

# 2017

ANNUAL REPORT



**SCC HOLDINGS BERHAD**  
511477-A

Green Solutions for the Future of the  
**WORLD & MANKIND**

# THE VISION & MISSION

Together we build green  
and wellness enterprises

We strive to lead more people toward green  
and healthy living

## OBJECTIVE

For the health of next generation  
and future earth

### Our Core Values

- ▶ **People**  
We believe in our workforce. "SCC People" have a strong work ethic, are passionate with dedication to every success, and are a bond of love and care. We are committed to expand the potential of "SCC People" through the support of continuous education & training.
- ▶ **Innovation**  
We continuously develop and try out new ideas and concepts in anticipation of our customers present and future needs.
- ▶ **Teamwork**  
Our company success is highly dependent on our dynamic team with mutual understanding, respect and full participation to attain a consensus for all tasks undertaken.
- ▶ **Integrity**  
We hold strongly that our business reputation is built on the honesty in all our dealings with our business partners.
- ▶ **Work Environment**  
We are dedicated to upkeep a safe, clean & healthy environment in order to create a harmonious workplace which is conducive to total job efficiency.
- ▶ **Total Customer Satisfaction**  
We strive to delight our customers by providing valued quality products & services to sustain a long term business partnership.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Chee Long Sing @ Cher Hwee Seng**  
(Executive Chairman)

**Cher Sew Seng**  
(Managing Director)

**Goh Ah Heng @ Goh Keng Chin**  
(Executive Director)

**Cher Lip Chun**  
(Executive Director)

**Chu Soo Meng**  
(Executive Director)

**Dato' Ismail bin Hamzah**  
(Independent Non-Executive Director)

**Dato' Dr. Choong Tuck Yew**  
(Independent Non-Executive Director)

**Datuk Wira Dr. Goy Hong Boon**  
(Independent Non-Executive Director)

## AUDIT COMMITTEE

Dato' Dr. Choong Tuck Yew (Chairman)  
Dato' Ismail bin Hamzah  
Datuk Wira Dr. Goy Hong Boon

## NOMINATION COMMITTEE

Dato' Ismail bin Hamzah (Chairman)  
Dato' Dr. Choong Tuck Yew  
Datuk Wira Dr. Goy Hong Boon

## REMUNERATION COMMITTEE

Dato' Dr. Choong Tuck Yew (Chairman)  
Dato' Ismail bin Hamzah  
Chee Long Sing @ Cher Hwee Seng

## COMPANY SECRETARIES

Lee Wee Hee (MAICSA 0773340)  
Wong Yuet Chyn (MAICSA 7047163)

## SHARE REGISTRAR

**ShareWorks Sdn Bhd** (229948-U)  
No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : (603) 6201 1120  
Fax : (603) 6201 3121

## REGISTERED OFFICE

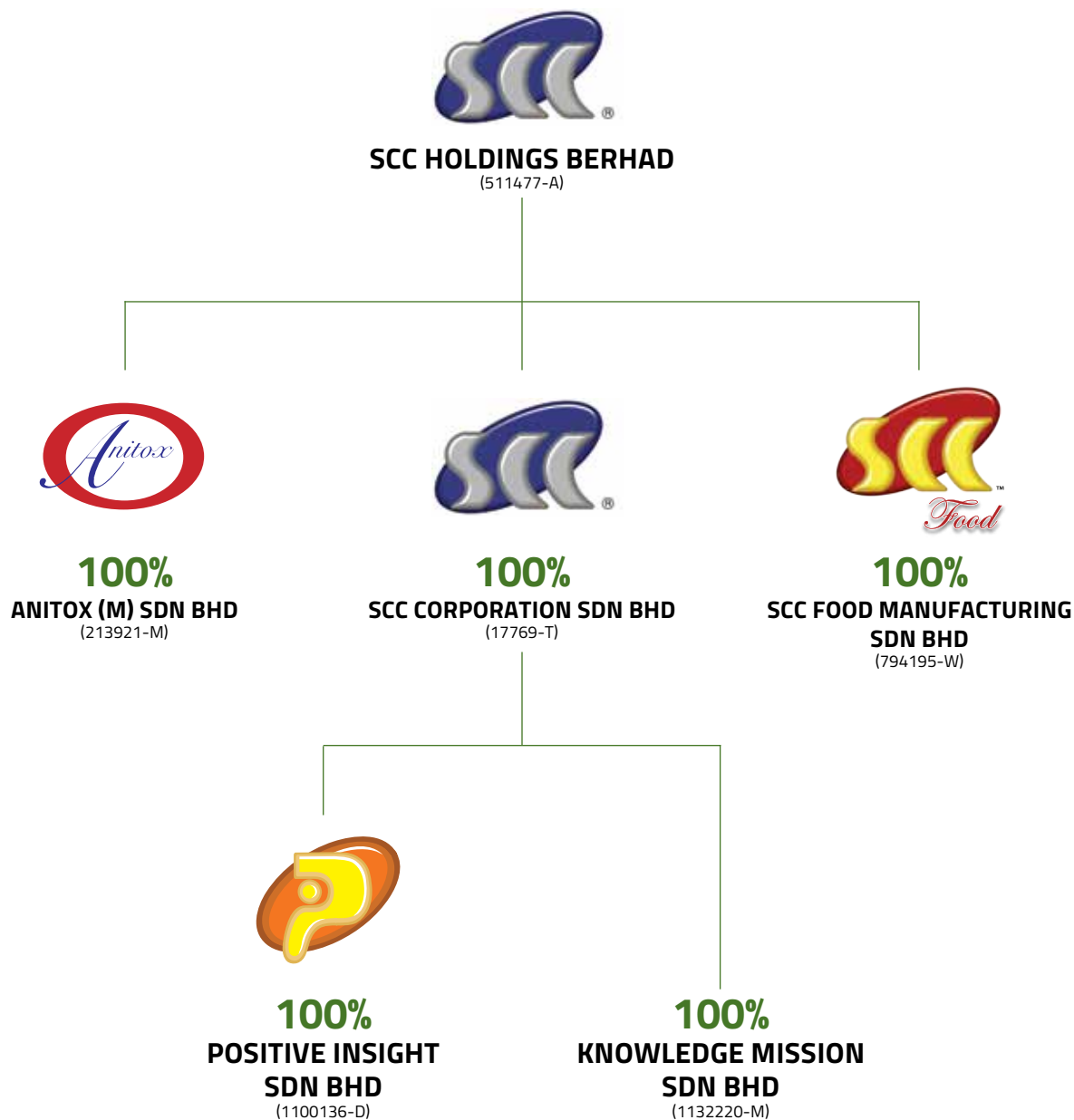
No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : (603) 6201 1120  
Fax : (603) 6201 3121

## AUDITORS

**UHY** (AF1411)  
Chartered Accountants  
Suite 11.05 Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Wilayah Persekutuan (KL)

## STOCK EXCHANGE LISTING

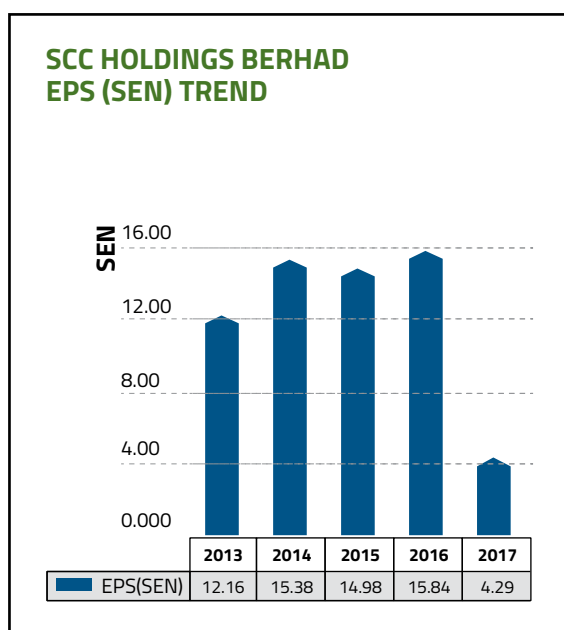
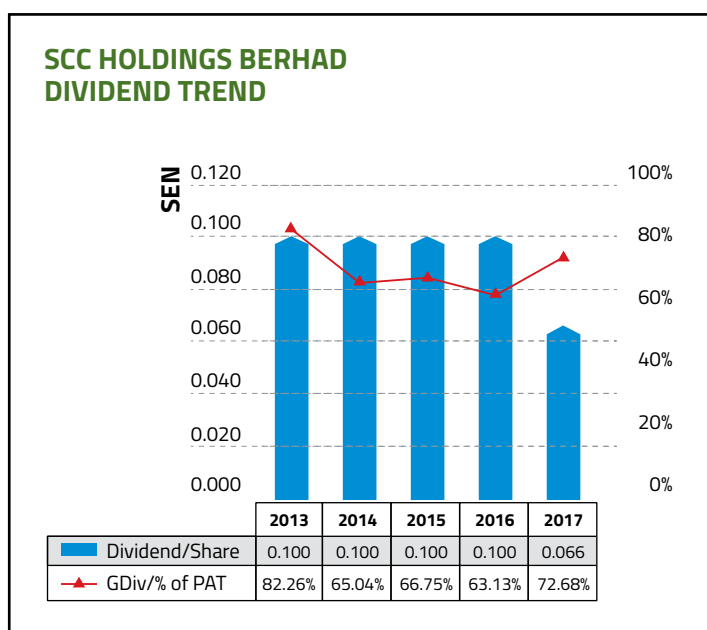
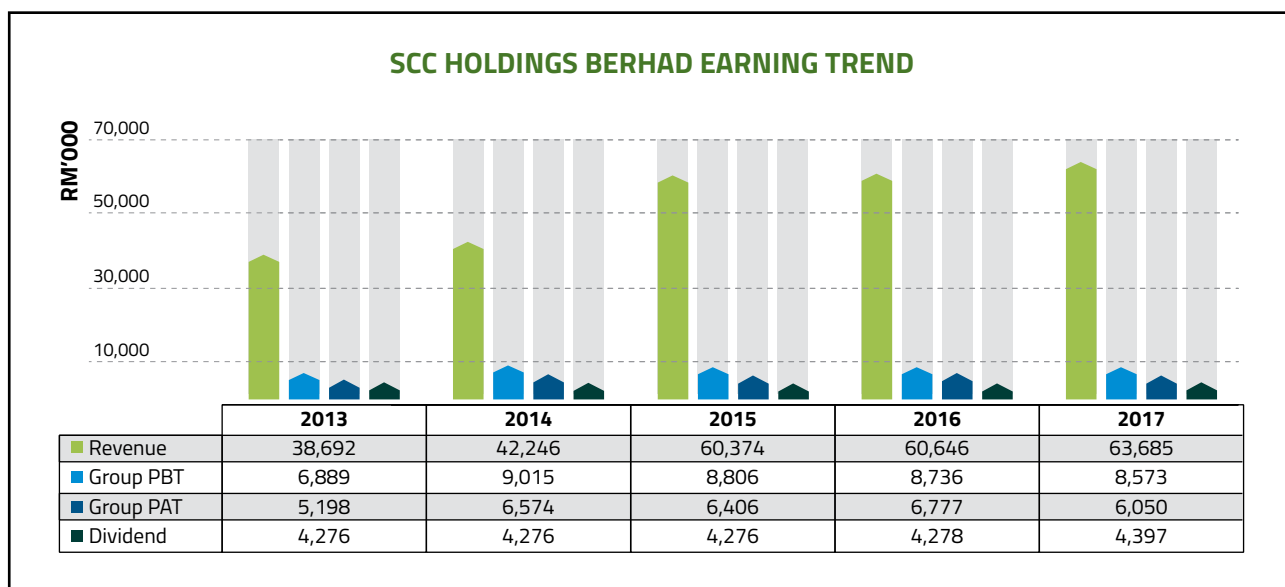
**ACE Market**  
**Bursa Malaysia Securities Berhad**  
Listed on 3 August 2010



## FINANCIAL HIGHLIGHTS

	FORMAT	2013	2014	2015	2016	2017
Revenue	RM'000	38,692	42,246	60,374	60,646	63,685
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	6,936	9,228	9,258	9,402	9,159
Profit For The Year Attributable to Equity Holders	RM'000	5,198	6,574	6,406	6,777	6,050
Profit For The Year Margin	%	13.43	15.56	10.61	11.17	9.50
Shareholders' Equity	RM'000	31,471	33,780	35,924	38,468	40,130
Return On Shareholders' Equity	%	16.52	19.46	17.83	17.62	15.08
Basic Earnings Per Share**	SEN	12.16	15.38	14.98	15.84	4.29
Interim and Special Dividend Per Share**	SEN	10.00	10.00	10.00	10.00	6.60

\*\*Figures for 2017 were based on total number of ordinary shares after bonus issue and share split during the year



## **Chee Long Sing @ Cher Hwee Seng (Ben Cher)**

Malaysian, Aged 74, Male, Executive Chairman

Mr Ben Cher was appointed to our Board on 17 April 2000 and was appointed as Executive Chairman and member of the Remuneration Committee on 1 April 2010. He is a co-founder of the Group. He is responsible for our Group's business development activities. He co-founded a partnership, Cheong Cheng Trading Co. in 1972, which was engaged in the provision of animal health products. In 1974, a private limited company, Syarikat Chang Cheng (M) Sdn Bhd, was formed to take over the business, which subsequently changed its name to SCC Corporation Sdn Bhd. He was appointed as the Managing Director in 1974 before being appointed to Executive Chairman in 1988. Mr Cher has more than 46 years of experience in the animal health products and foodservice equipment industries. Mr Ben Cher is the elder brother of Mr Francis Cher, uncle of Mr Chu Soo Meng and father of Mr Adam Cher. He has attended all six (6) Board meetings held during the financial year.

## **Cher Sew Seng (Francis Cher)**

Malaysian, Aged 68, Male, Managing Director

Mr Francis Cher was appointed to our Board on 17 April 2000 and was appointed as Managing Director on 1 April 2010. Mr Francis Cher is a co-founder of the Group. He is responsible for the overall business strategies and management. He joined Cheong Cheng Trading Co. as a Sales Executive in 1972. Later in 1974, a private limited company, Syarikat Chang Cheng (M) Sdn Bhd, was formed to take over the business, which subsequently changed its name to SCC Corporation Sdn Bhd. He was appointed as a Director in 1976 before being appointed as Managing Director in 1988. Mr Francis Cher has more than 45 years of experience in the animal health products and foodservice equipment industries. He is the younger brother of Mr Ben Cher, uncle of Mr Chu Soo Meng and Mr Adam Cher. He has attended all six (6) Board meetings held during the financial year.

## **Goh Ah Heng @ Goh Keng Chin**

Malaysian, Aged 72, Male, Executive Director

Mr Goh was appointed to our Board on 1 April 2010 and is our Executive Director. Mr Goh is a co-founder of the Group. He is responsible for the sales, marketing and overall management of our Animal Health Products Division ("AHPD"). He co-founded Cheong Cheng Trading Co. in 1972. In 1974, a private limited company, Syarikat Chang Cheng (M) Sdn Bhd, was formed to take over the business, which subsequently changed its name to SCC Corporation Sdn Bhd. Mr Goh was appointed as a Director in 1976 before being appointed to Sales Director in 1982. Mr Goh has more than 45 years of experience in the animal health products and foodservice equipment industry. He has no family relationship with any director and/or major shareholders. He has attended all six (6) Board meetings held during the financial year.

## **Chu Soo Meng**

Malaysian, Aged 53, Male, Executive Director

Mr Chu was appointed to our Board on 2 July 2012 and is our Executive Director. Mr Chu is responsible for the sales and marketing and overall management of Food Service Equipment Division ("FSED"). He obtained his Sijil Pelajaran Malaysia from Sekolah Menengah Datuk Bentara Luar, Batu Pahat, Johor in 1983. He started his career with SCC Corporation Sdn Bhd as a Service Representative in FSED in 1984. He later served as a Sales Executive before being promoted to Regional Sales Executive in 1995. In 1998, he was promoted to Sales Manager and has been our FSED Division Manager since 2007. Mr Chu has more than 33 years of experience in foodservices equipment industry. He is the nephew of Mr Ben Cher and Mr Francis Cher, and cousin with Mr Adam Cher. He has attended all six (6) Board meetings held during the financial year.

## **Cher Lip Chun (Adam Cher)**

Malaysian, Aged 42, Male, Executive Director

Mr Adam Cher was appointed to our Board on 2 July 2012 and is our Executive Director. He is responsible for the overall sales & administration of SCC Food Manufacturing Sdn Bhd and business development activities of the Group. He obtained his Bachelor of Business (Marketing/International Business Management) from Charles Sturt University, Australia in 2002. In 2005, he joined SCC Corporation Sdn Bhd as Assistant Marketing Manager in the Foodservice Equipment Division ("FSED"), where he was responsible for the management of FSED's key customers. In 2008, he was promoted to Personal Assistant to the Executive Chairman and Business Development Manager of the Group, for both AHPD and FSED. In 2010, Mr Adam Cher was appointed as Alternate Director to Chee Long Sing @ Cher Hwee Seng. Mr Adam has more than 13 years of experience in the animal health products and foodservice equipment industries. He is the son of Mr Ben Cher, nephew of Mr Francis Cher and cousin with Mr Chu Soo Meng. He has attended five (5) Board meetings held during the financial year.

