under Creditors' Voluntary winding up proceedings with effective 11 January 2019)

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 73, Male, Malaysian

YBhg. 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.

His interests in the Company is outlined on page 120 of this Annual Report.

YBHG. DATU IR. HAJI MOHIDDEN BIN HAJI ISHAK
Independent Non-Executive Director | Aged 66, 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 was on the Board of University Putra Malaysia from year 2015 to 2018. Currently, he sits on the Board of Bintulu Muslim Charitable Board, Lembaga Amanah Anak Yatim Sarawak and Malaysian Red Crescent Bintulu Chapter.

His interests in the Company is outlined on page 120 of this Annual Report.

YBHG. DATU HAJI SOEDIRMAN BIN HAJI AINI
Independent Non-Executive Director | Aged 62, Male, Malaysian

YBhg. Datu 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 (FCCA) and a member of Malaysian Institute of Accountants. He has attended the Macro Economic Policy and Management Program at Harvard University.

He started his career with Petronas in 1982 where he had served in the Economic and Investment Evaluation Department, Corporate Planning Division and in its subsidiary company, ASEAN Bintulu Fertilizer Sdn. Bhd.. After serving 13 years with Petronas, he resigned in 1995 to join the Sarawak State Government.

Prior to his retirement with the State Government in January 2019, he held the position of 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. During his tenure with the Sarawak Government, he served on the Boards of Malaysia LNG Tiga Sdn. Bhd. and Malaysia Investment Development Authority (MIDA).

Datu Haji Soedirman is currently a director of Permodalan Nasional Berhad and an Independent Director of Sarawak Plantation Berhad. He also sits on the Board of various Government-Linked Companies and Non-Governmental Organisations.

He has no interests in the Company and subsidiaries of the Company.

ENCIK SHAMSUL ANUAR BIN AHAMAD IBRAHIM

Independent Non-Executive Director | Aged 56, 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.

He has no interests in the Company and subsidiaries of the Company.

ENCIK REWI HAMID BUGO

Non-Independent Non-Executive Director | Aged 45, 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 serves as a director of several private companies in Malaysia and New Zealand spanning various industries including property development, finance, distribution, manufacturing and insurance broking.

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

He was the Deputy President of SHEDA, the Sarawak Housing and Real Estate Developers' Association for the 2015-2018 terms and currently serves on the Board of Trustees for WWF-Malaysia.

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.

His interests in the Company is outlined on page 120 of this Annual Report.

TUAN HAJI ZAIDI BIN HAJI AHNAD

Non-Independent Non-Executive Director | Aged 59, 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 resigned as the Executive Director of the Company and was re-designated as a Non-Independent Non-Executive Director of the Company effective 1 January 2019.

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's subsidiaries.

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 (0.16%) in the Company. He has no interest in the Subsidiaries of the Company.

His interests in the Company is outlined on page 120 of this Annual Report.

TUAN HAJI ABDUL HADI BIN DATUK ABDUL KADIR

Non-Independent Non-Executive Director | Aged 59, Male, Malaysian

Tuan Haji Abdul Hadi was appointed as a Non-Independent Non-Executive since 1 April 2019.

He graduated with a Bachelor of Science with Honours from the Universiti Sains Malaysia.

Tuan Haji Abdul Hadi has gained many years of experience in marketing, production, manufacturing operation and Senior Level Management roles throughout his career since 1998.

He joined Harwood Timber Sdn. Bhd. the wholly owned subsidiary of Sarawak Timber Industry Development Corporation as a Planning Manager in 1996 and since then he has been assigned to various positions. He was the General Manager of Harwood Timber from year 2008 to 2018. On 1 January 2019, he was appointed to his current position as the General Manager of Sarawak Economic Development Corporation (SEDC).

He has no interests in the Company and subsidiaries of the Company.

Notes:

1. *Family Relationship with Director and/or Major Shareholder*
   The Chief Executive Officer and 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 and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year under review.

4. *Directorships*
   The Chief Executive Officer and none of the Directors has other directorship in public companies and listed issuers.

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.

No.	Name of Director	Conferences, seminars and training programmes
1	YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	- Transformasi Nasional 2050 (TN50) Oil & Gas, Energy and Environment (OGEE) Workstream - Malaysia Code Of Corporate Governance 2017 - Malaysian Financial Reporting Standards - Good Governance In A Multi-Ethnic Federation - MSSG Reporting & Corporate Governance Guide - The Magnificient Odyssey: Closing The Gap Between Rural & Urban Education - A Comprehensive Guide To The Human Side Of Leadership - CG Assessment Using The Revised Asean Scoreboard Methodology
2	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	- Masterclass: The Future of Corporate Reporting – Telling Your Story
3	YBhg. Datu Haji Soedirman Bin Haji Aini	- International ICT Infrastructure and Digital Economy Conference Sarawak 2018 (IDECS 2018) - Preparation for Corporate Liability on Corruption 2018 - MIA International Accountants Conference 2018 - Masterclass: The Future of Corporate Reporting – Telling Your Story
4	Encik Shamsul Anuar Bin Ahamad Ibrahim	- Bursa's Corporate Governance Guide 3rd Edition: Moving from Aspiration to Actualisation-Unravelling the Guide for Application - Fraudsters: Profiling the Good, Bad and Ugly - MIA International Accountants Conference 2018
5	Encik Rewi Hamid Bugo	- Corporate Governance Briefing Session: MSSG Reporting & CG Guide
6	Tuan Haji Zaidi Bin Haji Ahmad	- Corporate Governance Guide 3rd Edition "Moving from Aspiration to Actualisation" – Unstacking the Guide for Application - IBS Seminar: Enhancement of Productivity Through Smart Construction Technologies - Cryptocurrency, Blockchain & Beyond: A Cautionary Tale - Ecobuild Sea Seminar: Construction Conferences
7	Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir	Not applicable as he was appointed on 1 April 2019

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the year ended 31 December 2018, eight (8) 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	6/8
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	8/8
YM. Tunku Dato' Ahmad Burhanuddin bin Tunku Datuk Seri Adnan *	4/5
YBhg. Datu Haji Soedirman Bin Haji Aini	8/8
Encik Shamsul Anuar Bin Ahamad Ibrahim	8/8
Encik Rewi Hamid Bugo	5/8
Tuan Haji Zaidi Bin Haji Ahmad	7/8
Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir**	Not applicable

* Resigned on 13 November 2018
** Appointed on 1 April 2019

KEY SENIOR MANAGEMENT PROFILE

ENCIK ARIFF ABDUL RASHID
Chief Executive Officer
Aged 56, Male, Malaysian

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

He has Certificates in Contractors Building Course and Building Management Course.

Having more than 30 years working experience, he has held various positions at organizations in multiple industries such as transport solutions, building construction, oil & gas, manufacturing and agriculture.

He has no interests in the Company and the subsidiaries of the Company.

MR. CHIEW JONG WEI
Chief Financial Officer
Aged 44, Male, Malaysian

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

He is 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 45, 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 20 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 36, 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 14 years working experience in audit firm and commercial companies as Accountant, Company Secretary, Finance Manager and Chief Financial Officer.

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 and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year under review.

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 take great pleasure to present to you the report on our business and financial performance for the year 2018.

Business Performance

SCIB posted a respectable RM76 million revenue for the year 2018, a 10% increase over the RM69 million revenue it managed to achieve in 2017. A respectable figure, considering that 2018 can only be described as a challenging year with the change of the Federal Government in the May 2018 General Elections and government projects being delayed or suspended due to reviews being carried out on them.

Although state government projects in Sarawak were not affected, the Pan Borneo Highway project ("PBH") was under scrutiny, and contractors who had already been awarded works packages were told to propose "cost-optimization" measures to lower the contract costs.

SCIB was fortunate that the supply of precast components to this Pan Borneo Highway project was not seriously affected. Conditions gradually improved within a few months and SCIB got back into its stride and managed to supply almost RM27 million worth of products for this project in 2018. We expect to supply about 10% more from this figure for the PBH project this year.

The Sarawak State Government announced its 2019 budget in November last year, the biggest ever in the state's history, amounting to RM11.914 billion, of which RM9.073 billion being for development expenditure. From various infrastructure projects to be implemented, SCIB expects to capture a fair number of contracts especially from the RM6.0 billion allocated for the Coastal Highway project. Products we hope to supply include precast concrete piles, pipes, beams, girders, and other reinforced concrete components. Other state projects SCIB intends to participate in are the Water Supply Grid Programme – Stress Areas (RM2.8 billion), state-wide roads, bridges and jetties (RM1.1 billion) and Sekolah Daif rehabilitation projects (RM81 million).

The financials of SCIB Group would have fared better had it not been caused by the Carlton Gardens Sdn. Bhd.'s (CGSB) acquisition and the PRIMA project it undertook. SCIB have since terminated the said contract and all matters pertaining to CGSB are now under litigation.

True to our outlook last year of being optimistic in the adoption of IBS precast concrete components in more construction projects, our IBS plant produced about 16,000 metric tonnes of components and sales figures achieved were about RM10.0 million for 2018. These numbers are substantial increases compared to that of 2017 where we produced almost 7,000 metric tonnes and sales amounting to RM4.18 million. And for this year, we project an increase in sales of around RM13.0 million, a 30% increase over last year's figure.

Although our Reinforced Concrete products saw a slight decrease in production for 2018 with a volume of 150,727 metric tonnes over 2017's production of 151,374 metric tonnes, we managed to record sales of RM65.4 million for 2018 compared to RM56.6 million sales achieved for 2017, a 15.5% increase.

Our gross margin for last year still remained at 19% as per year 2017.

Financial Performance

The higher 2018 revenue of RM76 million from manufacturing division contributed RM14.3 million in gross profit to the Group, despite the gross loss of RM2.9 million from construction division. This is a marked increase over the 2017 figures, RM61.1 million in revenue and RM11.6 million in gross profit, an increase of 24.39% in revenue and 23.28% in gross profits respectively. Kindly refer to the Management Discussion & Analysis Report for details of the financial performance.

Carlton Gardens Sdn Bhd (CGSB)

One year ago, as mentioned in the 2017 Annual Report, issues had emerged pertaining to the performance and progress of the PRIMA project undertaken by Carlton Gardens Sdn. Bhd. Due to the vendor's inability to take corrective actions in making good the production shortfall despite repeated warnings from us, the board have decided to cease all activities of CGSB and the matter is now in litigation. The impact to the SCIB Group due to the cessation of the contract and agreement has been studied and assessed, and has been brought down to a manageable level and capped.

Sustainability and Diversity

The SCIB Board places great emphasis on the sustainability of the Group's future operations, hence the need for the Group to be constantly looking for mergers and acquisitions in strengthening its position as the largest precast concrete manufacturer in Borneo. Our newly formed Research & Development department is exploring new technology in building materials and methods, of which we plan to be collaborating with third parties and Institutions of Higher Learning.

Our management too is continuously looking at opportunities to acquire the source of primary raw materials needed in the production of our products, thereby ensuring a continuous and economical supply.

As an organization in a traditionally male-dominated sector, I am pleased to say that 17% (60 people) of our total employees are women.

Board and Management

At present, the Board consists of four (4) Non-Independent Non-Executive Directors and three (3) Independent Directors.

The Board bade farewell and thanked YM Tunku Dato' Ahmad Burhanuddin bin Tunku Datuk Seri Adnan who resigned from the Board on 13 November 2018 and welcomed Tuan Haji Abdul Hadi bin Datuk Abdul Kadir who came on board as a Non-Independent Non-Executive Director on April 1, 2019. Tuan Haji Abdul Hadi bin Datuk Abdul Kadir is presently the General Manager of the State Economic Development Corporation (SEDC) and brings with him over 30 years of management experience to SCIB.

The Board of Directors will continue to monitor matters concerning Corporate Governance through its monitoring and active participation in the Audit Committee, Risk Management Committee and the Remuneration & Nomination Committee.

The management, led by the senior management staff have initiated actions in ensuring a more efficient work culture within the organization. Reviews and revisions were carried out on the respective individual functions and departments' Quality Management System (QMS). These reviews and revisions not only cover the production section but also encompass all supporting functions. The Business Improvement exercise is well underway and refurbishment of plants, machinery and equipment are being carried out to enhance safety conditions, while housekeeping of the plants is given greater attention.

Future Outlook

As we leave 2018 with a fairly strong performance, indications in the market are good for us to be optimistic for a better 2019. The production team is meeting the set targets and all that is needed is to secure more contracts during this bullish upward market. In this respect, we expect to perform better as SCIB's business prospect for this year has never looked better. The Sarawak State Government has allocated a huge budget for the state's development especially on infrastructure projects.

The Group, through various actions already taken, has and will continue to improve in all aspects especially on quality of its products and overall efficiency of its workforce. It's "preparedness" level in anticipation of securing more projects is high, while compliance to our QMS processes and standards are continuously monitored. A more comprehensive training program customized for each specific function for our staff and workers have been initiated and is now being carried out.

Greater attention is also given to elevate the standard of our service to our customers, without whom we would not be in this enviable position. Our staff and workers are aware of all stakeholders' expectations, and are constantly striving to perform their best at all times.

To all our shareholders, customers and business associates, I thank them for their unwavering support, and I applaud my fellow board members for the guidance and advice they have contributed through the meetings held at board level. Last but certainly not least, my heartiest appreciation especially to our senior management and staff that have worked very hard to achieve this good performance for the Group.

Thank you.

YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo
Non-Independent Non-Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

The Management's Discussion and Analysis (MD&A) for Sarawak Consolidated Industries Berhad should be read in conjunction with the Company's Annual Report 2018 and the cautionary statement regarding forward-looking information in page 15 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, our Quality Management System has been verified as ISO9001:2015 as awarded by SIRIM QAS. 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 which is sufficient to satisfy the increasing orders from Pan Borneo Highway and other private projects.

The group employs approximately 262 employees on a permanent basis assisted by 103 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 supplies to all markets within Sarawak and parts of Sabah, Kalimantan and Brunei. We envisage ourselves as the market leader in the geographical market we serve. 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.

