OCB BERHAD

(Company No.: 3465-H)

Annual Report 2017

FIVE-YEAR
GROUP FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016	2017
Revenue (RM'Million)	266.94	282.95	273.06	292.48	**270.31**
Earnings/(Loss) before interest, taxes, depreciation and amortisation ("EBITDA") (RM'Million)	19.65	23.16	21.93	19.73	**(7.30)**
Profit/(Loss) before taxation (RM'Million)	6.78	10.71	9.69	8.83	**(18.67)**
Profit/(Loss) after taxation (RM'Million)	4.63	7.14	6.19	4.99	**(21.55)**
Net profit/(Loss) attributable to equity holders (RM'Million)	4.62	7.14	6.19	4.99	**(21.55)**
Total assets (RM'Million)	330.59	343.45	333.80	342.09	**311.69**
Total borrowings (RM'Million)	60.96	55.55	54.09	44.91	**48.02**
Shareholders' equity (RM'Million)	226.88	232.48	236.75	240.74	**218.14**
Earnings/(Loss) per share (Sen)	4.49	6.95	6.02	4.85	**(20.95)**
Net assets per share (RM)	2.20	2.26	2.30	2.34	**2.12**

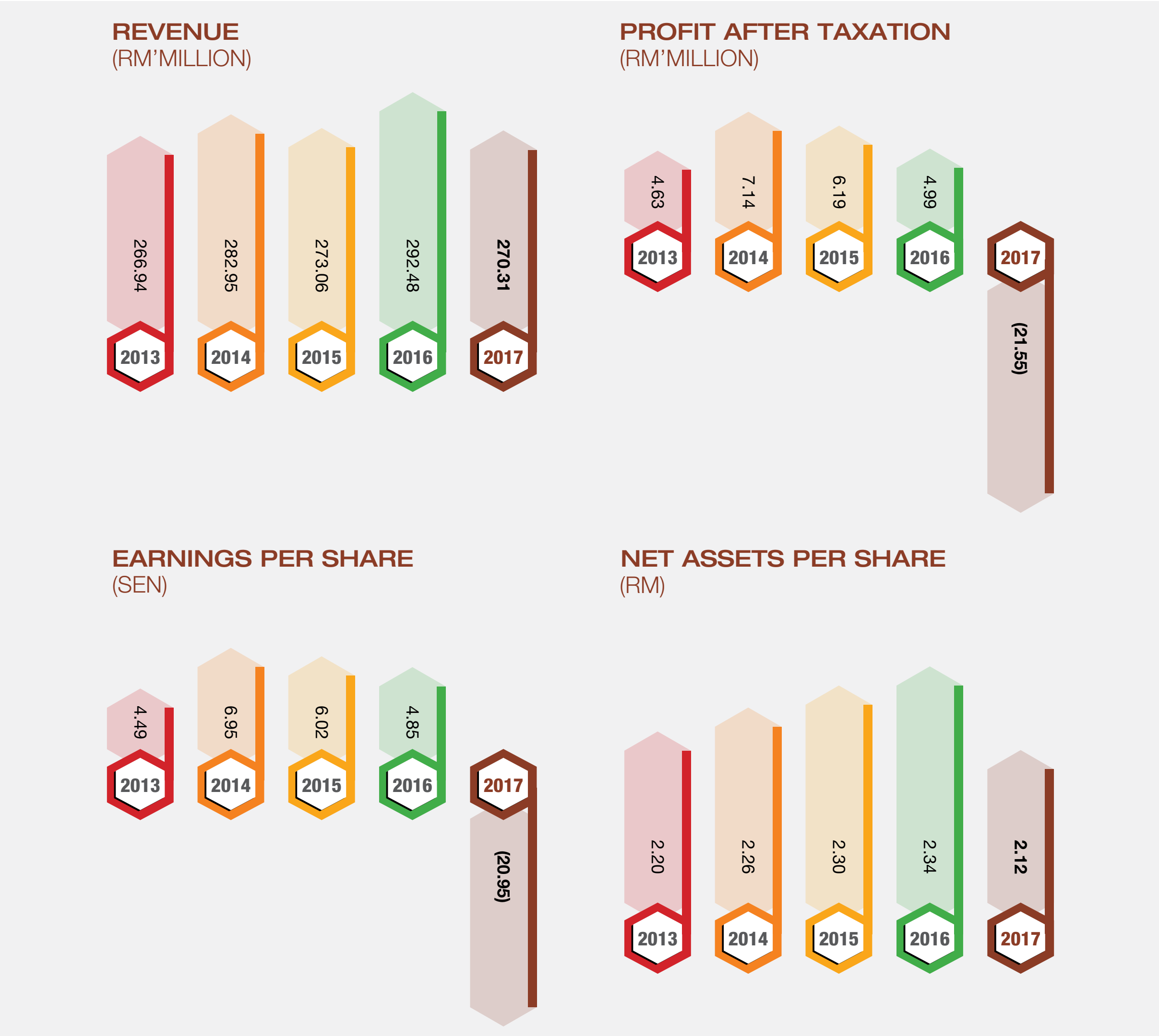

Table of CONTENTS

2 Corporate Information

3 Corporate Structure

4 Management Discussion and Analysis

12 Group Directory

17 Profile of Directors

20 Profile of Key Senior Management Staff

23 Sustainability Statement

27 Corporate Governance Overview Statement

39 Audit and Risk Management Committee Report

41 Statement on Risk Management and Internal Control

44 Additional Compliance Information

45 Directors' Responsibility Statement

Financial Statements

- **46** Directors' Report
- **50** Statement by Directors
- **50** Statutory Declaration
- **51** Independent Auditors' Report
- **55** Statements of Financial Position
- **57** Statements of Profit or Loss and Other Comprehensive Income
- **58** Statements of Changes in Equity
- **60** Statements of Cash Flows
- **63** Notes to the Financial Statements

117 List of Properties

119 Analysis of Shareholdings

122 Notice of Fifty-Ninth Annual General Meeting

Form of Proxy

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

**Tan Sri Dato' Nik Ibrahim Kamil
Bin Tan Sri Dato' Nik Ahmad Kamil**
Chairman/Independent Non-Executive Director