# DIRECTORS

## PROFILE

(CONT'D)

### **Dato' Ismail bin Hamzah**

Malaysian, Aged 72, Male, Independent Non-Executive Director

Dato' Ismail was appointed to our Board on 1 April 2010 and is our Independent Non-Executive Director. He is the Chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee. Dato' Ismail obtained his Bachelor of Economics (Hons) in Analytical Economics from the University of Malaya in 1970. Upon graduation, he joined the Administrative and Diplomatic Service and served in the Ministry of Finance as an Assistant Secretary. He has over 34 years of experience in economics and finance which he acquired from his previous key positions held in several Malaysian governmental agencies. Dato' Ismail is also the Independent Non-Executive Director of JKG Land Berhad and GUH Holdings Berhad as well as the Independent Non-Executive Chairman of Engtex Group Berhad. He has no family relationship with any director and/or major shareholders. He has attended all six (6) Board meetings held during the financial year.

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### **Dato' Dr. Choong Tuck Yew**

Malaysian, Aged 79, Male, Independent Non-Executive Director

Dato' Dr. Choong Tuck Yew was appointed to our Board on 1 April 2010 and is our Independent Non-Executive Director. He is the Chairman of our Audit and Remuneration Committees and a member of our Nomination Committee. Dato' Dr. Choong, who possesses a Master of Business Administration and a Doctor of Commercial Science from Oklahoma City University, USA, is a Chartered Accountant (Malaysian Institute of Accountants) as well as a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow of CPA Australia, the Malaysian Institute of Chartered Secretaries and Administrators, Chartered Tax Institute of Malaysia, and a Chartered Fellow, as well as a Chartered Audit Committee Director of the Institute of Internal Auditors Malaysia.

In the early years of his career, Dato' Dr. Choong worked as an Accountant in several private companies prior to his joining Bank Negara Malaysia (The Central Bank of Malaysia) in 1968. In 1987, he was promoted as the Chief Manager in charge of supervising all the branches of Bank Negara Malaysia. In 1990, he was seconded by Bank Negara Malaysia as the Managing Director of Visia Finance Berhad, a licensed finance company. Currently, Dato' Dr Choong is also the Deputy Chairman of C&C Investigation Services Sdn. Bhd., a licensed private investigation agency approved by the Malaysian Ministry of Home Affairs.

In addition, he is also the Senior Independent Non-Executive Director of Poh Kong Holdings Berhad and an Independent Non-Executive Director of UOB Asset Management (Malaysia) Berhad. He has been a guest speaker at various conferences in Malaysia as well as abroad. He has no family relationship with any director and/or major shareholders. He has attended all six (6) Board meetings held during the financial year.

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### **Datuk Wira Dr. Goy Hong Boon**

Malaysian, Aged 46, Independent Non-Executive Director

Datuk Wira Dr. Goy Hong Boon was appointed to our Board on 1 April 2010 and is our Independent Non-Executive Director and member of Audit Committee and Nomination Committee. He is a corporate consultant with extensive experience in local and international capital markets likewise in the field of information communication technology. He started his career as corporate finance manager with an international investment bank at the advisory division in Malaysia, where his last held position was head of corporate finance and advisory, where he assisted several large corporations and GLC on raising capital via international financial market. Later, he joined a leading local financial firm as Vice President for Business Development and Corporate Advisory. Subsequently, he ventured into numerous ICT businesses before setting up his own consulting business specializing in Merger & Acquisition, Corporate restructuring and project funding for SME company besides advising corporation on Pre-Initial Public Offerings.

He graduated with a BBA degree in 1992 from American Intercontinental University of London (presently known as University Regent's University London). He also holds an MBA from Oklahoma City University having graduated in 1994. He also possesses a Doctorate degree (DBA) in Strategic Management. He was awarded a Master of Financial Management (MFP) certification from American Academy of Financial Management. He is member of Chartered Audit Committee Director from The Institute of Internal Auditors Malaysia.

He is the Executive Director cum Deputy Chairman of Peterlabs Holdings Berhad. He has no family relationship with any director and/or major shareholders. He has attended all six (6) Board meetings held during the financial year.

He has been awarded the title "Datuk Wira" by the state of Melaka. Prior to that he was bestowed with Darjah Indera Mahkota Pahang, and Darjah Johan Negeri (DJN) by the state of Penang.

### **Other Information**

#### **a. Directorship in Public Companies and Listed Issuers**

Save for Dato' Ismail, Dato' Dr. Choong and Datuk Wira Dr. Goy, none of the Directors has any directorship in Public Companies and Listed Issuers.

#### **b. Conflict of Interest**

None of the Directors has any conflict of interest with SCC Holdings Berhad.

#### **c. Conviction of Offences**

None of the Directors has been convicted for any offences within the past 5 years other than traffic offences, if any.



# CHAIRMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board of Directors ("Board"), I wish to express our sincere gratitude to our shareholders, customers, business associates, suppliers, bankers, stakeholders and government authorities for their confidence and support to the Board and Management. I am pleased to present Annual Report 2017 and Audited Financial Statements of SCC Holdings Berhad and its subsidiaries ("Group" or "SCCHB Group") for the financial year ended 31 December 2017.

In line with the revised Bursa's Listing Requirements, the review of financial performance previously covered under the Chairman's statement will now be covered under Management Discussion and Analysis (MD&A) from pages 8 to 9.

Year 2018 calls for new resolutions, full of the inexorable obstacles and challenges. However, it signifies a new beginning to regulate one's pace, regain composure and gain insights. I believe that my management team will continue to be vigilant and at the same time adopt active measures to implement diverse business strategies. Therefore, I wish to extend my appreciation to members of Management team and employees of the Group for their hard work, focus and determination and wish to receive their continuous support and dedicated contribution which is vital to the Group's success.

Last but not least, I hope for a smooth, stable and prosperous 2018.





# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW OF BUSINESS AND OPERATIONS

SCC Holdings Berhad is principally an investment holding company listed on the ACE Market of Bursa Malaysia Securities Berhad since 3rd August 2010 under the Trading/Services category.

Our group is involved in the business of distributing well-known brands of commercial foodservice equipment and food supplies to the F&B markets which are widely used in restaurants, cafes, fast food chains, cinemas and hypermarkets among others. We also supply non antibiotic feed additive and provide clean feed solution to feed mills and livestock industries while our food manufacturing division produces Halal food premixes.

The Group's principal market is in Malaysia.

Our financial results and highlights for the past 5 years are shown on page 4.

## FINANCIAL PERFORMANCE REVIEW

### Review on Statement of Comprehensive Income

During the year under review, the Group recorded the highest revenue since its inception. The increase was spearheaded by our Animal Health Products Division (AHPD) followed by Foodservice Equipment Division (FSED) and mainly attributed to higher sales volume.

Despite the overall increase in revenue by approximately 5%, our gross profit fell marginally by approximately 2% due to a higher Cost of Sales brought about by the unfavourable exchange rate of the Ringgit against the greenback as most of the Group's purchases are denominated in US Dollar. The Ringgit fell to its lowest level in over a decade during the year.

In tandem with the increase in revenue, selling and distribution costs incurred to support the revenue growth have increased as well. The slight increase in administrative expenses is partly due to office renovation and staff expenses.

Profit before tax of the Group decreased by approximately 2%, which is in line with the lower operating profit in FYE 2017.

### Review on Statement of Financial Position

Non-current assets decreased by 9.6% mainly due to depreciation of its existing assets as the Group did not embark on any major acquisition during the year under review.

The increase in Trade Receivables by RM2.311 million is in line with the increase in revenue of the Group and is primarily due to higher sales towards the end of the financial year.

Both inventories and trade payables have decreased mainly due lower purchases towards end of the financial year.

The decrease in inventories by more than 17.8% is mainly due to a more prudent inventory re-order approach adopted by the management in view of the outlook mentioned in our future prospect section below.

The Company has on 10th July 2017 issued bonus shares of 4,277,580 ordinary shares on the basis of one (1) bonus share for every ten (10) existing shares held by the eligible shareholders of the Company.

A share split involving the subdivision of every one (1) ordinary share held after the bonus issue into three (3) ordinary shares in the company took place on the same day.

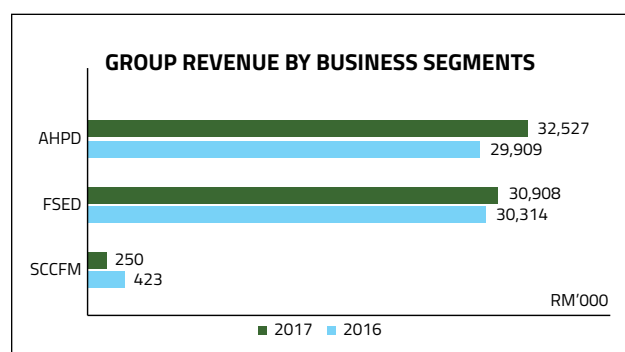
## WORKING CAPITAL, LIQUIDITY

The Group continues to maintain a healthy cash flows position in FYE2017 with near zero gearing which places it in a favourable financial position to capture any future opportunity and stay one step ahead of the competition.

## DIVIDEND POLICY

The Company does not have a formal dividend policy but the Management envisages a dividend payout ratio of approximately 35% of the company's profit after tax to shareholders in each financial year.

## SEGMENTAL BUSINESS REVIEW/ REVIEW OF OPERATING ACTIVITIES



Our business structure is divided into 3 segments:

### Animal Health Products Division ("AHPD")

Revenue contribution from AHPD increased by RM2.618 million or 9%. Its total revenue contribution for the year represented approximately 51% of the Group's total revenue.

The increase is mainly due to higher demand from its customers and new product's sales promotion during the financial year.

The division will continue to source new products to complement its existing range of products to enhance its product portfolio.

#### **Foodservice Equipment Division ("FSED")**

The segment saw a marginal increase in revenue of approximately 2% from FYE 2016 and contributed 48.5% to the overall revenue of the Group.

The increase is mainly due to increased demand for our foodservice equipment and after sales services by our customers.

The division continues to secure distribution rights for new brands to command market leadership and products that offer substantial profit margins to further strengthen our product portfolio.

It will also streamline non-performing brands/products to ensure that its productivity and resources are being maximised.

In the second quarter of FYE2017, the Group has implemented its e-commerce platform selling a small range of consumer food products during FYE 2017.

The Group intends to step up its foray into this growing area that will provide recurring income to the Group.

#### **Food Manufacturing ("SCCFM")**

For FYE2017, SCCFM recorded a 41% decrease in revenue which represented 0.4% of total group revenue amid a competitive operating environment.

The Group will expand the range of food premixes and improve production efficiency through continuous R&D effort in formulation of new recipes and ingredients to fuel further growth in the segment.

### **ANTICIPATED OR KNOWN RISKS**

#### **Foreign currency exchange fluctuation**

The Group is exposed to currency exchange fluctuation as most of the Group's purchases are denominated in foreign currencies such as US Dollar.

In order to minimize exposure to significant fluctuations in the RM to USD, the Group hedges through foreign exchange forward contracts.

Besides that, the risk is also mitigated through natural hedge between sales and purchases in USD, albeit to a limited extent.

The Management will continue to closely monitor our foreign exchange exposure by keeping abreast of the economic and political situations of the countries that we deal with.

#### **Exposure to credit risk**

The Group's exposure to credit risk arises primarily from trade receivables. It is the Group's objective to seek continuous revenue growth while minimising losses from impairment and bad debts by assessing and approving credit terms on a case-by-case basis after taking into account customer's payment track record, financial standing and length of business relationship and size of transaction.

Our collections from customers are closely monitored on an on-going basis by the credit control committee.

### **FUTURE PROSPECTS AND OUTLOOK**

The market sentiments remain uncertain with the upcoming general election and the unpredictable policies of certain influential economic powerhouse that dictate the cost of doing business. Nevertheless, the strengthening of the Ringgit against the US Dollar could bring much relief to the Group.

Although faced with uncertainties, Malaysia's economy is expected to remain resilient in 2018, though real GDP will expand at a slower pace of 5% to 5.5% in 2018 from 5.2% to 5.7% in 2017 as reported by Economic Report 2017/2018.

With both agriculture and the services sector growing at a slower pace, the year ahead will be challenging for the Group but having said that, by leveraging from our well established industry foundation with a wide distribution network together with continuous efforts to improve operational efficiency and effective cost management, the Management is confident that the Group would still be able to better its financial performance in the coming year.

## CORPORATE SOCIAL RESPONSIBILITY

SCC Group undertook Corporate Social Responsibility ("CSR") through various programmes to play our part in contributing to the welfare of the society and communities in the environment we operate. Our approach to CSR has provided our employees with the best opportunities to realize their potential and create value for the betterment of the society.

### Blood Donation Drive

We are pleased that our employees are dedicated in lending a helping hand to others. SCC encourages its employees to voluntarily participate in programmes organised internally or externally such as the blood donation campaign organised by "Persatuan Kebajikan Anak-Anak Yatim Dan Kurang Upaya Malaysia". The campaign was held at Pearl Point on November 2017. We were divided into groups to ensure a smooth campaign flow. This campaign is a part of the CSR initiative taken by SCC in mitigating the social issues faced by Malaysians.



The blood donation drive was a success as a total of 163 bags of blood were collected. SCC was awarded a Certificate of Appreciation by "Persatuan Kebajikan Anak-Anak Yatim Dan Kurang Upaya Malaysia" as a recognition of contribution and involvement.

### A visit to IQ70plus

SCC Group is mindful of the responsibility to contribute to those less fortunate. Other than participating in the blood donation campaign, we have visited Persatuan Kebajikan Kanak-Kanak Terencat Akal Malaysia (IQ70Plus), Petaling Jaya (PKKTAM) on November 2017.

PKKTAM provides all-day comprehensive humane assistance for individuals with mental disabilities. They rely entirely on the contribution from the society to support their daily expenses. Therefore, we have made contributions in terms of cash as well as daily essential supplies during our visit.

Through our CSR programmes in 2017, we hope to promote societal awareness in improving the life of the mentally challenged group.



### Charity Bazaar

SCC Group also took part in the annual charity fund raising bazaar and food fair organised by Angels Children's Home, Kuala Lumpur. In this event, SCC has sponsored some food supplies such as Korean instant noodle and pop-corn.

The responses from the participants were overwhelming. The funds raised were contributed to the orphanage to support their daily operation costs and educational needs.



SCC also participated in a Family Fun Fair organised by Nalanda to raise funds for a new Dhamma learning facility in K. Sri Dhammananda Centre, Sri Serdang. The facility was built to provide opportunities for more children and teenagers to attend Dhamma classes. We have taken the initiative to sponsor our company's products such as Korean instant noodle, pop-corn and coffee during the fair.

Funds collected during the fair were donated to Nalanda for the building of new facilities. We hope that our contribution will provide the future generations with holistic education.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of SCC Holdings Berhad ("Group") recognises the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance to be practiced throughout the Group in order to deliver a long term sustainable value to the shareholders and other stakeholders.

With the publication of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and in accordance to the guidance given by Bursa through its circular titled "Amendments to Bursa Malaysia Securities Berhad Ace Market Listing Requirements" dated 29 November 2017, the Board took the initiative to invite our internal auditors to conduct gap analysis between the present and the recommended practice in the MCCG 2017. The Board is pleased to present the corporate governance overview statement. The detailed explanation on the application of the corporate governance practices is reported under Corporate Governance Report (CG Report) as published in the Company's website, [www.sccholdings.com.my](http://www.sccholdings.com.my).

This statement is prepared in compliance with Bursa Malaysia Securities Berhad Ace Market Listing Requirements ("BMSB AMLR") and it is to be read together with the CG Report 2017 of the Company which is available on SCC Holdings' website: <http://www.sccholdings.com.my>.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG 2017 during the financial year ended 2017 ("FYE 2017").

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board responsibilities

The Board is responsible to provide stewardship of the Company and direction for the Management. It is collectively responsible and accountable to the Company's stakeholders for the long term sustainable success of the Group.

Each director contributes his vast experience and astute insights to enable the Board to function effectively in discharging its duties and responsibilities as required of them with due care and diligence.

The Group has documented clear policies for identifying and separating the functions and responsibilities of the Board and the Management, Executive Chairman as well as the Managing Director in ensuring the smooth running of the Group's business and operations.