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 and IBS products. The management have initiated actions in ensuring a more efficient work culture within the organization. Reviews and revisions were carried out on our Quality Management System (QMS), which also covers all supporting functions. Refurbishment of plants, machinery and equipment are being carried out to enhance safety conditions, while housekeeping of the plants is given greater attention. This is to cater for the anticipated 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 sales and marketing unit is aggressively building a stronger networking in the market to ensure we maximize all opportunities available.

Our primary objectives and achievement for year 2018 are as follows:

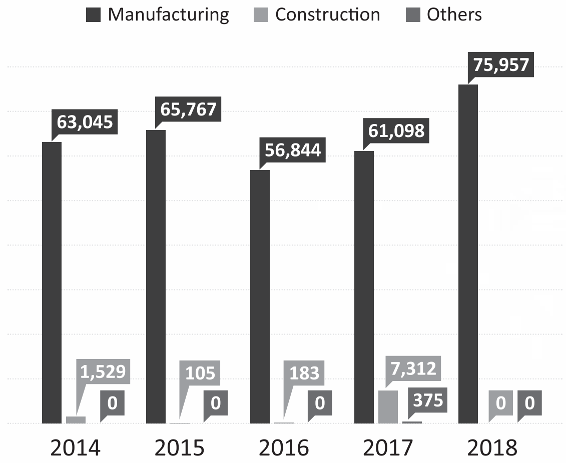
2018 Strategic Objective	**Performance till 31 Dec 2018**	**Comments**
Gross revenue of RM89 million	RM76 million	Rollover of orders due to reschedule of project delivery timelines. It will be shown in our order book for the following year.
Zero customer complaints	9 customer complaints	Corrective actions are in place. We are constantly reviewing the effectiveness of some preventive and corrective actions taken.
Gross profit margin of 20%	15% gross profit margin	Loss making construction project has been dissolved. Gross profit margin for manufacturing division remain at 19% as per previous year.
Net profit margin of 3%	net loss of 13%	

Our financial highlights for the past 5 financial years

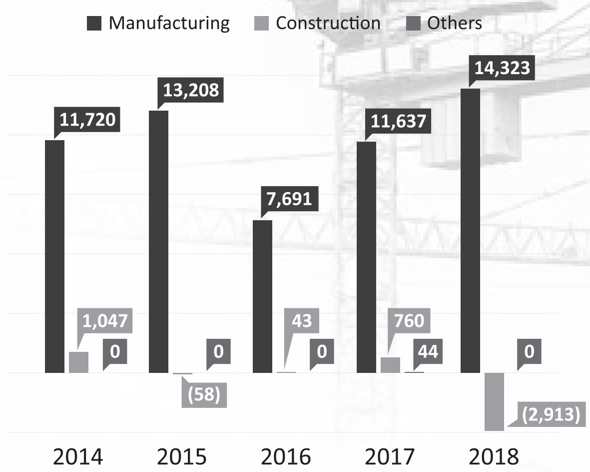
Financial year ended 31 December	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue					
- Manufacturing	63,045	65,767	56,844	61,098	75,957
- Construction	1,529	105	183	7,312	-
- Others	-	-	-	375	-
Gross profit					
- Manufacturing	11,720	13,208	7,691	11,637	14,323
- Construction	1,047	(58)	43	760	(2,913)
- Others	-	-	-	44	-
(Loss)/ profit before tax	(2,933)	234	1,592	(118)	(9,928)
(Loss)/ profit for the year attributable to equity holders of the Company	(2,939)	240	1,592	(258)	(9,792)
Adjusted EBITDA	6,826	6,012	2,370	5,089	2,041
Total assets	90,067	84,352	92,891	108,619	101,941
Current assets	42,286	40,244	52,253	57,774	58,945
Total liabilities	40,019	34,064	41,011	49,763	53,090
Shareholders equity	50,048	50,288	51,881	58,857	48,851
Current liabilities	29,680	23,557	28,086	39,273	36,637
Loans and borrowings	16,638	19,512	23,827	23,830	26,305
Total no. of shares	73,582,500	73,582,500	73,582,500	85,882,500	85,882,500

Financial ratios	2014	2015	2016	2017	2018
Gross profit margin	20%	20%	14%	18%	15%
Net assets per share	0.72	0.68	0.68	0.69	0.57
Debts to total funds ratio	33%	42%	35%	43%	49%

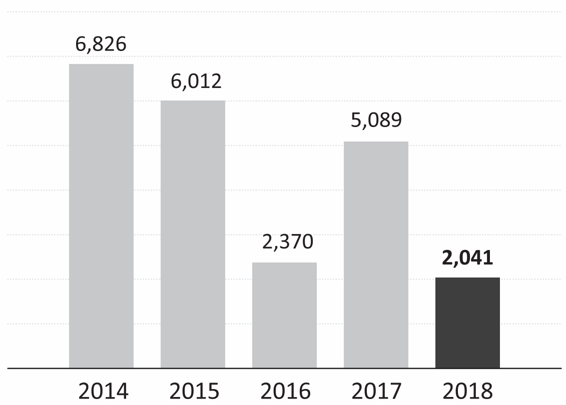
Revenue (RM'000)



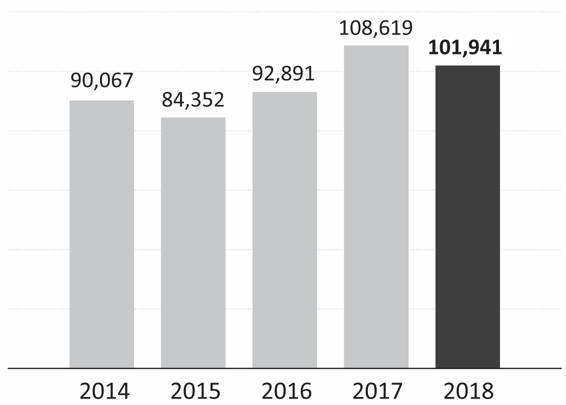
Gross Profit (RM'000)



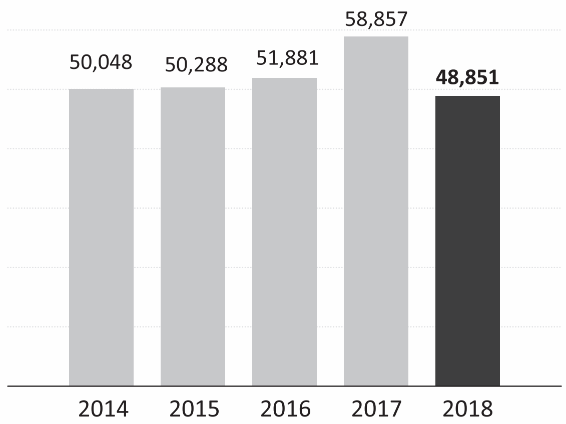
Adjusted EBITDA (RM'000)



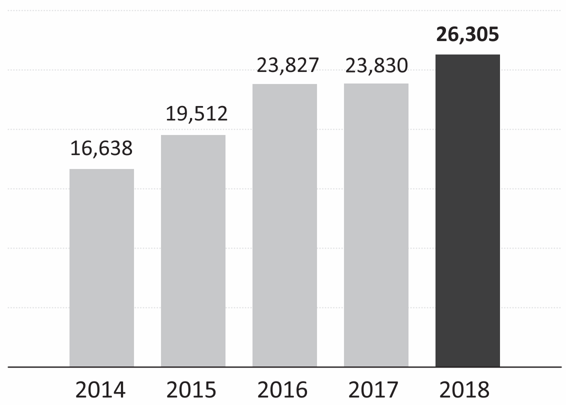
Total Assets (RM'000)



Shareholders Equity (RM'000)



Loans & Borrowings (RM'000)



Our financial performance for the year under review

Revenue

REVENUE ↑ by 10%

Revenue for the Group has increased by RM7 million or 10% from RM69 million registered in year 2017 to RM76 million for the year under review. The whole year revenue was contributed by manufacturing division, mainly sales of spun piles, square piles, pipe and industrialised building system components.

Sales volume for our traditional products has increased by 14,658 tons to 156,827 tons for year 2018 from 142,169 tons reported in 2017 and sales volume for Industrialised Building System (IBS) products recorded an increase of 7,793 tons to 15,041 tons in 2018 as compared to 7,248 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 not reported any revenue due to discontinuation of construction contract in Sabah (Carlton Garden Sdn Bhd).

GROSS PROFIT MARGIN ↓ by 3%

Gross profit

Overall gross profit margin is down by 3% mainly due to additional provision of construction cost of Sabah project (Carlton Garden Sdn Bhd). However, the gross profit margin of manufacturing division remained at 19% as per the year 2017.

Net loss before tax

The Group's net loss before tax has increased to net loss of RM9.9 million as compared to net loss of RM0.1 million last year. However, our adjusted EBITDA remained positive at RM2 million. The decrease of adjusted EBITDA of RM3 million or 60% from RM5.1 million in year 2017 mainly due to loss from construction division (Carlton Garden Sdn Bhd).

Major changes in financial position

Total assets

Our total assets decreased by 6% or RM6.7 million to RM102 million mainly due to impairment of property, plant and equipment as well as goodwill of the subsidiary in Sabah (Carlton Garden Sdn Bhd).

Current assets

Our current assets increased by 2% or RM1.1 million to RM58.9 million attributed mainly to an increase in trade receivables by 29% or RM6.7 million due to increasing demand for the Pan Borneo Highway projects. Cash and bank balances increased slightly by 0.3 million.

Total liabilities

Total liabilities increased by RM3.3 million or 6.6% attributed mainly to an increase in loans and borrowings by 10.5% or RM2.5 million. During the year under review, new bank facilities which includes revolving credit, term loan and bank overdraft totalling to RM18 million has been drawn down to pay off existing facilities with higher interest rate.

Risks

The Group is 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 recommends further steps where and when required. Management is of the opinion that the operational and financial risks are properly mitigated to a minimum level.

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 expected credit loss (impairment) on trade and other receivables of RM2.1 million was recorded during the year. The trade debtors' turnover period is deemed high at 147 days which is mainly due to the inclusion of trade debtor of RM5.2 million in the book of Carlton Garden Sdn Bhd. The revised trade debtors' turnover period will be 119 days (excludes Carlton Garden Sdn Bhd) which indicates an improvement from 123 days of last year. Our management is confident that these debts are collectible as most of the debtors are our long-term active customers. Ample steps have been taken to assess and manage the credit risks in 2018.

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 Group has total revolving bank facilities limit of RM26.7 million, of which only RM11.5 million or 43% was drawn down in the year under review. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of our stand-by revolving credit facilities.

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

Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rate environment relates mainly to its loans and borrowings. Barring 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. However, the Board through the Risk Management Committee have undertaken the necessary measures and instil efforts 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

As we leave 2018 with a fairly strong performance, indications in the market are good for us to be optimistic for a better 2019. The production team is meeting the set targets and all that is needed is to secure more contracts during this bullish upward market. In this respect, we expect to perform better as the Group's business prospect for this year is good as the State Government has allocated a huge budget for the state's development especially on infrastructure projects.

The Group, through various actions already taken, has and will continue to improve in all aspects especially on quality of its products and overall efficiency of its workforce. It's "preparedness" level in anticipation of securing more projects is high, while compliance to our QMS processes and standards are continuously monitored. A more comprehensive training program customized for each specific function for our staff and workers have been initiated and is now being carried out.

(This Management Discussion & Analysis (MD&A) is made in accordance with a resolution of the Board of Directors dated 16 April 2019)

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 2018, the Board consists of six (6) members, of whom five (5) are Non-Executive Directors and one (1) is an Executive Director. The Company's Chief Executive Officer, Encik Ariff Abdul Rashid is responsible for all day-to-day management and for leading the development and execution of the Company's long and short-term plans. He acts as a direct liaison between the Board and the Management and communicates on behalf of the Company to the Board, shareholders, employees, Government Authorities and other stakeholders. For the financial year ended 31 December 2018, 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	YBhg. Datu 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
7	Tuan Haji Zaidi Bin Haji Ahmad **	Executive Director

* Resigned as a Non-Independent Non-Executive Director on 13 November 2018
** Appointed as a Non-Independent Executive Director on 2 March 2018 and redesignated as a Non-Independent Non-Executive Director on 1 January 2019

Tuan Haji Zaidi Bin Haji Ahmad has ceased as the Company's Executive Director on 1 January 2019 and was re-designated as the Company's Non-Independent Non-Executive Director on the same day. Currently, the Board consists of Seven (7) Non-Executive Directors with one (1) new director appointed on 1 April 2019, 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.

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 main market at 31 December 2018, one third of the Board consist of independent directors which are in accordance with Paragraph 15.02 of the Main Market Listing requirements 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 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, risk management practices, 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.

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.

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

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

Directors	Audit Committee	Remuneration & 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 *	-	-	-
YBhg. Datu Haji Soedirman Bin Haji Aini	-	-	Chairman
Encik Shamsul Anuar Bin Ahamad Ibrahim	Chairman	Member	Member
Encik Rewi Hamid Bugo	Member	-	Member
Tuan Haji Zaidi Bin Haji Ahmad **	-	-	-

* *resigned as a director on 13 November 2018*
** *appointed as a director on 2 March 2018*

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 Corporate Governance Overview Statement; 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. Any new Director 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.

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 in 2018, 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 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.

In 2018, the Remuneration and Nomination Committee carried out the annual review of the overall remuneration policy for Directors and key Senior Management Officers whereupon recommended 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 Company on named basis for the financial year ended 31 December 2018 is set out as below:

The Company - received in 2018 and to be received for 2018	**Director Salaries** RM	**Director Fees** RM	**Meeting allowances and other emoluments** RM	**Benefits in Kind** RM	**Total remuneration** RM
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	-	96,000	10,900	-	106,900
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	-	30,000	6,800	-	36,800
YM. Tunku Dato' Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan *	-	26,083	-	-	26,083
YBhg. Datu Haji Soedirman Bin Haji Aini	-	30,000	2,700	-	32,700
Encik Shamsul Anuar Bin Ahamad Ibrahim	-	30,000	12,400	-	42,400
Encik Rewi Hamid Bugo	-	30,000	5,600	-	35,600
Tuan Haji Zaidi Bin Haji Ahmad **	360,000	-	70,075	9,900	439,975
Total	**360,000**	**242,083**	**108,475**	**9,900**	**720,458**

* *Resigned on 13 November 2018*

** *Appointed as Executive Director on 2 March 2018 and was re-designated as the Non-Independent Non-Executive Director on 1 January 2019*

(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.