Mohd Harris Bin Pardi
Chief Operating Officer cum Executive Director

Fong Heng Leong
Executive Director

Sak Swee Sang
Executive Director

Zakaria Merican Bin Osman Merican
Independent Non-Executive Director

Abd Aziz Bin Attan
Independent Non-Executive Director

Wong Choon Shein
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Abd Aziz Bin Attan
Chairman/Independent Non-Executive Director

**Tan Sri Dato' Nik Ibrahim Kamil
Bin Tan Sri Dato' Nik Ahmad Kamil**
Member/Independent Non-Executive Director

Zakaria Merican Bin Osman Merican
Member/Independent Non-Executive Director

REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

**Tan Sri Dato' Nik Ibrahim Kamil
Bin Tan Sri Dato' Nik Ahmad Kamil**
Chairman/Independent Non-Executive Director

Zakaria Merican Bin Osman Merican
Member/Independent Non-Executive Director

Abd Aziz Bin Attan
Member/Independent Non-Executive Director

COMPANY SECRETARY

Tan Bee Keng
MAICSA 0856474

AUDITORS

Grant Thornton Malaysia
(Member Firm of Grant Thornton International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel No. : +603-2692 4022
Fax No. : +603-2732 5119

REGISTERED AND CORPORATE OFFICE AND PRINCIPAL PLACE OF BUSINESS

2B-5, Level 5
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel No. : +603-7880 7539
Fax No. : +603-7880 7536
Email Address : corporate@ocbb.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
(11324-H)
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Telephone : +603-2783 9299
Fax : +603-2783 9222
Email : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com

Tricor Customer Service Centre
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
RHB Bank Berhad
Kuwait Finance House (Malaysia) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Affin Bank Berhad
CIMB Bank Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Code : OCB
Stock Number : 5533
Sector : Trading & Services

SOLICITOR

Tay, Tee & Nasir

WEBSITE

www.ocbb.com.my

CORPORATE **STRUCTURE**

OCB BERHAD *

(COMPANY NO. 3465-H)

Consumer Foods

100% Ibufood Corporation Sdn. Bhd.