Their responsibilities are guided by the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG 2017 and the Companies Act, 2016, a copy of which is made available to all Directors of the Company. The Board Charter is disclosed in the SCC Holdings' CG Report which can be downloaded from SCC Holdings' corporate website at [www.sccholdings.com.my](http://www.sccholdings.com.my).

### II. Roles of Chairman, Managing Director and Independent Non-Executive Directors

The roles of the Chairman of the Board, Managing Director, Executive Director and the Independent Non-Executive Directors (INEDs) are kept separate with a clear division of responsibilities in line with best practices. The functions of the Chairman as well as those of the Managing Director are clearly segregated to ensure that there is a balance of power and authority.

Mr. Ben Cher as the Executive Chairman continues to lead the Board by providing oversight leadership on the strategies and business affairs of the Group.

Mr. Francis Cher, the Managing Director of the Company, is responsible for leading the Management in the execution of board policies, strategies and action plans approved by the Board. He is actively involved in the Board to report and discuss the Group's business performance, direction and development, including all strategic matters affecting the Group.

The Board has established a Corporate Governance Model for the Group where specific powers of the Board are delegated to the respective Board Committees which function with clearly defined terms of reference.

### III. Company Secretary

The Board is grateful to be supported by a very experienced, knowledgeable, qualified and competent Company Secretary. Her expertise, clear and sound advice has enabled the Board to comply with the regulatory requirements, new statutes and directives issued by the regulatory authorities.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### IV. Board Composition

The Board currently comprises 8 (Eight) members, i.e. 3 (Three) Independent Non-Executive Directors (“INEDs”) and 5 (Five) Executive Directors. It complies with the BMSB AMLR. The size and the composition of the Board remains adequate to provide diversity of views, skills, knowledge and experience to facilitate effective decision making and appropriate balance of executive independent and non-independent directors.

The profile of each of the Member of the Board is presented from Page 5 to Page 6.

The Board acknowledges the importance of board diversity, including gender diversity, to the effective functioning of the Board. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based on merit and are not driven by any racial or gender bias.

Female representation will be considered when vacancies arise and suitable candidates identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company’s objectives.

The Board has adopted the recommendation of the Code that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon the completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director’s re-designation as non-independent director or to obtain shareholders’ approval in the event it retains him/her as an independent director.

The Board, through the Nomination Committee (“NC”), undertakes a yearly evaluation in order to assess how well the Board, its Committees, the Directors and the Chairman are performing, including assessing the independence of Independent Directors, taking into account the individual Director’s capability to exercise independent judgement at all times

The activities of the NC are further elaborated in the CG Report under Practices 4.4 to 4.7 of the MCGG 2017.

### V. Board Remuneration

The Board has established a Remuneration Committee (“RC”) to assist the Board in establishing formal and transparent remuneration packages for the Directors and believes that the levels of remuneration offered by the Group are sufficient to attract directors of calibre with sufficient experience and talent to contribute to the performance of the Group.

The INEDs’ remuneration comprises annual fees that reflect their expected roles and responsibilities. The Company has obtained approval from the shareholders at the 17th AGM held on 29 May 2017 to pay the Directors Fees to the INEDs for the FYE 2016.

The remuneration packages applicable for the Executive Chairman, Managing Director and Executive Director has the underlying objective of attracting and retaining an Executive Director needed to manage the Company successfully. The remuneration packages of the Managing Director and Executive Director are structured to commensurate with the achievement of corporate targets set by the Board and their individual performance. Their remuneration packages have been reviewed by the RC and approved by the Board.

The remuneration of the Executive Chairman, Managing Director and Executive Directors consists of basic salary and other emoluments. Further, benefits customary to the Group are also made available as appropriate.

The Group operates a bonus scheme for all its employees including Executive Directors. The performance of the Group along with assessment of the individual’s performance forms the criteria for the scheme.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### V. Board Remuneration (cont'd)

The details of the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2017 are categorised as follows:

	Executive Directors RM '000	Non-Executive Directors RM '000	Total RM '000
Salaries and other emoluments	1,806	-	1,806
Directors' fee	-	72	72
Bonuses	630	-	630
EPF (Employer)	195	-	195
Benefit in kind	93	-	93
<b>TOTAL</b>	<b>2,724</b>	<b>72</b>	<b>2,796</b>

Directors' remuneration analysed into bands of RM50,000 is as follows :-

Band of Remuneration	No. of Directors		
	Executive Directors	Non-Executive Directors	Total
Below RM50,000	-	3	3
RM50,001 – RM100,000	-	-	-
RM100,001 – RM150,000	-	-	-
RM150,001 – RM200,000	-	-	-
RM200,001 – RM250,000	-	-	-
RM250,001 – RM300,000	-	-	-
RM300,001 – RM350,000	-	-	-
RM350,001 – RM400,000	-	-	-
RM400,001 – RM450,000	-	-	-
RM450,001 – RM500,000	2	-	2
RM500,001 – RM550,000	2	-	2
RM550,001 – RM600,000	-	-	-
RM600,001 – RM650,000	-	-	-
RM650,001 – RM700,000	1	-	1
<b>TOTAL</b>	<b>5</b>	<b>3</b>	<b>8</b>

Note :-

The above mentioned Directors' remuneration is the total sum of the remuneration received by the Directors from the Company and its subsidiaries.

The Board chose to disclose the remuneration bands pursuant to the AMLR of Bursa Securities and is of the opinion that detailed disclosure of individual Director's remuneration will not add significantly to the understanding and evaluation of the Group's governance.

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit Committee

The Audit Committee of the Company ("AC") comprises three (3) INEDs. The Chairman of the AC, Dato' Dr. Choong Tuck Yew is a member of the Malaysian Institute of Accountants and the rest of the members are financially literate, possess the appropriate levels of expertise and experience.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT CONT'D)

### I. Audit Committee (cont'd)

During the year, the AC had fulfilled their normal responsibilities with an addition of interviewing and investigating the reasons for the resignation of the external auditor, Baker Tilly, under the FYE 2017. A special meeting had been held to understand and review the new external auditor, UHY's profile in terms of their independence, objectivity and experience.

NC had conducted an annual assessment to ensure the independence, objectivity and effectiveness of the AC.

### II. Risk Management and Internal Control Framework

The Board is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. These controls provide reasonable but not absolute assurance against material misstatements, loss or fraud.

The Directors are responsible for the Group's system of internal control. The internal control covers the financial and non-financial aspects including risk assessment. It also emphasises compliance and operational controls, as well as risk management matters. The Group has formalised a set of Standard Operating Procedures and ISOs for its business and supporting units, which takes into consideration the adequacy and integrity of the system of internal control, and is subject to review by Management. A Risk Management and Internal Controls Committee (RMC), chaired by the Managing Director has been set up for this purpose. The members of the RMC include 3 Executive Directors, 2 Heads of Business Divisions (HODs), Human Resources Manager, Finance Manager and Assistant General Manager.

The RMC meetings have been incorporated into monthly Management meetings where Executive Directors, the Assistant General Manager, the Finance Manager and 3 (three) Head of four (4) Department. Risk matters are discussed after scheduled monthly management meeting agendas. Respective HODs are to report any foreseeable upcoming/current risk and provide proposed countermeasures and highlight on its impact to the Group. Closed monitoring and follow up are done by the RMC on the identified risks and the matter gets closed when the risks became non-material or low impact to the Group.

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

### I. Communication with Stakeholders

Information on the Group's activities is provided in the Annual Report and Financial Statements in hard copy, which are despatched to shareholders. Dialogues are also held by the Group with investment analysts and fund managers to keep them abreast of corporate and financial developments within the Group.

The Company also encourages the shareholders and investors to participate in online access of the Company's Annual Report and all up to date announcements from time to time, which are made available instantly at both Bursa Securities and the company's website at [www.sccholdings.com.my](http://www.sccholdings.com.my).

Investors and the general public who wish to contact the Group on any enquiry, comment or proposal can channel them through e-mail at [ir@scc.com.my](mailto:ir@scc.com.my).

### II. Conduct of General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders. The Board is committed to provide shareholders with comprehensive, timely information about the Group's activities and performance to enable easy investment decisions for the shareholders and investors.

Shareholders are notified of the meeting and provided with a copy of the Notice of AGM and Annual Report 28 days before the meeting. At each AGM, the shareholders are encouraged to use the opportunity to ask questions on resolutions being proposed during the meeting and also on the progress, performance and future prospects of the Company. The Chairman and Board members, with the assistance of the External Auditors are available to respond and provide explanations during the question and answer session.

In line with the revised AMLR of Bursa Securities, all resolutions put to the general meeting for the 16th AGM was voted by poll. An independent scrutineer was appointed to validate the votes cast at the AGM. The decision for each resolution and the name of the independent scrutineer were announced to Bursa Securities on the same day.

# AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee is to assist and support the Board of SCC in fulfilling its fiduciary responsibilities to ensure strong corporate governance. The Committee is responsible for assessing the risk and control environment, overseeing financial reporting and evaluating the management and audit process within the Group.

## COMPOSITION AND MEETINGS

The members of the Audit Committee ("AC") comprise three (3) members, all of whom are Independent Non-Executive Director. The AC Chairman, Dato' Dr. Choong Tuck Yew, is a Chartered Member of the Malaysia Institute of Accountants ("MIA"), and a member of the Malaysian Institute of Certified Public Accountants.

At the end of financial year ended 31 December 2017, the members of the AC are:

Name	Designation	Directorship
Dato' Dr. Choong Tuck Yew	Chairman	Independent Non-Executive Director
Dato' Ismail bin Hamzah	Member	Independent Non-Executive Director
Datuk Wira Dr. Goy Hong Boon	Member	Independent Non-Executive Director

## Meetings

During the financial year under review, the Committee convened six (6) meetings and the records of attendance are shown below. The meetings are pre-structured through the use of agendas, which were distributed to members prior to the meetings.

The Managing Director, the Executive Directors, Finance Manager, Internal Auditors and External Auditors were present as and when invited.

The AC also met the External Auditors in two (2) private sessions without the presence of Management to discuss audit related matters that the Auditors wish to raise directly with the Committee.

The Company Secretary who is also the secretary to the AC has attended all the meetings.

Details of attendance are listed below:

Name of members	Attendance
Dato' Dr. Choong Tuck Yew	6/6
Dato' Ismail bin Hamzah	6/6
Datuk Wira Dr. Goy Hong Boon	6/6

## Terms of Reference

The details of the terms of reference of the AC are available for reference at [www.sccholdings.com.my](http://www.sccholdings.com.my).

## SUMMARY OF ACTIVITIES

The AC carried out its duties in accordance with the Terms of Reference during the financial year with the key responsibilities listed as below:-

### Financial Reporting

- Reviewed the quarterly unaudited financial results of the Company and Group before recommending to the Board for consideration and approval.
- Reviewed the audited financial statements of the Company and Group prior to submission to the Board for consideration and approval.
- Ensured that the financial statements were drawn up in accordance with the provisions of the Companies Act, 2016 and the applicable approved accounting standards by confirming with the Management.

# AUDIT COMMITTEE REPORT

(CONT'D)

## External Audit

- d. Evaluated the technical competencies, adequacy of specialist support and partners/directors accessibility and time commitment.
- e. Ascertained the independence of the external auditor with the auditors and confirmed their independence status before conducting the audit.
- f. Reviewed the external auditors' scope of work, audit plan and strategy for the year.
- g. Reviewed with the external auditors, the results of the annual audit, audit report, including the management's response.
- h. Met with the External Auditors two (2) times without the presence of the Executive Directors and the Management to discuss matters that need to be highlighted to the AC.
- i. Evaluated auditor's performance and recommendations for re-appointment in AGM.
- j. Met with the External Auditor to understand the reasons for resignation and proposed to Board for new appointment of auditor.
- k. Reviewed the new external auditor, UHY's profile and made recommendations to the Board for the appointment of new auditor.

## Internal Audit

- l. Reviewed with the Internal Auditor, the internal audit plans, the internal audit reports, their evaluation of system of internal controls and the follow-up on the audit findings.
- m. Reviewed the adequacy of the scope and coverage of work and instructed specific audit area to be performed when the need arises.
- n. Received and discussed the internal audit reports after conclusion of every internal audit being carried out.

## Related Party Transactions

- o. Reviewed related party transactions within the Group on a quarterly basis.

## Others

- p. Reviewed the AC Report, Corporate Governance Statement and Statement on Risk Management and Internal Control prior to the submission of the said documents to the Board for consideration and approval so as to be included in the Annual Report for financial year ended 31 December 2017.

## INTERNAL AUDIT FUNCTION

The Group's internal audit function, which is outsourced to a professional service firm, assists the AC and the Board by providing independent assessment of the adequacy and effectiveness of the Group's internal control systems. The internal audit function reports directly to the AC.

The Internal Auditor carried out the following activities for the period:-

- a) reviewed and appraised the soundness, adequacy and application of financial and operational controls of the entire Group using approved risk based internal audit plan.
- b) recommended high risk areas to be audited and internal audit plan for 2017/2018.
- c) internal audit on the following areas:-
  - i) business development and supplies management of Animal Health Products Division; and
  - ii) warehousing management
- d) reviewed the current system covering business processes to ensure proper internal controls are embedded in these processes.
- e) monitored the implementation of the audit recommendations to ensure all key risks and controls have been addressed.

The cost incurred for the outsourced independent internal audit services in respect of the financial year ended 31 December 2017 was RM29,500.00 (FYE 2016 – RM27,000.00).

## ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the Bursa Securities AMLR:

### **1. Audit and Non-audit Fees**

External auditors' remuneration are set at RM58,000.00 for the FYE 31 December 2017.

There were no non-audit fees paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group for the FYE 31 December 2017.

### **2. Material Contracts Involving Directors and Substantial Shareholders**

There was no material contract entered into by the Company and/or its subsidiaries involving Directors and Substantial Shareholders' interests for the FYE 31 December 2017.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Statement on Risk Management and Internal Control by the Board on the Group is made pursuant to Rule 15.26(b) of the Bursa Securities AMLR and in accordance with the Principles and Recommendations relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") under Practice 9.1 and 9.2.

MCCG 2017 sets out the principles that the board of directors of a listed company should establish a sound risk management framework and internal controls system to safeguard shareholders' investment, stakeholders' interest and assets of the Group.

## **BOARD RESPONSIBILITIES**

The Board acknowledges its responsibility to observe the MCCG 2017 in maintaining a sound system of risk management and internal control throughout the operations of the Group in order to safeguard shareholders' investments, stakeholders' interest and the assets of the Group.

The Board is responsible for identifying, evaluating and managing the significant risk of the Group, as well as reviewing adequacy and effectiveness of the risk management and internal control on an ongoing basis.

The Board believes the risk management and internal control system are adequate and effective to manage the risk of the Group. Nevertheless, due to the inherent limitations of any system, such systems are designed to mitigate rather than eliminate the likelihood of fraud and error. In addition, it should be noted that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has received assurance from the Group Managing Director that the Group's risk management and internal control system operate adequately and effectively, in all material aspects, based on the risk management and internal control system.

## **RISK MANAGEMENT**

The Board reviews internal control issues identified by the management and the internal auditors, as well as evaluates the adequacy and effectiveness of the Group's risk management and internal control system.

A Risk Management Committee ("RMC") comprises the Managing Director, three (3) Executive Directors and five (5) management staff which include the Finance Manager. The responsibilities of RMC include assisting in development of risk management framework, policies, processes and procedures; maintaining the risk register for the Group; monitoring operating unit's compliance with Group's policies and procedures; monitoring and reporting of the key risks as identified by the Management.

The RMC meetings are consolidate with bi-monthly management meeting since all the RMC members attended the management meetings.

Risk Management matters were being discussed during bi-monthly management meetings on the current and possible future issues that might affect the business of the Group with attending HODs and tasks had been assigned to relevant personnel to follow up.

The responsibility for day to day risk management resides with the HOD of each division/department where they are the risk owners and are accountable for the risks identified and assessed.

In managing the risks of the Group, Management team works closely with the RMC to ascertain that there is on-going monitoring and review of risks and related controls and that action plans are developed and implemented to manage these risks.

Minutes of the meeting are recorded, and progress and outcome are being closely monitored by the RMC.

## **Risk identification and assessment**

Risks identified are assessed to determine their impact on the relevant business strategies / objectives and their likelihood of occurrence. The outcome of the risk assessment process at respective functional or business unit levels will then be consolidated at the Group level in a risk scorecard which enables divisions/departments/subsidiaries within the Group to report risks and risk status using a common platform.

A Risk Profile and Action Plan, which registered the nature and extent of risks the division/department/subsidiaries and the Group is willing to accept or retain to achieve its goals and objectives, are reviewed by the RMC from time to time.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

## KEY ELEMENTS OF THE INTERNAL CONTROL SYSTEM

Internal controls are embedded in the Group's operations as follows:

### Organisational Structure

The Group has in place an organisational structure with clearly defined lines of responsibilities and functionalities which promotes appropriate levels of accountability for risk management, control procedures and effectiveness of operations. All new employees are required to undergo an orientation programme and the job function is clearly written for transparency and better accountability.

