



SCC HOLDINGS BERHAD
511477-A

GREEN SOLUTIONS

FOR THE FUTURE OF THE
WORLD & MANKIND

 www.scc.com.my



ANNUAL REPORT 2018

THE VISION & MISSION

Together we build green
and wellness enterprises

We strive to lead more people towards
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

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

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)

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

STOCK EXCHANGE LISTING

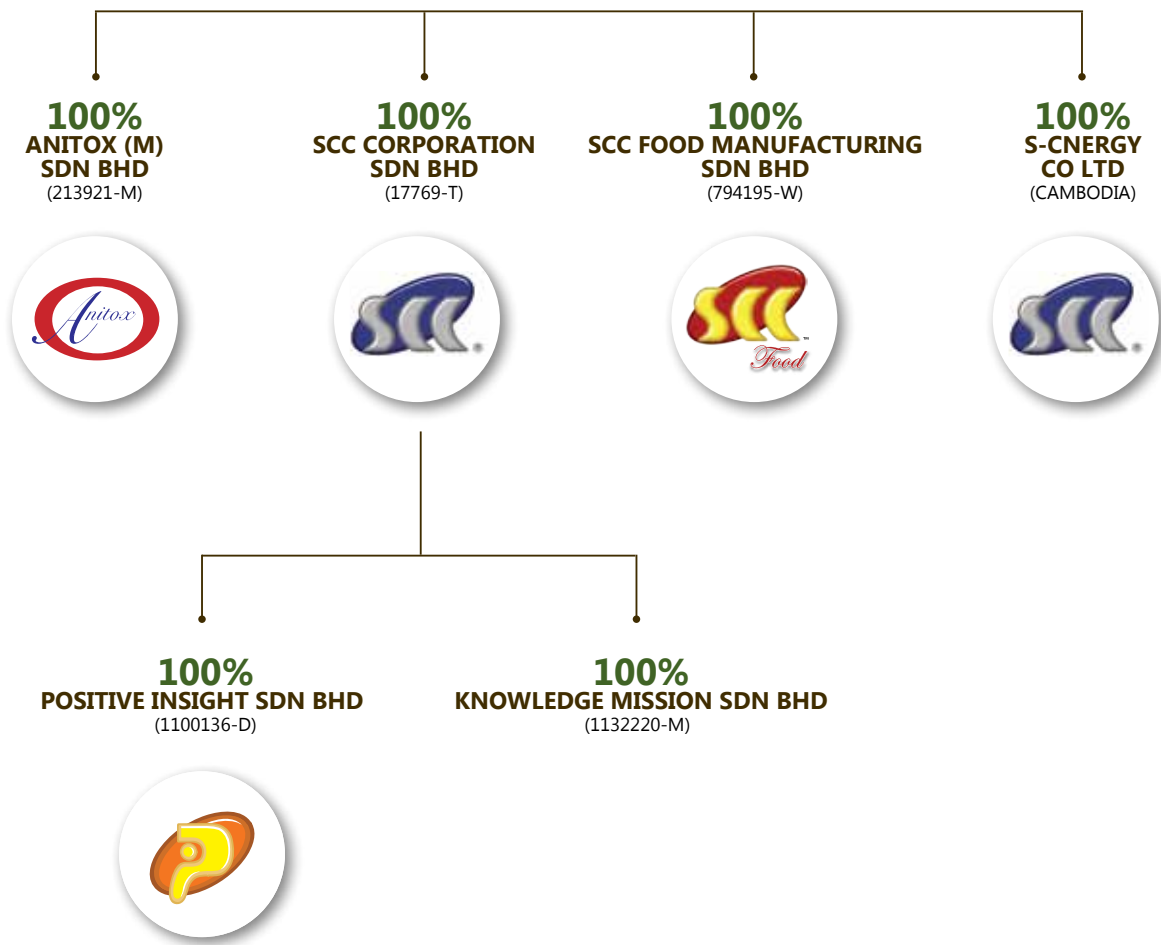
ACE Market
Bursa Malaysia Securities Berhad

Listed on 3 August 2010

CORPORATE STRUCTURE



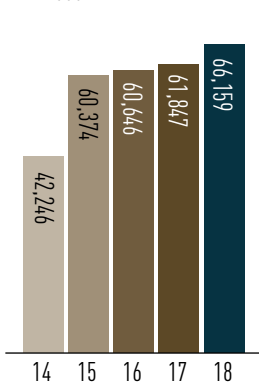
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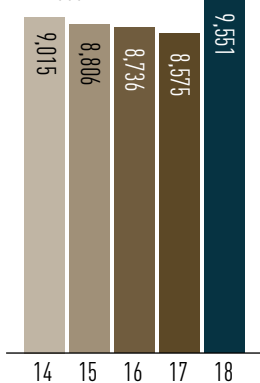
FINANCIAL HIGHLIGHTS

		2014	2015	2016	2017	2018
Revenue	RM'000	42,246	60,374	60,646	61,847	66,159
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	9,228	9,258	9,402	9,159	10,138
Profit For The Year Attributable to Equity Holders	RM'000	6,574	6,406	6,777	6,050	7,149
Profit For The Year Margin	%	15.56	10.61	11.17	9.50	10.81
Shareholders' Equity	RM'000	33,780	35,924	38,468	40,130	42,435
Return On Shareholders' Equity	%	19.46	17.83	17.62	15.08	16.85
Basic Earnings Per Share**	SEN	15.38	14.98	15.84	4.29	5.06
Interim and Special Dividend Per Share	SEN	10.00	10.00	10.00	6.60	3.40

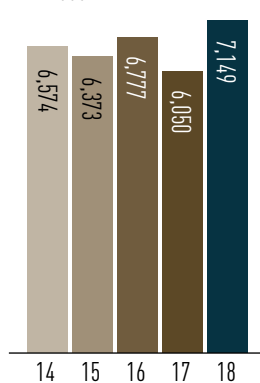
REVENUE
RM'000



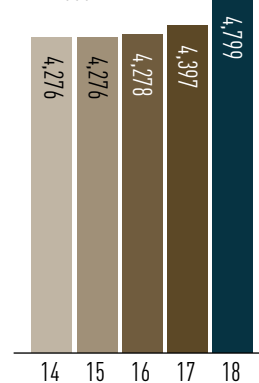
GROUP PBT
RM'000



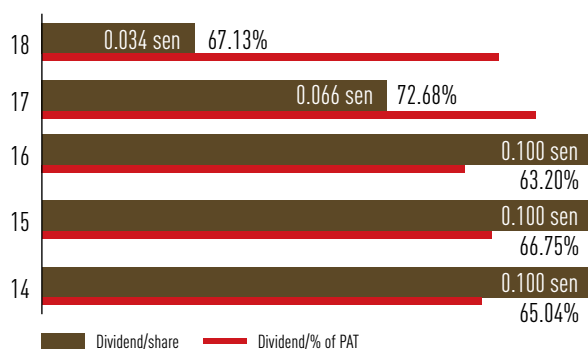
GROUP PAT
RM'000



DIVIDEND
RM'000



SCC HOLDINGS BHD DIVIDEND TREND *



SCC HOLDINGS BHD EPS (SEN) TREND *



* Adjusted for Bonus Issue and Share Split exercise in 2017

DIRECTORS' PROFILE

Chee Long Sing @ Cher Hwee Seng (Ben Cher)

Executive Chairman
Malaysian, aged 75, Male

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 47 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 five (5) Board meetings held during the financial year.

Cher Sew Seng (Francis Cher)

Managing Director
Malaysian, aged 69, Male

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 46 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 five (5) Board meetings held during the financial year.

Cher Lip Chun (Adam Cher)

Executive Director
Malaysian, aged 43, Male

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 14 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 all five (5) Board meetings held during the financial year.

Goh Ah Heng @ Goh Keng Chin

Executive Director
Malaysian, aged 73, Male

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 46 years of experience in the animal health products and foodservice equipment industry. He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any directors and/or major shareholders of the Company.

Chu Soo Meng

Executive Director
Malaysian, aged 54, Male

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 Foodservice 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 34 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 five (5) Board meetings held during the financial year.

DIRECTORS' PROFILE

(cont'd)

Dato' Ismail bin Hamzah

Independent Non-Executive Director
Malaysian, aged 73, Male

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 35 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, GUH Holdings Berhad and Jasa Kita Berhad.

He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any directors and/or major shareholders of the company.

Dato' Dr. Choong Tuck Yew

Independent Non-Executive Director
Malaysian, aged 80, Male

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 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.

He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any director and/or major shareholders of the company.

Datuk Wira Dr. Goy Hong Boon

Independent Non-Executive Director
Malaysian, aged 47, Male

He 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 various ICT businesses before setting up his own consulting business specializing in Merger & Acquisition, Corporate restructuring, Pre-Initial Public Offerings and project funding for SME company.

He graduated with a BBA degree in 1992 from American Intercontinental University of London (presently known as Regent's University London). He also holds an MBA from Oklahoma City University graduated in 1994. He also possesses a Doctorate degree (DBA) in Strategic Management. He was awarded 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 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.

He is the Executive Director cum Deputy Chairman of Peterlabs Holdings Berhad.

He has attended all five (5) Board meetings held during the financial year. He has no family relationship with any directors and/or major shareholders of the Company.

Other Information

- a. **Directorship in Public Companies and Listed Issuers**
Save for Dato' Ismail, Dato' Dr. Choong and Datuk Wira Dr. Goy Hong Boon, 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"), we 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 2018 and Audited Financial Statements of SCC Holdings Berhad and its subsidiaries ("Group" or "SCCHB Group") for the financial year ended 31 December 2018.