100%	Biz-Allianz International (M) Sdn. Bhd.
100%	Spices & Seasonings Specialities Sdn. Bhd.
100%	Ibufood Manufacturing (M) Sdn. Bhd.
100%	Selera Citarasa Sdn. Bhd.
100%	Ecoway (Malaysia) Sdn. Bhd.
100%	Biz-Markas Sdn. Bhd.

Bedding Products

100% Kaiserkorp Sdn. Bhd.

100%	Kingkoil Corporation (M) Sdn. Bhd.
100%	Bedco Sistem (M) Sdn. Bhd.
100%	T N Metal Industries (M) Sdn. Bhd.
100%	Dreambed (Malaysia) Sdn. Bhd.
100%	Kingkoil Bedding (Malaysia) Sdn. Bhd.
100%	Kaiserkoil Incorporated (M) Sdn. Bhd.
100%	Acrowyn (M) Sdn. Bhd.
100%	First Knight (Singapore) Pte. Ltd.

Building Materials

100% Agrow Malaysia Sdn. Bhd.

100%	Agrow Corporation Sdn. Bhd.
100%	AG Textronic Sdn. Bhd.
100%	Pure-Ecology (M) Sdn. Bhd.
100%	Keenwai Enterprises (M) Sdn. Bhd.

Investment Holding

80% Enigma Sinar Sdn. Bhd.

* *Listed on the Main Market of Bursa Malaysia Securities Berhad*

MANAGEMENT **DISCUSSION AND ANALYSIS**

The Board of Directors of OCB Berhad ("OCB" or "the Company") ("the Board") and the Management are pleased to present material non-financial information on OCB and its group of companies ("OCB Group" or "the Group") to complement the detailed information in the Directors' Report and Financial Statements sections. The Management Discussion and Analysis ("MD&A") will give shareholders and investors an operational commentary of the businesses.

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

OCB is an investment holding company. The Company has operations in three (3) diversified businesses:

- Consumer Foods;
- Beddings Products; and
- Building Materials.

Further detailed information on each of the divisions can be found in the Group Directory section of this Annual Report.

Consumer Foods Division

The Consumer Foods Division operates under Ibufood Corporation Sdn. Bhd. and its subsidiary companies ("Ibufood Group"). The Ibufood Group is a major producer of premium quality instant noodles, mayonnaise, seasoning-powder, seasoning-oil, sauces and food ingredients.

It is represented by several brand names. IBUMIE is the highly recognizable brand for its instant noodles. The instant noodles are either the dry type or soup-based in several different flavors.

The TELLY brand represents the food seasoning segment offering premium quality blended seasoning-powder, seasoning-oil, sauces, mayonnaise, specialty spices, soup, soup stocks and marinades. The TELLY mayonnaise has grown over the years to become one (1) of the market leaders in the Food Service sector.

LINGHAM's brand of chilli sauces are manufactured by the Ibufood Group. It is well known for their natural home-made recipe which dates back to 1908.

Bedding Products Division

The Bedding Products Division is under Kaiserkorp Sdn. Bhd. and its subsidiary companies ("Kaiserkorp Group"). It manufactures and distributes mattresses, divans and assorted bedding accessories. The various types of mattresses are made of different premium spring coils, natural latex and foam-fibres. The Division's various bedding system have become an industry benchmark.

The Bedding Products Division promotes its products under the brand name of KING KOIL, FIRST KNIGHT and TAGGE. KING KOIL is the high profile brand of mattresses manufactured by the Kaiserkorp Group. The international brand name KING KOIL is synonymous with luxurious quality mattresses. The Division also promotes its products under the local brand name of FIRST KNIGHT and TAGGE.

Building Materials Division

The Building Materials Division is under Agrow Malaysia Sdn. Bhd. and its subsidiary companies ("Agrow Group"). The Agrow Group is well-known in the building material supplies industry. Its strength lies in its expertise and capability in providing complete project assistance and specifications in the supply of specialized building materials for the construction of houses, hotels, laboratories and medical institutions.

Some of the brands that the Agrow Group represents are ROCA, SLOAN, HANSGROHE, DOE, JOHNSON SUISSE, BOBRICK, AKRON, AKRON PLUS, HYDRABATH, ECONAX, PRESTO, PEGASUS, GBH, HEWI, GEBERIT, CLAYTAN, KLUDI, HANSBO, STIEBEL, ELTRON, ARMITAGE SHANKS and JOMOO in the sanitary wares section. The section for Locks and Ironmongeries, Floor Boards, Door Frames and Door Leaves carry brand names such as LOKRITE, SAMSUNG, BALDWIN, HUSKEY, EZ-SET, KWIKSET, GEZE and ROBINA.