### Board and Management Meetings

Strategic planning and detailed target setting for each area of business are established during the year end.

Business unit conducted their monthly departmental meeting discussing departmental progress and planning for future including any departmental risk management matters.

The management will meet on a bi-monthly basis to monitor the Company's actual results against a target, whereby significant variances are being investigated and management action is taken, where necessary as well as to obtain feedbacks on daily operational issues.

The Board meets on a quarterly basis to review agendas which amongst others include periodical internal audit reports.

### Performance Management Framework

Management reports are generated on monthly and quarterly basis to allow the Board and the Group's management to monitor the performance of its respective business units. The Group's management information system is designed to provide the management with better reporting and review encompasses financial and non-financial matters for compliance and daily operational use.

### Limits of Authority

The level of authorities and lines of responsibilities from business divisions up to the Board level are well-defined to ensure accountabilities and responsibilities for risk management and control activities.

### Operational policies and procedures

The Group's policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses and to ensure that the daily operations are running smoothly. Regular reviews are performed to maximise operation efficiency.

Operation control procedures have been established in accordance to ISO 9001 standard. This is to ensure that the business processes flow is being executed as per best practices recommended by the standard.

The new ISO9001:2015 standard will have a section for risk management which will further enhance our risk management and internal control procedures. We shall be converting to the new standard in May 2018.

## AUDIT COMMITTEE AND INTERNAL AUDIT

The Company adopts a risk-based approach to the implementation and monitoring of relevant internal controls. The Audit Committee was entrusted by the Board to ensure that an effective and adequate internal control system is in place at all times. To assist the Audit Committee in discharging its duties and responsibilities, the internal audit function was outsourced to an independent professional service firm to take charge of the Group's internal audit function during the financial year. The report is submitted to the Audit Committee, which reviews the findings with Management at the Audit Committee Meeting. In assessing the adequacy and effectiveness of the system of internal controls of the Group, the Audit Committee reports to the Board its activities, significant results, findings and the necessary recommendations or changes.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

There are 2 internal audits being conducted during the year and recommended improvements were implemented on advice of the internal auditor and approval of the Audit Committee.

During the financial year under review, the Board was satisfied that there were continuous efforts by the Management to address and resolve areas with control weaknesses and that the control procedures were in place and were being followed.

## **WEAKNESSES IN INTERNAL CONTROL**

There were no major weaknesses in internal control which resulted in material losses during the financial period under review.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

Pursuant to Paragraph 15.23 of the AMLR of Bursa Securities, this Statement has been reviewed by the External Auditors for inclusion in the Annual Report of the Group for the period ended 31 December 2017. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

## **CONCLUSION**

The Board is of the view that the Group's system of risk management and internal control is sound and adequate in all material aspects, and has received the same assurance from the Managing Director of the Group. The Board ensures that the risk management process in identifying, evaluating and managing significant risks is operating adequately and effectively throughout the financial year up to the date of approval of this Statement. However, the Board is also mindful of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board and the Management maintain an on-going commitment to continue taking appropriate measures to enhance and strengthen the risk management and internal control of the Group.

This Statement was approved by the Board on 3 April 2018.

## STATEMENT OF DIRECTORS' **RESPONSIBILITY** FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards and to give a true and fair view of the state of affairs of the Group and the Company at the financial year end and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have carried out their responsibilities by:

- adopting suitable accounting policies and applied them consistently;
- making judgements and estimates that are reasonable and prudent;
- ensuring that all applicable accounting standards have been complied with; and
- preparing financial statements on a going concern basis, as the Board has reasonable expectations, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 2016. The Directors have the overall responsibility of taking such steps as are reasonably available to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

# Financial **STATEMENTS**

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

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

## FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to owners of the Company	6,050	4,942

## 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.

## DIVIDENDS

Since the end of the last financial year, the Company paid:

	RM'000
An interim single-tier dividend of RM0.05 per ordinary share in respect of the financial year ended 31 December 2016 on 20 January 2017	2,139
An interim single-tier dividend of RM0.05 per ordinary share in respect of the financial year ended 31 December 2017 on 21 June 2017	2,139
	<u>4,278</u>

The Directors do not recommend a final dividend to be paid in respect of the financial year ended 31 December 2017.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the number of issued and paid-up ordinary share capital of the Company was increased as follows:

- (i) Bonus issue of 4,277,580 new ordinary shares on the basis of one (1) bonus share for every ten (10) existing ordinary shares held; and
- (ii) Share split involving subdivision of every one (1) ordinary share held after the bonus issue into three (3) ordinary shares.

The new ordinary shares issued during the financial year rank pari passu in all aspects with the existing ordinary shares of the Company.

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

# DIRECTORS' REPORT

(CONT'D)

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS

The Directors in office during the financial year until the date of this report are:

Chee Long Sing @ Cher Hwee Seng\*  
Cher Sew Seng\*  
Goh Ah Heng @ Goh Keng Chin\*  
Cher Lip Chun\*  
Chu Soo Meng\*  
Dato' Ismail bin Hamzah  
Dato' Dr. Choong Tuck Yew  
Datuk Wira Dr. Goy Hong Boon

\* Director of the Company and its subsidiary companies

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
<b>Interests in the Company</b>				
<b>Direct interests :</b>				
Chee Long Sing @ Cher Hwee Seng	9,299,016	21,387,768	-	30,686,784
Cher Lip Chun	249,940	574,862	-	824,802
Cher Sew Seng	5,878,136	13,519,711	-	19,397,847
Goh Ah Heng @ Goh Keng Chin	3,578,923	8,231,522	-	11,810,445
Chu Soo Meng	30,000	69,000	-	99,000
Dato' Dr. Choong Tuck Yew	20,000	46,000	-	66,000
<b>Indirect interests :</b>				
Chee Long Sing @ Cher Hwee Seng #	187,421	431,068	-	618,489
Cher Sew Seng *	525,000	1,207,500	(250,000)	1,482,500
Cher Lip Chun ^	20,000	46,000	-	66,000

# Deemed interest by virtue of his direct shareholdings in Kumsan Enterprise (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 in Malaysia and by virtue of his spouse's and child's direct shareholding in the Company.

\* Deemed interest by virtue of his spouse's and children's direct shareholdings in the Company.

^ Deemed interest by virtue of his spouse's direct shareholdings in the Company.

By virtue of their interests in the shares of the Company, Chee Long Sing @ Cher Hwee Seng, Cher Sew Seng and Cher Lip Chun are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

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.

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 28(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Director who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and legal fee paid to a firm in which a Director is a member as disclosed in Note 28(b) to the financial statements.

Neither during nor at the end of the financial year, was the Group or the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **INDEMNITY AND INSURANCE COSTS**

There was no indemnity given to or insurance effected for the Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

## **OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
  - (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading; or
  - (iv) 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.
- (c) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and 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.



# DIRECTORS' REPORT

(CONT'D)

## OTHER STATUTORY INFORMATION (CONT'D)

(d) In the opinion of the Directors:

- (i) no contingent liability 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 and of the Company to meet their obligations when they fall due;
- (ii) 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 as disclosed in the notes to the financial statements; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Notes 5 to the financial statements.

## AUDITORS' REMUNERATION

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

## AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 3 April 2018.

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CHEE LONG SING @ CHER HWEE SENG

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CHER SEW SENG

KUALA LUMPUR

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 31 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 3 April 2018.

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CHEE LONG SING @ CHER HWEE SENG

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CHER SEW SENG

KUALA LUMPUR

## STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, WONG POW YEE (MIA Membership No: 20702), being the Officer primarily responsible for the financial management of SCC HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 31 to 82 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by     )  
the abovenamed at Kuala Lumpur in the     )  
Federal Territory on 3 April 2018             )

---

WONG POW YEE

Before me,

No. W710  
MOHAN A.S. MANIAM

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Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCC HOLDINGS BERHAD (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of SCC HOLDINGS BERHAD, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 31 to 82.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial 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 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 financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><u>Trade receivables</u></p> <p>Please refer to Significant Accounting Judgements, Estimates and Assumptions in Note 2(d) and the disclosures of trade receivables in Note 9 to the financial statements.</p> <p>We focused on this area given the use of significant estimates and judgement in determining the appropriate level of impairment for trade receivables.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Developing an understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports or other collection reports;</li> <li>▪ Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables;</li> <li>▪ Critically assessed recoverability of receivables that were past due but not impaired with reference to their historical records and repayment trends;</li> <li>▪ Reviewing receipts of collections subsequent to the financial year end, customer correspondence, and considering level of activity with the customer and explanation on recoverability with significantly past due balances; and</li> <li>▪ Assessing the reasonableness of impairment charges for identified credit exposures.</li> </ul> <p>Based on the procedures performed, we noted no significant exceptions.</p>

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCC HOLDINGS BERHAD (Incorporated in Malaysia)  
(CONT'D)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SCC HOLDINGS BERHAD (Incorporated in Malaysia)  
(CONT'D)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)*

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

## OTHER MATTERS

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 7 April 2017.

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.

UHY  
Firm Number: AF 1411  
Chartered Accountants

TAN TIAN WOOI  
Approved Number: 2969/05/18 (J)  
Chartered Accountant

KUALA LUMPUR

3 April 2018

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	4	4,896	5,439	-	-
Investments in subsidiary companies	5	-	-	16,300	16,300
Goodwill on consolidation	6	8	8	-	-
Investment securities	7	68	54	-	-
		4,972	5,501	16,300	16,300
<b>Current Assets</b>					
Inventories	8	6,841	8,326	-	-
Trade receivables	9	15,402	13,091	-	-
Other receivables	10	605	641	2	7
Amounts due from subsidiary companies	11	-	-	6,267	6,232
Tax recoverable		107	561	28	57
Other investments	12	14,324	14,490	6,626	4,972
Cash and bank balances		6,443	5,000	895	1,759
		43,722	42,109	13,818	13,027
<b>Total Assets</b>		<b>48,694</b>	<b>47,610</b>	<b>30,118</b>	<b>29,327</b>
<b>EQUITY</b>					
Share capital	13	24,079	21,388	24,079	21,388
Reserves	14	16,051	17,080	3,435	5,586
<b>Total Equity</b>		<b>40,130</b>	<b>38,468</b>	<b>27,514</b>	<b>26,974</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Finance lease liabilities	15	-	25	-	-
Deferred tax liabilities	16	200	77	-	-
		200	102	-	-
<b>Current Liabilities</b>					
Trade payables	17	3,731	4,922	-	-
Other payables	18	3,757	3,594	2,604	2,353
Finance lease liabilities	15	25	67	-	-
Bank borrowings	19	276	71	-	-
Tax payables		575	386	-	-
		8,364	9,040	2,604	2,353
<b>Total Liabilities</b>		<b>8,564</b>	<b>9,142</b>	<b>2,604</b>	<b>2,353</b>
<b>Total Equity and Liabilities</b>		<b>48,694</b>	<b>47,610</b>	<b>30,118</b>	<b>29,327</b>

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



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	20	63,685	60,646	8,747	7,306
Cost of sales		(40,144)	(36,732)	-	-
<b>Gross profit</b>		23,541	23,914	8,747	7,306
Other income		1,329	1,209	179	153
Selling and distribution expenses		(7,108)	(6,307)	(26)	-
Administrative expenses		(9,187)	(8,860)	(3,950)	(3,303)
Other expenses		-	(1,213)	-	-
Finance costs	21	(2)	(7)	-	-
<b>Profit before taxation</b>	22	8,573	8,736	4,950	4,156
Taxation	23	(2,523)	(1,959)	(8)	(2)
<b>Net profit for the financial year</b>		6,050	6,777	4,942	4,154
<b>Other comprehensive income</b>					
Items that are or may be reclassified subsequently to profit or loss					
- Fair value gain of available-for-sale financial assets		14	7	-	-
<b>Total comprehensive income for the financial year</b>		6,064	6,784	4,942	4,154
<b>Net profit for the financial year attributable to:</b>					
Owners of the Company		6,050	6,777	4,942	4,154
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		6,064	6,784	4,942	4,154
<b>Earnings per share:</b>					
- Basic	24	4.29	4.80 <sup>^</sup>		
- Diluted	24	4.29	4.80 <sup>^</sup>		

<sup>^</sup> Restated to take into account the effects of bonus issue and subdivision of every one (1) ordinary share held after the bonus issue into three (3) ordinary shares pursuant to the share split exercises which were completed in 2017.

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to Owners of the Parent				
		<Non-Distributable>		<Distributable>		
Group	Note	Share Capital RM'000	Share Premium RM'000	Fair value Reserve RM'000	Retained Earnings RM'000	Total RM'000
<b>At 1 January 2017</b>		21,388	2,696	58	14,326	38,468
Net profit for the financial year		-	-	-	6,050	6,050
Other comprehensive income for the financial year		-	-	14	-	14
<b>Total comprehensive income</b>		-	-	14	6,050	6,064
<b>Transactions with owners:</b>						
Dividends paid	25	-	-		(4,397)	(4,397)
Shares issuance expenses		-	(5)	-	-	(5)
<b>Total transactions with owners</b>		-	(5)	-	(4,397)	(4,402)
Transfer in accordance with Section 618(2) of the Companies Act, 2016		13, 14	2,691	(2,691)	-	-
<b>At 31 December 2017</b>		24,079	-	72	15,979	40,130
<b>At 1 January 2016</b>		21,379	2,667	51	11,827	35,924
Net profit for the financial year		-	-	-	6,777	6,777
Other comprehensive income for the financial year		-	-	7	-	7
<b>Total comprehensive income</b>		-	-	7	6,777	6,784
<b>Transactions with owners:</b>						
Issuance of ordinary shares	13	9	29	-	-	38
Dividends paid	25	-	-	-	(4,278)	(4,278)
<b>Total transactions with owners</b>		9	29	-	(4,278)	(4,240)
<b>At 31 December 2016</b>		21,388	2,696	58	14,326	38,468

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017  
(CONT'D)

Company	Note	Attributable to Owners of the Parent			Total RM'000
		<Non-Distributable>	<Distributable>		
		Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	
<b>At 1 January 2017</b>		21,388	2,696	2,890	26,974
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	4,942	4,942
<b>Transactions with owners:</b>					
Dividends paid	25	-	-	(4,397)	(4,397)
Shares issuance expenses		-	(5)	-	(5)
<b>Total transactions with owners</b>		-	(5)	(4,397)	(4,402)
Transfer in accordance with Section 618(2) of the Companies Act, 2016	13, 14	2,691	(2,691)	-	-
<b>At 31 December 2017</b>		24,079	-	3,435	27,514
<b>At 1 January 2016</b>		21,379	2,667	3,014	27,060
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	4,154	4,154
<b>Transactions with owners:</b>					
Issuance of ordinary shares	13	9	29	-	38
Dividends paid	25	-	-	(4,278)	(4,278)
<b>Total transactions with owners</b>		9	29	(4,278)	(4,240)
<b>At 31 December 2016</b>		21,388	2,696	2,890	26,974

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	8,573	8,736	4,950	4,156
Adjustments for:				
Bad debts written off on trade receivables	-	23	-	-
Depreciation of property, plant and equipment	665	694	-	-
Dividend income	(1)	-	(5,159)	(3,718)
Fair value gain of financial assets	(463)	(393)	(154)	(144)
Impairment losses on trade receivables	52	325	-	-
Interest expense	2	7	-	-
Gain on disposal of quoted shares	-	(2)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(28)	15	-	-
Interest income	(81)	(35)	(24)	(9)
Reversal of impairment losses on - trade receivables	(139)	(204)	-	-
Reversal of inventories written down	(288)	-	-	-
Unrealised loss on foreign exchange	47	45	-	-
Operating profit before working capital changes	8,339	9,211	(387)	285
Changes in working capital				
Inventories	1,773	(851)	-	-
Trade receivables	(2,224)	336	-	-
Other receivables	28	127	5	89
Trade payables	(1,194)	1,961	-	-
Other payables	44	(198)	131	82
Subsidiary companies	-	-	(35)	-
	(1,573)	1,375	101	171
Cash generated from/(used in) operations	6,766	10,586	(286)	456
Tax refund	-	-	39	-
Tax paid	(1,755)	(3,023)	(17)	(22)
	(1,755)	(3,023)	22	(22)
Net cash generated from/(used in) operating activities	5,011	7,563	(264)	434

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017  
(CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash Flows From Investing Activities</b>				
Interest received	81	35	24	9
Dividend received	1	-	5,159	3,718
Purchase of property, plant and equipment	(182)	(769)	-	-
Net withdrawal/(purchase) of other investments	628	(5,848)	(1,500)	(1,950)
Proceeds from disposal of property, plant and equipment	88	57	-	-
Proceeds from disposal of investment securities	-	22	-	-
Net cash generated from/(used in) investing activities	616	(6,503)	3,683	1,777
<b>Cash Flows From Financing Activities</b>				
Interest paid	(2)	(7)	-	-
Dividend paid	(4,278)	(2,139)	(4,278)	(2,139)
Proceeds from issuance of ordinary shares	-	38	-	38
Repayment of finance lease liabilities	(67)	(89)	-	-
Share issuance expenses	(5)	-	(5)	-
Net cash used in financing activities	(4,352)	(2,197)	(4,283)	(2,101)
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,275	(1,137)	(864)	110
Cash and cash equivalents at beginning of the financial year	4,929	6,066	1,759	1,649
Effect of exchange translation differences on cash and cash equivalents	(37)	-	-	-
<b>Cash and cash equivalents at end of the financial year</b>	6,167	4,929	895	1,759
<b>Cash and cash equivalents at the end of the financial year comprises:</b>				
Cash and bank balances	6,443	5,000	895	1,759
Bank overdraft	(276)	(71)	-	-
	6,167	4,929	895	1,759

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

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 21, Jalan Hujan, Taman Overseas Union, 5th Mile, Jalan Kelang Lama, 58200 Kuala Lumpur.