(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 43rd AGM to be held on 30th May 2019 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, Risk Management Committee and the 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.

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 16 April 2019)

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors is required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 2018 contained in this Annual Report, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. The Directors also considered that all Malaysian Financial Reporting Standards and International Financial Reporting Standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

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

(This Statement of Directors' Responsibility is made in accordance with a resolution of the Board of Directors dated 16 April 2019)

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.

Encik Shamsul is a member of the Malaysian Institute of Accountants.

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;

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 - IN INTERNAL AUDIT FUNCTION

The following activities were carried out by the Committee during the year ended 31 December 2018 in discharging its duties and functions:

a. Attendance of Meetings

Five (5) Audit Committee meetings were held during the year ended 31 December 2018, namely on 26 February 2018, 24 March 2018, 24 May 2018, 24 August 2018 and 23 November 2018 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*	4/5

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.

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 assessment, 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 ISO 9001 Quality Management System and a High-Level Risk and Control Assessment conducted in September 2018 by an independent service provider, namely CGRM Infocomm Sdn. Bhd., 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 2018 were RM154,000. The Company had on 28 November 2018 outsourced its Internal Audit Function's activities to an independent service provider namely CGRM Infocomm Sdn. Bhd. 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 16 April 2019)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Financial year ended 31 December 2018

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, pursuant to Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("**MMLR**"),the Malaysian Code on Corporate Governance and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

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 critical 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 2018, namely on 21 February 2018, 23 May 2018, 23 August 2018 and 22 November 2018, 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 critical 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 profile and mitigation actions plans.

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.

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.

The Company had on 28 November 2018 outsourced its Internal Audit Function's activities to an independent service provider namely CGRM Infocomm Sdn. Bhd.. 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 Chief Executive Officer and the Chief Financial Officer that the Group's Risk Management Framework and internal control system are operating adequately and effectively, in all material respects, based on 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 Audit and Assurance Practice Guide 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, 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.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on 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 auditors was made solely for, and directed solely to the Board of Directors 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 16 April 2019)

ADDITIONAL COMPLIANCE INFORMATION

1. **Non-Audit Fees Paid to External Auditors**
   The amount of non-audit fees paid or payable to external auditors or a firm or corporation affiliated to the external auditors by the Company and the Group for the financial year ended 31 December 2018 amounted to RM13,400 and RM37,500 respectively.

2. **Status of Utilisation of Proceeds raised from Corporate Proposal**
   There are no outstanding proposals which have been announced by the Company but pending implementation.

3. **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.

4. **Recurrent Related Party Transactions**
   The type and value of recurrent related party transactions are disclosed in Note 31 of the Notes to the Financial Statements of this Annual Report.

5. **Employee Share Scheme**
   There were no options or shares issued or exercised in relation to an Employee Share Scheme during the financial year ended 31 December 2018.

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

In recognizing that risk management is correlated to the overall sustainability performance, our sustainability agenda 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 Chief Executive Officer 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.

Introduction

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

Key Stakeholders' engagement

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

Our existing list of engagement activities are as follows:-

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

Materiality assessment

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

Badminton Match

SCIB Dinner

Category	Key Material Sustainability Matters	Anticipated impacts on the Group's business
Economic	Product and service quality	Stringent quality control of our finished products and value-added services are essential to maintain customer satisfaction and for maintaining brand image to attract new sales.
	Corporate Governance and Risk management	Strong corporate governance and effective risk management system helps to improve the Company's financial stability and minimize risk of loss that will gain shareholders confidence.
	Supply chain and procurement	Fair and unbiased business policies and ethical procurement procedures and practices are crucial to promote trust and transparency within the supply chain. Good relationships with key stakeholders across the supply chain will ensure lower cost, more competitive price and better margin.
Environmental	Investment in technology Research and Development	Our investment in off-site precast manufacturing and prefabricated industrialised building system reduces debris, waste and airpollution at site. Investment in research and development help us to continuously source for environment friendly manufacturing solutions.
	Waste and energy management	Efficient waste management, recycling and energy saving program help to protect the environment from further harm.
Social	Employee Health, Safety and Welfare	Safe work places and practices reduces risk of accidents and injuries, claim cost and business interruptions. It will help improve corporate reputation and increase employee motivation. Healthy lifestyle and staff welfare will be conducive to enhance work commitments, increase productivity and reduce costs.
	Human resource development	Continuous staff training and development are crucial to help improve staff competency, work efficiency, retain talents and attract new talents that will improve productivity and enhance overall company's financial performance.
	Human rights and ethics	People is the key driver for business sustainability and are the most valuable assets of a Company. Respecting and protecting human and labour rights help to promote harmonious working environment and enhance corporate image for corporate success and economic growth.
	Community support	Social contributions to the community exhibit that we are responsible corporate citizen and are committed towards making a better future for our next generation that will also help enhance corporate image.

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

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

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

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 continue to strengthen our health and safety policies and procedures and formulate safety and health plans throughout the year via our Safety 360 Awareness programs. Among others, are the Noise Monitoring and Chemical Health Risk Assessment (CHRA) undertaken at our factories in line with the requirements of relevant regulation enacted under the Occupational Safety & Health Act (1994). In 2018, we have sent six (6) workers who were exposed to exceptionally high level of noise and vibration at work to undergo audiometric test. Additionally. we have also established campaigns, banners, posters, brochures and signboards at prominent areas to disseminate Health and Safety messages to workers. Each factory is required to record and monitor their respective Lost Time Injury (LTI) which is the record of productive time lost when worker is unable to return to work. LTI is used as a key performance indicator to measure work safety. Safety accidents are also investigated to determine the root causes, to identify unsafe conditions or actions and to recommend corrective actions to prevent future recurrence. New employees are provided with orientation of the safety and health risks and procedures at the workplace. We are also preparing ourselves towards achieving occupational safety & health (OSH) certification under ISO45001:2018 in the near future. This initiative is a two-pronged approach for improving the condition at the workplace in a more systematic way, as well as for benchmarking and improving our health and safety practices to be at par with a globally accepted best practices in order to meet the ever-increasing society's expectation. *Health & Safety Committee* Health & Safety Committee has been established to identify, evaluate and control safety issues and foreseeable risks at our workplace. The Committee provides link for better communication between workers on the ground and the management bringing together broad range of expertise and experience to help identify safety hazards at work and find solutions or new ways to enhance the safety practices. Workers are encouraged to express their safety and health concerns to the Committee where issues can be responded to and addressed accordingly. *Safety talks and training* Safety and health talks are conducted throughout the year and during monthly assembly by experienced staff to create awareness on the importance of personal safety and hygiene. Health and safety officer regularly educate fellow workers about the risks at work place and safety procedures to prevent untoward accidents. Staffs are provided with appropriate safety programs and training to further enhance their knowledge on health and safety at workplace. Our Safety supervisors also have regular Toolbox Meeting with our subcontractors' workers to highlight any Health, Safety and Environment related matters of concern. Courses conducted in 2018 included Safety & Health, Bahaya Bunyi Bising and Safety at Workplace, Housekeeping (5S) and Safe Production Procedures/work instruction. *Upgrade of factory facilities and infrastructures* We also progressively pursuing upgrading of our factory's facilities and infrastructures in order to provide a favorable working environment. We establish safe operating procedures for machineries and set up emergency response team (ERT) in every factory. Our Health and Safety team are working closely with our Repair and Maintenance team to enhance our Planned Preventive Maintenance Programs to reduce hazards of major accident at the factory. We continuously ensure that our workers and personnel are adequately protected when working in critical areas exposed to work hazards and provide them with adequate Personal Protective Equipment.

Care for the Environment	We are also committed to answer the society's ever-louder call for greater corporate responsibility in managing the environmental impact operations may exert to the environment surrounding the factories. Since our factories are closely located to major water bodies such as river, we are doing our best to ensure that the water discharged from our premises has characteristics that is always within the tolerable limit permissible by relevant statute, and in particular the Environmental Quality Act 1974. We also intend to go extra miles pursuing the environmental certification under ISO14001:2015 in the near future. Our investment in off-site precast manufacturing and prefabricated industrialised building system contribute positively towards sustainability inherently considering that it reduces debris, waste and air pollution at site. Further, our operations do not discharge excessive or harmful dust or smoke into the air.
Lean Management program	All factory managers and key supervisors have completed the Lean management program organized by Malaysia Productivity Corporation (MPC) in 2017 and attended the Mini Convocation for Excellence Team by MPC on 10 April 2018. The Lean Management program helps our employees gain 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 212 employees have benefited from the ninety-six (96) 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. We shall have our competency and succession program developed for key and critical positions and will assess job requirements and skills of our existing employees and then identify potential candidates to be coached, nurtured and groomed for succession to these key and critical positions with career development plan and training needs analysis.
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 UPSR, PMR and SPM. During the year under review, 201 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 also extend our appreciation to our staff with long service award, annual increment and bonuses as well as free gifts and lucky draws during our Annual Dinner. We hold a badminton match in conjunction with the labour day celebration this year which was participated by 31 persons.
Healthy lifestyle	In order to encourage our employees to adopt healthy lifestyle, SCIB also subsidized some social and recreational events such as the SMA Run on 29 April 2018 which was participated by 50 of our employees and FMM Sarawak Run 1.0 on 28 October 2018 which was participated by 17 of our employees. The Company also sponsors the 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.

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 built 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 ISO9001:2015 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 customer satisfaction survey on project basis to help us understand our customer better and get their feedback for continuous improvement. We listen and understand customer complaints, offer prompt solution and execute them timely with close follow up to ensure complaints are closed promptly and customers are satisfied with the solution provided.
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 deals with good and reliable diverse set of suppliers to ensure high quality of materials are used for production. We have our Quality Assurance team who are consistently checking and inspecting our materials to ensure they meet desired quality standards. We evaluate our suppliers once a year in terms of quality, pricing and services.

Malaysia Productivity Corporation (MPC) Award

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 employ 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. We are now looking into designing and construction of more effective slurry pit as additional engineering controls against transmission of harmful pollutants to the environment and will conduct scheduled checks to ensure that water discharged are close to PH neutral and less harmful to the environment. Our factory managers have taken initiatives to reduce the usage of diesel and sludge oil progressively replacing with formulated mould oil which is less harmful to human health and the environment.
Recycle of waste	We recycle waste materials back to production if they are reusable otherwise, we sell to scrap collectors who might be able to use them. We are also improving our drainage system to dispose production slurry more appropriately and effectively.
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 stores sponsored by the Company in July 2018.
Training for tomorrow	Throughout 2018 SCIB provides industrial training for 10 undergraduates from local institutions of higher learning in the areas of Civil Engineering, Mechanical and Manufacturing Engineering, Building Program, Electrical Engineering, Chemical Engineering and Design for duration between 2-6 months. We believe that these young students are the future of manufacturing and construction industry in Malaysia and our training program give them learning opportunities and insights into the industry to improve their practical knowledge and field exposure.

(This Sustainability Statement is made in accordance with a resolution of the Board of Directors dated 16 April 2019)

Kuching Autistic Association (KAA) Day

SMA Run

SARAWAK CONSOLIDATED INDUSTRIES BERHAD Co. No. 25583-W

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 set out in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

Results

	Group RM	Company RM
Loss net of tax	9,791,510	8,365,521
	=======	========

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, except for the effect arising from the review of impairment in respect of a subsidiary which resulted in impairment of goodwill and property, plant and equipment of RM283,700 and RM3,318,276 as disclosed in Note 15 and 14 to the financial statements, respectively.

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
YBhg. Datu Haji Soedirman Bin Haji Aini
Shamsul Anuar Bin Ahamad Ibrahim
Rewi Hamid Bugo
Haji Zaidi Bin Haji Ahmad
Haji Abdul Hadi Bin Datuk Abdul Kadir (Appointed on 1 April 2019)
YM. Tunku Dato' Ahmad Burhanuddin Bin Tunku Datuk Seri Adnan (Resigned on 13 Nov 2018)

Directors' benefits

The directors of the subsidiaries of the Company since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Chai Tze Khang
Ivonson Kwee

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 below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

Directors' remuneration

Details of directors' remuneration are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Executive directors' remuneration:				
Salaries and other emoluments	612,705	209,000	386,875	-
Defined contribution plan	69,750	24,480	43,200	-
Total executive directors' remuneration (excluding benefits-in-kind)	682,455	233,480	430,075	-
Estimate money value of benefits-in-kind	18,700	8,800	9,900	-
Total executive directors' remuneration (excluding benefits-in-kind)	701,155	242,280	439,975	-
Non-executive directors' remuneration:				
Fees	242,083	228,903	242,083	228,903
Other emoluments	38,400	43,900	38,400	43,900
Total non-executive directors' remuneration	280,483	272,803	280,483	272,803
Total directors' remuneration	981,638	515,083	720,458	272,803

Included in the analysis above is the remuneration for directors of the Group and the Company in accordance with the requirements of the Companies Act 2016.

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 of the Company during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2018	**Acquired**	**Disposed**	**At 31.12.2018**
Direct interest:				
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	3,429,200	3,875,855	-	7,305,055
YBhg. Datu Haji Mohidden Bin Haji Ishak	55,000	33,500	(13,400)	75,100
Rewi Hamid Bugo	2,088,300	-	-	2,088,300
Haji Zaidi Bin Haji Ahmad	190,800	-	-	190,800
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
Haji Zaidi Bin Haji Ahmad	135,715	-	-	135,715

Directors' interest (contd.)

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.

(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.

Subsequent event

Details of a subsequent event are disclosed in Note 38 to the financial statements.

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 18 April 2019.

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 52 to 118 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 2018 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 18 April 2019.

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, **Chiew Jong Wei**, 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 52 to 118 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 **Chiew Jong Wei**
at Kuching in the State of Sarawak
on 18 April 2019

Chiew Jong Wei
(MIA 38656)

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 2018 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 52 to 118.

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 2018, 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 matter for the audit of the financial statements of the Group is described as below. This matter was 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 this matter. 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.