Year 2018 saw many changes for the first time in history domestically and internationally. The voices of the people become more powerful and they show them through the votes and even bring them to the streets. These matters bring new uncertainties to the market and create confusions and hesitation to the business world.

There will be more challenges in 2019 and we will be much more prudent in conducting business to face any difficulties that might be waiting for us.

We wish to extend our 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, we hope for a smooth, stable and prosperous 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

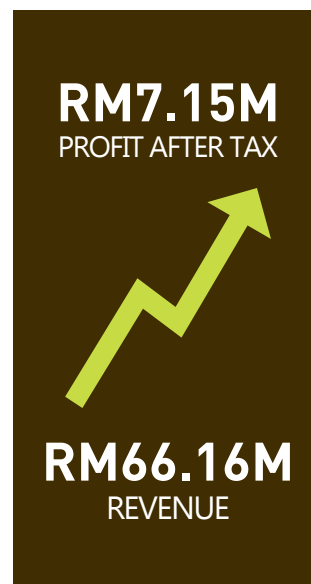
OVERVIEW OF BUSINESS AND OPERATIONS

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 and had been reclassified to Consumer Products and Services category in 2018.

Our group is involved in the business of distributing well-known brands of industrial-grade foodservice equipment and food supplies to the F&B markets which are widely used in restaurants, cafes, fast food restaurants and kiosks, cinemas and hypermarkets among others. We also supply animal health products to feed mills and livestock industries while our food manufacturing division produces food premixes for related industries.

The Group continues to explore new markets for its products and expand its customer base to reduce dependency on a few key customers to deliver maximum value to its stakeholders.

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



FINANCIAL PERFORMANCE REVIEW

Review on Statement of Comprehensive Income

During the year under review, the Group recorded the highest revenue of RM66.16m and highest profit after taxation of RM7.15m since its inception. The increase was spearheaded by our Foodservice Equipment Division ("FSED"), followed by Animal Health Products Division ("AHPD"), mainly attributed to higher demand from customers. However, Food Manufacturing Division ("SCCFM") recorded lower revenue amid a competitive operating environment.

In tandem with the increase in revenue by approximately 7%, our gross profit increase by approximately 8% due to a lower cost of sales. Despite the increase in revenue, selling and distribution costs incurred to support the revenue growth have decreased by 3% due to cost savings exercises and stringent cost controls in selling and distribution costs. Administrative and other operating expenses increased by 8% mainly due to higher staff expenses.

Profit before tax of the Group increased by approximately 11%, which is in line with the higher operating profit in FYE 2018.

Review on Statement of Financial Position

Non-current assets increased by almost 13% mainly due to purchase of fixed assets during the year under review in preparation for the upcoming projects.

The decrease in Trade Receivables by RM0.39m despite the increase in revenue of the Group is primarily due to improved collection during the financial year.

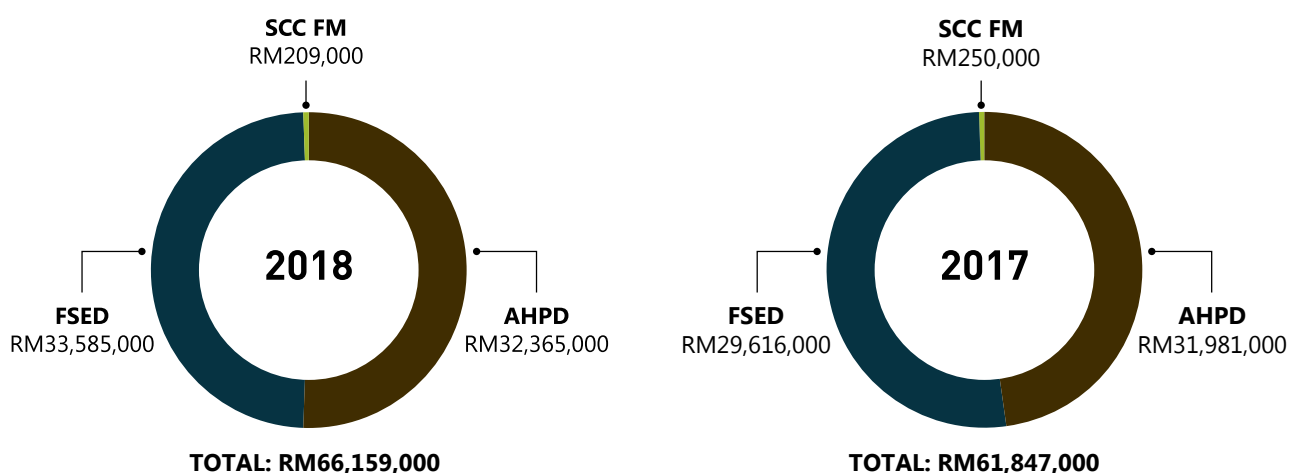
Inventories have increased mainly due to higher purchases towards end of the financial year in preparation of early festival season in 2019.

WORKING CAPITAL, LIQUIDITY

The Group continues to maintain a healthy cash flows position in FYE2018 with near zero gearing which places it in a favourable financial position to capture any future opportunity and stayed 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. Since its inception, the company has consistently payout dividend of more than 35% of the company's profit after tax to shareholders (please refer to page 4).



Group Revenue by Business Segment

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 marginally by RM0.38m or 1.2%. Its total revenue contribution for the year represented approximately 48.9% of the Group's total revenue.

The slight increase is mainly due to higher demand from its customers during the financial year. The feed additives and pathogen control market remain competitive with minimal new customers on board. We managed to sell more of the methionine, however the prices of amino acid tumble due to oversupply in the market during the financial year. Overall, we managed to sell 7.8% more in quantity, but the revenue improved by only 1.2%.

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 an increase in revenue of RM3.97m and improved approximately 13.4% from FYE 2017 and contributed 50.8% 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.

Despite most of our products carry premium pricing, due to excellence after sales service and support, the division continues to flourish. FSED managed to achieve a record breaking year with its' highest ever revenue since inception. We have added 2 additional international foodservice equipment brands to our products portfolio during the year and continue to work hard to command market leadership and offer more choices to customers.

Food Manufacturing (“SCCFM”)

For FYE2018, SCCFM recorded 16.4% decrease in revenue which represented 0.3% of total group revenue due to decrease in demands from chain restaurants.

The division 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.

SCCFM has expanded its manufacturing capability and capacity to cater for upcoming products and markets during the year, aiming for mid to long-term success.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

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 minimise 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.

Impact of Sales and Service Tax (SST)

Many of our imported products are subject to SST and thus increase our cost of goods sold. Many of our domestic suppliers and trade partners are also bound to charge us SST e.g. transports and forwarding service etc.

We are closely monitoring how much the impact of the SST would affect our bottom line and always in discussion with our business partners on how to mitigate the impact for win-win situation.

FUTURE PROSPECTS AND OUTLOOK

The Ministry of Finance (MoF) has forecast a growth rate of 4.9% for Malaysia next year, supported by sound domestic demand. According to the MoF's *Economic Report 2018/19*, titled *Fiscal Outlook 2019*, the private sector expenditure is expected to remain as the key driver of Malaysia's economic growth, cushioning the effects of lower public sector spending in 2018 and 2019.

However, the country is still being challenged by rising external headwinds, namely uncertainties coming from the ongoing trade tensions between the US and China, and also from the European Union (Brexit).

Nevertheless, the strengthening of the Ringgit against the USD in recent months could bring some relief to the Group as most of its supplies are transacted in USD.

A proposal by Malaysian Agriculture and Agro-based Industry that colistin (a type of antibiotic) to be banned in animal feed from 1 January 2019, could provide opportunities for AHPD to grow as we are a total antibiotic-free company.

For SCCFM, we are in advance stage of development of new recipe for new product and markets where we foresee would contribute significantly in the mid to long term time frame.

We have established a wholly own subsidiary in Cambodia to cater for the Foodservice industry in the country. Initial contribution will be insignificant but there is great business potential in the long term.

The Group despite the challenges it faces will continue its effort to align its business strategies and speed up diversification in order to mitigate the effects of rapid changing business environment.

The Board of Directors would exercise extra caution in conducting their duties during these periods and are optimistic of the Group's long term prospect.

SUSTAINABILITY STATEMENT

Sustainability has always been a part of the key value of the Group's culture since its inception in 1972. We recognize that we have a duty and responsibility to secure our future and to create long term values for our stakeholders which we identified as:

- i. Market Place
- ii. Environment
- iii. Social and Communities, and
- iv. Workplace

MARKET PLACE

Our Group is committed to maintain a proper framework to ensure that the business is running efficiently and transparently in the interest of all its stakeholders.

Shareholders and Investors

We emphasize on good corporate governance to gain shareholders confidence besides maximizing their values. We engage with shareholders through annual general meeting, disclosing timely and quality information via the Group's corporate website and they can contact us directly through e-mail and phone.

Customers

Our Group endeavours to create value for money for its customers by providing quality products and services through competitive pricing, excellence services and solutions. We always ensure that our core values such as integrity and honesty are upheld when dealing with customers. We ensure that all food products produced by us are easily marketable and are ISO22000 and HALAL certified to ensure the quality of our products and ease the worry of the customers.



Suppliers

We practice constant communication and maintain long term relationships with suppliers to build up trust and practice fair and ethical procurement policies. We believe that competitive advantages can be achieved through a robust supply chain.

Growth

Apart from all these, we also actively explore opportunities domestically and abroad to achieve sustainable business growth.

ENVIRONMENT

In line with our Group's mission which is "Green solutions for the future of the world and mankind", we strive to continuously reduce wastages in the organization. Our Group believes that monumental change can come from the simplest, smallest of changes. Hence, we have taken the initiative to begin our journey towards environmental sustainability by constantly educating our employees to use stationery and paper sparingly to protect the environment. On a larger scale, our Group is promoting sustainability via its very own non-antibiotics feed additives which are clean and have a green impact on animals, environment and food safety.