The registered office of the Company is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**2. BASIS OF PREPARATION**

**(a) Statement of Compliance**

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

**Adoption of new and amended standards**

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 –2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 27 to the financial statements. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CONT'D)

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of Compliance (cont'd)

#### Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	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
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
▪ Amendments to MFRS 1		1 January 2018
▪ Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates or Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
▪ Amendments to MFRS 3		1 January 2019
▪ Amendments to MFRS 11		1 January 2019
▪ Amendments to MFRS 112		1 January 2019
▪ Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

\* Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

The Group and the Company intend to adopt the above MFRSs when they become effective.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CONT'D)

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of Compliance (cont'd)

#### Standards issued but not yet effective (cont'd)

The initial application of the abovementioned MFRSs are not expected to have any significant impact on the financial statements of the Group and of the Company except as mentioned below:

#### (i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9, Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

#### (a) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

Based on its assessment, the financial assets held by the Group and the Company as at 31 December 2017 will be reclassified to the following classifications:

Group	Note	2017 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
<b>Financial assets</b>				
Investment securities	(i)	68	AFS	FVTOCI
Trade receivables		15,402	L&R	AC
Other receivables		299	L&R	AC
Other investments		14,324	FVTPL	FVTPL
Cash and bank balances		6,443	L&R	AC

Company	Note	2017 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
<b>Financial assets</b>				
Other receivables		2	L&R	AC
Amount due from subsidiary companies		6,267	L&R	AC
Other investments		6,626	FVTPL	FVTPL
Cash and bank balances		895	L&R	AC



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CONT'D)

## 2. BASIS OF PREPARATION (CONT'D)

### (a) Statement of Compliance (cont'd)

#### Standards issued but not yet effective (cont'd)

##### (i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (cont'd)

###### (a) Classification of financial assets (cont'd)

At 31 December 2017, the Group:

- (i) held an investment securities classified as available-for-sale with a fair value of RM68,000 that are held for long-term strategic purpose. Under MFRS 9, the Group has elected to designate this investment to be measured at FVOCI;

Consequently, for financial assets designated to be measured at FVOCI, all fair value gains and losses will be reported in other comprehensive income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

###### (b) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

###### (c) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this create an accounting mismatch.

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company expect an increase in the Group's and the Company's allowance for impairment by less than 5% of loans and receivables.

**2. BASIS OF PREPARATION (CONT'D)**

**(a) Statement of Compliance (cont'd)**

**Standards issued but not yet effective (cont'd)**

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on the preliminary initial assessment, the Group does not expect the application of MFRS 15 to have a significant impact on financial statements.

Revenue from sale of goods will be recognised when control of the products has transferred, being the point when products are delivered to customers. As the transfer of risk and rewards generally coincides with the transfer of control at point in time, the timing and amount of revenue recognised under MFRS 15 is unlikely to be materially different from its current practice.

(iii) MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company are assessing the impact of the above new standard on the financial statements of the Group and of the Company in the year of initial adoption.

**(b) Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

**(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is rounded to nearest thousand ("RM'000"), unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. BASIS OF PREPARATION (CONT'D)

### (d) Significant accounting judgements, estimates and assumptions

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

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

#### Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4 to the financial statements.

#### Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8 to the financial statements.

#### Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for financial assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9, 10 and 11 respectively.

#### Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group has tax recoverable and payable of RM107,000 (2016: RM561,000) and RM575,000 (2016: RM386,000) respectively.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

#### **(a) Basis of consolidation**

##### **(i) Subsidiary companies**

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(j)(i) to the financial statements on impairment of non-financial assets.

##### **(ii) Changes in ownership interests in subsidiary companies without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# NOTES TO THE FINANCIAL STATEMENTS

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(CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of consolidation (cont'd)

#### (iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

#### (iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(j)(i) to the financial statements on impairment of non-financial assets.

### (b) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(j)(i) to the financial statements.

#### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Property, plant and equipment (cont'd)

##### (i) Recognition and measurement (cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

##### (ii) Subsequent costs

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

##### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment are depreciated based on the principal annual rates as follows:

Building	3.33%
Office equipment, furniture and fittings	5% - 10%
Machinery	10%
Motor vehicles	20%
Renovation	10%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

#### (d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Leases (cont'd)

#### As lessee

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between 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 recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

#### As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### (e) Financial assets

Financial assets are recognised on 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.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(e) Financial assets (cont'd)**

**(i) Financial assets at fair value through profit or loss (cont'd)**

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment 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 and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

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



# NOTES TO THE FINANCIAL STATEMENTS

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(CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Financial liabilities

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

Financial liabilities are recognised on 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.

The Group and the Company classify their financial liabilities at initial recognition into the following categories:

#### (i) Financial liabilities measured at amortised cost

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

Financial liabilities 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.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### (ii) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

### (g) Offsetting of financial instruments

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

### (h) Inventories

Finished goods are stated at the lower of cost and net realisable value.

Cost of finished goods comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a weighted average basis.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**(j) Impairment of assets**

**(i) Non-financial assets**

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units).

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

**(ii) Financial assets**

All financial assets, other than those categorised as fair value through profit or loss and investments in subsidiary companies are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

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(CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) Impairment of assets (cont'd)

#### (ii) Financial assets (cont'd)

##### 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 considers factors such as the probability of insolvency or significant financial difficulties of the receivable 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 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 defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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 in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

##### Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### (k) Share capital

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 proceed received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of a equity instrument is recognised directly in equity.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) Provisions**

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

Provisions are reviewed at each end of the reporting period 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.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

**(m) Employee benefits**

**(i) Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. 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 and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

**(ii) Defined contribution plans**

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

**(n) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Sale of goods**

Revenue is recognised net of goods and service tax and discounts upon transfer of the significant risks and rewards of ownership to the buyer. In the case of consignment sales, revenue is recognised when the goods are sold by the consignee to a third party. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(ii) 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.

**(iii) Dividend income**

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) Revenue (cont'd)

#### (iv) Interest income

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

#### (v) Management fee

Management fee is recognised on accrual basis when services are rendered.

### (o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (p) Income tax

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

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(q) Goods and Services Tax ("GST")**

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

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

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

**(r) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**(s) Contingencies liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Office equipment, furniture and fittings RM'000	Machinery RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
<b>2017</b>						
<b>Cost</b>						
At 1 January	3,518	1,767	1,037	2,044	1,002	9,368
Additions	-	128	54	-	-	182
Disposals	-	(2)	-	(144)	-	(146)
Written off	-	-	(1)	-	-	(1)
At 31 December	3,518	1,893	1,090	1,900	1,002	9,403
<b>Accumulated depreciation</b>						
At 1 January	740	1,200	588	1,155	246	3,929
Charge for the financial year	70	100	82	315	98	665
Disposals	-	(2)	-	(84)	-	(86)
Written off	-	-	(1)	-	-	(1)
At 31 December	810	1,298	669	1,386	344	4,507
<b>Carrying amount</b>	2,708	595	421	514	658	4,896
<b>2016</b>						
<b>Cost</b>						
At 1 January	3,518	1,686	968	1,824	1,002	8,998
Additions	-	81	69	619	-	769
Disposals	-	-	-	(399)	-	(399)
At 31 December	3,518	1,767	1,037	2,044	1,002	9,368
<b>Accumulated depreciation</b>						
At 1 January	669	1,091	500	1,156	146	3,562
Charge for the financial year	71	109	88	326	100	694
Disposals	-	-	-	(327)	-	(327)
At 31 December	740	1,200	588	1,155	246	3,929
<b>Carrying amount</b>						
At 31 December	2,778	567	449	889	756	5,439

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017  
(CONT'D)

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### (a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged to a licensed bank to secure the credit facilities granted to the subsidiary companies are disclosed in Note 19 to the financial statements:

	2017 RM'000	Group 2016 RM'000
Freehold land	1,143	1,143
Buildings	1,282	1,345
	<u>2,425</u>	<u>2,488</u>

### (b) Assets held under finance leases

Included in the property, plant and equipment of the Group under finance lease arrangement with carrying amount are as follows:

	2017 RM'000	Group 2016 RM'000
Motor vehicles	18	149

The leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 15 to the financial statements.

## 5. INVESTMENTS IN SUBSIDIARY COMPANIES

	2017 RM'000	Company 2016 RM'000
<b>At cost</b>		
<b>In Malaysia</b>		
Unquoted equity shares	16,300	16,300



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CONT'D)

## 5. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 2017 %	2016 %	Principal activities
<b>Direct holding:</b>				
SCC Corporation Sdn. Bhd. ("SCCC")	Malaysia	100	100	Selling, marketing and distribution of livestock health products and clean feed solutions to feed mills and livestock industries; and selling, marketing and distribution of food service equipment, including provisions of installments, services and supply of ingredients and specialists products for food and beverage industries.
Anitox (M) Sdn. Bhd. ("ASB")	Malaysia	100	100	Sale, marketing and distribution of animal health products.
SCC Food Manufacturing Sdn. Bhd. ("SCCFM")	Malaysia	100	100	Processing and purchasing products.
<b>Held through SCCC</b>				
Positive Insight Sdn. Bhd. ("PI")	Malaysia	100	100	Sale, marketing and distribution of animal health products.
Knowledge Mission Sdn. Bhd. ("KM")	Malaysia	100	100	Dormant.

## 6. GOODWILL ON CONSOLIDATION

	Group	
	2017 RM'000	2016 RM'000
At 1 January/31 December	8	8

The goodwill was derived from the acquisition of a wholly-owned subsidiary company, SCC Food Manufacturing Sdn. Bhd. in the previous financial years.

Management determined the recoverable amount of the goodwill on consolidation of each subsidiary company based on the individual assets' value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the asset is the asset's value in use, and it is assumed to be the same as the net worth of the asset as at reporting date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017  
(CONT'D)

## 7. INVESTMENT SECURITIES

	2017 RM'000	Group 2016 RM'000
<b>Non-current</b>		
Available-for-sale financial assets:		
Quoted securities in Malaysia		
- Equity instruments, at fair value	68	54

The movements are as below:

	2017 RM'000	Group 2016 RM'000
At 1 January	54	67
Disposals	-	(20)
Fair value adjustment	14	7
At 31 December	68	54

## 8. INVENTORIES

	2017 RM'000	Group 2016 RM'000
<b>At cost, finished goods:</b>		
Food service equipment	4,433	4,628
Animal health products	2,316	3,428
Food service supplies	92	270
	6,841	8,326
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	42,391	36,730
Reversal of inventories written down	(288)	-

The reversal of inventories written down was made during the year when the related inventories were sold above their carrying amounts.

# NOTES TO THE FINANCIAL STATEMENTS

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## 9. TRADE RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000
Trade receivables	15,705	13,482
Less: Accumulated impairment losses	(303)	(391)
	<u>15,402</u>	<u>13,091</u>

The Group's normal credit terms range from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. The credit period varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	391	293
Impairment recognised	52	325
Reversals	(139)	(204)
Written off	(1)	(23)
At 31 December	<u>303</u>	<u>391</u>

Analysis of the trade receivables ageing as at the end of the financial year is as follow:

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	9,614	8,272
Past due but not impaired:		
Less than 30 days	3,072	2,870
31 to 60 days	1,650	1,498
61 to 90 days	642	286
More than 90 days	424	165
	<u>5,788</u>	<u>4,819</u>
	15,402	13,091
Impaired	<u>303</u>	<u>391</u>
	<u>15,705</u>	<u>13,482</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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## 9. TRADE RECEIVABLES (CONT'D)

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

As at 31 December 2017, trade receivables of RM5,788,000 (2016: RM4,819,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The trade receivables that are individually impaired amounting to RM303,000 (2016: RM391,000). These relate to customers that are in significant financial difficulties and have defaulted on payments. This balance is expected to be recovered through the debts recovery process.

## 10. OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	61	143	-	-
Deposits	238	167	2	1
Prepayments	301	330	-	6
GST recoverable	5	1	-	-
	605	641	2	7

## 11. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

The non-trade amount due from subsidiary companies are unsecured, interest-free and repayable upon demand.

## 12. OTHER INVESTMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>				
Financial assets at fair value through profit or loss:				
- Unquoted money market fund	14,324	14,490	6,626	4,972

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CONT'D)

## 13. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2017 Units'000	2016 Units'000	2017 RM'000	2016 RM'000
<b>Ordinary shares of RM0.50 each</b>				
<b>Authorised</b>				
At 1 January/31 December	*	200,000	*	100,000
<b>Issued and fully paid shares</b>				
At 1 January	42,776	42,757	21,388	21,379
Issuance of ordinary shares	-	19	-	9
Issuance of bonus shares	4,278	-	-	-
Share split	94,107	-	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016*	-	-	2,691	-
At 31 December	141,161	42,776	24,079	21,388

\* The new Companies Act, 2016 (the "Act"), which come 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 RM2,691,000 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM2,691,000 for purposes as set out in Sections 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the financial year, the number of issued and paid-up ordinary share capital of the Company was increased as follows:

- (i) Bonus issue of 4,278,000 new ordinary shares on the basis of one (1) bonus share for every ten (10) existing ordinary shares held; and
- (ii) Share split involving subdivision of every one (1) ordinary share held after the bonus issue into three (3) ordinary shares.

The new ordinary shares issued during the financial year rank pari passu in all aspects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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**FINANCIAL STATEMENTS**  
31 DECEMBER 2017  
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**14. RESERVES**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-distributable</b>				
Share premium	-	2,696	-	2,696
Fair value reserve	72	58	-	-
<b>Distributable</b>				
Retained profits	15,979	14,326	3,435	2,890
	16,051	17,080	3,435	5,586

**Share Premium**

	Group and Company	
	2017 RM'000	2016 RM'000
<b>Non-distributable</b>		
At 1 January	2,696	2,667
Issuance of ordinary shares	-	29
Share issuance shares	(5)	-
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	(2,691)	-
At 31 December	-	2,696

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of shares. As disclosed in Note 13 to the financial statements, share premium has become part of the Company's share capital.

**Fair Value Reserve**

	Group	
	2017 RM'000	2016 RM'000
<b>Non-distributable</b>		
At 1 January	58	51
Fair value gain of available-for-sale financial assets	14	7
At 31 December	72	58

Fair value reserve represents the cumulative net change in the fair value of available-for-sale financial assets until they are derecognised or impaired.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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## 15. FINANCE LEASE LIABILITIES

	2017 RM'000	Group 2016 RM'000
<b>Minimum lease payments:</b>		
Within one year	25	69
Later than one year and not later than five years	-	25
	25	94
Less: Future finance charge	-	(2)
Present value of minimum lease payments	25	92
<b>Present value of minimum lease payments:</b>		
Within one year	25	67
Later than one year and not later than five years	-	25
	25	92
<b>Analysed as:</b>		
Repayable within twelve months	25	67
Repayable after twelve months	-	25
	25	92

### Obligations under finance leases

These obligations are secured by a charge over the leased assets as disclosed in Note 4 to the financial statements. The interest rate for the leases is 2.29% (2016: 2.29%) per annum.

## 16. DEFERRED TAX LIABILITIES

	2017 RM'000	Group 2016 RM'000
At 1 January	77	167
Recognised in profit or loss	123	(90)
At 31 December	200	77

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017  
(CONT'D)

## 16. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities and assets are as follows:

### Deferred Tax Liabilities

	Accelerated Capital Allowance RM'000
<b>Group</b>	
<b>2017</b>	
At 1 January	77
Recognised in profit or loss	123
At 31 December	200
<b>2016</b>	
At 1 January	167
Recognised in profit or loss	(90)
At 31 December	77

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unused tax losses	664	449	528	324

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

## 17. TRADE PAYABLES

Credit terms of trade payables of the Group ranged from 30 to 90 days (2016: 30 to 90 days) from the date of invoices.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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## 18. OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables	256	201	23	3
Dividend payables	2,258	2,139	2,258	2,139
Deposits	242	354	-	-
Accruals	762	765	111	120
GST payable	239	135	212	91
	3,757	3,594	2,604	2,353

## 19. BANK BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
<b>Current</b>		
<b>Secured</b>		
Bank overdraft	276	71

The bank overdraft of the Group is secured by the following:

- (i) legal charge over freehold land and buildings as disclosed in Note 4; and
- (ii) corporate guarantee from the Company.