Finalisation of purchase price allocation

On 1 July 2017, the Group completed the acquisition of the entire equity interest in Carlton Gardens Sdn. Bhd. ("CGSB") as disclosed in Note 17 to the financial statements. CGSB was principally engaged in engineering and construction, project and construction management. As at 31 December 2017, the acquisition of CGSB was accounted using the acquisition method based on provisional amounts as the initial accounting was incomplete as at reporting date. A provisional goodwill amounting to RM5,647,967 was recognised as at 31 December 2017.

During the financial year, the Group finalised the purchase price allocation within the measurement period and has determined that the profit of RM7,191,236 guaranteed by the sellers of CGSB as part of the share sale agreement was not expected to be achievable. Accordingly, the provisional amounts have been restated to reflect the fair value of the profit guarantee receivable of RM5,364,267 and the resulting restatement of goodwill to RM283,700.

The purchase price allocation process is significant to our audit as the assessment process is highly judgmental and the quantum involved is material to the Group. Significant judgement is also required in determining the assumptions used to estimate the fair value of the profit guarantee receivable.

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

Finalisation of purchase price allocation (contd.)

Our audit procedures, among others, included gaining an understanding of the transaction and the business rationale through discussions with management and reading of the share sale agreement, assessing the likelihood of CGSB's ability to generate the profit guaranteed by the seller of CGSB and also reviewed the assumptions on which the profit and 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. We also challenged and confirmed with the management that the adjustments made to the provisional amounts relate to information obtained about facts and circumstances that existed on acquisition date.

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.

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.

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

Auditors' responsibilities for the audit of the financial statements (contd.)

- 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.

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
AF: 0039
Chartered Accountants

AU YONG SWEE YIN
NO. 03101/02/2020 J
Chartered Accountant

Kuching, Malaysia
Date: 18 April 2019.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	4	75,957,483	68,784,472	3,407,140	2,578,065
Cost of sales	5	(64,547,175)	(56,343,304)	-	-
Gross profit		11,410,308	12,441,168	3,407,140	2,578,065
Other items of income					
Interest income	6	451,071	97,851	138,684	57,437
Other income	7	1,478,747	868,862	-	-
Other items of expense					
Selling and distribution expenses		(6,582,528)	(6,079,726)	-	-
Administrative and other expenses		(14,774,260)	(5,654,322)	(11,760,072)	(3,491,197)
Finance costs	8	(1,911,575)	(1,791,768)	(95,918)	(56,431)
Loss before tax	9	(9,928,237)	(117,935)	(8,310,166)	(912,126)
Income tax expense	12	136,727	(140,292)	(55,355)	(65,292)
Loss net of tax, representing total comprehensive loss for the year		(9,791,510)	(258,227)	(8,365,521)	(977,418)
Total comprehensive loss attributable to equity holders of the Company		(9,791,510)	(258,227)	(8,365,521)	(977,418)
Loss per share:					
Loss attributable to equity holders of the Company (sen per share):					
Basic and diluted	13	11.40	0.33		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018	Group 2017 (Restated)	Company 2018	Company 2017
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	35,633,710	43,077,379	5,302,581	5,248,291
Intangible asset	15	-	283,700	-	-
Other assets	16	7,362,267	7,484,232	-	-
Investment in subsidiaries	17	-	-	42,562,306	46,300,039
		42,995,977	50,845,311	47,864,887	51,548,330
Current assets					
Inventories	18	21,755,569	23,260,757	-	-
Trade and other receivables	19	30,749,147	24,370,545	59,799	3,186,659
Other current assets	20	1,037,876	5,017,536	17,453	16,096
Cash and bank balances	22	5,402,164	5,125,144	384,580	698,621
		58,944,756	57,773,982	461,832	3,901,376
TOTAL ASSETS		101,940,733	108,619,293	48,326,719	55,449,706
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	23	10,015,233	13,603,129	160,819	36,700
Trade and other payables	24	26,621,888	25,575,522	3,362,130	2,307,253
Other current liabilities	25	-	93,966	-	16,700
		36,637,121	39,272,617	3,522,949	2,360,653
Net current assets/(liabilities)		22,307,635	18,501,365	(3,061,117)	1,540,723
Non-current liabilities					
Loans and borrowings	23	16,290,284	10,226,722	111,192	35,466
Other payables	24	162,548	146,272	34,218	29,706
Deferred tax liabilities	26	-	117,406	-	-
		16,452,832	10,490,400	145,410	65,172
TOTAL LIABILITIES		53,089,953	49,763,017	3,668,359	2,425,825
Net assets		48,850,780	58,856,276	44,658,360	53,023,881
Equity attributable to equity holders of the Company					
Share capital	27	85,913,168	85,913,168	85,913,168	85,913,168
Accumulated losses		(37,062,388)	(27,056,892)	(41,254,808)	(32,889,287)
Total equity		48,850,780	58,856,276	44,658,360	53,023,881
TOTAL EQUITY AND LIABILITIES		101,940,733	108,619,293	48,326,719	55,449,706

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital (Note 27) RM	Share premium (Note 28) RM	Accumulated losses RM	Equity attributable to equity holders of the Company RM
Group				
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
Transition 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
Effect of adoption of MFRS 9	-	-	(213,986)	(213,986)
As restated	85,913,168	-	(27,270,878)	58,642,290
Total comprehensive loss	-	-	(9,791,510)	(9,791,510)
At 31 December 2018	85,913,168	-	(37,062,388)	48,850,780
Company				
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
Transition 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
Total comprehensive loss	-	-	(8,365,521)	(8,365,521)
Closing balance at 31 December 2018	85,913,168	-	(41,254,808)	44,658,360

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

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018

Group	**Note**	**2018** RM	**2017** RM
Operating activities			
Loss before tax		(9,928,237)	(117,935)
Adjustments for:			
Depreciation of property, plant and equipment	9	4,826,305	4,250,843
Interest expense	8	1,911,575	1,791,768
Expected credit loss on trade and other receivables	9	4,363,942	107,104
Reversal of impairment loss on trade and other receivables	9	(2,284,211)	(845,146)
Interest income	6	(451,071)	(97,851)
Inventories written down	9	794,783	13,242
Impairment loss on property, plant and equipment	9	3,318,276	-
Impairment on goodwill	9	283,700	-
Property, plant and equipment written off	9	87	-
Total adjustments		12,763,386	5,219,960
Operating cash flows before changes in working capital		2,835,149	5,102,025
Changes in working capital			
Decrease/(increase) in inventories		710,405	(3,583,823)
Increase in trade and other receivables		(8,672,319)	(4,732,008)
Decrease in other assets		519,965	467,968
Increase in other current assets		(460,861)	(3,244,642)
Decrease in contract asset		4,427,664	-
Increase in trade and other payables		1,062,642	5,392,406
Decrease in contract liability		(13,266)	-
Increase in fixed deposit pledged to bank		(6,342)	(13,176)
Total changes in working capital		(2,432,112)	(5,713,275)
Cash flows from operations		403,037	(611,250)
Interest paid		(1,911,575)	(1,791,768)
Interest received		53,071	97,851
Income taxes paid, net of refund		(48,522)	(13,601)
Net cash flows used in operating activities		(1,503,989)	(2,318,768)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018 (contd.)

Group (contd.)	Note	2018 RM	2017 RM
Investing activities			
Acquisition of property, plant and equipment	14	(87,419)	(3,438,494)
Net cash outflow on acquisition of a subsidiary	17	-	(5,265,065)
Net cash flows used in investing activities		(87,419)	(8,703,559)
Financing activities			
Proceeds from borrowings		18,585,478	1,809,276
Proceeds from issuance of shares	27	-	3,000,000
Repayment of borrowings		(16,088,942)	(2,737,662)
Repayment of obligations under finance leases		(565,306)	(577,478)
Net cash flows from financing activities		1,931,230	1,494,136
Net increase/(decrease) in cash and cash equivalents		339,822	(9,528,191)
Cash and cash equivalents at 1 January		4,585,272	14,113,463
Cash and cash equivalents at 31 December	22	4,925,094	4,585,272

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

Company	Note	2018 RM	2017 RM
Operating activities			
Loss before tax		(8,310,166)	(912,126)
Adjustments for:			
Depreciation of property, plant and equipment	9	152,161	110,941
Interest expense	8	95,918	56,431
Impairment loss on investment in subsidiary	9	3,737,733	-
Expected credit loss on other receivables	9	4,192,232	-
Interest income	6	(138,684)	(57,437)
Total adjustments		8,039,360	109,935
Operating cash flows before changes in working capital		(270,806)	(802,191)
Changes in working capital			
Increase in other receivables		(1,065,372)	(3,137,091)
(Decrease)/increase in other current assets		2,643	(4,388)
Increase in trade and other payables		1,059,389	1,382,660
Increase in fixed deposit pledged to bank		(6,342)	(13,176)
Total changes in working capital		(9,682)	(1,771,995)
Cash flows used in operations		(280,488)	(2,574,186)
Interest paid		(95,918)	(56,431)
Interest received		138,684	57,437
Income tax paid, net of refund		(76,055)	(22,949)
Net cash flows used in operating activities		(313,777)	(2,596,129)
Investing activities			
Acquisition of property, plant and equipment	14	(42,451)	(12,333)
Acquisition of a subsidiary	17	-	(5,266,000)
Net cash flows used in investing activities		(42,451)	(5,278,333)
Financing activities			
Repayment of obligations under finance leases		(58,724)	(34,529)
Proceeds from issuance of shares	27	-	3,000,000
Net cash flows (used in)/generated from financing activities		(58,724)	2,965,471
Net decrease in cash and cash equivalents		(414,952)	(4,908,991)
Cash and cash equivalents at 1 January		322,462	5,231,453
Cash and cash equivalents at 31 December	22	(92,490)	322,462

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

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 set out in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

2. Basis of preparation and 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 2018, 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 2018.

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 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

Except for the effects arising from the adoption of MFRS 9 and MFRS 15 as described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

(a) MFRS 9: Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 contains three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group and Company applied MFRS 9, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continue to be reported under MFRS 139. Differences in carrying amounts of the financial assets and financial liabilities arising from the adoption of MFRS 9 have been recognised directly in retained earnings as at 1 January 2018.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(a) MFRS 9: Financial Instruments (contd.)

The nature of these adjustments are described below:

(i) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139. The changes to the classification and measurement requirements of MFRS 9 is disclosed as below.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

(ii) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The Group and the Company have adopted the simplified expected credit loss model for their trade receivables and contract assets. The Group and the Company have also elected to apply the limited exemption in MFRS 9 relating to transition for impairment, and accordingly the allowance for impairment has not been restated in the comparative period in the year of initial application. Adjustments arising from the initial application of the new impairment model have been recognised in the opening balance of accumulated losses.

In summary, upon the adoption of MFRS 9, the Group had the following required adjustments as at 1 January 2018.

	Effect of adoption of MFRS 9 to opening balance
	RM
Increase in accumulated losses	213,986
Decrease in trade receivables (Note 19(a))	213,986
	=======

2. Basis of preparation and summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(b) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

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.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The adoption of the new MFRS 15 has not resulted in any material impact on the financial statements of the Group and the Company.

2.3 Pronouncements issued but not yet effective

The Standards and Interpretations (collectively referred to as pronouncements) that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these pronouncements, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Annual improvements to MFRS Standards 2015-2017 Cycle:	
(i) Amendments to MFRS 3: Business Combinations	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
IC Interpretation 23: Uncertainty over Income Tax Treatment	1 January 2019
MFRS 16: Leases	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendment to MFRS 119: Employee Benefits Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Pronouncements issued but not yet effective (contd.)

(a) Annual Improvements to MFRS Standards 2015 - 2017 Cycle

The Annual Improvements to MFRS Standards 2015- 2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(i) Amendments to MFRS 3: Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

(ii) Amendments to MFRS 112: Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(iii) Amendments to MFRS 123: Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

(b) 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.

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. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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 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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Pronouncements issued but not yet effective (contd.)

(b) MFRS 16: Leases (contd.)

The standard will affect primarily the accounting for the Group and the Company's operating leases. The Group and the Company have not completed the assessment of the effects arising from the adoption of MFRS 16 and it is therefore not practicable at this juncture to estimate the amount of right-to-use assets and liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group's and the Company's profit or loss and classification of cash flows going forward.

(c) IC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

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;

(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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

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. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. All other contingent consideration shall be measured at fair value and such changes shall be 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.

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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.5 Subsidiaries (contd.)

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. Cost of investment is the amount of cash or cash equivalents paid or the fair value of the other consideration given at the time of the acquisition. Contingent consideration payable or receivable are accounted for in accordance with MFRS 137. Contingent consideration payable is recognised when the Company has a present obligation of outflow of resources that will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A contingent consideration receivable is only recognised when the realisation of income is virtually certain. Contingent consideration payable or receivable and changes arising from subsequent remeasurement are accounted for as part of the cost or a reduction of investment.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 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.

2.7 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:

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

2. Basis of preparation and summary of significant accounting policies (contd.)

2.7 Property, plant and equipment (contd.)

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.

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.

2.8 Impairment of non-financial assets

The Group and the Company assess 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 and the Company make 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. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Current financial year

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company only have financial assets at amortised cost and financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade and other receivables and cash and bank balances.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Financial instruments (contd.)

(i) Financial assets (contd.)

Current financial year (contd.)

Financial assets at fair value through profit or loss

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

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

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group and a Company of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Financial instruments (contd.)

(i) Financial assets (contd.)

Current financial year (contd.)

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Previous financial year

Initial recognition and measurement

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.

The Group and the Company only has financial assets of loans and receivables.

Subsequent measurement

(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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Financial instruments (contd.)

(i) Financial assets (contd.)

Previous financial year (contd.)

Subsequent measurement (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.

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.

Derecognition

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.

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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Financial instruments (contd.)

(i) Financial assets (contd.)

Previous financial year (contd.)

Impairment of financial assets (contd.)

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.

(ii) Financial liabilities

Current financial year

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of those measured subsequently at amortised cost, net of directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Financial instruments (contd.)

(ii) Financial liabilities (contd.)

Current financial year (contd.)

Subsequent measurement (contd.)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Previous financial year

Initial recognition and measurement

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.

The Group and the Company only has other financial liabilities.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Financial instruments (contd.)

(ii) Financial liabilities (contd.)

Previous financial year (contd.)

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.

Derecognition

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.

(iii) Offsetting of financial instruments

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

2.10 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.