Report published by *Solid Waste Management and Public Cleansing Corporation (SWCorp)* shows the 55% of solid waste in Malaysia comprises food waste. By using our foodservice equipment such as vacuum packing machine and thermosealing machine, we can help to reduce the wastage using advance technology. Previously, we had introduced the low oil and energy saving fryers that are well received by our customers.



SUSTAINABILITY STATEMENT

(cont'd)



SOCIAL AND COMMUNITIES

We acknowledge that providing employment opportunities for all is the single most effective means of tackling poverty and social exclusion. Due to our business expansion, we are constantly providing employment opportunities to locals from all walks of life. The Group also places great importance in nurturing youngsters and preparing them for corporate and community leaderships. We welcome undergraduates with diversified backgrounds with open arms.

As we know, fund raising is the lifeblood of orphans in needs and children are the future pillars of the nation. Thus, our Group is making a conscious effort in supporting the annual charity fund raising bazaar organised by Angels Children's Home. The funds raised were contributed to the orphanage to support their daily operation cost and educational needs. Helping those who are underprivileged is our way of giving back to society.

WORKPLACE

The Group believes that employees are the most important assets of the organization. We encourage employees to actively participate in various activities such as weekly sporting events, bi-weekly morning assemblies, monthly corporate culture trainings and yearly get-together festive celebrations. These activities foster positive relationships among employees which in turn lead to harmonious and conducive working environment.

To equip the employees with up to date products knowledge and operation, regular trainings are provided on both soft and technical skills, so that they could face with whatever challenges that might be coming their way.

The Group recognises the importance of a safe and healthy working environment. Therefore, it has invested heavily on anti-electromagnetic radiation (Anti-EMR) equipment which reduces harmful, carcinogenic EMR exposure. In terms of safety, protective gears like safety boots and others are provided to employees to avoid workplace accidents.



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.

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 Corporate Governance Report (“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 Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) during the financial year ended 2018 (“FYE 2018”).

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.

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 involves 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, 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 MCCG 2017.

Tenure of Independent Directors

As at the reporting date, Dato’ Ismail bin Hamzah, Dato’ Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon have served more than nine (9) years as Independent Directors. The Board through its NC had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the BMSB AMLR and are able to provide objective and independent judgement in deliberation of the Board’s agenda. Based on the Board’s assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting (“AGM”) to retain them as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under the MCCG.

The Board’s and NC’s justification to retain Dato’ Ismail, Dato’ Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon are premised on the following:-

- Dato’ Ismail, Dato’ Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon continues to fulfil the criteria and definition of an Independent Director as set out under Rule 1.01 of Bursa Malaysia Listing Requirement.
- During their tenure in office, Dato’ Ismail, Dato’ Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon have not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director(s), major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their respective duties.
- During their tenure, Dato’ Ismail, Dato’ Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon have never transacted or entered into any transactions with, nor provide any services to the Company and its subsidiaries, the Executive Director(s), major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under paragraph 5 of the practice Note 13 of the Listing Requirements;
- During their tenure, Dato’ Ismail, Dato’ Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon have not been offered or granted any options by the Company. Other than directors’ fees paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to them by the Company;
- During their tenure, Dato’ Ismail, Dato’ Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon have demonstrated consistently their integrity, commitment and contributed effectively to the Board’s decision-making processes; and

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

IV. Board Composition (cont'd)

Tenure of Independent Directors (cont'd)

- During their tenure, Dato' Ismail, Dato' Dr. Choong Tuck Yew and Datuk Wira Dr. Goy Hong Boon have gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strength and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer.

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 18th AGM held on 28 May 2018 to pay the Directors Fees to the INEDs for the FYE 2017.

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.

The details of the remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2018 are as follows:

Director's Name	Director Fee	Salary and emoluments	Bonuses	EPF (Employer)	SOCSSO/EIS (Employer)	Benefits in Kind	Total
Chee Long Sing @ Cher Hwee Seng	-	360,000	157,547	31,353	1,186	21,250	571,336
Cher Sew Seng	-	480,000	210,377	41,723	1,186	10,625	743,911
Goh Ah Heng @ Goh Keng Chin	-	360,000	157,547	31,353	1,186	7,500	557,586
Chu Soo Meng	-	318,000	124,553	53,107	924	14,167	510,750
Cher Lip Chun	-	318,000	124,553	53,107	924	21,250	517,834
Dato' Ismail bin Hamzah	24,000	-	-	-	-	-	24,000
Dato' Dr. Choong Tuck Yew	24,000	-	-	-	-	-	24,000
Datuk Wira Dr. Goy Hong Boon	24,000	-	-	-	-	-	24,000
Total	72,000	1,836,000	774,577	210,643	5,404	74,792	2,973,417

Note :-

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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.

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 have 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 bi-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 bi-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.

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.

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 18th 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 2018, 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 five (5) 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, Assistant General 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	5/5
Dato' Ismail bin Hamzah	5/5
Datuk Wira Dr. Goy Hong Boon	5/5

Terms of Reference

The details of the terms of reference of the AC are available for reference at 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.

AUDIT COMMITTEE REPORT

(cont'd)

SUMMARY OF ACTIVITIES (CONT'D)

Financial Reporting (cont'd)

- b. Reviewed the audited financial statements of the Company and Group prior to submission to the Board for consideration and approval.
- c. 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.

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.

Internal Audit

- j. 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.
- k. Reviewed the adequacy of the scope and coverage of work and instructed specific audit area to be performed when needs arises.
- l. Received and discussed the internal audit reports after conclusion of every internal audit being carried out.

Related Party Transactions

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

Others

- n. 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 2018.

INTERNAL AUDIT FUNCTION

The Company engaged Messrs. CGRM Infocomm Sdn Bhd ("CGRM") as outsources Internal Auditors to carry put the internal audit function of the Company and its subsidiaries ("Group") for the financial year ended 31 December 2018.

The internal auditor reports directly to the AC on a half-yearly basis by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by internal auditor for the purpose of reporting at the subsequent AC meeting.

On 23 February 2018, CGRM tabled a report for AC's review covering the Corporate Governance.

On 23 November 2018, CGRM tabled a report for AC's review in respect of the Animal Health Product Division ("AHPD") (Sales Processing Management, Logistic Management, Collections Management); and follow-up on Internal Audit Report Issued in November 2017 for SSCC Food Manufacturing Sdn Bhd on Machineries Management.

The reports outlined the audit objective, scope of work, timeline, summary of tests and results, summary of effective controls, summary list of finding, detail findings together with the Internal Auditors' recommendations and the Management's responses.

The cost incurred for the outsourced independent internal audit services in respect of the financial year ended 31 December 2018 was RM30,750.00 (FYE 2017 – RM29,500.00).

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 RM63,000.00 for the financial year ended 31 December 2018.

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 financial year ended 31 December 2018.

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 financial year ended 31 December 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Statement on Risk Management and Internal Control by the Board on the Group is made pursuant 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 staffs 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.

Activities of the RMC are also being highlighted during Board meetings to the AC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

RISK MANAGEMENT (CONT'D)

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.

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 targeted and previous year's results, 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 periodically 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.

We have updated to the new ISO9001:2015 standard which have a section that covers risk management during the year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

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, whom 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.

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 2018. 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 2019.

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 2018.

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	7,149	4,754

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 RM0.017 per ordinary share in respect of the financial year ended 31 December 2018 on 27 July 2018	2,399
An interim single-tier dividend of RM0.017 per ordinary share in respect of the financial year ended 31 December 2018 on 22 January 2019	2,400
	<u>4,799</u>

The Directors do not recommend a final dividend to be paid in respect of the financial year ended 31 December 2018.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares and debentures during the financial year.

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 31.12.2018
	At 1.1.2018	Bought	Sold	
Interests in the Company				
Direct interests:				
Chee Long Sing @ Cher Hwee Seng	30,686,784	-	-	30,686,784
Cher Lip Chun	824,802	-	-	824,802
Cher Sew Seng	19,397,847	-	-	19,397,847
Goh Ah Heng @ Goh Keng Chin	11,810,445	-	-	11,810,445
Chu Soo Meng	99,000	-	-	99,000
Dato' Dr. Choong Tuck Yew	66,000	-	-	66,000
Indirect interests:				
Chee Long Sing @ Cher Hwee Seng #	618,489	-	-	618,489
Cher Sew Seng *	1,482,500	-	-	1,482,500
Cher Lip Chun ^	66,000	-	-	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' REPORT

(cont'd)

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 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 make any allowance for doubtful debts in the financial statements of the Group and of the Company or the amount written off for bad debts 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 of the Group and of the Company which would render any amount stated in the financial statements 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.
- (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 Note 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 2019.

CHEE LONG SING @ CHER HWEE SENG

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 26 to 89 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and their 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 2019.

CHEE LONG SING @ CHER HWEE SENG

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 26 to 89 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 2019) WONG POW YEE

Before me,

W710
Mohan A. S. Maniam

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 2018 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 26 to 89.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the 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(c) and the disclosures of trade receivables and credit risk in Note 9 and Note 30(b)(i) to the financial statements respectively.</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"> • Developing understanding of the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculation; • 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; • Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables; • Evaluated and tested the credit process in place to assess and manage the recoverability of trade receivables; • Critically assessed recoverability of receivables that were past due but not impaired with reference to their historical records and repayment trends; • 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 • Assessing the reasonableness of impairment charges for identified credit exposures. <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.
- 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.