The interest rates of the Group for the above facility as at reporting date are as follows:

	Group	
	2017 %	2016 %
Bank overdraft	BLR + 7.95%	BLR + 7.95%

## 20. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trading sales</b>				
- food service equipment	30,908	30,314	-	-
- animal health products	32,527	29,909	-	-
- food service supplies	250	423	-	-
Dividend income	-	-	5,159	3,718
Management fees	-	-	3,588	3,588
	63,685	60,646	8,747	7,306

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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## 21. FINANCE COSTS

	Group	
	2017 RM'000	2016 RM'000
<b>Interest expense on:</b>		
- Finance leases	2	7

## 22. PROFIT BEFORE TAXATION

Profit before taxation is determined after charging/(crediting):

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration (Note a)	67	69	20	23
Bad debts written off				
- trade receivables	-	23	-	-
Depreciation of plant and equipment	665	694	-	-
Directors' remunerations:				
- Executive Directors				
- salaries and other emoluments	2436	2,376	2,254	1,826
- EPF	195	193	183	158
- benefits-in-kind	93	93	85	85
- Non-Executive Directors				
- fees	72	72	72	72
Dividend income	(1)	-	(5,159)	(3,718)
Fair value gain on financial assets	(463)	(393)	(154)	(144)
Impairment losses on trade receivables	52	325	-	-
Rental expenses on:				
- parking lot	5	-	5	-
- premises	526	-	-	-
Dividend income from subsidiary companies	-	-	(5,159)	(3,718)
(Gain)/Loss on foreign exchange				
- realised	(141)	(41)	-	-
- unrealised	47	45	-	-
(Gain)/Loss on disposal of property, plant and equipment	(28)	15	-	-
Interest income	(81)	(35)	(24)	(9)
Rental income	(179)	(177)	-	-
Reversal of impairment loss on trade receivables	(139)	(204)	-	-
Reversal of inventories written down	(288)	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(CONT'D)

## 22. PROFIT BEFORE TAXATION (CONT'D)

### (a) Auditors' Remuneration

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors of the Company				
- Statutory audit				
- current financial year	58	60	14	14
- (over)/under provision in prior years	(2)	5	(5)	5
- Non-statutory audit				
- under provision in prior years	-	4	-	4
	56	69	9	23
Other auditors				
- Non-statutory audit				
- under provision in prior years	11	-	11	-
	11	-	11	-
	67	69	20	23

## 23. TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Tax expenses recognised in profit or loss</b>				
<b>Malaysian statutory tax:</b>				
- Current tax provision	2,298	2,053	7	2
- Under/(Over) provision in prior years	102	(4)	1	-
	2,400	2,049	8	2
<b>Deferred tax</b>				
- Origination and reversal of temporary differences	(41)	(75)	-	-
- Under/(Over) provision in prior years	164	(15)	-	-
	123	(90)	-	-
	2,523	1,959	8	2

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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## 23. TAXATION (CONT'D)

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	8,573	8,736	4,950	4,156
At Malaysian statutory tax rate of 24% (2016: 24%)	2,058	2,097	1,188	997
Expenses not deductible for tax purposes	247	93	43	12
Income not subject to tax	(100)	(98)	(1,273)	(892)
Deferred tax assets not recognised during the financial year	52	(114)	49	(115)
Under/(Over) provision of taxation in prior years	102	(4)	1	-
Under/(Over) provision of deferred taxation of prior years	164	(15)	-	-
	2,523	1,959	8	2

## 24. EARNINGS PER SHARE

### Basic earnings per ordinary share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017 RM'000	2016 RM'000
Profit attributable to owners of the Company	6,050	6,777
Weighted average number of ordinary shares: Issued ordinary shares at beginning of financial year	42,776	42,776
Effect of issuance of ordinary shares pursuant to:		
- Bonus issue	4,278	4,278
- Share split	94,107	94,107
Weighted average number of ordinary shares in issue	141,161	141,161
Basic earnings per ordinary share (sen):	4.29	4.80 <sup>^</sup>

<sup>^</sup> Restated to take into account the effects of bonus issue and subdivision of every one (1) ordinary share held after the bonus issue into three (3) ordinary shares pursuant to the share split exercise which was completed in 2017.

### Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as the basic earnings per ordinary share of the Group, as the Group has no dilutive potential ordinary shares during the current and prior financial years.

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## 25. DIVIDENDS

	Group and Company	
	2017	2016
	RM'000	RM'000
Interim dividends paid in respect of the financial year ended:		
- 31 December 2016 (single-tier dividend of 5 sen per ordinary share)	-	4,278
- 31 December 2017 (single-tier dividend of 5 sen per ordinary share)	2,139	-
- 31 December 2017 (single-tier dividend of 1.6 sen per ordinary share)	2,258	-
	<u>4,397</u>	<u>4,278</u>

## 26. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and others	7,387	7,054	3,213	2,730
EPF	915	855	299	266
Other related expenses	225	256	35	58
	<u>8,527</u>	<u>8,165</u>	<u>3,547</u>	<u>3,054</u>

The employee benefits expenses including key management personnel are disclosed in Note 28(c) to the financial statements.

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January 2017 RM'000	Additions RM'000	Payment RM'000	At 31 December 2017 RM'000
<b>Group</b>				
Finance lease liabilities	92	-	(67)	25
Dividend payable	2,139	4,397	(4,278)	2,258
	<u>2,231</u>	<u>4,397</u>	<u>(4,345)</u>	<u>2,283</u>
<b>Company</b>				
Dividend payable	2,139	4,397	(4,278)	2,258

## 28. RELATED PARTY DISCLOSURES

### (a) Identifying related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors of the Company and certain members of senior management of the Group and of the Company.

### (b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	2017	2016
	RM'000	RM'000
<b>Group</b>		
<b>Rental paid</b>		
- McDota (M) Sdn. Bhd.*	48	48
- Mr Cher Hwee Seng	108	108
- Sim Ah Choon#	60	60
<b>Company</b>		
<b>Management fee income</b>		
- SCC Corporation Sdn. Bhd.	2,208	2,208
- Anitox (M) Sdn. Bhd.	588	588
- SCC Food Manufacturing Sdn. Bhd.	402	402
- Positive Insight Sdn. Bhd.	390	390
<b>Dividend income</b>		
- SCC Corporation Sdn. Bhd.	3,359	3,063
- Anitox (M) Sdn. Bhd.	1,800	560
- SCC Food Manufacturing Sdn. Bhd.	-	95

\* A company in which certain Directors have substantial financial interests

# Spouse of Mr Cher Sew Seng

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## 28. RELATED PARTY DISCLOSURES (CONT'D)

- (c) Compensation of key management personnel

The key management personnel compensation is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	2,436	2,376	2,254	1,826
EPF	195	193	183	158
	2,631	2,569	2,437	1,984
Benefits in kind	93	93	85	85
	2,724	2,662	2,522	2,069
Non-Executive:				
Fees	72	72	72	72
	2,796	2,734	2,594	2,141
<b>Other key management personnel</b>				
Salaries and other emoluments	1,948	1,797	409	369
EPF	236	215	49	44
	2,184	2,012	458	413
Total	4,980	4,746	3,052	2,554

## 29. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

- Food service equipment segment includes all industrial-grade equipment used to aid the final preparation and delivery of meals to customers. Food service equipment are highly specialised for application in large kitchens and are suited for the use of restaurants, cafes, fast food joints and other food service providers.
- Feed additives segment are substances added in small or micro quantities to macronutrient of animal feed to provide specific health or nutrition effects in a concentrated manner and can be categorised into antibiotic feed additives and non-antibiotic feed additives.
- Other reportable segments are all others activities other than the above reportable segments.

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 profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. OPERATING SEGMENTS (CONT'D)

	Food Service Equipment RM'000	Animal Health Products RM'000	Others RM'000	Total RM'000	Elimination / adjustments RM'000	Consolidated RM'000
<b>2017</b>						
<b>Revenue</b>						
External customers	30,908	32,527	250	63,685	-	63,685
Inter-segment						
- Sales	-	-	3,040	3,040	(3,040)	-
- Management fee income	-	-	3,588	3,588	(3,588)	-
- Dividend income	-	-	5,159	5,159	(5,159)	-
Total revenue	30,908	32,527	12,037	75,472	(11,787)	63,685
<b>Results</b>						
Other income						
- Fair value gain on financial assets	204	82	177	463	-	463
- Gain on disposal of property, plant and equipment	28	-	-	28	-	28
- Interest income	26	27	28	81	-	81
- Reversal of impairment loss on trade receivables	85	54	-	139	-	139
- Rental income	187	232	-	419	(240)	179
- Unrealised gain/(loss) on foreign exchange	1	(48)	-	(47)	-	(47)
- Misc income	411	28	-	439	-	439
Depreciation	(447)	(84)	(134)	(665)	-	(665)
Interest expense	(2)	-	-	(2)	-	(2)
Impairment loss on trade receivables	(52)	-	-	(52)	-	(52)
Taxation	(1,908)	(607)	(8)	(2,523)	-	(2,523)
Unallocated corporate expenses	(35,578)	(19,747)	(7,217)	(62,542)	6,867	(55,675)
	(37,045)	(20,063)	(7,154)	(64,262)	6,627	(57,635)
Segment profit	(6,137)	12,464	4,883	11,210	(5,160)	6,050



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(CONT'D)

## 29. OPERATING SEGMENTS (CONT'D)

	Food Service Equipment RM'000	Animal Health Products RM'000	Others RM'000	Total RM'000	Elimination / adjustments RM'000	Consolidated RM'000
<b>Segment assets</b>						
Additions to non-current assets	179	3	-	182	-	182
Tax recoverable	-	27	80	107	-	107
Segment assets	25,633	13,881	32,546	72,060	(23,655)	48,405
	25,812	13,911	32,626	72,349	(23,655)	48,694
<b>Liabilities</b>						
Deferred tax liabilities	198	2	-	200	-	200
Segment liabilities	6,108	5,469	3,981	15,558	(7,194)	8,364
	6,306	5,471	3,981	15,758	(7,194)	8,564
<b>2016</b>						
<b>Revenue</b>						
External customers	30,737	29,909	-	60,646	-	60,646
Inter-segment						
- Sales	3,210	-	-	3,210	(3,210)	-
- Management fee income	-	-	3,588	3,588	(3,588)	-
- Dividend income	-	-	3,718	3,718	(3,718)	-
Total revenue	33,947	29,909	7,306	71,162	(10,516)	60,646
<b>Results</b>						
Other income						
- Fair value gain on financial assets	155	94	144	393	-	393
- Interest income	10	16	9	35	-	35
- Reversal of impairment loss on trade receivables	204	-	-	204	-	204
- Rental income	145	272	-	417	(240)	177
- Misc income	436	129	-	565	(165)	400
Bad debts written off	(23)	-	-	(23)	-	(23)
Depreciation	(498)	(196)	-	(694)	-	(694)
Interest expense	(7)	-	-	(7)	-	(7)

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**29. OPERATING SEGMENTS (CONT'D)**

	<b>Food Service Equipment RM'000</b>	<b>Animal Health Products RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>	<b>Elimination / adjustments RM'000</b>	<b>Consolidated RM'000</b>
Impairment loss on trade receivables	(192)	(133)	-	(325)	-	(325)
Loss on disposal of property, plant and equipment	(15)	-	-	(15)	-	(15)
Taxation	(1,161)	(798)	-	(1,959)	-	(1,959)
Unrealised loss on foreign exchange	(45)	-	-	(45)	-	(45)
Unallocated corporate expenses	(28,217)	(27,572)	(3,308)	(59,097)	7,087	(52,010)
	(29,208)	(28,188)	(3,155)	(60,551)	6,682	(53,869)
Segment profit	4,739	1,721	4,151	10,611	(3,834)	6,777
<b>Assets</b>						
Additions to non-current assets	616	153	-	769	-	769
Tax recoverable	32	472	57	561	-	561
Segment assets	22,439	17,407	29,270	69,116	(22,836)	46,280
	23,087	18,032	29,327	70,446	(22,836)	47,610
<b>Liabilities</b>						
Deferred tax liabilities	54	23	-	77	-	77
Segment liabilities	7,482	5,596	2,362	15,440	(6,375)	9,065
	7,536	5,619	2,362	15,517	(6,375)	9,142

Note: Nature of the adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

- (A) Inter-segment revenues are eliminated on consolidation.
- (B) Inter-segment expenses are eliminated on consolidation.
- (C) Inter-segment assets and liabilities are eliminated on consolidation.

Geographical information

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

Major customer

Major customers' information are revenues from transactions with a single external customer amount to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. OPERATING SEGMENTS (CONT'D)

### Major customer (cont'd)

The following are major customers with revenue equal or more than 10% of the Group's total revenue arising from:

	Revenue	
	2017 RM'000	2016 RM'000
<b>Group</b>		
- Customer A	8,126	8,067
- Customer B	6,613	7,189

## 30. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM'000	Available -for-sale RM'000	Financial assets at fair value through profit or loss RM'000	Financial liabilities measured at amortised cost RM'000	Total RM'000
<b>Group</b>					
<b>2017</b>					
<b>Financial Assets</b>					
Investment securities	-	68	-	-	68
Trade receivables	15,402	-	-	-	15,402
Other receivables	299	-	-	-	299
Other investments	-	-	14,324	-	14,324
Cash and bank balances	6,443	-	-	-	6,443
	22,144	68	14,324	-	36,536
<b>Financial Liabilities</b>					
Trade payables	-	-	-	3,731	3,731
Other payables	-	-	-	3,518	3,518
Finance lease liabilities	-	-	-	25	25
Bank borrowings	-	-	-	276	276
	-	-	-	7,550	7,550

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM'000	Available -for-sale RM'000	Financial assets at fair value through profit or loss RM'000	Financial liabilities measured at amortised cost RM'000	Total RM'000
<b>2016</b>					
<b>Financial Assets</b>					
Investment securities	-	54	-	-	54
Trade receivables	13,091			-	13,091
Other receivables	310			-	310
Other investments	-	-	14,490	-	14,490
Cash and bank balances	5,000	-	-	-	5,000
	18,401	54	14,490	-	32,945
<b>Financial Liabilities</b>					
Trade payables	-			4,922	4,922
Other payables	-			3,459	3,459
Finance lease liabilities	-			92	92
Bank borrowings	-			71	71
	-			8,544	8,544

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. FINANCIAL INSTRUMENTS (CONT'D)

### (a) Classification of financial instruments (cont'd)

	Loans and receivables RM'000	Financial assets at fair value through profit or loss RM'000	Financial liabilities measured at amortised cost RM'000	Total RM'000
<b>Company</b>				
<b>2017</b>				
<b>Financial Assets</b>				
Other receivables	2	-	-	2
Amount due from subsidiary companies	6,267	-	-	6,267
Other investments	-	6,626	-	6,626
Cash and bank balances	895	-	-	895
	<b>7,164</b>	<b>6,626</b>	<b>-</b>	<b>13,790</b>
<b>Financial Liabilities</b>				
Other payables	-	-	2,392	2,392
<b>2016</b>				
<b>Financial Assets</b>				
Other receivables	1	-	-	1
Amount due from subsidiary companies	6,232	-	-	6,232
Fixed deposits with licensed banks	-	-	-	-
Other investments	-	4,972	-	4,972
Cash and bank balances	1,759	-	-	1,759
	<b>7,992</b>	<b>4,972</b>	<b>-</b>	<b>12,964</b>
<b>Financial Liabilities</b>				
Other payables	-	-	2,262	2,262

### (b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

#### (i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

### 30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(i) Credit risk (cont'd)

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to a subsidiary company. The Company's maximum exposure in this respect is RM276,000 (2016: RM71,000), representing the outstanding banking facilities of the subsidiary company as at the end of the reporting period. There was no indication that the subsidiary company would default on repayment as at the end of the reporting period.

The Group's major concentration of credit risk relates to the amounts owing by 1 customer (2016: 2 customers) which constituted approximately 10% (2016: 24%) of its trade receivables at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from its various payables.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements and prudently balances its portfolio of short term and long term funding requirements.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 to 2 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
<b>Group</b>				
<b>2017</b>				
<b>Non-derivative financial liabilities</b>				
Trade payables	3,731	-	3,731	3,731
Other payables	3,518	-	3,518	3,757
Finance lease liabilities	25	-	25	25
Bank borrowings	276	-	276	276
	<u>7,550</u>	<u>-</u>	<u>7,550</u>	<u>7,789</u>
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Trade payables	4,922	-	4,922	4,922
Other payables	3,459	-	3,459	3,594
Finance lease liabilities	69	25	94	92
Bank borrowings	71	-	71	71
	<u>8,521</u>	<u>25</u>	<u>8,546</u>	<u>8,679</u>

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## 30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM'000	1 to 2 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
<b>Company</b>				
<b>2017</b>				
<b>Non-derivative financial liabilities</b>				
Other payables	2,392	-	2,392	2,604
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Other payables	2,262	-	2,262	2,353

(ii) Market risks

(a) Foreign currency exchange risk

The Group is exposed to foreign currency risk through normal trading activities on sales transactions that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Euro Dollar (EUR), Bruneian Dollar (BND) and Singapore Dollar (SGD). Foreign currency risk is monitored closely on an ongoing basis to ensure the net exposure is at an acceptable level.