Agrow Group operates a showroom featuring products from numerous world renowned brands at its head office in Petaling Jaya, Selangor.

MANAGEMENT **DISCUSSION AND ANALYSIS**

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

The Group's Financial Performance for the financial year ended 31 December ("FYE") 2017 as compared to FYE 2016

	FYE 2017 RM'000	FYE 2016 RM'000	Increase/ (Decrease) RM'000	%
Revenue	270,309	292,477	(22,168)	(7.6)
Gross Profit	55,872	60,034	(4,162)	(6.9)
(Loss)/Earnings before interest, taxes, depreciation and amortization ("EBITDA")	(7,296)	19,726	(27,022)	(137.0)
(Loss)/Profit before taxation	(18,671)	8,830	(27,501)	(311.4)
(Loss)/Profit after taxation	(21,550)	4,992	(26,542)	(531.7)
Net (Loss)/Profit attributable to equity holders	(21,549)	4,993	(26,542)	(531.6)
Total assets	311,694	342,090	(30,396)	(8.9)
Total borrowings	48,025	44,909	3,116	6.9
Shareholders' equity	218,145	240,738	(22,593)	9.4
(Loss)/Earnings per share (Sen)	(20.95)	4.85	(25.80)	(532.0)
Net assets per share (RM)	2.12	2.34	(0.22)	(9.4)

A REVIEW OF THE FINANCIAL RESULTS AND FINANCIAL CONDITIONS

The Group recorded a revenue of RM270.3 million and a pre-tax loss of RM18.7 million in the FYE 2017 as compared to a revenue of RM292.5 million and a pre-tax profit of RM8.8 million reported in the immediate preceding year.

All the divisions reported lower sales for the FYE 2017. Building Materials Division registered a decrease of 16%, while the revenue of the Consumer Foods Division decreased by 4%. Bedding Products Division also reported lower sales of 3%.

The pre-tax loss reported by the Group was mainly attributable to impairment loss on goodwill which amounted to RM22.1 million. The Group had impaired 58% of its goodwill from Consumer Foods Division during the FYE 2017 based on the impairment test to reflect the fair value of the business in line with the current highly competitive and uncertain environment of the consumer foods industry. If the one-off impairment loss is excluded, the Group would have booked in a net profit before tax of RM3.5 million.

The Consumer Foods Division posted a pre-tax loss of RM5.5 million for the FYE 2017 as compared to a pre-tax profit of RM1.4 million in the FYE 2016 due to lower margin and higher production overhead arising from the new capital expenditure incurred after the fire incident in 2016. The brand new noodle line facility was commissioned in June 2017 and started production in early July 2017. For the first half of the FYE 2017, Consumer Foods Division was utilizing the Sibu plant for the noodle cake production, hence there was an increased cost of production particularly freight charges.

The Bedding Products Division reported a lower pre-tax profit of RM3.5 million for FYE 2017 as compared to a pre-tax profit of RM4.5 million in the FYE 2016 as both sales from projects and retail faced increased competition from other industry players. Bedding Products Division also reported an impairment loss on fixed assets amounting to RM0.6 million from its subsidiary company in Singapore.

The Building Materials Division, however, posted a stronger pre-tax profit of RM6.4 million for FYE 2017 compared to RM4.0 million in the preceding year. This was mainly attributable to completion of certain high margin projects during the year under review.

MANAGEMENT **DISCUSSION AND ANALYSIS**

A REVIEW OF THE FINANCIAL RESULTS AND FINANCIAL CONDITIONS (CONT'D)

The Group has not adopted any dividend policy. The Board annually evaluates the Group's profitability, cash flows position and long-term plans prior to making a decision on any dividend payment.

On 19 June 2017, the Company paid a first and final single-tier dividend of 1.0 sen per ordinary share in respect of the FYE 2016, which amounted to RM1,028,500.

The Board does not recommend the payment of any dividend for the FYE 2017.