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

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

- 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

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 WOUI
Approved Number: 02969/05/2020J
Chartered Accountant

KUALA LUMPUR

3 April 2019

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	4	5,542	4,896	-	-
Investments in subsidiary companies	5	-	-	16,300	16,300
Goodwill on consolidation	6	8	8	-	-
Investment securities	7	66	68	-	-
		<u>5,616</u>	<u>4,972</u>	<u>16,300</u>	<u>16,300</u>
Current Assets					
Inventories	8	7,948	6,841	-	-
Trade receivables	9	15,015	15,402	-	-
Other receivables	10	3,215	605	66	2
Amounts due from subsidiary companies	11	-	-	6,632	6,267
Tax recoverable		126	107	35	28
Other investments	12	13,697	14,324	6,284	6,626
Cash and bank balances		6,769	6,443	678	895
		<u>46,770</u>	<u>43,722</u>	<u>13,695</u>	<u>13,818</u>
Total Assets		<u>52,386</u>	<u>48,694</u>	<u>29,995</u>	<u>30,118</u>
EQUITY					
Share capital	13	24,079	24,079	24,079	24,079
Reserves	14	18,356	16,051	3,390	3,435
Total Equity		<u>42,435</u>	<u>40,130</u>	<u>27,469</u>	<u>27,514</u>
LIABILITIES					
Non-current Liability					
Deferred tax liabilities	16	92	200	-	-
		<u>92</u>	<u>200</u>	<u>-</u>	<u>-</u>
Current Liabilities					
Trade payables	17	5,044	3,731	-	-
Other payables	18	3,787	3,757	2,526	2,604
Finance lease liabilities	15	-	25	-	-
Bank borrowings	19	127	276	-	-
Tax payables		901	575	-	-
		<u>9,859</u>	<u>8,364</u>	<u>2,526</u>	<u>2,604</u>
Total Liabilities		<u>9,951</u>	<u>8,564</u>	<u>2,526</u>	<u>2,604</u>
Total Equity and Liabilities		<u>52,386</u>	<u>48,694</u>	<u>29,995</u>	<u>30,118</u>

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	20	66,159	61,847	8,921	8,747
Cost of sales		(42,698)	(40,144)	-	-
Gross profit		23,461	21,703	8,921	8,747
Other income		1,046	1,190	216	179
Selling and distribution expenses		(5,136)	(5,270)	(38)	(26)
Administrative expenses		(9,815)	(9,135)	(4,353)	(3,950)
Net impairment loss on trade receivables	22	(5)	87	-	-
Finance costs	21	-	(2)	-	-
Profit before taxation	22	9,551	8,573	4,746	4,950
Taxation	23	(2,402)	(2,523)	8	(8)
Net profit for the financial year		7,149	6,050	4,754	4,942
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
- Fair value (loss)/gain of fair value through other comprehensive income		(2)	14	-	-
Total comprehensive income for the financial year		7,147	6,064	4,754	4,942
Net profit for the financial year attributable to:					
Owners of the Company		7,149	6,050	4,754	4,942
Total comprehensive income attributable to:					
Owners of the Company		7,147	6,064	4,754	4,942
Earnings per share:					
- Basic	24	5.06	4.29		
- Diluted	24	5.06	4.29		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Note	← Attributable to Owners of the Parent →					Total RM'000
		← Non-Distributable →		Fair value Reserve RM'000	< Distributable >		
		Share Capital RM'000	Share Premium RM'000			Retained Earnings RM'000	
At 1 January 2018, as previously stated		24,079	-	72	15,979	40,130	
Opening balance adjustment from adoption of MFRS 9		-	-	-	(43)	(43)	
At January 2018, as restated		24,079	-	72	15,936	40,087	
Net profit for the financial year		-	-	-	7,149	7,149	
Other comprehensive loss for the financial year		-	-	(2)	-	(2)	
Total comprehensive (loss)/ income for the financial year		-	-	(2)	7,149	7,147	
Transaction with owners:							
Dividends paid/payable	25	-	-	-	(4,799)	(4,799)	
At 31 December 2018		24,079	-	70	18,286	42,435	
At 1 January 2017		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	
Total comprehensive income for the financial year		-	-	14	6,050	6,064	
Transactions with owners:							
Dividends paid/payable	25	-	-	-	(4,397)	(4,397)	
Share issuance expenses		-	(5)	-	-	(5)	
Total transactions with owners		-	(5)	-	(4,397)	(4,402)	
Transfer in accordance with Section 618(2) of the Companies Act, 2016	13, 14	2,691	(2,691)	-	-	-	
At 31 December 2017		24,079	-	72	15,979	40,130	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(cont'd)

Company	Note	← Attributable to Owners of the Parent →			Total RM'000
		← Non-Distributable Share Capital RM'000	Share Premium RM'000	<Distributable> Retained Earnings RM'000	
At 1 January 2018		24,079	-	3,435	27,514
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	4,754	4,754
Transaction with owners:					
Dividends paid/payable	25	-	-	(4,799)	(4,799)
At 31 December 2018		24,079	-	3,390	27,469
At 1 January 2017		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
Transactions with owners:					
Issuance of ordinary shares		-	(5)	-	(5)
Dividends paid/payable	25	-	-	(4,397)	(4,397)
Total transactions with owners		-	(5)	(4,397)	(4,402)
Transfer in accordance with Section 618(2) of the Companies Act, 2016	13, 14	2,691	(2,691)	-	-
At 31 December 2017		24,079	-	3,435	27,514

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash Flows From Operating Activities				
Profit before taxation	9,551	8,573	4,746	4,950
Adjustments for:				
Bad debts written off	7	-	-	-
Depreciation of property, plant and equipment	587	665	-	-
Dividend income	-	(1)	(5,333)	(5,159)
Fair value gain of financial assets	(602)	(463)	(207)	(154)
Impairment losses on trade receivables	103	52	-	-
Interest expense	-	2	-	-
Plant and equipment written off	5	-	-	-
Gain on disposal of property, plant and equipment	(14)	(28)	-	-
Interest income	(74)	(81)	(9)	(24)
Reversal of impairment losses on trade receivables	(98)	(139)	-	-
Reversal of inventories written down	-	(288)	-	-
Unrealised loss on foreign exchange	(5)	47	-	-
Operating profit before working capital changes	9,460	8,339	(803)	(387)
Changes in working capital:				
Inventories	(1,107)	1,773	-	-
Trade receivables	332	(2,224)	-	-
Other receivables	(2,641)	28	(64)	5
Trade payables	1,304	(1,194)	-	-
Other payables	(110)	44	(220)	131
Subsidiary companies	-	-	(365)	(35)
	(2,222)	(1,573)	(649)	101
Cash generated from/(used in) operations	7,238	6,766	(1,452)	(286)
Tax refund	130	-	18	39
Tax paid	(2,335)	(1,755)	(18)	(17)
	(2,205)	(1,755)	-	22
Net cash from/(used in) operating activities	5,033	5,011	(1,452)	(264)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(cont'd)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Investing Activities				
Interest received	74	81	9	24
Dividend received	-	1	5,333	5,159
Purchase of property, plant and equipment	(1,239)	(182)	-	-
Net changes in investment securities and other investments	1,229	628	550	(1,500)
Proceeds from disposal of property, plant and equipment	15	88	-	-
Net cash from investing activities	<u>79</u>	<u>616</u>	<u>5,892</u>	<u>3,683</u>
Cash Flows From Financing Activities				
Interest paid	-	(2)	-	-
Dividend paid	(4,657)	(4,278)	(4,657)	(4,278)
Repayment of finance lease liabilities	(25)	(67)	-	-
Share issuance expenses	-	(5)	-	(5)
Net cash used in financing activities	<u>(4,682)</u>	<u>(4,352)</u>	<u>(4,657)</u>	<u>(4,283)</u>
Net changes in cash and cash equivalents	430	1,275	(217)	(864)
Cash and cash equivalents at beginning of the financial year	6,167	4,929	895	1,759
Effect of exchange translation differences on cash and cash equivalent	45	(37)	-	-
Cash and cash equivalents at end of the financial year	<u>6,642</u>	<u>6,167</u>	<u>678</u>	<u>895</u>
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	6,769	6,443	678	895
Bank overdraft	(127)	(276)	-	-
	<u>6,642</u>	<u>6,167</u>	<u>678</u>	<u>895</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below:

Adoption of new and amended standards

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

MFRS 9	<i>Financial Instruments (IFRS 9 issued by IASB in July 2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to MFRS 4	<i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>
Amendments to MFRS 15	<i>Clarifications to MFRS 15</i>
Amendments to MFRS 140	<i>Transfers of Investment Property</i>
Annual Improvements to MFRSs 2014 – 2017 Cycle:	
• Amendments to MFRS 1	
• Amendments to MFRS 128	

The adoption of the MFRSs, amendments to MFRSs and interpretations did not have any significant impact on the financial statements of the Group and of the Company, except for:

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company generally applied MFRS 9 retrospectively. Nevertheless, as permitted by MFRS 9, the Company has elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

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

(a) Classification of financial assets

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 Financial Instruments: Recognition and Measurement categories of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in OCI (provided the instruments is not held for trading). The Group changed the measurements of the investments in equity instruments previously held as available-for-sale to FVTOCI.

(b) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and to the Company.

(c) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company require to record ECL on all of its loans and receivables, either on a 12-months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group and the Company have accounted for expected credit losses and changes in these expected credit losses of each reporting date to reflect changes in credit risk since initial recognition.