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	USD RM'000	EUR RM'000	BND RM'000	SGD RM'000	Total RM'000
<b>Group</b>					
<b>2017</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	14	14
Cash and bank balances	1,757	-	-	-	1,757
	1,757	-	-	14	1,771
<u>Financial Liabilities</u>					
Trade payables	93	17	1	-	111
<b>2016</b>					
<u>Financial Assets</u>					
Cash and bank balances	117	-	-	-	117
<u>Financial Liabilities</u>					
Trade payables	2,080	16	-	-	2,096

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## 30. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management objectives and policies (cont'd)

#### (ii) Market risks (cont'd)

##### (a) Foreign currency exchange risk (cont'd)

##### Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, EUR, BND and SGD exchange rates against RM, with all other variables held constant.

Group	Change in currency rate	Effect on loss before tax	
		2017 RM'000	2016 RM'000
USD	Strengthened 5%	(83)	98
	Weakened 5%	83	(98)
EUR	Strengthened 5%	1	1
	Weakened 5%	(1)	(1)
BND	Strengthened 5%	0	-
	Weakened 5%	(0)	-
SGD	Strengthened 5%	(1)	-
	Weakened 5%	1	-

##### (b) Interest rate risk

The Group's fixed rate deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in market interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in market interest rate.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	Group	
	2017 RM'000	2016 RM'000
<b>Fixed rate instruments</b>		
<b>Financial Liabilities</b>		
- Bank borrowings	276	71
- Finance lease payable	25	92



# NOTES TO THE FINANCIAL STATEMENTS

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## 30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(ii) Market risks (cont'd)

(b) Interest rate risk (cont'd)

### Interest rate risk sensitivity analysis

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

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect profit or loss.

(c) Fair value of financial instruments

The carrying amounts of receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

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

	Fair value of financial instruments carried at fair value Level 1 RM'000	Fair value of financial instruments not carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
<b>Group</b>				
<b>2017</b>				
<b>Financial Assets</b>				
Investment securities	68	-	68	68
Other investments	14,324	-	14,324	14,324
<b>Financial Liabilities</b>				
Finance lease liabilities	-	-	-	-
<b>2016</b>				
<b>Financial Assets</b>				
Investment securities	54	-	54	54
Other investments	14,490	-	14,490	14,490
<b>Financial Liabilities</b>				
Finance lease liabilities	-	24	24	25
<b>Company</b>				
<b>2017</b>				
<b>Financial Assets</b>				
Other investments	6,626	-	6,626	6,626
<b>2016</b>				
<b>Financial Assets</b>				
Other investments	4,972	-	4,972	4,972

**30. FINANCIAL INSTRUMENTS (CONT'D)**

(c) Fair value of financial instruments (cont'd)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

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## 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group	
	2017 RM'000	2016 RM'000
<b>Debt</b>		
Finance lease payable	25	92
Bank borrowings	276	71
	301	163
Less: Cash and bank balances	(6,443)	(5,000)
Excess of cash and bank balances	(6,142)	(4,837)
Total Equity	40,130	38,468
Gearing ratio	*	*

\* Gearing ratio not applicable for financial years ended 31 December 2016 and 2017 as the cash and cash equivalent of the Group are sufficient to settle the outstanding debts.

There were no changes in the Group's approach to capital management during the financial year.

## 32. COMPARATIVE FIGURES

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another firm of chartered accountants.

During the financial year, the Company made certain reclassification to the comparatives to conform to the current year presentation. There was no significant impact to the financial performance in relation to the financial year ended 31 December 2017.

## 33. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 3 April 2018.

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

## SHARE CAPITAL

Total Number of Issued Shares	: 141,160,140
Class of Shares	: Ordinary shares
Voting Rights	: One vote per ordinary share
Number of Shareholders	: 1,185

## SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
29	Less than 100	946	*
67	100 to 1,000	38,858	0.03
435	1,001 to 10,000	2,639,840	1.87
552	10,001 to 100,000	19,360,119	13.71
98	100,001 to less than 5% of issued shares	57,225,301	40.54
4	5% and above of the issued shares	61,895,076	43.85
1,185	TOTAL	141,160,140	100

\* Less than 0.01%

## LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	Cher Sew Seng	19,397,847	13.74
2.	Chee Long Sing @ Cher Hwee Seng	16,500,000	11.69
3.	Chee Long Sing @ Cher Hwee Seng	14,186,784	10.05
4.	Goh Ah Heng @ Goh Keng Chin	11,810,445	8.37
5.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Equity Trust</i>	6,046,660	4.28
6.	Soh Kian Teck	4,960,096	3.51
7.	Chu Sou Taik	4,376,448	3.10
8.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Small CAP Opportunity Unit Trust</i>	3,761,000	2.66
9.	Tee Meng Hock	3,613,683	2.56
10.	Tee Meng Hock	2,999,883	2.13
11.	Ong Gee Leng	2,558,724	1.81
12.	Chu Sou Taik	2,270,400	1.61
13.	Moke Ah Kow	1,980,650	1.40
14.	Yee Kim Ee	1,135,530	0.80
15.	Tey Ser Kok @ Teh Ser Kok	825,000	0.58
16.	Cher Lip Chun	824,802	0.58
17.	Moke Joan Moon	778,800	0.55
18.	Goh Foi Tee	759,000	0.54
19.	Cher Chou Chiang	740,000	0.52
20.	Low Kwi Yeen	660,000	0.47
21.	Look Kan Chai @ Look Shee Kiem	660,000	0.47
22.	Ng Inn Jwee	584,000	0.41

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

(CONT'D)

	Name of Shareholders	No. of Shares Held	Percentage (%)
23.	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Mak Tian Meng (MY0343)</i>	559,680	0.40
24.	Chuah Ying Hooi	500,000	0.35
25.	Lim Chee Chin @ Lim Ching Sin	500,000	0.35
26.	Siow Kin Leong	495,000	0.35
27.	Kor Beng	495,000	0.35
28.	Goh Thong Beng	471,900	0.33
29.	Chern Boon Seng	432,390	0.31
30.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tee See Kim</i>	422,000	0.30
		105,305,722	74.57

## SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

	Name of Shareholders	Direct	No. of Shares Held		
			%	Indirect	%
1.	Chee Long Sing @ Cher Hwee Seng	30,686,784	21.74	139,989 **	0.10
2.	Cher Sew Seng	19,397,847	13.74	-	-
3.	Goh Ah Heng @ Goh Keng Chin	11,810,445	8.37	-	-

Note:-

\*\* Deemed interest by virtue of his direct shareholdings in Kumsan Enterprise (M) Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

## DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

	Name of Directors	Direct	No. of Shares Held		
			%	Indirect	%
1.	Chee Long Sing @ Cher Hwee Seng	30,686,784	21.74	618,489 #	0.44
2.	Cher Sew Seng	19,397,847	13.74	1,482,500 ###	1.05
3.	Goh Ah Heng @ Goh Keng Chin	11,810,445	8.37	-	-
4.	Dato' Ismail bin Hamzah	-	-	-	-
5.	Dato' Dr. Choong Tuck Yew	66,000	0.05	-	-
6.	Datuk Wira Dr. Goy Hong Boon	-	-	-	-
7.	Cher Lip Chun	824,802	0.58	66,000^	0.05
8.	Chu Soo Meng	99,000	0.07	-	-

Notes:-

# Deemed interest by virtue of his direct shareholdings in Kumsan Enterprise (M) Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 and by virtue of his spouse's and child's direct shareholding in SCC.

### Deemed interest by virtue of his spouse's and children's direct shareholding in SCC.

^ Deemed interest by virtue of his spouse's direct shareholdings in SCC.

## LIST OF PROPERTIES

Location of Property	Description (Existing Use)	Land Area Buildup Area (Sq ft.)	Tenure	Age of Building	Net Book Value as at 31.12. 2017	Date of acquisition
No. 93, Jalan Pendamar 27/90 Seksyen 27 40400 Shah Alam (PT No 4782)	Company Warehouse 1+1/2 storey factory	9,430 / 5,835	Freehold	21 years	RM738,915	June 1994
No. 58, Jalan Kapar 27/99, Seksyen 27, 40400 Shah Alam (PT No 4823)	Company Warehouse/ factory 1+1/2 storey factory	4,680 / 3,888	Freehold	11 years	RM374,465	June 2005
No. 54, Jalan Kapar 27/89, Seksyen 27 40400 Shah Alam (PT No 4825)	Company Warehouse 1+1/2 storey factory	4,680 / 3,888	Freehold	11 years	RM374,465	June 2005
No. 138, Jalan Kapar 27/89 Seksyen 27 40400 Shah Alam (PT No 4742)	Rented out 3 storey Industrial Showroom	4,680 / 6,383	Freehold	15 years	RM343,426	March 1999
No. 140 Jalan Kapar 27/89, Seksyen 27 40400 Shah Alam (PT No 4741)	Rented out 3 storey Industrial Showroom	4,680 / 6,383	Freehold	15 years	RM328,852	March 1999
No. 15 & 15A Jalan Hujan, Taman Overseas Union, 58200 Kuala Lumpur (Lot 9383)	Company Office Double Storey Shoplot	1,600 / 3,200	Freehold	47 years	RM282,010	October 1992
No. 91, Jalan Pendamar 27/90, Seksyen 27 40400 Shah Alam (PT No 4783)	Company Warehouse 1+1/2 storey factory	4,680 / 3,735	Freehold	21 years	RM265,184	June 1994

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Eighteenth Annual General Meeting ("18th AGM") of **SCC HOLDINGS BERHAD** will be held at Function Room 4, Level 2, Hotel Sri Petaling, No. 3, Jalan Radin Anum, Bandar Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan (KL) on **Monday, 28 May 2018 at 2.30 p.m.** for the following purposes:-

## AS ORDINARY BUSINESS

- |    |  |  |
|----|--|--|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors and Auditors Reports thereon.   | <b>(Please refer to Explanatory Note 9)</b>  |
| 2. | To approve the payment of Directors' fees of RM72,000 for the financial year ended 31 December 2017.   | <b>(Ordinary Resolution 1)</b>   |
| 3. | To re-elect the following Directors who retire pursuant to Article 90 of the Company's Articles of Association:-<br>(i) Dato' Ismail bin Hamzah<br>(ii) Datuk Wira Dr. Goy Hong Boon<br>(iii) Mr Cher Lip Chun | <b>(Ordinary Resolution 2)</b><br><b>(Ordinary Resolution 3)</b><br><b>(Ordinary Resolution 4)</b> |
| 4. | To re-appoint Messrs UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.   | <b>(Ordinary Resolution 5)</b>   |

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

- |    |  |  |
|----|--|--|
| 5. | <b>Proposed Retention of Independent Directors</b><br><br>To approve the following Directors, each of whom will have served as an Independent Non-Executive Director cumulative term of more than 9 years, to continue to act as Independent Non-Executive Director from 2 April 2019 to 2 April 2020:-<br>(i) Dato' Ismail bin Hamzah<br>(ii) Dato' Dr. Choong Tuck Yew<br>(iii) Datuk Wira Dr. Goy Hong Boon   | <b>(Ordinary Resolution 6)</b><br><b>(Ordinary Resolution 7)</b><br><b>(Ordinary Resolution 8)</b> |
| 6. | <b>Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016</b><br><br>"THAT subject to Sections 75 and 76 of the Companies Act, 2016 and approvals of the relevant government/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons 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 ten per centum (10%) of the total issued and paid up share capital of the Company for the time being and the Directors be and also empowered to obtain approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." | <b>(Ordinary Resolution 9)</b>   |
| 7. | To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.  |  |

# NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

By Order of the Board  
SCC HOLDINGS BERHAD

LEE WEE HEE (MAICSA 0773340)  
WONG YUET CHYN (MAICSA 7047163)  
Company Secretaries  
Kuala Lumpur

30 April 2018

## Notes:-

1. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Central Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. Where a Member 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.
6. To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 18th AGM.
8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

## Explanatory Note on Ordinary Business

### 9. Audited Financial Statements for financial year ended 31 December 2017

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act, 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

## Explanatory Notes on Special Business

### 10. Retention of Independent Non-Executive Directors

The proposed Ordinary Resolutions 6, 7 and 8 if passed will allow Dato' Ismail bin Hamzah, Dato' Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon to be retained and continue to act as Independent Directors. Dato' Ismail, Dato' Dr. Choong and Datuk Wira Dr. Goy were appointed as Independent Directors on 1 April 2010 and their tenure as Independent Directors shall exceed 9 years on 2 April 2019. In accordance with the Malaysian Code on Corporate Governance, the Nomination Committee ("NC") has assessed that they have fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements and they have vast experience, knowledge and skills in a diverse range of businesses and therefore provide constructive opinion, counsel, oversight and guidance as Directors. NC recommended for the three Directors to continue to serve as Independent Non-Executive Directors. Therefore, the Board considers them to be Independent and believes that they should be retained as Independent Non-Executive Directors.

### 11. Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company. This Renewed Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no shares had been issued and allotted since the general mandate granted to the Directors at the last Annual General Meeting held on 29 May 2017 and this authority will lapse at the conclusion of the 18th AGM of the Company.

The Renewed Mandate will provide flexibility to the Company to raise funds, including but not limited to placing of shares, for purpose of funding future investment projects and/or working capital and/or acquisitions.





**SCC HOLDINGS BERHAD** (511477-A)  
(Incorporated in Malaysia)

<b>CDS Account No</b>	
<b>No of shares held</b>	

## FORM OF PROXY

I/We \_\_\_\_\_ (NRIC No./Passport No./Co. No. \_\_\_\_\_)  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a member/members of **SCC HOLDINGS BERHAD (511477-A)**, hereby appoint

<b>Name of Proxy</b>	<b>NRIC No./Passport No.</b>	<b>% of Shareholding to be Represented</b>
<b>Address</b>		

and/or failing him/her

<b>Name of Proxy</b>	<b>NRIC No./Passport No.</b>	<b>% of Shareholding to be Represented</b>
<b>Address</b>		

or failing him, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the 18th Annual General Meeting ("18th AGM") of the Company to be held at Function Room 4, Level 2, Hotel Sri Petaling, No. 3, Jalan Radin Anum, Bandar Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan (KL) on **Monday, 28 May 2018 at 2.30 p.m.** and at any adjournment thereof.

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	Payment of Directors' Fees		
2.	Re-election of Dato' Ismail bin Hamzah		
3.	Re-election of Datuk Wira Dr. Goy Hong Boon		
4.	Re-election of Mr Cher Lip Chun		
5.	Re-appointment of Auditors		
6.	Retention of Dato' Ismail bin Hamzah as Independent Director		
7.	Retention of Dato' Dr. Choong Tuck Yew as Independent Director		
8.	Retention of Datuk Wira Dr. Goy Hong Boon as Independent Director		
9.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_  
Signature(s) of member(s)

### Notes:-

- A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- Where a member is an authorised nominee as defined under the Central Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a Member 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.
- To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 18th AGM.
- Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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AFFIX  
STAMP

The Company Secretaries

**SCC HOLDINGS BERHAD**  
(511477-A)

No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
Wilayah Persekutuan (KL)

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**SCC HOLDINGS BERHAD**  
511477-A

19-21, Jalan Hujan, Taman Overseas Union  
58200 Kuala Lumpur, Malaysia.