2.11 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. Basis of preparation and summary of significant accounting policies (contd.)

2.12 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.

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.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.13 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.

2.14 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 guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of the amount of the loss allowance and the amount in accordance to the principles of MFRS 15.

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.

2.15 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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.15 Employee benefits (contd.)

(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.

2.16 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.

2.17 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that they are the principal in their revenue arrangements because they typically control the goods or services before transferring them to customer.

(i) Sale of goods

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

The Group transfers control of a good at a point in time unless one of the following over time criteria is met:

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

2. Basis of preparation and summary of significant accounting policies (contd.)

2.17 Revenue from contracts with customers (contd.)

(ii) Construction contracts

Revenue is recognised progressively based on the percentage of completion determined by the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

(iii) Sale of properties

Sale of properties are recognised at a point in time when control of the properties are passed to purchasers.

(iv) Interest income

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

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

(vi) Management and consultancy fees

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

(vii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(viii) Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group and the Company perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Trade receivables

A receivable represents the Group's and the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(iii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and the Company perform under the contract.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.17 Revenue from contracts with customers (contd.)

(ix) Contract costs

(i) Costs to obtain a contract

The Group and the Company recognise incremental costs of obtaining contracts when the Group and the Company expect to recover these costs.

(ii) Costs to fulfil a contract

The Group and the Company recognise a contract cost that relates directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group and the Company, will be used in satisfying performance obligations in the future, and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with pattern of revenue recognition to which the assets relate. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

2.18 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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.18 Taxes (contd.)

(b) Deferred tax (contd.)

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.

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) Sales and Services tax (“SST”) and Goods and Services Tax (“GST”)

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

- Where the SST and GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST and GST are 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 SST and GST included.

2.19 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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.20 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 segment managers responsible for the performance of the respective segments under their charge. The segment 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.

2.21 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.

2.22 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 and the Company. 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 and the Company use 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.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.22 Fair value measurements (contd.)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine 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 and the Company have 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.

2.23 Current versus non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Significant accounting judgements and estimates

The preparation of the Group's and the Company'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.

Profit guarantee receivable

The valuation of the profit guarantee receivable is based on the estimate the expected future cash flows from the asset using 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 determining the carrying amount of the profit guarantee receivable are disclosed in Note 17.

4. Revenue

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Revenue from contracts with customers	75,957,483	68,784,472	3,147,940	2,318,865
Revenue from other sources	-	-	259,200	259,200
Total revenue	75,957,483	68,784,472	3,407,140	2,578,065

(a) Disaggregation of Group's revenue from contracts with customers

Set out below is the disaggregated of the Group's and the Company's revenue from contracts with customers.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Type of goods and services				
Sale of goods	75,957,483	61,097,516	-	-
Management fee from subsidiaries	-	-	3,147,940	2,318,865
Construction contracts	-	7,311,956	-	-
Sales of property	-	375,000	-	-
Total revenue from contracts with customer	75,957,483	68,784,472	3,147,940	2,318,865
Timing of revenue recognition				
Revenue recognised over time	-	7,311,956	3,147,940	2,318,865
Revenue recognised at a point in time	75,957,483	61,472,516	-	-
	75,957,483	68,784,472	3,147,940	2,318,865

(b) Transaction prices allocated to the remaining performance obligation

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Construction contracts				
- within one year	-	32,435,696	-	-

5. Cost of sales

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Cost of goods sold	64,547,175	49,460,693	-	-
Construction contract costs	-	6,551,863	-	-
Cost of property sold	-	330,748	-	-
	64,547,175	56,343,304	-	-

6. Interest income

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Interest accretion from profit guarantee receivable	398,000	-	-	-
Interest income from subsidiaries	-	-	128,184	28,879
Interest income from short term deposits	53,071	97,851	10,500	28,558
	451,071	97,851	138,684	57,437

7. Other income

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Rental income	1,650	2,250	-	-
Reversal of loss allowance on trade receivables	600,000	500,000	-	-
Sale of diesel	4,085	47,427	-	-
Supervision fee	417,525	139,665	-	-
Sales of scrap	161,141	179,520	-	-
Miscellaneous income	294,346	-	-	-
	1,478,747	868,862	-	-

8. Finance costs

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Interest expense on:				
Bank overdrafts	9,524	1,818	1,853	357
Revolving credits	1,208,242	1,342,767	-	-
Term loans	569,628	359,533	-	-
Obligations under finance leases	113,534	87,650	8,833	5,334
Advances from subsidiaries	-	-	85,232	50,740
Bankers' acceptances	10,647	-	-	-
	1,911,575	1,791,768	95,918	56,431

9. Loss before tax

The following items have been included in arriving at loss before tax:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Auditors' remuneration				
- Statutory audits	121,000	101,784	35,000	31,000
- Other services	6,000	6,000	6,000	6,000
Depreciation of property, plant and equipment (Note 14)	4,826,305	4,250,843	152,161	110,941
Employee benefits expense (Note 10)	9,972,684	8,928,543	2,815,846	1,985,260
Expected credit loss on trade receivables (Note 19)	4,359,427	96,241	-	-
Expected credit loss on other receivables (Note 19)	4,515	10,863	4,192,232	-
Reversal of impairment loss on trade receivables (Note 19)	(2,284,211)	(831,765)	-	-
Reversal of impairment loss on other receivables (Note 19)	-	(13,381)	-	-
Impairment loss on investment in a subsidiary	-	-	3,737,733	-
Impairment of goodwill (Note 15)	283,700	-	-	-
Impairment of property, plant and equipment (Note 14)	3,318,276	-	-	-
Inventories written down	794,783	13,242	-	-
Non-executive directors' remuneration (Note 11)	280,483	272,803	280,483	272,803
Operating leases:				
- minimum lease payments for plant and machinery	386,347	496,012	-	-
- minimum lease payments for land and buildings	774,000	774,000	-	-
- minimum lease payments for rental of office equipment	37,884	30,496	12,755	11,007
Property, plant and equipment written off	87	-	-	-

10. Employee benefits expense

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Wages and salaries	8,573,162	7,695,744	2,334,479	1,649,245
Social security contributions	115,658	113,333	22,914	20,171
Contributions to defined contribution plan	899,571	797,936	261,239	182,163
Other benefits	384,293	321,530	197,214	133,681
	9,972,684	8,928,543	2,815,846	1,985,260

Included in employee benefits expense of the Group and of the Company is an executive director's remuneration amounting to RM430,075 (2017: Nil) as further disclosed in Note 11.

11. Directors' remuneration

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

	Company	
	2018	**2017**
	RM	RM
Executive director's remuneration:		
Salaries and other emoluments	386,875	-
Defined contribution plan	43,200	-
Total executive director's remuneration (excluding benefit-in-kind) (Note 10)	430,075	-
Estimated money of benefit-in-kind	9,900	-
Total executive director's remuneration (excluding benefit-in-kind)	439,975	-
Non-executive directors' remuneration (Note 9):		
Fees	242,083	228,903
Other emoluments	38,400	43,900
Total non-executive directors' remuneration	280,483	272,803
Total directors' remuneration (Note 31(b))	720,458	272,803

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			
	2018		2017	
	Executive	**Non-Executive**	**Executive**	**Non-Executive**
RM400,001 - RM450,000	1	-	-	-
RM100,001 - RM150,000	-	1	-	1
RM1 - RM50,000	-	5	-	5

12. Income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Statements of profit or loss and other comprehensive income				
Current income tax:				
Based on results for the year	56,000	116,000	56,000	41,000
(Over)/under provision of income tax in respect of previous year	(75,321)	24,292	(645)	24,292
	(19,321)	140,292	55,355	65,292
Deferred income tax (Note 26):				
Relating to origination and reversal of temporary difference	(117,406)	-	-	-
Income tax expense recognised in profit or loss	(136,727)	140,292	55,355	65,292

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

The reconciliation between tax expense and the product of accounting loss multiplied by the Malaysian statutory tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Accounting loss before tax	9,928,237	117,935	8,310,166	912,126
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	(2,382,777)	(28,304)	(1,994,440)	(218,910)
Adjustments:				
Non-deductible expenses	1,197,708	456,786	2,032,697	267,443
Effect of utilisation of previously unrecognised capital allowances and unutilised tax losses	(437,506)	(53,989)	-	(16,576)
Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances	1,561,169	(258,493)	17,743	9,043
(Over)/under provision of income tax in respect of prior years	(75,321)	24,292	(645)	24,292
Income tax expense recognised in profit or loss	(136,727)	140,292	55,355	65,292

12. Income tax expense (contd.)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Unutilised tax losses	16,231,000	15,036,207	5,960,000	5,960,207
Unabsorbed capital allowances	738,000	541,733	148,000	131,733
Other deductible temporary differences	4,520,000	1,229,132	220,000	162,132
	21,489,000	16,807,072	6,328,000	6,254,072

As at 31 December 2018 and 2017, 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. The unutilised tax losses will expire in the Year of Assessment 2025.

13. Loss per share

Basic loss per share is calculated by dividing the loss 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.

	Group	
	2018	**2017**
Loss net of tax, attributable to equity holders of the Company (RM)	9,791,510	258,227
Weighted average number of ordinary shares	85,882,500	79,090,833
Basic and diluted loss per share (sen)	11.40	0.33

There are no dilutive potential ordinary shares. As such, the diluted loss per share of the Group is equivalent to the basic loss per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

14. Property, plant and equipment

Group	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
At 31 December 2018								
Cost								
At 1 January 2018	16,556,855	24,590,130	404,466	67,038,677	2,953,057	1,308,152	165,211	113,016,548
Additions	-	119,779	-	309,150	96,824	410,786	-	936,539
Adjustment	-	(153,922)	-	(81,185)	(433)	-	-	(235,540)
Written off	-	-	-	-	(3,947)	-	-	(3,947)
At 31 December 2018	16,556,855	24,555,987	404,466	67,266,642	3,045,501	1,718,938	165,211	113,713,600
Accumulated depreciation and impairment								
At 1 January 2018	4,612,697	12,315,676	368,013	48,742,177	2,642,924	1,257,682	-	69,939,169
Depreciation charge for the year (Note 9)	463,624	1,767,654	20,000	2,340,422	119,213	115,392	-	4,826,305
Impairment (Note 9)	-	2,197,728	-	955,337	-	-	165,211	3,318,276
Written off	-	-	-	-	(3,860)	-	-	(3,860)
At 31 December 2018	5,076,321	16,281,058	388,013	52,037,936	2,758,277	1,373,074	165,211	78,079,890
Net carrying amount	11,480,534	8,274,929	16,453	15,228,706	287,224	345,864	-	35,633,710

14. Property, plant and equipment (contd.)

Group	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
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
Fair value adjustment	-	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 and impairment								
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

14. Property, plant and equipment (contd.)

	Leasehold land RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
Company				
At 31 December 2018				
Cost				
At 1 January 2018	6,490,851	30,815	488,273	7,009,939
Additions	-	9,285	197,166	206,451
At 31 December 2018	6,490,851	40,100	685,439	7,216,390
Accumulated depreciation				
At 1 January 2018	1,256,121	17,256	488,271	1,761,648
Depreciation charge for the year (Note 9)	108,399	7,230	36,532	152,161
At 31 December 2018	1,364,520	24,486	524,803	1,913,809
Net carrying amount	5,126,331	15,614	160,636	5,302,581
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

14. Property, plant and equipment (contd.)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Cash	87,419	3,438,494	42,451	12,333
Finance lease	613,580	1,344,520	164,000	-
	700,999	4,783,014	206,451	12,333

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Plant and machinery	1,828,649	2,900,913	-	-
Motor vehicles	336,942	50,468	151,176	1
	2,165,591	2,951,381	151,176	1

Leased assets are pledged as security for the related finance lease liabilities (Note 23).

In addition to assets held under finance leases, the Group's buildings with a net carrying amount of RM7,948,969 (2017: RM8,828,629) are pledged as security for the Group's loans and borrowings (Note 23).

Certain leasehold land of the Group and the Company with a net carrying amount of RM10,280,912 (2017: RM10,721,236) and RM3,926,707 (2017: RM4,011,808), respectively, are pledged as security for banking facilities as disclosed in Note 23.

During the financial year, the Company impaired certain assets of a subsidiary, Carlton Gardens Sdn. Bhd., by RM3,318,276 following its cessation of business, as disclosed in Note 17.

15. Intangible asset

Goodwill

	Group	
	2018	**2017 (Restated)**
	RM	RM
Cost		
At 1 January	283,700	-
Arising from acquisition of a subsidiary (Note 17)	-	283,700
Impairment on goodwill	(283,700)	-
At 31 December	-	283,700

Details of the restatement of goodwill and its impairment in 2018 are disclosed in Note 17.

16. Other assets

	Group 2018	Group 2017 (Restated)
	RM	RM
Profit guarantee receivable (Note 17)	5,762,267	5,364,267
Other assets	1,600,000	2,119,965
	7,362,267	7,484,232

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 2018	Group 2017
	RM	RM
Balance at 1 January	2,119,965	2,587,933
Additions during the year	-	51,996
Disposal during the year	(519,965)	(519,964)
Balance at 31 December	1,600,000	2,119,965

17. Investment in subsidiaries

	Company 2018	Company 2017
	RM	RM
Unquoted shares, at cost	48,800,041	48,800,041
Less: Impairment loss	(6,237,735)	(2,500,002)
	42,562,306	46,300,039

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

Names of subsidiaries	Principal activities	Proportion of ownership interest 2018	Proportion of ownership interest 2017
		%	%
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	100

17. Investment in subsidiaries (contd.)

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows: (contd.)

Names of subsidiaries	Principal activities	Proportion of ownership interest 2018	2017
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.

Finalisation of purchase price allocation - Carlton Gardens Sdn. Bhd. ("CGSB")

On 28 December 2016, the Company entered into a share sale agreement ("SSA") to acquire the entire equity interest in CGSB from Gaya Belian Sdn. Bhd., Asgari bin Mohd Stephens and Brian Francis Ticcioni ("Sellers") for a purchase consideration of RM9,500,000 which was satisfied by a combination of cash amounting to RM5,266,000 and the issuance of 7,300,000 new ordinary shares of the Company at an issue price of RM0.58 per share.