(d) Effect of changes in classification of financial assets on 1 January 2018

	As at 1.1.2018 RM'000	Reclassification to MFRS 9	
		AC RM'000	FVTOCI RM'000
Group			
Financial assets			
<u>Loans and receivables</u>			
Trade receivables	15,402	15,402	-
Other receivables	299	299	-
Cash and bank balances	6,443	6,443	-
<u>Available-for-sale</u>			
Investment securities	68	-	68
Company			
Financial assets			
<u>Loans and receivables</u>			
Other receivables	2	2	-
Amounts due from subsidiary companies	6,267	6,267	-
Cash and bank balances	895	895	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
 (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

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

(d) Effect on impairment allowance on 1 January 2018

RM'000

Group

Impairment of trade receivables

At 1 January 2018, as previously stated 303

Opening balance adjustments from adoption of MFRS 9 43

At 1 January 2018, as restated 346

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and the Company using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Accordingly, the comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

In applying the modified retrospective method, the Group and the Company applied the following practical expedients:

- for completed contracts that begin and end within the same annual reporting period were not restated; and
- for completed contracts that have variable consideration, transaction price at the date the contract was completed was used rather than estimating variable consideration amounts in the comparative reporting periods.

The adoption of MFRS 15 resulted in changes in accounting policies as stated below has no material financial impact other than reclassification of consideration paid to customers previously in distribution costs to revenue.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Adoption of new and amended standards (cont'd)

(ii) MFRS 15 Revenue from Contracts with Customers (cont'd)

(a) Changes to accounting policies

(i) Customer loyalty programme

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle to redeem gifts. The consideration received from sale of goods was allocated to the loyalty programme using the fair value of points issued, and recognition of deferred revenue in relation to points issued but not yet redeemed or expired.

Under MFRS 15, the loyalty points give rise to a separate performance obligation because they provide material right to the customer. The transaction price is allocated to the products and the points awarded to customers on a relative stand-alone selling price basis. A contract liability is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire 12 months after the initial sale. A contract liability is recognised until the points are redeemed or expire.

(ii) Accounting for consideration payable to customer

The Group offers promotions to its customers, and recognised these as promotion costs in profit or loss as occurred. Under MFRS 15, consideration payable to a customer are accounted for as a reduction of the transaction price and therefore, of revenue.

Impact arising from adoption of MFRS 9 on the Group's financial statements are as follows:

	As at 1.1.2018 as previously stated RM'000	MFRS 9 Adjustment RM'000	As at 1.1.2018 as restated RM'000
Group			
Trade receivables	15,402	(43)	15,359
Retained earnings	(15,979)	43	(15,936)

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31 DECEMBER 2018
 (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 16	1 January 2019
IC Interpretation 23	1 January 2019
Amendments to MFRS 9	1 January 2019
Amendments to MFRS 119	1 January 2019
Amendments to MFRS 128	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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments MFRS 3	1 January 2020
Amendments MFRS 101	1 January 2020
MFRS 17	1 January 2021
Amendments to MFRS 10 and MFRS 128	Deferred until further notice

The Group and the Company plan to apply the abovementioned accounting standards, interpretation and amendments when they become effective, except for MFRS 17 *Insurance Contracts*, as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group and the Company except as mentioned below:

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.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

MFRS 16 Leases (cont'd)

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 impact of MFRS 16 is currently being assessed by management.

(b) Functional and presentation currency

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

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (cont'd)

Key sources of estimation uncertainty (cont'd)

Impairment of trade receivables

The Group reviews the recoverability of its receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The customer's credit worthiness is evaluated by reviewing, amongst others, the Group's historical collection experience.

The carrying amounts at the reporting date for trade receivables are disclosed in Note 9 to the financial statements.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the expected value method, whereby the transaction price is determined by reference to the sum of probability-weighted amounts in a range of possible consideration amounts.

There is no significant financing as the period between the transfer of control of good or service to a customer and the payment date is always less than one year, and no non-cash consideration noted in the contracts with customers.

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 2018, the Group has approximate tax recoverable and payable of RM126,000 (2017: RM107,000) and RM901,000 (2017: RM575,000) respectively.

Customer loyalty programme

The Group operates a customer loyalty programme that provide points awards to customers based on accumulated purchase made which entitled to redeem gift. A portion of the revenue attributable to the awards of point for is deferred until they are utilised or expired. The deferral of the revenue is estimated based on historical trends of breakage upon redemption, which is then used to project the expected utilisation of these benefits.

As at 31 December 2018, no deferral revenue had been recognised as the customer loyalty programme was ended during the financial year.

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 9 Financial Instruments, 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(h)(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
31 DECEMBER 2018
(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 (i.e. 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(h)(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(h)(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:

Buildings	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.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assume 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

As lessee (cont'd)

(i) Finance lease (cont'd)

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.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company do 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.

Leasehold land which in substance is an operating lease is classified as a prepaid land lease payment.

As lessor

Leases in which the Group or the Company do 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 instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 Financial Instruments, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

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

Policy applicable from 1 January 2018

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

Policy applicable before 1 January 2018

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Policy applicable from 1 January 2018

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

(a) Amortised cost

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(ii)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

Equity investments

This category comprises investment in equity that is not held for trading, and the Group or the Company irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by- investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 3(h)(ii)).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Policy applicable before 1 January 2018

In the previous financial year, financial assets of the Company were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurement as follows:

(a) 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.

(b) 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.

(c) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities

Policy applicable from 1 January 2018

The categories of financial liabilities at initial recognition are as follows:

(a) Amortised cost

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

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Policy applicable before 1 January 2018

In the previous financial year, financial liabilities of the Group or of Company were subsequently measured at financial liabilities measured at amortised cost.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

Policy applicable from 1 January 2018

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(iv) Financial guarantee contracts

Policy applicable before 1 January 2018

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.

(v) Derecognition

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

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

(vi) Offsetting

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

(f) 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.

(g) Cash and cash equivalent

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, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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) on a pro rata basis.

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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

Policy applicable from 1 January 2018

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

Policy applicable from 1 January 2018 (cont'd)

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

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

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

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

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

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

Policy applicable before 1 January 2018

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

Policy applicable before 1 January 2018 (cont'd)

Financial assets carried at amortised cost (cont'd)

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.

(i) 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 an equity instrument is recognised directly in equity.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Provisions (cont'd)

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.

(k) 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.

(l) Revenue recognition

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(i) Sale of goods

Revenue from sale of goods is recognised when control of the products has transferred, being the products are delivered to the customer.

Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes.

(ii) Revenue from other sources

(a) 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.

(b) Dividend income

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

(c) Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue recognition (cont'd)

(ii) Revenue from other sources (cont'd)

(d) Management fee

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

(m) 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.

(n) 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 financial 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
 (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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.

(p) 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.

(q) Contingent 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.

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
2018						
Cost						
At 1 January	3,518	1,893	1,090	1,900	1,002	9,403
Additions	-	191	37	382	629	1,239
Disposals	-	(63)	-	(271)	-	(334)
Written off	-	(8)	-	-	-	(8)
At 31 December	3,518	2,013	1,127	2,011	1,631	10,300
Accumulated depreciation						
At 1 January	810	1,298	669	1,386	344	4,507
Charge for the financial year	71	105	82	218	111	587
Disposals	-	(62)	-	(271)	-	(333)
Written off	-	(3)	-	-	-	(3)
At 31 December	881	1,338	751	1,333	455	4,758
Carrying amount						
At 31 December	2,637	675	376	678	1,176	5,542

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

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

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
2017						
Cost						
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	<u>3,518</u>	<u>1,893</u>	<u>1,090</u>	<u>1,900</u>	<u>1,002</u>	<u>9,403</u>
Accumulated depreciation						
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	<u>810</u>	<u>1,298</u>	<u>669</u>	<u>1,386</u>	<u>344</u>	<u>4,507</u>
Carrying amount						
At 31 December	<u>2,708</u>	<u>595</u>	<u>421</u>	<u>514</u>	<u>658</u>	<u>4,896</u>

(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:

	Group	
	2018 RM'000	2017 RM'000
Freehold land	1,143	1,143
Buildings	1,220	1,282
	<u>2,363</u>	<u>2,425</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:

	Group	
	2018 RM'000	2017 RM'000
Motor vehicles	-	18

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
 (CONT'D)

5. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2018	2017
	RM'000	RM'000
At cost		
In Malaysia		
Unquoted equity shares	16,300	16,300

Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest		Principal activities
		2018	2017	
		%	%	
Direct holding:				
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.
Held through SCCC:				
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	
	2018	2017
	RM'000	RM'000
At 1 January/31 December	8	8

6. GOODWILL ON CONSOLIDATION (CONT'D)

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.

7. INVESTMENT SECURITIES

	2018	Group
	RM'000	2017
		RM'000
Non-current		
Fair value through other comprehensive income		
Quoted securities in Malaysia		
- Equity instruments, at fair value	66	68

The movements are as below:

	2018	Group
	RM'000	2017
		RM'000
At 1 January	68	54
Fair value adjustment	(2)	14
At 31 December	66	68

At 1 January 2018, the Group designated the investments as equity securities at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes. In previous financial year, these investments were classified as available-for-sale.

8. INVENTORIES

	2018	Group
	RM'000	2017
		RM'000
At cost, finished goods:		
Food service equipment	4,918	4,433
Animal health products	2,735	2,316
Food service supplies	289	92
E-commerce stocks	6	-
	7,948	6,841

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
 (CONT'D)

8. INVENTORIES (CONT'D)

	Group	
	2018	2017
	RM'000	RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	41,764	39,352
Reversal of inventories written down	-	(288)

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

9. TRADE RECEIVABLES

	Group	
	2018	2017
	RM'000	RM'000
Trade receivables	15,366	15,705
Less: Accumulated impairment losses	(351)	(303)
	<u>15,015</u>	<u>15,402</u>

The Group's normal credit terms range from 30 to 120 days (2017: 30 to 120 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.

10. OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other receivables	109	61	39	-
Deposits	350	238	27	2
Prepayments	2,756	301	-	-
GST recoverable	-	5	-	-
	<u>3,215</u>	<u>605</u>	<u>66</u>	<u>2</u>

11. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

12. OTHER INVESTMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Financial assets at fair value through profit or loss:				
- Unquoted money market fund	13,697	14,324	6,284	6,626

13. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2018 Units'000	2017 Units'000	2018 RM'000	2017 RM'000
Issued and fully paid shares				
At 1 January	141,161	42,776	24,079	21,388
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	141,161	24,079	24,079

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.

Share Premium

	Group and Company	
	2018 RM'000	2017 RM'000
Non-distributable		
At 1 January	-	2,696
Share issuance shares	-	(5)
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	-	(2,691)
At 31 December	-	-

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of shares. As disclosed above, the share premium had become part of the Company's share capital.

In accordance with the transitional provisions set out in Section 618(2) of Companies Act 2016 (the "Act"), on 31 January 2017, the amounts standing to the credit of the share premium account becomes part of the Company's share capital. The Company had 24 months from the commencement of the Act, to utilise the amount standing to the credit of its share premium account of RM2,691,000 for purposes as set out in Sections 618(3) of the Act. As at the date of issuance of the financial statements, the Company did not utilise the share premium account.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
 (CONT'D)

14. RESERVES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable				
Fair value reserve	70	72	-	-
Distributable				
Retained profits	18,286	15,979	3,390	3,435
	<u>18,356</u>	<u>16,051</u>	<u>3,390</u>	<u>3,435</u>

Fair Value Reserve

	Group	
	2018 RM'000	2017 RM'000
Non-distributable		
At 1 January	72	58
Fair value (loss)/gain on financial asset at fair value through other comprehensive income	(2)	14
At 31 December	<u>70</u>	<u>72</u>

Fair value reserve represents the cumulative net fair value changes in the financial assets at fair value through other comprehensive income financial assets until they are derecognised or impaired.

15. FINANCE LEASE LIABILITIES

	Group	
	2018 RM'000	2017 RM'000
Minimum lease payments:		
Within one year	-	25
Less: Future finance charge	-	* -
Present value of minimum lease payments	<u>-</u>	<u>25</u>
Present value of minimum lease payments:		
Within one year	<u>-</u>	<u>25</u>
Analysed as:		
Repayable within twelve months	<u>-</u>	<u>25</u>

* Denotes less than RM1,000

Obligations under finance leases

These obligations were secured by a charge over the leased assets as disclosed in Note 4 to the financial statements. The interest rate for the leases is Nil (2017: 2.29%) per annum.

16. DEFERRED TAX LIABILITIES

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	200	77
Recognised in profit or loss	(108)	123
At 31 December	92	200

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

	Group	
	2018	2017
	RM'000	RM'000
Deferred tax assets	(67)	-
Deferred tax liabilities	159	200
	92	200

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

Deferred Tax Assets of the Group

	Unabsorbed capital allowances RM
Group	
2018	
At 1 January	-
Recognised in profit or loss	(67)
At 31 December	(67)
2017	
At 1 January/31 December	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
 (CONT'D)

16. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax assets and deferred tax liabilities and assets are as follows (cont'd):

Deferred Tax Liabilities of the Group

	Accelerated Capital Allowance RM'000
Group	
2018	
At 1 January	200
Recognised in profit or loss	(41)
At 31 December	<u>159</u>
2017	
At 1 January	77
Recognised in profit or loss	123
At 31 December	<u>200</u>

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unused tax losses	1,315	664	1,075	468
Unabsorbed capital allowances	21	-	-	-
	<u>1,336</u>	<u>664</u>	<u>1,075</u>	<u>468</u>

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 or they have arisen in subsidiary companies that have a recent history of losses.

17. TRADE PAYABLES

Credit terms of trade payables of the Group ranged from 30 to 90 days (2017: 30 to 90 days) from the date of invoices.

18. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables	249	256	-	23
Dividend payables	2,400	2,258	2,400	2,258
Deposits	366	242	-	-
Accruals	754	762	126	111
GST payable	18	239	-	212
	<u>3,787</u>	<u>3,757</u>	<u>2,526</u>	<u>2,604</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

19. BANK BORROWINGS

	Group	
	2018	2017
	RM'000	RM'000
Current Secured Bank overdraft	127	276

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	
	2018	2017
	%	%
Bank overdraft	BLR + 7.95%	BLR + 7.95%

20. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Trading sales				
- food service equipment	33,585	29,616	-	-
- animal health products	32,365	31,981	-	-
- food service supplies	209	250	-	-
Dividend income	-	-	5,333	5,159
Management fees	-	-	3,588	3,588
	66,159	61,847	8,921	8,747

The timing of revenue recognition is at a point in time.

21. FINANCE COSTS

	Group	
	2018	2017
	RM'000	RM'000
Interest expense on:		
- Finance leases	-	2

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22. PROFIT BEFORE TAXATION

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration (Note a)	63	67	19	20
Bad debts written off	7	-	-	-
Depreciation of property, plant and equipment	587	665	-	-
Dividend income	-	(1)	(5,333)	(5,159)
Fair value gain on financial assets	(602)	(463)	(207)	(154)
Impairment losses on trade receivable	103	52	-	-
Reversal of impairment loss on trade receivables	(98)	(139)	-	-
Net impairment loss	5	(87)	-	-
Property, plant and equipment written off	5	-	-	-
Rental expenses on:				
- parking lot	5	5	5	5
- premises	809	526	-	-
(Gain)/Loss on foreign exchange				
- realised	(5)	(141)	-	-
- unrealised	(5)	47	-	-
Gain on disposal of property, plant and equipment	(14)	(28)	-	-
Interest income	(74)	(81)	(9)	(24)
Rental income	(180)	(179)	-	-
Reversal of inventories written down	-	(288)	-	-

(a) Auditors' remuneration

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors of the Company				
- Statutory audit				
- current financial year	58	58	14	14
- over provision in prior years	-	(2)	-	(5)
	58	56	14	9
Other auditors				
- Non-statutory audit				
- under provision in prior years	5	11	5	11
	63	67	19	20

23. TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax expenses recognised in profit or loss				
Malaysian statutory tax:				
- Current tax provision	2,686	2,298	-	7
- (Over)/Under provision in prior years	(176)	102	(8)	1
	2,510	2,400	(8)	8
Deferred tax				
- Origination and reversal of temporary differences	-	(41)	-	-
- (Over)/Under provision in prior years	(108)	164	-	-
	(108)	123	-	-
	2,402	2,523	(8)	8

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

A reconciliation of income tax expenses applicable to profit before taxation 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	9,551	8,573	4,746	4,950
At Malaysian statutory tax rate of 24% (2017: 24%)	2,292	2,058	1,139	1,188
Expenses not deductible for tax purposes	390	247	43	43
Income not subject to tax	(160)	(100)	(1,327)	(1,273)
Deferred tax assets not recognised during the financial year	164	52	145	49
(Over)/Under provision of taxation in prior years	(176)	102	(8)	1
(Over)/Under provision of deferred taxation of prior years	(108)	164	-	-
	2,402	2,523	(8)	8

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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	
	2018	2017
	RM'000	RM'000
Profit attributable to owners of the Company	7,149	6,050
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of financial year	141,161	42,776
Effect of issuance of ordinary shares pursuant to:		
- Bonus issue	-	4,278
- Share split	-	94,107
Weighted average number of ordinary shares in issue	141,161	141,161
Basic earnings per ordinary share (sen):	5.06	4.29

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.

25. DIVIDENDS

	Group and Company	
	2018	2017
	RM'000	RM'000
Interim dividends paid in respect of the financial year ended:		
- 31 December 2018 (single-tier dividend of 1.7 sen per ordinary share)	2,400	-
- 31 December 2018 (single-tier dividend of 1.7 sen per ordinary share)	2,399	-
- 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
	4,799	4,397

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26. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and others	8,074	7,387	3,632	3,213
EPF	997	915	343	299
Other related expenses	156	225	25	35
Benefits-in-kinds	74	93	74	93
	<u>9,301</u>	<u>8,620</u>	<u>4,074</u>	<u>3,640</u>

The employee benefits expenses of 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		Payment	At
	1 January	Additions	RM'000	31 December
	RM'000	RM'000		RM'000
Group				
2018				
Finance lease liabilities	25	-	(25)	-
Dividend payable	2,258	4,799	(4,657)	2,400
	<u>2,283</u>	<u>4,799</u>	<u>(4,682)</u>	<u>2,400</u>
2017				
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>
Company				
2018				
Dividend payable	2,258	4,799	(4,657)	2,400
2017				
Dividend payable	2,139	4,397	(4,278)	2,258

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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:

	2018	2017
	RM'000	RM'000
Group		
Rental paid		
- McDota (M) Sdn. Bhd.*	48	48
- Mr Cher Hwee Seng	108	108
- Sim Ah Choon#	60	60
Company		
Management fee income		
- 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
Dividend income		
- SCC Corporation Sdn. Bhd.	3,213	3,359
- Anitox (M) Sdn. Bhd.	2,120	1,800

* A company in which certain Directors have substantial financial interests

Spouse of Mr Cher Sew Seng

28. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

The key management personnel compensation is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	2,616	2,436	2,434	2,254
EPF	211	195	199	183
	2,827	2,631	2,633	2,437
Benefits-in-kind	74	93	74	93
	2,901	2,724	2,707	2,530
Non-Executive:				
Fees	72	72	72	72
	2,973	2,796	2,779	2,602
Other key management personnel				
Salaries and other emoluments	1,576	1,948	-	409
EPF	189	236	-	49
	1,765	2,184	-	458
Total	4,738	4,980	2,779	3,060

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:

- (a) 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.
- (b) 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.
- (c) 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.