The loss per share for FYE 2017 was 20.95 sen as against earnings per share of 4.85 sen for FYE 2016.

Consumer Foods Division

The Consumer Foods Division registered a revenue of RM137.5 million and a loss before tax of RM5.5 million for FYE 2017 as against revenue of RM143.4 million and profit before tax of RM1.4 million in the FYE 2016. The decline in revenue was mainly due to drop in sales from the following operating activities namely, trading, seasonings, noodles, tuna and chilli sauce segments.

The trading segment (creamer) dropped RM4.5 million or 9% due to slower demand in the export market. The seasoning segment also saw a drop of RM2.1 million or 58% owing mainly to no repeat orders from overseas market for the new range of Ready to Cook Curry Paste.

Competition from other brands affected the noodles segment which saw a reduction of RM0.9 million or 2%. Sales of tuna fell by RM0.4 million due to a price increase which affected orders from customers. The drop in the demand for chilli sauce in the overseas market also affected its sales which saw a decline of 4% or RM0.3 million.

On the positive side, the salad dressing segment grew RM2.3 million or 9%. This solid performance was contributed by increased sales from both domestic and export markets.

The pre-tax loss of RM5.5 million for FYE 2017 as against pre-tax profit of RM1.4 million for the preceding year corresponding period was mainly due to the slower demand and lower margin due to a highly competitive market. The re-opening operation of the new noodle factory and machineries also saw higher production costs. The reconstruction of the noodle factory damaged by fire in 2016 was completed in May 2017. The cost of the new factory including renovation amounted to RM10.7 million. In addition to that, the Division also invested in a top-of-the-line noodle processing unit costing RM9.9 million and other machineries including additional line for mayonnaise equipment costing RM1.9 million, and refurbished the damaged old line at a cost of RM0.7 million.

The challenges for the FYE 2018 will be in managing the increase in cost of goods, brought about by the price increase of commodities such as soy bean oil, sugar, and palm oil. The appreciation of Ringgit Malaysia ("RM") against the United States Dollar ("USD") will also bring about compressed margin for export sales denominated in USD.

In general, the competition faced by the Consumer Foods Division has become more intense as the currently saturated market is being further crowded by new in-coming players. Margin is also expected to be eroded by higher raw materials, and advertising & promotion ("A & P") costs. The Division will review its strategy to undertake an aggressive cost cutting measures to offset these increases.

MANAGEMENT **DISCUSSION AND ANALYSIS**

A REVIEW OF THE FINANCIAL RESULTS AND FINANCIAL CONDITIONS (CONT'D)

Building Materials Division

This Division reported a revenue of RM76.7 million with a profit before tax of RM6.4 million in FYE 2017 against a revenue of RM91.1 million and a profit before tax of RM4.0 million in FYE 2016. The decrease in revenue was mainly due to decline in sales from both project and retail segments. The revenue for the retail segment showed a decline of RM5.3 million or 23%. The drop was due to a shortage in supplies by our main supplier in projecting market demand.

The project segment's revenue showed a decline of RM9.1 million or 13%. The decline in the project segment was due to a decline in purchase order value, and a slowdown in the domestic market. The industry was also woken up by new competition from China. Over the past years, the Building Materials Division has been operating in a very competitive environment with entries of new brands.

Agrow Group anticipates to record improve sales in the retail sector. The Division is reviewing plan to either build a new warehouse or to upgrade the existing ones to increase storage space and resolve the issue of shortage in supplies.

Bedding Products Division

Bedding Products Division registered a lower revenue of RM56.2 million and profit before tax of RM3.5 million in FYE 2017 against revenue of RM58.1 million and profit before tax of RM4.5 million in FYE 2016. The decrease in revenue was mainly due to a drop in demand from both domestic and projects markets as a result of softening of the economy and spending on non-essential products. Furthermore, the bedding industry in Malaysia has also become extremely competitive as more low cost OEM mattress manufacturers are emerging into the market.

The domestic market saw a drop of RM4.5 million or 12% in sales. However, the project and hospitality segments grew RM1.9 million or 10% in sales. Export sales also recorded an increase of 52% or RM0.8 million. The increase was due to the development of new business channels in China, Vietnam and Myanmar. A new distribution network has also been developed in Singapore via OEM collaboration with Singaporean counterpart.