The SSA provides for a profit guarantee which is payable by the Sellers 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. The profit guarantee is to be calculated based on any shortfall against the aforementioned profit before tax.

On 1 July 2017, the Company completed the acquisition of CGSB. The goodwill arising from the business combination was arrived at on a provisional basis as the directors had not finalised the purchase price allocation process. On completion of the purchase price allocation process (within 12 months from the date of acquisition), any changes in the fair value of identifiable assets and liabilities, as compared to the provisional value will be adjusted on a retrospective basis.

During the financial year, the Group finalised the PPA within the measurement period and has determined that the profit of RM7.2 million guaranteed by the vendor of CGSB as part of the SSA was not expected to be achievable. As a result, the Group made its best estimate of the profit guarantee and recognised a profit guarantee receivable of RM5.4 million being RM7.2 million discounted over four years at 7.35% to account for the timing of recovery of such receivable. Consequently, goodwill has been restated to RM283,700.

17. Investment in subsidiaries (contd.)

Finalisation of purchase price allocation - Carlton Gardens Sdn. Bhd. ("CGSB") (contd.)

The change between the provisional and finalised purchase price allocations are as follows:

	Finalised PPA	**Provisional PPA as at 1 July 2017**
	RM	RM
Property, plant and equipment	4,494,207	4,494,207
Inventories	462,662	462,662
Trade and other receivables	1,580,547	1,580,547
Other current assets	590,273	590,273
Cash and bank balances	935	935
Trade and other payables	(3,159,185)	(3,159,185)
Deferred tax liabilities	(117,406)	(117,406)
Total identifiable net assets at fair value	3,852,033	3,852,033
Purchase consideration satisfied by:		
Cash	5,266,000	5,266,000
Ordinary shares (Note 27)	4,234,000	4,234,000
	9,500,000	9,500,000
Profit guarantee receivable (Note 16)	(5,364,267)	-
	4,135,733	9,500,000
Goodwill arising on acquisition (Note 15)	283,700	5,647,967

Cash flows on acquisition

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

Other matters – CGSB

During the financial year, the Group issued a Notice of Termination of SSA and has also obtained a court order to injunct the shares which were issued to settle the purchase consideration as disclosed in Note 29. The directors of CGSB decided to cease the operations of CGSB due to its continued losses and non receipt of progress claims.

Subsequent to the financial year, CGSB was placed in liquidation as disclosed in Note 38. This was based on legal advice obtained and to contain any further losses of CGSB. In view of the termination of the SSA, the Group performed impairment test on the assets of CGSB. At the reporting date, the Group recorded an impairment loss of RM3.3 million on the property, plant and equipment and the restated goodwill was also fully impaired.

18. Inventories

	Group 2018 RM	Group 2017 RM
At cost:		
Properties held for sale	1,313,297	1,313,297
Raw materials	5,737,650	4,637,565
Store and spares	2,261,845	1,792,234
Finished goods	12,442,777	14,949,552
	21,755,569	22,692,648
At net realisable value:		
Finished goods- Interlocking blocks	-	568,109
	21,755,569	23,260,757

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM62,457,590 (2017: RM45,446,691).

19. Trade and other receivables

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade receivables				
Third parties	33,254,256	22,630,170	-	-
Retention sum- third parties	581,267	1,681,267	-	-
Amount due from related companies	1,334,369	1,836,917	-	-
	35,169,892	26,148,354	-	-
Less: Loss allowance- third parties	(5,174,714)	(2,888,960)	-	-
Trade receivables, net	29,995,178	23,259,394	-	-
Other receivables				
Deposits	200,246	240,185	34,341	22,443
Third parties	592,685	905,413	15,759	11,664
Amount due from subsidiaries	-	-	4,201,931	3,152,552
	792,931	1,145,598	4,252,031	3,186,659
Less: Loss allowance - third parties	(38,962)	(34,447)	-	-
- subsidiary	-	-	(4,192,232)	-
Other receivables, net	753,969	1,111,151	59,799	3,186,659
Total trade and other receivables	30,749,147	24,370,545	59,799	3,186,659

(a) Trade receivables

The Group's normal trade credit term is 60 to 90 days (2017: 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Trade receivables earn late payment interest of 1.5% (2017: 1.5%) per month for sale of goods and 10% (2017: 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.

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Group	
	2018	**2017**
	RM	RM
Neither past due nor impaired	15,293,799	12,601,280
1 to 30 days past due not impaired	2,645,766	3,325,992
31 to 60 days past due not impaired	1,899,474	1,737,862
61 to 90 days past due not impaired	1,300,344	1,074,167
91 to 120 days past due not impaired	1,111,237	995,962
More than 121 days past due not impaired	7,744,558	3,524,131
	14,701,379	10,658,114
Impaired	5,174,714	2,888,960
	35,169,892	26,148,354
	========	========

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 RM14,701,379 (2017: RM10,658,114) 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 movements in the allowance for expected credit losses ("ECL") during the year for the Group are shown below:

	2018		
	Trade receivables		
	Credit impaired	**Lifetime ECL**	**Total**
	RM	RM	RM
Balance at 1 January under MFRS 139			2,888,960
Effect of adoption of MFRS 9 (Note 2.2(a))			213,986
Balance at 1 January 2018 as per MFRS 9	2,887,460	215,486	3,102,946
Written off	(3,448)	-	(3,448)
Charge for the year (Note 9)	4,359,427	-	4,359,427
Reversal during the year (Note 9)	(2,277,775)	(6,436)	(2,284,211)
Balance at 31 December	4,965,664	209,050	5,174,714
	========	=======	========

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Movement in allowance accounts

	Group 2017 RM
At 1 January	3,777,646
Charge for the year (Note 9)	96,241
Reversal of impairment losses (Note 9)	(831,765)
Written off	(153,162)
At 31 December	2,888,960

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.

(b) Other receivables

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Movement in allowance accounts:				
At 1 January	34,447	36,965	-	-
Charge for the year (Note 9)	4,515	10,863	4,192,232	-
Reversal of loss allowance (Note 9)	-	(13,381)	-	-
At 31 December	38,962	34,447	4,192,232	-

(c) 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% (2017: 8%) per annum and is repayable on demand.

(d) Amount due from subsidiaries

This amount was unsecured, earned interest at 3.5% per annum and was repayable on demand.

20. Other current assets

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Prepaid operating expenses	955,209	494,348	13,453	16,096
Income tax recoverable	82,667	95,524	4,000	-
Contract asset (Note 21)	-	4,427,664	-	-
	1,037,876	5,017,536	17,453	16,096

21. Contract asset/(contract liability)

	Group	
	2018	**2017**
	RM	RM
Contract asset		
As at 1 January	4,427,664	-
Revenue recognised during the year	-	7,311,956
Progress billings issued	(4,427,664)	(2,884,292)
As at 31 December (Note 20)	-	4,427,664
Contract liability		
At 1 January	(13,266)	(13,266)
Contract liability written off	13,266	-
As at 31 December (Note 25)	-	(13,266)

22. Cash and bank balances

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Cash in hand and at banks	5,019,663	4,748,985	2,079	322,462
Fixed deposits with a licensed bank (pledged)	382,501	376,159	382,501	376,159
Cash and bank balances	5,402,164	5,125,144	384,580	698,621

Fixed deposits with a licensed bank amounting to RM382,501 (2017: RM376,159) 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 (2017: 1 month to 3 years) and the effective interest rates ranged between 2.95% to 3.45% (2017: 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	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Cash and bank balances	5,402,164	5,125,144	384,580	698,621
Bank overdrafts (Note 23)	(94,569)	(163,713)	(94,569)	-
Fixed deposits with a licensed bank (pledged)	(382,501)	(376,159)	(382,501)	(376,159)
Cash and cash equivalents	4,925,094	4,585,272	(92,490)	322,462

23. Loans and borrowings

	Maturity	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current					
Secured:					
Revolving credit:					
- BFR + 0.5% per annum	2019	4,908,268	6,530,366	-	-
- BFR + 1% per annum	2018	-	4,000,000	-	-
Term loans:					
- BFR + 1% per annum	2018	-	1,861,608	-	-
- BFR + 0.5% per annum	2019	1,268,562	-	-	-
- BLR – 1% per annum	2019	303,268	-	-	-
- BFR + 0.75% per annum	2019	-	573,315	-	-
Bankers' acceptances (1.25% above cost of funds)	2019	2,997,000	-	-	-
Obligations under finance leases (Note 30(c))	2019	443,566	474,127	66,250	36,700
Bank overdrafts	On demand	94,569	163,713	94,569	-
		10,015,233	13,603,129	160,819	36,700
Non-current					
Secured:					
Revolving credit:					
- BFR + 0.5% per annum	2020-2022	3,505,906	8,295,330	-	-
Term loans:					
- BFR + 1% per annum	2019	-	845,920	-	-
- BFR + 0.5% per annum	2020-2023	4,967,327	-	-	-
- BLR – 1% per annum	2020-2033	6,652,744	-	-	-
Obligations under finance leases (Note 30(c))	2020-2023	1,164,307	1,085,472	111,192	35,466
		16,290,284	10,226,722	111,192	35,466
Total loans and borrowings		26,305,517	23,829,851	272,011	72,166

The remaining maturities of the loans and borrowings as at 31 December 2018 and 2017 are as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
On demand or within one year	10,015,233	13,603,129	160,819	36,700
More than 1 year and less than 2 years	11,040,082	10,226,722	111,192	35,466
5 years or more	5,250,202	-	-	-
	26,305,517	23,829,851	272,011	72,166

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.

23. Loans and borrowings (contd.)

BFR + 1% per annum floating rate revolving credit

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

BFR + 1% per annum floating rate term loan

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

BFR + 0.5% per annum floating rate term loan

This loan was drawn down under Commodity Murabahah Term Financing-i (CMTF-i). 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.

BLR – 1% per annum floating rate term loan

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 term loan

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

Bankers' acceptances

This banker acceptances were drawn down under conventional loan facility 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% (2017: 2.5% to 3.8%) and 2.5% to 3.7% (2017: 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 overdrafts are 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 22.

24. Trade and other payables

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current				
Trade payables				
Third parties	22,037,000	20,517,876	-	-
Retention sums	898,770	1,164,770	-	-
	22,935,770	21,682,646	-	-
Other payables				
Third parties	1,933,486	1,771,719	80,417	45,292
Accrued operating expenses	1,746,818	2,115,758	238,161	218,124
Deposits received from a subsidiary	-	-	43,200	43,200
Amount due to subsidiaries	-	-	3,000,352	2,000,637
Other liabilities	5,814	5,399	-	-
	3,686,118	3,892,876	3,362,130	2,307,253
Total current trade and other payables	26,621,888	25,575,522	3,362,130	2,307,253
Non-current				
Other payables				
Other liabilities	162,548	146,272	34,218	29,706
Total trade and other payables	26,784,436	25,721,794	3,396,348	2,336,959

(a) Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30 to 90 day (2017: 30 to 90 day) terms.

(b) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of six months (2017: average term of six months).

(c) Amount due to subsidiaries

This amount is unsecured, bears interest at 3.50% (2017: 3.50%) per annum and is repayable on demand.

25. Other current liabilities

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Contract liability (Note 21)	-	13,266	-	-
Income tax payable	-	80,700	-	16,700
	-	93,966	-	16,700

26. Deferred tax

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
At 1 January	117,406	-	-	-
Recognised in statement of profit or loss and other comprehensive income	(117,406)	-	-	-
Acquisition of subsidiary	-	117,406	-	-
At 31 December	-	117,406	-	-

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Deferred tax assets	-	-	-	-
Deferred tax liabilities	-	117,406	-	-
	-	117,406	-	-

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 2018				
Deferred tax liability:				
Property, plant and equipment	3,022,406	1,522,594	-	4,545,000
Deferred tax assets:				
Other temporary difference	(790,000)	790,000	-	-
Unabsorbed capital allowances	(1,888,000)	(1,728,000)	-	(3,616,000)
Unutilised business losses	(227,000)	(702,000)	-	(929,000)
	(2,905,000)	(1,640,000)	-	(4,545,000)
Total	117,406	(117,406)	-	-

26. Deferred tax (contd.)

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

	At 1 January	Recognised in profit or loss	Acquisition of a subsidiary	At 31 December
	RM	RM	RM	RM
Group (contd.)				
At 31 December 2017				
Deferred tax liability:				
Property, plant and equipment	2,030,000	875,000	117,406	3,022,406
Deferred tax assets:				
Other temporary difference	(779,000)	(11,000)	-	(790,000)
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

	At 1 January	Recognised in profit or loss	At 31 December
	RM	RM	RM
Company			
At 31 December 2018			
Deferred tax liability:			
Property, plant and equipment	301,000	(29,000)	2,000
Deferred tax assets:			
Provision for bonus	(39,000)	39,000	-
Unabsorbed capital allowance	(35,000)	33,000	(2,000)
Unutilised business losses	(227,000)	227,000	-
	(301,000)	299,000	(2,000)
Total	-	-	-

26. Deferred tax (contd.)

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

	At 1 January	Recognised in profit or loss	At 31 December
	RM	RM	RM
Company (contd.)			
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	-	-	-
	======	=======	======

27. Share capital

	Number of ordinary shares 2018	Number of ordinary shares 2017	Amount 2018	Amount 2017
			RM	RM
Company				
Issued and fully paid				
Ordinary Shares				
At 1 January	85,882,500	73,582,500	85,913,168	73,582,500
Issuance for cash	-	5,000,000	-	3,000,000
Issuance for acquisition of a subsidiary (Note 17)	-	7,300,000	-	4,234,000
Transition to no-par value regime (Note 28)	-	-	-	5,096,668
At 31 December	85,882,500	85,882,500	85,913,168	85,913,168
	========	========	========	========

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one rate per share at meetings of the Company.

28. Share premium

	Group/Company	
	2018	2017
	RM	RM
At 1 January	-	5,096,668
Transition to no-par value regime (Note 27)	-	(5,096,668)
At 31 December	-	-

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 became 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 Section 618(3).

29. Material litigation

On 19 April 2018, the Board of Directors issued a Notice of Termination to terminate the Share Sale Agreement dated 28 December 2016 ("SSA") entered into between the Company and the following:

(a) Asgari bin Mohd Stephens
(b) Brian Francis Ticcioni
(c) Gaya Belian Sdn. Bhd.