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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
2018						
Revenue						
External customers	33,585	32,365	209	66,159	-	66,159
Inter-segment:						
- Sales	-	-	3,142	3,142	(3,142)	-
- Management fee income	-	-	3,588	3,588	(3,588)	-
- Dividend income	-	-	5,333	5,333	(5,333)	-
Total revenue	<u>33,585</u>	<u>32,365</u>	<u>12,272</u>	<u>78,222</u>	<u>(12,063)</u>	<u>66,159</u>
Results						
Fair value gain on financial assets	-	97	534	631	-	631
Gain on disposal of property, plant and equipment	-	14	-	14	-	14
Interest income	-	30	15	45	-	45
Reversal of impairment loss on trade receivables	64	34	-	98	-	98
Rental income	-	233	187	420	(240)	180
Unrealised (loss)/gain on foreign exchange	-	19	(14)	5	-	5
Miscellaneous income	37	1	134	172	-	172
Bad debts written off	-	(7)	-	(7)	-	(7)
Depreciation of property, plant and equipment	(2)	(71)	(514)	(587)	-	(587)
Impairment loss on trade receivables	(67)	(36)	-	(103)	-	(103)
Taxation	(1,421)	(988)	7	(2,402)	-	(2,402)
Unallocated corporate expenses	(28,070)	(28,545)	(7,469)	(64,084)	7,028	(57,056)
	<u>(29,459)</u>	<u>(29,219)</u>	<u>(7,120)</u>	<u>(65,798)</u>	<u>6,788</u>	<u>(59,010)</u>
Segment profit	<u>4,126</u>	<u>3,146</u>	<u>5,152</u>	<u>12,424</u>	<u>(5,275)</u>	<u>7,149</u>
Assets						
Additions to non-current assets	360	113	766	1,239	-	1,239
Tax recoverable	-	57	69	126	-	126
Segment assets	<u>28,961</u>	<u>13,471</u>	<u>31,805</u>	<u>74,237</u>	<u>(23,216)</u>	<u>51,021</u>
	<u>29,321</u>	<u>13,641</u>	<u>32,640</u>	<u>75,602</u>	<u>(23,216)</u>	<u>52,386</u>
Liabilities						
Deferred tax liabilities	83	9	-	92	-	92
Segment liabilities	<u>7,325</u>	<u>5,052</u>	<u>4,196</u>	<u>16,573</u>	<u>(6,714)</u>	<u>9,859</u>
	<u>7,408</u>	<u>5,061</u>	<u>4,196</u>	<u>16,665</u>	<u>(6,714)</u>	<u>9,951</u>

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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
2017						
Revenue						
External customers	29,616	31,981	250	61,847	-	61,847
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	<u>29,616</u>	<u>31,981</u>	<u>12,037</u>	<u>73,634</u>	<u>(11,787)</u>	<u>61,847</u>
Results						
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)
Miscellaneous income	411	28	-	439	-	439
Depreciation of property, plant and equipment	(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	(34,286)	(19,201)	(7,217)	(60,704)	6,867	(53,837)
	<u>(35,753)</u>	<u>(19,517)</u>	<u>(7,154)</u>	<u>(62,424)</u>	<u>6,627</u>	<u>(55,797)</u>
Segment (loss)/profit	<u>(6,137)</u>	<u>12,464</u>	<u>4,883</u>	<u>11,210</u>	<u>(5,160)</u>	<u>6,050</u>
Assets						
Additions to non-current assets	179	3	-	182	-	182
Tax recoverable	-	27	80	107	-	107
Segment assets	<u>25,633</u>	<u>13,881</u>	<u>32,546</u>	<u>72,060</u>	<u>(23,655)</u>	<u>48,405</u>
	<u>25,812</u>	<u>13,911</u>	<u>32,626</u>	<u>72,349</u>	<u>(23,655)</u>	<u>48,694</u>
Liabilities						
Deferred tax liabilities	198	2	-	200	-	200
Segment liabilities	<u>6,108</u>	<u>5,469</u>	<u>3,981</u>	<u>15,558</u>	<u>(7,194)</u>	<u>8,364</u>
	<u>6,306</u>	<u>5,471</u>	<u>3,981</u>	<u>15,758</u>	<u>(7,194)</u>	<u>8,564</u>

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29. OPERATING SEGMENTS (CONT'D)

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.

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

	Revenue	
	2018 RM'000	2017 RM'000
Group		
- Customer A	7,968	8,126
- Customer B	7,807	6,613

30. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The table below provides an analysis of financial instruments of the Group and of the Company as at 31 December 2018 categorised as follows

	At AC RM'000	At FVTPL RM'000	At FVTOCI RM'000	Total RM'000
Group				
2018				
Financial Assets				
Investment securities	-	-	66	66
Trade receivables	15,015	-	-	15,015
Other receivables	459	-	-	459
Other investments	-	13,697	-	13,697
Cash and bank balances	6,769	-	-	6,769
	<u>22,243</u>	<u>13,697</u>	<u>66</u>	<u>36,006</u>
Financial Liabilities				
Trade payables	5,044	-	-	5,044
Other payables	3,769	-	-	3,769
Bank borrowings	127	-	-	127
	<u>8,940</u>	<u>-</u>	<u>-</u>	<u>8,940</u>
Company				
Financial Assets				
Other receivables	66	-	-	66
Amount due from subsidiary companies	6,632	-	-	6,632
Other investments	-	6,284	-	6,284
Cash and bank balances	678	-	-	678
	<u>7,376</u>	<u>6,284</u>	<u>-</u>	<u>13,660</u>
Financial Liabilities				
Other payables	2,526	-	-	2,526
	<u>2,526</u>	<u>-</u>	<u>-</u>	<u>2,526</u>

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS (CONT'D)

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

The table below provides an analysis of financial instruments of the Group and of the Company as at 31 December 2017 categorised as follows:

	At Loans and receivables RM'000	At FVTPL RM'000	At AFS RM'000	At AC RM'000	Total RM'000
Group					
2017					
Financial Assets					
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
	<u>22,144</u>	<u>14,324</u>	<u>68</u>	<u>-</u>	<u>36,536</u>
Financial Liabilities					
Trade payables	-	-	-	3,731	3,731
Other payables	-	-	-	3,518	3,518
Finance lease liabilities	-	-	-	25	25
Bank borrowings	-	-	-	276	276
	<u>-</u>	<u>-</u>	<u>-</u>	<u>301</u>	<u>301</u>
Company					
Financial Assets					
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
	<u>7,164</u>	<u>6,626</u>	<u>-</u>	<u>-</u>	<u>13,790</u>
Financial Liabilities					
Other payables	-	-	-	2,392	2,392

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risks

(i) Credit risk

Credit risk is the risk of a financial loss 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 the individual characteristics of each customer, loans and advances to subsidiary companies and financial guarantee given to banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long overdue debts. Majority of the trade receivables are from trading activities.

At each reporting date, Group assesses whether any of the trade receivables are credit impaired.

The gross amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

Concentration of credit risk

As at the end of the financial year, the Group has 2 (2017: 1) major customers and accounted for approximately 26% (2017: 10%) of the trade receivables outstanding.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within credit terms. The Group's debt recovery process is that when invoices which are exceeded credit terms, the Company will start to initiate a structured debt recovery process which is monitored by sales team.

The Group uses an allowance matrix to measure ECLs for trade receivables. Consistent with the debt recovery process, invoices which are exceeded credit terms will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past three years. Nevertheless, the Group believes that the forward-looking factors are immaterial for the purpose of calculation impairment for the financial year.

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30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables of the Group as at 31 December 2018:

	Gross trade receivables RM	Allowance for Impairment RM	Net balance RM
Group 2018			
Current	6,150	(8)	6,142
<i>Past due or not impaired</i>			
- Less than 30 days	4,313	(8)	4,305
- 31 to 60 days	1,062	(2)	1,060
- 61 to 90 days	1,985	(19)	1,966
- more than 90 days	1,594	(52)	1,542
	15,104	(89)	15,015
Credit impaired			
More than 90 days			
- Individually impaired	262	(262)	-
	15,366	(351)	15,015

The movement in the allowance for impairment losses in respect of trade receivables of the Group during the financial year are as follows:

	Lifetime ECL RM	Credit impaired RM	Total RM
Group			
At 1 January 2018, as previously stated	-	303	303
Opening balance adjustment from adoption of MFRS 9	43	-	43
At 1 January 2018, as restated	43	303	346
Impairment loss recognised	47	56	103
Impairment loss reversed	(1)	(97)	(98)
At 31 December 2018	89	262	351

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables of the Group as at 31 December 2017 was as follows:

	Gross trade receivables RM	Allowance for Impairment RM	Net balance RM
Group			
2017			
Current	9,614	-	9,614
<i>Past due or not impaired</i>			
- Less than 30 days	3,072	-	3,072
- 31 to 60 days	1,650	-	1,650
- 61 to 90 days	642	-	642
- more than 90 days	727	(303)	424
	<u>15,705</u>	<u>(303)</u>	<u>15,402</u>

The movement in the allowance for impairment losses in respect of trade receivables of the Group in previous financial year are as follows:

	Group RM
At 1 January 2017	391
Impairment loss recognised	52
Impairment loss reversed	(139)
Written off	(1)
At 31 December 2017	<u>303</u>

Cash and cash equivalent

Risk management objectives, policies and processes for managing the risk

The cash and cash equivalents are held with banks and financial institutions. The Group has a credit policy in place to control credit risk by deposit with banks and financial institutions with good credit rating.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

These banks and financial institutions have low credit risks. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

30. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Other receivables

Risk management objectives, policies and processes for managing the risk

Credit risks on other receivables are mainly arising from receivables from third parties. The Group manages the credit risk on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

As there are only a few debtors, these other receivables have low credit risks. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiary companies. The Company monitors the ability of the subsidiary companies to service its loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM127,000 (2017: RM276,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiary companies' secured loans.