T: (603) 7782 8384

F: (603) 7781 8561

E: [sccholdings@scc.com.my](mailto:sccholdings@scc.com.my)

[www.scc.com.my](http://www.scc.com.my)

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 0158  
**COMPANY NAME** : SCC HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 2017

## **OUTLINE:**

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board consists of 3 (three) Independent and Non-Executive Directors ('INEDs') and 5 (five) Executive Directors ('EDs').</p> <p>The INED are not involved in setting the business's strategies and plans.</p> <p>Due to our INEDs are not involve with SCC Holdings' ('SCCH') business operation and all the EDs are actively dealing with the day to day business operations, therefore all the business strategic and objectives are set by the EDs and they will provide an overview of the resulting plan and update on key issues to the board.</p> <p>The bi-monthly Risk Management Meeting minutes and action plans are briefed to the Board during Board Meeting for Board's assurance.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr. Chee Long Sing @ Cher Hwee Seng ('Ben Cher') is the Executive Chairman of the Company. His profile can be viewed on page 5 of The Company's Annual Report. He provides leadership so that the Board can perform its responsibilities effectively.</p> <p>The Chairman is responsible for, amongst others:</p> <ul style="list-style-type: none"><li>i. Ensure that all relevant issues for the effective running of the Company's business are on the agenda;</li><li>ii. Ensure that clear and quality information to facilitate decision-making is delivered to Board members on a timely basis;</li><li>iii. Encourage all directors to play an active role in Board activities and facilitate the effective contributions of all members of the Board;</li><li>iv. Chair general meetings of shareholders;</li><li>v. Ensure that there is regular and effective evaluation of the Board's performance;</li><li>vi. Ensure that every Board resolution and questions arising at any Board meeting to be decided by a majority of votes;</li><li>vii. Ensure the integrity and effectiveness of the governance process of the Board;</li><li>viii. Act as facilitator at Board meetings to ensure that no Board member, whether Executive or Non-Executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming and ensure that discussions result in logical and understandable outcomes, and</li><li>ix. Perform other responsibilities assigned by the Board from time to time.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
------------------	---	--	--

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognized the importance of clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and Managing Director are strictly separated and held by different individuals.</p> <p>The Chairman is primarily responsibilities is ensuring Board's effectiveness and conduct of all aspects of its role.</p> <p>Mr. Cher Sew Seng ('Francis Cher') who is the Group Managing Director ('GMD') and plays the role of the Chief Executive Officer, is Primarily responsible for the overall management of day-to-day business operations and implementation of key business decisions at The Group. He also brings relevant business developmental plans to the Board, motivates employees and drives the change and innovation for organic growth within the Group.</p> <p>The role and responsibilities of Managing Director are as follow:</p> <ul style="list-style-type: none"><li>i. Oversee the daily management of the Group's operations to ensure the smooth and effective running of the Group;</li><li>ii. Develop and implement overall strategic policy and directions of the Group's business operations based on effective risk management controls;</li><li>iii. Ensure that the financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations;</li><li>iv. Ensure high management competency and that an effective management succession plan is in place to sustain continuity of operations;</li><li>v. Direct and control all aspects of the business operations in a cost effective manner;</li><li>vi. Be the official spokesman for the Group and responsible for regulatory, governmental and business relationships;</li><li>vii. Maintain and facilitate a positive working environment and good employee relations;</li><li>viii. Manage the Group through the collective efforts of the Executive Directors and General Managers and leads the Management team to carry out their roles, duties and</li></ul>



	functions effectively; ix. Attend to any queries or concerns regarding the Group raised by shareholders, investors, media, relevant authorities and the public, and x. Implement the policies, strategies and decisions adopted by the Board. All Board authorities conferred on the Management is delegated through the GMD and this will be considered as the GMD's authority and accountability as far as the Board is concerned	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>SCC's Board is supported by two (2) External Company Secretaries. Both Company Secretaries of SCC are qualified to act as Company Secretary under Section 235 of the Companies Act 2016, of which one is a Fellow Member and the other, an Associate Member of the Malaysian Institute of Chartered Secretaries &amp; Administrators. The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, guidance and legislation.</p> <p>All Directors also have full and unrestricted access to the advice and services of the Company Secretaries and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively. The Board is regularly updated on new guidelines, directions and new regulatory issues affecting the Group by the Company Secretaries as well as external consultants. The Company Secretaries together with the Executive Directors and Finance Manager (Chief Financial Officer designate pursuant to the ACE Market Listing Requirements) assist the Chairman of the Board and Chairmen of Board Committees to deal with the Board agenda and to provide the relevant information and documents to directors on a timely basis. The Board is satisfied with the support and performance provided by the Company Secretaries in assisting the Board to discharge its duties.</p> <p>The Board are of the view that the Company Secretaries have been competent and kept themselves abreast with the evolving regulatory changes and developments through continuous education programmes and attendance of relevant conferences, seminars and training programmes.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board meetings hold at least four times a year. An additional meeting to be convened where necessary to deal with urgent and important matters that require attention of the Board.</p> <p>A full agenda and relevant Board Papers are circulated to all Directors at least 5 (five) days in advance of each Board meeting.</p> <p>Board members are required to attend the Board meetings and attendance of each Director in the meetings held in a financial year is required to be disclosed in the Annual Report 2017 under the Directors Profile from page 5 to page 6. Other senior officers may be invited to attend for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.</p> <p>The Board Papers provided include the financial results and progress report on the Group's developments, minutes of the meetings of Board Committees, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.</p> <p>All Directors are expected to participate fully and constructively in Board Meetings and to bring the benefit of their particular knowledge, skills and abilities to the Board.</p> <p>Urgent matters that cannot wait until the next Board meeting can be dealt with by a circulating resolution. A signed and approved resolution by the majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors.</p> <p>Full Board minutes of each Board meeting are kept at the registered office of the Company and are available for inspection by any Director during office hours. The minutes of meetings shall accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on particular matter.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board.</p>

<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies—

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The board charter was approved by the board on 30 April 2018 and published on the company's website, and any subsequent amendment to the Charter can only be approved by the Board.</p> <p>Apart from setting out the roles and responsibilities of the Board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings, Directors' remuneration, and investor relations and shareholder communication.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is published on the Company's website at <a href="http://www.sccholdings.com.my">www.sccholdings.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Code of Ethics applied to the Board can be found under item 3.1.7 of the Board Charter which is published on the company's website at <a href="http://www.sccholdings.com.my">www.sccholdings.com.my</a>.</p> <p>To prevent abuse of power, corruption, insider trading and money laundering, job segregations and limit of authorities had been set with separate duties and approval being assigned to different personal with different authorities limits.</p> <p>The AC will review related parties transactions every quarter and all employees had to declare any relationship with any stakeholders annually to Human Resources Department in order to minimise the risk of conflicting interest.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised Whistle Blowing Policies and Procedures ("WBPP") on 30 April 2018 and published it on the Company's website. This WBPP promotes an environment of integrity and ethical behaviour within the Group and are applicable to all employees of the Group.</p> <p>The Audit Committee ('AC') Chairman has been identified by the Board as the person to whom all whistle blowing reports may be conveyed. The AC Chairman may delegate the responsibility for implementing the Whistle Blowing procedures to a guardian/custodian of the Whistle Blowing procedure within the Company.</p> <p>The details of the Whistle-blowing Policy are available for reference at the Company's website at <a href="http://www.sccholdings.com.my">www.sccholdings.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>In accordance with the Company's memorandum and articles of association ("M&amp;A"), the number of total directors of the Board shall not be less than two (2) and more than fifteen (15).</p> <p>The Company complies with Paragraph 15.02 of the Ace Market Listing Requirements of Bursa Securities, at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent.</p> <p>The recommended good practise will put into consideration when vacancies become available.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years and that an Independent Director may continue to serve on the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of the nine (9) years.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	An Independent Director may continue to serve on the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of the nine (9) years.

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	There were no procedures and criteria established for assessment of potential candidates for appointment to the board and senior management.	
		Furthermore, there were no new appoints to the board and senior management during FYE 2017 save for the promotion of the Finance Manager to Assistant General Manager.	
		The board will establish a guideline outlining the criteria and process for considering new appointments to the board taking cognisance of diversity in skills, experience, age, cultural background and gender.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board believes that competency and skill are more important than gender diversity.	
		The Board will consider the appointment of female director when a right candidate is identified	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board delegates to the Nomination Committee ('NC') the responsibility for recommending suitable candidates for Directorships to the Board.</p> <p>In undertaking this responsibility, the NC is open to all recommendations for suitable candidates from all sources.</p> <p>The NC may receive suggestions from existing Board members, Management and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The NC is chaired by Independent Non-Executive Director. The members of the NC are as follows:</p> <p><b>Chairman</b> Dato’ Dr. Ismail bin Hamzah ( Independent Non-Executive Director)</p> <p><b>Members</b> Dato’ Dr. Choong Tuck Yew (Independent Non-Executive Director) Datuk Wira Dr. Goy Hong Bong (Independent Non-Executive Director)</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC is delegated for evaluating the effectiveness of the Board, Board Committees and the performance of each individual director. The evaluation involved the Committee members completing separate Questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered.</p> <p>The evaluation process also involved peer and self-review assessments, where Directors would assess their own performance and that of their fellow Directors. These assessments and comments were then discussed amongst the Nomination Committee members and a collective conclusion was reported to the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The long-standing practice for determining executive directors and senior management's remuneration is based on the Chairman's recommendation with performance bonus payments linked to company and individual performance. The Chairman had in-depth knowledge of the demands, complexities and performance of the company as well as the skills and performance of the directors and senior management.</p> <p>Fees for non-executive directors were determined on a year-to-year basis and all the directors concur that these are aligned to market practice.</p> <p>The board, through the RC, wish to document the remuneration policies and procedures, for directors and senior management taking into account the complexity of the company's business and the individual's responsibilities. A copy of the remuneration policies and procedures is to be retained by the company secretary together with other policies and procedures of the board.</p> <p>Further to that, the remuneration should also be aligned with the business strategy and long-term objectives of the company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The board has a Remuneration Committee ('RC') comprised of two (2) INEDs and the Executive Chairman.</p> <p>The members of the RC are as follows:</p> <p><b>Chairman</b> Dato' Dr. Choong Tuck Yew ( Independent Non-Executive Director)</p> <p><b>Members</b> Dato' Dr. Ismail bin Hamzah (Independent Non-Executive Director) Mr. Chee Long Sing @ Cher Hwee Seng (Executive Chairman)</p> <p>The composition of RC is because the Executive Chairman had in-depth knowledge of the demands, complexities and performance of the company as well as the skills and performance of the directors and senior management.</p> <p>The committee has established a written TOR which outlines its functions; members' powers and authority; and duties and responsibilities. The TOR was disclosed on the company's website.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.

<b>Timeframe</b>	:	Choose an item.	
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### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is of the view that the non-disclosure on named basis for the top senior management of the Company will not significantly affect the understanding and the evaluation of the Group's governance and to ensure confidentiality of the remuneration of the top senior management of the Company.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company departs from Practice 7.2 of the MCGG 2017 due to security and confidentiality concerns. Disclosure could result in adverse implication including dissatisfaction and unhappiness among the employees in the event that the Company discloses salary, bonus, benefits-in-kind and other emoluments of the senior management on a named basis.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Audit Committee is not the Chairman of the Board. The Audit Committee is chaired by the Independent Non-Executive Director Dato' Dr. Choong Tuck Yew whereas the Board is chaired by the Executive Chairman Mr. Chee Long Sing @ Cher Hwee Seng.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Audit Committee has yet to revise its Terms Of Reference to include a clause on a minimum cooling-off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee.	
	:	The Audit Committee expects to formulate a policy and revise its Terms Of Reference to include a clause on a minimum cooling off period of two (2) years before a former key audit partner can be appointed as a member of the Audit Committee in three (3) years' time.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Audit Committee has yet to formulate policies and procedures to assess the suitability, objectivity and independence of the external auditor.	
	:	The Audit Committee expects to formulate policies and procedures to assess the suitability, objectivity and independence of the external auditor in three (3) years' time.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee of the Group comprises the following members:</p> <p><b>Chairman</b> Dato' Dr. Choong Tuck Yew who is Independent Non-Executive Director</p> <p><b>Members</b> Dato' Dr. Ismail bin Hamzah who is Independent Non-Executive Director Datuk Wire Dr. Goy Hong Boon who is Independent Non-Executive Director</p>

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The AC comprised of three (3) independent non-executive directors whom amongst them possess a mix of skills, experience and qualification ranging from chartered accountant, economics and finance to corporate advisory, mergers and acquisitions consultants. Financial literacy is part of their qualifications and line of work.	
		During the financial year ended 31 December 2017, the members of the Audit Committee have attended several relevant courses as below:	
		Directors	Seminar / Conference / Workshop
		Dato’ Dr. Choong Tuck Yew	Bursa Malaysia’s sustainability Forum 2017: “The Velocity of Global Change & Sustainability – The New Business Model”
			Embrace Paradoxes
			Remuneration Committee: Attracting and retaining the best talents
			Audit Committee Conference 2017
			Breakfast Talk on Demonetisation –New India – The Architecture of Growth
			How smart companies are harnessing the power of the stock exchange
			Business as a force for good. The role of the private sector in achieving the Sustainable Development Goals
Capital Market Conference 2017			
Implementing a risk management & internal control framework based on the MCCG 2017			
MIA Conference – MIA International Accountants Conference			
Dato’ Ismail bin Hamzah	In-house training on Companies Act 2016		

		Financial reporting essential for directors
		I am ready to manage risk
	Datuk Wira Dr. Goy Hong Boon	Invest Malaysia KL
	Chee Long Sing @ Cher Hwee Seng	Where to put your money in 2017
		Board Excellence: How to engage and enthuse beyond compliance with sustainability
	Cher Sew Seng	How to Recruit & Attract Quality Talent in SME
		Brand Entrepreneurs conference 2017
		2018 Budget Workshop: Winning Tax Strategies
		Heart Biz Forum - Building virtuous business from hearts
		ISO9001:2015 Interpretation training
	Goh Ah Heng @ Goh Keng Chin	Share Structure + Company Act 2016 (Income Tax) Workshop
		Brand Entrepreneurs conference 2017
		2018 Budget Workshop: Winning Tax Strategies
		Heart Biz Forum - Building virtuous business from hearts
	Chu Soo Meng	Board excellence: how to engage and enthuse beyond compliance with sustainability
		BGR Meal-Pro Experience seminar
		ISO9001:2015 Interpretation training
		Microsoft Excel Pivot Table Training
	Cher Lip Chun	Board Excellence: How to engage and enthuse beyond compliance with sustainability
		Capital Market Conference 2017
		ISO9001:2015 Interpretation training
<b>Explanation for departure</b>	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group had formed a Risk Management and Internal Controls Committee comprising the Managing Director, four (4) Executive Directors, Assistant General Manager, Heads of Business Divisions, Finance Manager and Human Resources Manager. The committee's TOR; risk management policies and framework were established and approved for implementation on 25 April 2013.</p> <p>The Group adopted an active approach in identifying, presenting and discussing potential risks by incorporating risk management as a permanent agenda item in the bi-monthly Management meetings.</p> <p>However, the contents of the discussions on risk management require improvement pertaining to identification of medium to longer-term potential risks instead of focusing on current issues.</p> <p>Further to that, risk identification and management are included as part of the ISO 9001: 2015 certification exercises which the Company will be obtained in 2018.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board had disclosed the main features of the risk management framework and internal controls system in the 2017 annual report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function was out-sourced to CGRM Infocomm Sdn Bhd ("CGRM"), an independent professional services firm that is a corporate member of the Institute of Internal Auditors ("IIA") Malaysia. The Executive Director in-charge of the engagement, in her capacity as the head of the internal audit function, is also an individual member of the IIA.</p> <p>On an annual basis, CGRM provided the Board with a signed declaration of competency and list of training attended by the audit engagement team. During FYE 2017, two (2) internal audit reviews were performed with reference to the Internal Standards for Professional Practice of Internal Auditing with reports prepared and presented to the Board vide the AC.</p> <p>The internal audit charter was approved by the AC in November 2015 and stipulates, amongst others, the internal auditors' role, scope and authority, organisation status and reporting structure, independence and objectivity and responsibilities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The internal audit function was outsourced to an independent, specialist internal audit professional services firm.</p> <p>The engagement team comprised of one (1) engagement director, one (1) quality control reviewer and two (2) internal auditors.</p> <p>The engagement director holds the Certified Internal Audit designation and is a Chartered Member of the Institute of Internal Auditors, USA.</p> <p>The internal audit fieldwork and reporting were carried out with reference to the International Professional Practice Framework for Internal Audit; International Standards for the Professional Practices of Internal Auditing, the IIA Code of Ethics and the COSO Framework for Internal Controls.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Annual General Meeting is being conducted annually to enable to have a face to face communication with the Board and management team. Stakeholders are encouraged to post their queries during the meeting to get first hand response from the Board.  Also, the corporate website contained a dedicated link on “Investor Relations” (“IR”) through which a repository of the Company’s latest announcements, annual and quarterly reports, share prices, IR contact and further links to corporate information, share information, financial information and entitlements,	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company would consider adopting integrated reporting based on globally recognised framework in the near future.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The dates of notice and convening of the 18 <sup>th</sup> Annual General Meeting was 30 April 2018 (based on announcement on Bursa Malaysia website) and the Annual General Meeting will be conducted on 28 May 2018 which met the recommended requirements.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All directors attended the 17 <sup>th</sup> Annual General Meeting held on 29 May 2017.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.3**

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied	
Explanation on application of the practice	:	The AGM of the Company is being held at location in the city area and accessible via public transport. Moving forward, the Company will consider leverage on technology to facilitate greater shareholders' participation in general meeting.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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