(Collectively hereinafter referred to as the "Sellers")

Consequent to the Notice of Termination, the Company's claims are as below:

(i) the Sellers to refund and pay to the Company the whole of the purchase consideration paid or advanced by the Company together with all other monies paid by the Company to the Sellers or on the Sellers' behalf to any third party or parties under or pursuant to the said SSA or other related Agreements as listed below:

- Asset Purchase Agreement dated 25 November 2016
- Management Agreement dated 25 November 2016
- Sub-Contract Agreement dated 11 November 2016
- Lease Agreement dated 15 November 2016

(ii) the Sellers do re-transfer or caused to be re-transferred all of the shares allotted to the Sellers, as part of the purchase considerations; and

(iii) the losses and damages suffered by the Company by reason of the Sellers' breach and/or misrepresentation, to be quantified in due course.

On 2 July 2018, the Company filed an Originating Summons through its lawyers to the High Court of Sabah and Sarawak at Kota Kinabalu against the Sellers including an Ex-Parte Notice of Application for interim reliefs. The High Court had on 3 July 2018, granted the Ex-Parte Order restraining the Sellers from selling, transferring or otherwise dealing with the 7,121,000 shares in the Company. As at the date of report, the Company and the Sellers are in the process of mediation and no decision has been made at this juncture.

30. Commitments and contingencies

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2018	**2017**
	RM	RM
Property, plant and equipment:		
Approved and contracted for	551,413	22,300
Approved but not contracted for	10,930,503	2,706,256
	11,481,916	2,728,556

(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 the profit or loss of the Group for the financial year ended 31 December 2018 amounted to RM774,000 (2017: RM774,000).

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

	Group	
	2018	**2017**
	RM	RM
Not later than one year	774,000	774,000
Later than 1 year but not later than 5 years	1,836,000	2,610,000
	2,610,000	3,384,000

(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	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Minimum lease payments:				
Not later than 1 year	528,463	559,433	73,385	39,864
Later than 1 year but not later than 5 years	1,258,432	1,201,816	119,965	36,461
Total minimum lease payments	1,786,895	1,761,249	193,350	76,325
Less: Amounts representing finance charges	(179,022)	(201,650)	(15,908)	(4,159)
Present value of minimum lease payments	1,607,873	1,559,599	177,442	72,166

30. Commitments and contingencies (contd.)

(c) Finance lease commitments (contd.)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Present value of payments:				
Not later than 1 year	443,566	474,127	66,250	36,700
Later than 1 year but not later than 5 years	1,164,307	1,085,472	111,192	35,466
Present value of minimum lease payments	1,607,873	1,559,599	177,442	72,166
Less: Amount due within 12 months (Note 23)	(443,566)	(474,127)	(66,250)	(36,700)
Amount due after 12 months (Note 23)	1,164,307	1,085,472	111,192	35,466

(d) Contingent liability

On 11 November 2016, CGSB was awarded a contract to supply and install compressed blocks and associated structural and finishing works of RM41.6 million ("Contract") by Stone EPC (Sabah) Sdn. Bhd. ("SEPC") related by way of common directors and shareholders to the Sellers. CGSB engaged SEPC to provide advisory services for the Contract in November 2016 and CGSB had partially completed the Contract.

The Group is exposed to a risk of liquidated ascertained damages ("LAD") to a maximum amount of RM4.16 million as provided for in the Contract. However, the Group has not provided for the LAD on the basis that under the terms of the advisory services agreement, SEPC and CGSB agree to indemnify each other from and against claims arising out of any failure to perform their obligations in accordance with the said agreement. The liquidator of CGSB has received further claims from SEPC but did not accept the said claims into its proof of debt and such claims are likely to be rejected. This supports the Group's view that no provision will be required for the LAD as at the reporting date as well as at 31 December 2017.

31. Related party transactions

In addition to the related party disclosures mentioned elsewhere in the financial statements, the Group and the Company 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 interests:

	Group	
	2018	**2017**
	RM	RM
Income		
Sale of construction materials to:		
- Zecon Berhad	153,900	190,331
- Petra Jaya Properties Sdn. Bhd.	-	144,584
- Oricon Sdn. Bhd.	135,178	45,930

31. Related party transactions (contd.)

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

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

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

	Group	
	2018	**2017**
	RM	RM
Expenditure		
Rental expense paid to Reignvest Corporation Sdn. Bhd.	720,000	720,000
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	374,343	376,471
Purchase of roofing construction material from Super Glory Industries Sdn. Bhd.	26,827	175,117
Purchase of airfare ticket from IK Chin Travel Sdn. Bhd.	-	17,659
	======	======

	Company	
	2018	**2017**
	RM	RM
Expenditure		
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	34,610	41,337
	======	======

(ii) Transactions with subsidiaries:

	Company	
	2018	**2017**
	RM	RM
Income		
Management fees received from:		
- SCIB Concrete Manufacturing Sdn. Bhd.	3,148,497	2,301,331
- SCIB Properties Sdn. Bhd.	(557)	5,950
- SCIB Industrialised Building System Sdn. Bhd.	-	11,584
	=======	=======
Rental income from:		
- SCIB Concrete Manufacturing Sdn. Bhd.	259,200	259,200
	=======	=======
Interest income from:		
- SCIB Infraworks Sdn. Bhd.	592	32
- SCIB Industrialised Building System Sdn. Bhd.	-	16
- SCIB Properties Sdn. Bhd.	18	1,350
- Carlton Garden Sdn. Bhd.	127,574	27,481
	=======	=======
Advances received from:		
- SCIB Concrete Manufacturing Sdn. Bhd.	200,000	3,030,000
	=======	=======
Expenditure		
Interest expense paid to:		
- SCIB Concrete Manufacturing Sdn. Bhd.	85,227	49,831
- SCIB Industrialised Building System Sdn. Bhd.	-	909
- SCIB Properties Sdn. Bhd.	5	-
	=======	=======

31. Related party transactions (contd.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
Short term employee benefits	1,503,132	1,001,643	1,277,302	792,643
Defined contribution plan	140,652	79,296	114,102	54,816
	1,643,784	1,080,939	1,391,404	847,459
Benefits-in-kind	49,582	18,700	40,782	9,900
	1,693,366	1,099,639	1,432,186	857,359
Included in the total key management personnel are:				
Directors' remuneration (Note 11)	720,458	272,803	720,458	272,803

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

	2018		2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	RM	RM	RM	RM
Financial liabilities:				
Group				
Loans and borrowings (Note 23):				
- Obligations under finance leases	1,607,873	1,570,632	1,559,599	1,521,226
Company				
Loans and borrowings (Note 23):				
- Obligations under finance leases	177,442	173,163	72,166	71,410

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.

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	19
Other current assets	20
Cash and bank balances	22
Loans and borrowings (current and non-current)	23
Trade and other payables (current and non-current)	24
Other current liabilities	25

(i) Cash and bank balances, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short term nature.

(ii) Trade receivables and trade payables

The carrying amounts of trade receivables and trade payables approximate their fair values because they are subject to normal trade credit terms.

(iii) Loans and borrowings

The carrying values of bank borrowings and term loans approximate their fair values as they bear interest rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

(iv) 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 and the Company 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.

32. Fair value of financial instruments (contd.)

C. Fair value hierarchy (contd.)

Quantitative disclosures of the fair value measurement hierarchy of the Group's and the Company's for liabilities as at 31 December 2018 and 31 December 2017 were as follows:

	Date of valuation	Level 1	Level 2	Level 3	Total
		RM	RM	RM	RM
Group					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings					
- Obligations under finance lease	31 December 2018	-	1,570,632	-	1,570,632
	31 December 2017	-	1,521,226	-	1,521,226
		======	========	======	========
Company					
Liabilities for which fair values are disclosed:					
Interest-bearing loans and borrowings					
- Obligations under finance lease	31 December 2018	-	173,163	-	173,163
	31 December 2017	-	71,410	-	71,410
		======	======	======	======

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.

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.

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

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.

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 RM26,033,506 (2017: RM23,757,685) relating to corporate guarantees provided by the Company to banks on a subsidiary's bank loans and borrowings.

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

(a) Credit risk (contd.)

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 4% (2017: 7%) 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 19. 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 19.

(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.

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
2018				
Group				
Financial liabilities:				
Trade and other payables	26,616,074	-	-	26,616,074
Loans and borrowings	11,564,360	13,620,763	6,921,353	32,106,476
Total undiscounted financial liabilities	38,180,434	13,620,763	6,921,353	58,722,550

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
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
2018				
Company				
Financial liabilities:				
Trade and other payables #	318,578	-	-	318,578
Loans and borrowings	175,425	119,965	-	295,390
Financial guarantee contracts*	26,033,506	-	-	26,033,506
Total undiscounted financial liabilities	26,527,509	119,965	-	26,647,474
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

Trade and other payables exclude other liabilities and 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 the maximum amount that can be called under the financial guarantee given to banks for credit facilities granted to a subsidiary.

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

(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 loss, net of tax would have been RM54,000 (2017: RM43,000) and RM180 (2017: 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. Financial assets and financial liabilities

(a) Financial assets

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		RM	RM	RM	RM
Debt instruments at amortised cost					
Trade and other receivables	19	30,749,147	-	59,799	-
Cash and bank balances	22	5,402,164	-	384,580	-
		36,151,311	-	444,379	-
Loans and receivables					
Trade and other receivables	19	-	24,370,545	-	3,186,659
Cash and bank balances	22	-	5,125,144	-	698,621
		-	29,495,689	-	3,885,280
Total financial assets		36,151,311	29,495,689	444,379	3,885,280

Debt instruments at amortised cost include trade and other receivables and receivables from related parties.

34. Financial assets and financial liabilities (contd.)

(b) Financial liabilities

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Financial liabilities at amortised cost					
Loans and borrowings	23	26,305,517	23,829,851	272,011	72,166
Trade and other payables	24	26,784,436	25,721,794	3,396,348	2,336,959
Total financial liabilities		53,089,953	49,551,645	3,668,359	2,409,125

35. 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.

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 2018 and 2017.

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.

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Loans and borrowings	23	26,305,517	23,829,851	272,011	72,166
Trade and other payables	24	26,784,436	25,721,794	3,396,348	2,336,959
Less: Cash and bank balances	22	(5,402,164)	(5,125,144)	(384,580)	(698,621)
Net debt		47,687,789	44,426,501	3,283,779	1,710,504
Capital					
Equity attributable to equity holders of the Company		48,850,780	58,856,276	44,658,360	53,023,881
Capital and net debt		96,538,569	103,282,777	47,942,139	54,734,385
Gearing ratio		49.40%	43.01%	6.85%	3.13%

36. 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 2018

36. Segment information (contd.)

	Manufacturing/ Corporate		Properties trading		Construction		Total segments		Adjustments and eliminations		Note	Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		2018	2017
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:													
External customers	75,957,483	61,242,811	-	375,000	-	7,311,956	75,957,483	68,929,767	-	(145,295)		75,957,483	68,784,472
Inter-segment	-	17,534	-	-	-	-	-	17,534	-	(17,534)		-	-
Total revenue	75,957,483	61,260,345	-	375,000	-	7,311,956	75,957,483	68,947,301	-	(162,829)		75,957,483	68,784,472
Results:													
Interest income	451,071	97,504	-	-	-	347	451,071	97,851	-	-		451,071	97,851
Depreciation	3,677,680	3,729,030	-	-	1,148,625	521,813	4,826,305	4,250,843	-	-		4,826,305	4,250,843
Other non-cash (income)/expenses	(1,229,173)	(235,662)	22,389	-	7,683,361	(489,138)	6,476,577	(724,800)	-	-	A	6,476,577	(724,800)
Segment profit/(loss)	(6,671,324)	1,185,246	(79,055)	(31,848)	(11,234,065)	637,258	(17,984,444)	1,790,656	8,056,207	(1,908,591)	B	(9,928,237)	(117,935)
Assets:													
Additions to non-current assets	690,092	4,014,173	-	-	10,907	820,837	700,999	4,835,010	-	-	C	700,999	4,835,010
Segment assets	88,330,038	97,763,178	1,620,064	1,702,393	6,047,320	15,834,720	95,997,422	115,300,291	5,943,311	(6,680,998)	D	101,940,733	108,619,293
Liabilities:													
Segment liabilities	48,168,494	42,782,903	9,386	13,170	15,328,572	13,647,942	63,506,452	56,444,015	(10,416,499)	(6,680,998)	E	53,089,953	49,763,017

36. 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	2018 RM	2017 RM
Inventories written down	9	794,783	13,242
Expected credit loss on trade and other receivables	9	4,363,942	107,104
Property, plant and equipment written off	9	87	-
Reversal of impairment loss on trade and other receivables	9	(2,284,211)	(845,146)
Impairment loss on property, plant and equipment	9	3,318,276	-
Impairment on goodwill	9	283,700	-
		6,476,577	(724,800)

B. Reconciliation of loss before tax

	Note	2018 RM	2017 RM
Segment profit		(17,984,444)	1,790,656
Finance costs	8	(1,911,575)	(1,791,768)
Inter-segment costs		9,967,782	(116,823)
Loss before tax		(9,928,237)	(117,935)

C. Additions to non-current assets

	Note	2018 RM	2017 RM
Property, plant and equipment	14	700,999	4,783,014
Other assets	16	-	51,996
		700,999	4,835,010

D. Reconciliation of assets

	2018 RM	2017 RM
Segment assets	95,997,422	115,300,291
Inter-segment assets	5,943,311	(6,680,998)
Total assets	101,940,733	108,619,293

E. Reconciliation of liabilities

	2018 RM	2017 RM
Segment liabilities	63,506,452	56,444,015
Inter-segment liabilities	(10,416,499)	(6,680,998)
Total liabilities	53,089,953	49,763,017

37. Changes in liabilities arising from financing activities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	RM	RM
1 January	23,829,851	23,827,482	72,166	106,695
Proceeds from borrowing	18,585,478	1,809,276	-	-
Repayment of borrowings	(16,088,942)	(2,737,662)	-	-
Additional finance under finance lease (Note 14)	613,580	1,344,520	164,000	-
Repayment of obligations under finance lease	(565,306)	(577,478)	(58,724)	(34,529)
Changes in overdraft balances	(69,144)	163,713	94,569	-
31 December	26,305,517	23,829,851	272,011	72,166

38. Subsequent event

The Company had on 11 January 2019, received a notice from the directors of its subsidiary, Carlton Gardens Sdn Bhd. ("CGSB"), that CGSB cannot by reasons of its liabilities continue its business, and the directors of CGSB have made a statutory declaration to that effect pursuant to Section 440(1) of the Companies Act 2016, and that Mr. Wong Ching Yong has been appointed as the Interim Liquidator.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue by the Board in accordance with a resolution of the directors on 18 April 2019.