Recognition and measurement of impairment loss

There is no history of default from subsidiary companies, and there are no indicators that any going concern from subsidiary companies. The Company is of the view that loss allowance is not material and hence, it is not provided for.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the ability of the subsidiary companies to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiary companies has low credit risk because there is no indicators that any going concern from subsidiary companies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

30. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (cont'd)

(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 Group's financial liabilities at the end of the reporting period either mature within one year or are repayable on demand.

(iii) 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
Group					
2018					
<u>Financial Assets</u>					
Cash and bank balances	693	-	-	-	693
	<u>693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693</u>
<u>Financial Liabilities</u>					
Trade payables	(648)	(1)	-	-	(649)
	<u>(648)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(649)</u>
2017					
<u>Financial Assets</u>					
Trade receivables	-	-	-	14	14
Cash and bank balances	1,757	-	-	-	1,757
	<u>1,757</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>1,771</u>
<u>Financial Liabilities</u>					
Trade payable	93	17	1	-	111
	<u>93</u>	<u>17</u>	<u>1</u>	<u>-</u>	<u>111</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
 (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) 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 taxation 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 profit before taxation	
		2018 RM'000	2017 RM'000
USD	Strengthened 5%	(67)	(83)
	Weakened 5%	67	83.2
EUR	Strengthened 5%	1	1
	Weakened 5%	(1)	(1)
BND	Strengthened 5%	-	1
	Weakened 5%	-	(1)
SGD	Strengthened 5%	-	(1)
	Weakened 5%	-	1

(b) Interest rate risk

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

	Group	
	2018 RM'000	2017 RM'000
Fixed rate instrument		
Financial Liability		
- Finance lease liabilities	-	25
Floating rate instrument		
Financial Liability		
- Bank borrowings	127	276

30. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) 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 does 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.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Company's profit before taxation by RM1,270 (2017: RM2,760), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(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 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	Total fair value RM'000	Carrying amount RM'000
Group			
2018			
Financial Assets			
Investment securities	66	66	66
Other investments	13,697	13,697	13,697
2017			
Financial Assets			
Investment securities	68	68	68
Other investments	14,324	14,324	14,324
Company			
2018			
Financial Asset			
Other investments	6,284	6,284	6,284
2017			
Financial Asset			
Other investments	6,626	6,626	6,626

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018
(CONT'D)

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.

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	
	2018	2017
	RM'000	RM'000
Debt		
Finance lease liabilities	-	25
Bank borrowings	127	276
	127	301
Less: Cash and bank balances	(6,769)	(6,443)
Excess of cash and bank balances	(6,642)	(6,142)
 Total Equity	 42,435	 40,130
 Gearing ratio	 *	 *

* Gearing ratio not applicable for financial years ended 31 December 2017 and 2018 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. 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 2019.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	141,160,140
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
32	Less than 100	1,093	*
83	100 to 1,000	45,321	0.03
450	1,001 to 10,000	2,663,360	1.89
544	10,001 to 100,000	18,900,889	13.39
100	100,001 to less than 5% of issued shares	57,654,401	40.84
4	5% and above of the issued shares	61,895,076	43.85
1,213	TOTAL	141,160,140	100.00

* Less than 0.01%

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

No.	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.	Soh Kian Teck	5,000,096	3.54
6.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Equity Trust	4,983,860	3.53
7.	Chu Sou Taik	4,376,448	3.10
8.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Small CAP Opportunity Unit Trust	3,761,000	2.66
9.	Tee Meng Hock	3,613,683	2.56
10.	Tee Meng Hock	2,999,883	2.13
11.	Moke Ah Kow	2,724,050	1.93
12.	Ong Gee Leng	2,558,724	1.81
13.	Chu Sou Taik	2,270,400	1.61
14.	Yee Kim Ee	1,162,530	0.82
15.	Moke Joan Moon	1,011,800	0.72
16.	Tey Ser Kok @ Teh Ser Kok	825,000	0.58
17.	Cher Lip Chun	824,802	0.58
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.	Chuah Ying Hooi	650,000	0.46
23.	Ng Inn Jwee	584,000	0.41

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2019
(cont'd)

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)(CONT'D)

No.	Name of Shareholders	No. of Shares Held	Percentage (%)
24.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Mak Tian Meng (MY0343)	559,680	0.40
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.	Lim Kem Wat	460,000	0.33
30.	Chern Boon Seng	432,390	0.31
	TOTAL	105,474,322	74.72

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

No.	Name of Shareholders	No. of Shares Held			
		Direct	%	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	-	-

Notes:-

** 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)

No.	Name of Directors	No. of Shares Held			
		Direct	%	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	842,802	0.60	^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. 2018	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	22 years	RM720,358	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	12 years	RM364,863	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	12 years	RM364,863	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	16 years	RM334,620	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	16 years	RM320,024	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	48 years	RM274,779	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	22 years	RM257,442	June 1994

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting ("19th 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 Tuesday, 28 May 2019 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 2018 and the Directors and Auditors Reports thereon. **(See Explanatory Note 9)**
2. To approve the payment of Directors' fees of RM72,000 for the financial year ended 31 December 2018. **(Ordinary Resolution 1)**
3. To re-elect the following Directors who retire pursuant to Article 90 of the Company's Constitution:-
 - (i) Mr Chee Long Sing @ Cher Hwee Seng **(Ordinary Resolution 2)**
 - (ii) Dato' Dr. Choong Tuck Yew **(Ordinary Resolution 3)**
 - (iii) Mr Chu Soo Meng **(Ordinary Resolution 4)**
4. To re-appoint Messrs UHY as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

AS SPECIAL BUSINESS

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

5. **Ordinary Resolution** **Proposed Retention of Independent Directors**

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 3 April 2020 to 2 April 2021:-

- (i) Dato' Ismail bin Hamzah **(Ordinary Resolution 6)**
 - (ii) Dato' Dr Choong Tuck Yew **(Ordinary Resolution 7)**
 - (iii) Datuk Wira Dr Goy Hong Boon **(Ordinary Resolution 8)**
(See Explanatory Note 10)
6. **Ordinary Resolution**
Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 **(Ordinary Resolution 9)**
(See Explanatory Note 11)

"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."

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

7. **Special Resolution** **Proposed Adoption of the New Constitution of the Company**

(Special Resolution 1)
(See Explanatory
Note 12)

"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix I accompanying the Company's Annual Report for the financial year ended 31 December 2018, be and is hereby adopted as the Constitution of the Company, AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

8. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board
SCC HOLDINGS BERHAD

WONG YUET CHYN (MAICSA 7047163)
LEE WEE HEE (MAICSA 0773340)

Company Secretaries
Kuala Lumpur

30 April 2019

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 the taking of the poll.

7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 19th 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 2018

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. Proposed Retention of Independent Directors

The Proposed Ordinary Resolutions 6, 7 and 8 in Agenda 5, if passed, will allow Dato' Ismail, Dato' Dr. Choong and Datuk Wira Dr. Goy to be retained and continue acting as Independent Directors to fulfill the requirements of Rule 15.02 of Bursa Malaysia's ACE Market Listing Requirements and in line with the recommendation No. 4.2 of the Malaysian Code of Corporate Governance. The full details of the Board's justification and recommendations for the retention of Dato' Ismail, Dato' Dr. Choong and Datuk Wira Dr. Goy as Independent Directors are set out on Page [] of the Board's Corporate Governance Overview Statement in the 2018 Annual Report.

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 28 May 2018 and this authority will lapse at the conclusion of the 19th 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.

12. Proposed Adoption of the New Constitution of the Company

The Special Resolution 1, if passed, will bring the Company's Constitution in line with the Companies Act, 2016 which came into force on 31 January 2017, the updated provisions of the ACE Market Listing Requirements and the prevailing statutory and regulatory requirements, details of which are set out in Appendix I accompanying the Company's Annual Report 2018. Pursuant to Section 36 of the Companies Act, 2016, the proposed adoption of the new Constitution of the Company, if passed as a Special Resolution by a majority of not less than 75% of the members who are entitled to vote, and do vote in person or by proxy, shall take immediate effect and it shall bind the Company and the members accordingly.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO RULE 8.29 OF THE ACE MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD (“AMLR”)

1. Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)

No individual is seeking election as a Director at the 19th AGM of the Company.

2. General mandate for issue of securities in accordance with Rule 6.04(3) of AMLR

The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 10 of the Notice of 19th AGM.



CDS Account No	
No of shares held	

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 _____
(FULL NAME IN BLOCK LETTERS) (NRIC No./Passport No./Co. No. _____)

of _____
(ADDRESS)

or failing him _____ (NRIC No./Passport No./Co. No. _____)
(FULL NAME IN BLOCK LETTERS)

of _____
(ADDRESS)

or failing him, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the 19th Annual General Meeting ("19th 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 **Tuesday, 28 May 2019 at 2.30 p.m.** and at any adjournment thereof.

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	Payment of Directors' Fees		
2.	Re-election of Mr Chee Long Sing @ Cher Hwee Seng		
3.	Re-election of Dato' Dr. Choong Tuck Yew		
4.	Re-election of Mr Chu Soo Meng		
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		
SPECIAL RESOLUTION		FOR	AGAINST
10	Adoption of New Constitution of the Company		

(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 _____ 2019.

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 17 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 19th 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

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