LIST OF PROPERTIES

Properties held by the Group as at 31 December 2018

Properties acquired by the Group

Tenure	Description/ Location	Approximate Area	Age of Building (Years)	Existing Use	Net Book Value @ 31.12.2018 (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)	39	Factory Building & Office Premises	7,155	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)	13	Factory Building & Office Premises	9,656	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)	6	Factory Building & Inventory Storage	2,330	26 July 2010

Properties leased by the Group

Tenure	Description/ Location	Approximate Area	Age of Building (Years)	Existing Use	Net Book Value @ 31.12.2018 (RM'000)	Date of Completion
60 years leasehold land expiring year 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)	5	Factory Building on a leased land	614	Building acquired on 30 September 2014

ANALYSIS OF SHAREHOLDINGS

AS AT 08 APRIL 2019

SHARE CAPITAL

Number of Ordinary Shares	:	85,882,500
Share Capital	:	RM85,913,168
Class of Shares	:	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	375	14.66	14,452	0.02
100 to 1,000	261	10.20	193,952	0.23
1,001 to 10,000	1,487	58.13	6,328,225	7.37
10,001 to 100,000	392	15.33	10,922,400	12.72
100,001 to 4,294,124 (*)	36	1.41	24,199,885	28.17
4,294,125 and above (**)	7	0.27	44,223,586	51.49
	2,558	100.00	85,882,500	100.00

*Remark : * - Less than 5% of Issued Holdings*

*** - 5% and above of Issued Holdings*

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	No. of shares Held			
	Direct	%	Indirect	%
1. Pacific Unit Sdn. Bhd.	9,281,600	10.81	-	-
2. Sarawak Economic Development Corporation	6,481,250	7.55	-	-
3. YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	7,305,055	8.51	9,281,600 (a)	10.81
4. Mr. Koh Pee Seng	6,531,185	7.61	-	-
5. YBhg. Dato Wee Song Ching	6,023,100	7.01	-	-
6. Encik Rewi Hamid Bugo	2,088,300	2.43	9,281,600 (a)	10.81
7. Gaya Belian Sdn. Bhd.	6,878,496	8.01	-	-
8. Pn. Marinah Binti Harris	-	-	6,878,496 (b)	8.01
9. Pn. Halijah Binti Harris	-	-	6,878,496 (b)	8.01
10. Mr. Yee Wei Meng	4,965,500	5.78	-	-

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 her substantial shareholdings in Gaya Belian Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

	No. of shares Held			
	Direct	%	Indirect	%
YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	7,305,055	8.51	9,281,600 (a)	10.81
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	70,100	0.08	-	-
YBhg. Datu Haji Soedirman Bin Haji Aini	-	-	-	-
Encik Shamsul Anuar Bin Ahamad Ibrahim	-	-	-	-
Encik Rewi Hamid Bugo	2,088,300	2.43	9,281,600 (a)	10.81
Tuan Haji Zaidi Bin Haji Ahmad	190,800	0.22	135,715	0.16
Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir	-	-	-	-

Notes:
(a) Deemed interested by virtue of his substantial shareholdings in Pacific Unit 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	-	-	-	-

LIST OF THIRTY (30) LARGEST SHAREHOLDERS
AS AT 08 APRIL 2019

	Name of Shareholders	No. of Shares	% of shareholdings
1.	Pacific Unit Sdn. Bhd.	9,281,600	10.81
2.	Gaya Belian Sdn. Bhd.	6,878,496	8.01
3.	Sarawak Economic Development Corporation	6,481,250	7.55
4.	Tommy Bin Bugo @ Hamid Bin Bugo	6,077,255	7.08
5.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wee Song Ching	5,923,100	6.90
6.	Ambank (M) Berhad Pledged Securities Account for Yee Wei Meng (SMART)	4,985,500	5.81
7.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koh Pee Seng	4,596,385	5.35
8.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lo Ga Lung	3,830,000	4.46
9.	Ta Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chor Sek Choon	3,000,000	3.49
10.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ahmad Zainal Abidin Bin Ahmad	2,540,400	2.96
11.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Rewi Hamid Bugo	2,088,300	2.43
12.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Boo Lye	2,060,000	2.40
13.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koh Pee Seng	1,934,800	2.25
14.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account Tommy Bin Bugo @ Hamid Bin Bugo	1,181,200	1.38
15.	Chuan Thong Huat	690,500	0.80
16.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hamni Bin Juni	661,225	0.77
17.	Yumas Enterprise Sdn. Bhd.	585,445	0.68
18.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ramaiah	567,200	0.66
19.	Yeow Kheng Chew	500,000	0.58
20.	Lee Geok Tin	450,400	0.52
21.	Gan Lee Choo	410,000	0.48
22.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chang Khim Gee	320,000	0.37
23.	Teo Wee Keong	317,100	0.37
24.	Desmond Chiong Chung Seng	300,000	0.35
25.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Teaw Kee	229,600	0.27
26.	Su Ming Keat	219,200	0.26
27.	Soong Moi Foong	210,000	0.24
28.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Zaidi Bin Ahmad	190,800	0.22
29.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ung Chin Min	174,000	0.20
30.	Lee Cheng Lim	160,600	0.19
	Total	**66,844,356**	**77.84**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty Third (43rd) Annual General Meeting of Sarawak Consolidated Industries Berhad ("SCIB" or "the Company") will be held at the Board Room, Ground Floor, SCIB Building, Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak on Thursday, 30 May 2019 at 10:00 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

(a) To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. — Please refer to Explanatory Note (i)

(b) To approve the following payments to Directors:

(i) annual fees of the Non-Executive Directors at an amount not exceeding RM269,000 in aggregate for the financial year ending 31 December 2019 (2018: RM242,083); and — Resolution 1

(ii) meeting and other allowances up to RM72,000 for the year ending 31 December 2019 (2018: RM38,400) until the next annual general meeting of the Company. — Resolution 2

(c) To re-elect the Director, YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak who retires in accordance with Article 115 of the Company's Articles of Association and being eligible, offers himself for re-election. — Resolution 3

(d) To re-elect the Director, Encik Rewi Hamid Bugo who retires in accordance with Article 115 of the Company's Articles of Association and being eligible, offers himself for re-election. — Resolution 4

(e) To re-elect the Director, Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir who retires in accordance with Article 93 of the Company's Articles of Association and being eligible, offers himself for re-election. — Resolution 5

(f) To appoint Auditors and authorize the Directors to fix their remuneration. — Resolution 6

Notice of Nomination, a copy of which is annexed hereto, has been received by the Company for the nomination of Messrs. Crowe Malaysia PLT, who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:

"THAT Messrs. Crowe Malaysia PLT be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

SPECIAL BUSINESS

(g) To consider and, if thought fit, pass the following ordinary resolution:

- **Authority to issue shares pursuant to Section 76 of the Companies Act 2016** — Resolution 7

"**THAT** pursuant to Section 76 of the Companies Act 2016, and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being **AND THAT** the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad **AND FURTHER THAT** that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

(h) To consider and, if thought fit, pass the following ordinary resolution:

- **Proposed renewal of shareholder mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholder Mandate")** Resolution 8

"**THAT**, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be hereby given to the Company and/or its subsidiaries ("SCIB Group") to enter into any of the categories of related party transactions which are recurrent, of a revenue or trading nature and are necessary for the day-to-day operations of SCIB Group as outlined in Sections 3.2 and 3.3 on pages 2 to 4 of the Circular to Shareholders dated 30 April 2019 ("Circular"), with the specific related parties mentioned therein subject further to the followings:

(i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders of the Company; and
(ii) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Proposed Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:

- the type of the recurrent related party transactions made; and
- the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed;
(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or
(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholder Mandate."

(i) **Special Resolution** Resolution 9

- **Proposed adoption of the new Constitution of the Company**

"**THAT** the existing Memorandum and Articles of Association of the Company be and are hereby deleted in its entirety and that in place thereof, the proposed new Constitution of the Company as set out in Appendix 1 of the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the new Constitution of the Company with immediate effect;

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient in order to give full effect to the proposed adoption of the new Constitution with full powers to assent to any conditions, modifications and/or amendments as may be required by any authorities to give full effect to the foregoing."

(j) To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Articles of Association of the Company.

By Order of the Board of Directors
Voon Jan Moi (MAICSA 7021367)
Company Secretary

Dated: 30 April 2019
Kuching, Sarawak

Explanatory Notes:

i) This agenda item is meant for discussion only and hence it will not be put forward for voting.

ii) **Resolutions 3, 4 and 5- Re-election of Directors**

The Remuneration and Nomination Committee and the Board of Directors have assessed YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak, Encik Rewi Hamid Bugo and Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir and recommended them to be re-elected as Directors of the Company at the forthcoming annual general meeting.

iii) **Resolution 7 - Authority to issue shares pursuant to Section 76 of the Companies Act 2016**

The proposed resolution 7 will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for the time being, for such purposes as the Board of Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the Company's annual general meeting held on 31 May 2018 ("AGM 2018"). The Company did not utilize mandate obtained at the AGM 2018.

The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

iv) **Resolution 8 - Proposed renewal of shareholder mandate for recurrent related party transaction of a revenue or trading nature**

Please refer to the Circular to Shareholders dated 30 April 2019 for further information.

v) **Resolution 9 – Special resolution on proposed adoption of the new Constitution**

The proposed Resolution 9, if passed will align the Constitution with Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Securities and the prevailing laws, guidelines or requirements of the relevant authorities, to enhance administrative efficiency and provide greater clarity.

Please refer to the Circular to Shareholders dated 30 April 2019 for further information.

Notes:

1. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
2. To be valid, the duly completed Form of Proxy must be deposited at the registered office of the Company at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
3. A member of the Company entitled to attend, speak and vote at this Annual General Meeting ("AGM") shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. A depositor whose name appears in the Record of Depositors as at 23 May 2019 shall be regarded as a member of the Company entitled to attend this AGM or appoint a proxy to attend, speak and vote on his behalf.

PACIFIC
UNIT

Our ref: PUSB-RHB-EC-pd-SCIB-19-042

Date: 27th March 2019

The Board of Directors
Sarawak Consolidated Industries Berhad
Lot 1258, Satan Utama,
Pending Industrial Estate,
93450 Kuching, Sarawak

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS. CROWE MALAYSIA PLT AS AUDITORS

We, being a member of SCIB ("the Company"), hereby give notice, pursuant to Section 280(2) of the Companies Act 2016 of our nomination of Messrs. Crowe Malaysia PLT as new Auditors of the Company in place of the retiring auditors, Messrs. Ernst & Young and we hereby propose the following ordinary resolution at the forthcoming Annual General Meeting of the Company:

> *"THAT, Messrs. Crowe Malaysia PLT, having consented to act, be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs. Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company and that the Directors be authorised to determine their remuneration."*

Yours sincerely,
For Pacific Unit Sdn. Bhd.

Rewi Hamid Bugo
Director

Pacific Unit Sdn. Bhd. (364661-P)
2nd Floor, Menara Zecon, No. 92, Lot 393, Section 5, KTLD, Jalan Satok, 93400 Kuching, Sarawak.
Tel: 082 250088 Fax: 082 250099

This page has been intentionally left blank

SARAWAK CONSOLIDATED INDUSTRIES BERHAD Co. No. 25583-W

(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.	
No. of shares held	

*I/We *(full name)* ....

**NRIC No./Passport No./Company No* .... of *(full address)* ....

....

....

being a member of **SARAWAK CONSOLIDATED INDUSTRIES BERHAD** ("**the Company**") hereby appoint *(full name)*

.... *NRIC No./Passport No./Company No.

....

of *(full address)* ....

....

or failing *him/her *(full name)* ....*NRIC No./Passport No./Company No.

of *(full address)* ....

....

as *my/our proxy to vote for *me/us and on *my/our behalf at the Forty Third (43rd) Annual General Meeting of the Company to be held at the Board Room, Ground Floor, SCIB Building, Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak on Thursday, 30 May 2019 at 10:00 a.m. and at any adjournment thereof for/against the resolutions to be proposed thereat.

*My/our proxy is to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	To approve the meeting allowances for the year ending 31 December 2019 until the next annual general meeting of the Company		
2.	To re-elect YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak as a Director		
3.	To re-elect Encik Rewi Hamid Bugo as a Director		
4.	To re-elect Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir as a Director		
5.	To appoint Messrs. Crowe Malaysia PLT as auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young and to authorise the Board of Directors to fix their remuneration		
6.	To authorise the Directors to issue shares pursuant to Section 76 of the Companies Act 2016		
7.	To approve the Proposed Renewal of Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8.	To adopt the new Constitution of the Company		

** Strike out whichever is not applicable*

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

*The proportions of *my/our holdings to be presented by *my/our proxies are as follows:*

Proxy 1	*%*
Proxy 2	*%*
Total	*100%*

....

Dated this .... day of .... 2019. Signature of shareholder(s)/ Common Seal

Notes:

1. *A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.*
2. *To be valid, the duly completed Form of Proxy must be deposited at the registered office of the Company at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*
3. *A member of the Company entitled to attend, speak and vote at this Annual General Meeting ("AGM") shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
6. *A depositor whose name appears in the Record of Depositors as at 23 May 2019 shall be regarded as a member of the Company entitled to attend this AGM or appoint a proxy to attend, speak and vote on his behalf.*

1st fold here

AFFIX
STAMP
HERE

To: The Company Secretaries

SARAWAK CONSOLIDATED INDUSTRIES BERHAD
Co. No. 25583-W

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

2nd fold here

SARAWAK CONSOLIDATED INDUSTRIES BERHAD
Co. 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

www.scib.com.my