Some of the main projects carried out by the Kaiserkorp Group in FYE 2017 included:

a) Pinnacle Tower Service Apartment, Johor
b) Pengerang Workers Village, Johor
c) Marriott Hotel Kota Kinabalu, Sabah
d) Rapid Temporary Executive village, Johor
e) JW Mariott, Kuala Lumpur

MANAGEMENT **DISCUSSION AND ANALYSIS**

A REVIEW OF THE OPERATING ACTIVITIES

Consumer Foods Division

The reconstruction of the Semenyih noodle factory and commissioning of the new noodle line was completed in June 2017. The total operating capacity of both Semenyih and Sibu is now 12.9 million pieces per month (one shift). This additional capacity presents Ibufood Group with the opportunity of finding new customers and projects in order to maximize the utilisation of the line.

The new additional line for mayonnaise was ready in July 2017. The present two (2) lines have the capacity of just over 600 tons (2 shifts) per month. With the additional line, the capacity is now up to 1,045 tons (2 shifts) per month. This increase in capacity would serve Ibufood Group well for the next three (3) years.

Ibufood Group has revamped its distribution structure for domestic sale of noodles. A new distributor was appointed with the aim of optimizing the supply chain, hence enabling to better manage price positioning and wider distribution points. Ibufood Group will run an incentive programme to incentivize sales personnel to approach new outlets for better market penetration opportunity.

The Division plans to launch and execute a customer engagement programme for its noodle sales in year 2018 in order to create awareness and generate greater demand for its noodles products. Total investment for this programme is estimated at RM1.2 million. The programme consists of three (3) major activities, namely:

(i) Ibumie Official Food Taster Competition;
(ii) Ibumie Uni Pack Contest; and
(iii) Ibumie Ambassador Outreach Programme.

The Division has restructured its wholesaler incentive programme for its mayonnaise sales from general to individual customise programme based on their growth potential and current business size.

The Division projects to improve sales in 2018, contributed mainly by the noodle and dressing segments. Most of the growth is anticipated to come from the export market, particularly, the export of dressings to Philippines and Indonesia, and noodles to Taiwan, Australia and Canada.

Building Materials Division

In year 2017, the Division secured an exclusive distributorship for ARMITAGE SHANKS products from United Kingdom and JOMOO from China. ARMITAGE SHANKS is a very well-established brand in sanitary wares and bathroom products with more than two hundred (200) years of history. The brand has strong presence in the healthcare and medical industries, especially in the United Kingdom. During the year, we launched the ARMITAGE SHANKS Contour 21+ ceramics, Markwik 21+ medical mixers and advanced solution for hospital in December 2017. JOMOO, on the other hand, is a market leader in China. Some of the key products are intelligent water closet and showers with LED and LCD temperature indicator. In terms of sales, the top two (2) brands are JOHNSON SUISSE and ROCA sanitary wares.

Some of the key projects that Agrow Group secured and supplied in 2017 included:

a) National Sports City @ Bukit Jalil, Kuala Lumpur
b) Starling Mall @ Damansara Utama, Petaling Jaya, Selangor
c) Radia Mixed Development @ Bukit Jelutong, Shah Alam, Selangor
d) Institut Penyelidikan Kesihatan Bersepadu @ Setia Alam, Selangor
e) Penang World City, Pulau Pinang
f) Iskandar Medini Residence, Johor
g) Rapid Petronas Pengerang @ Johor
h) Citizen condo @ Old Klang Road, Kuala Lumpur
i) The Lead Residence @ Bukit Tinggi, Klang, Selangor

MANAGEMENT **DISCUSSION AND ANALYSIS**

A REVIEW OF THE OPERATING ACTIVITIES (CONT'D)

Building Materials Division (cont'd)

The Division also managed to secure some new business for fire rated doors in 2017. The Division is also exploring the feasibility to introduce new in-house label fire rated doors. It is also looking at new product lines in the form of aluminium roofing, wall-cladding system, and investing in its own brands such as AKRON and LOKRITE. We will intensify efforts to grow our house brand as well as brands which we hold exclusive distributorship, such as SLOAN, BOBRICK, ARMITAGE SHANKS and JOMOO.

A lack of high-end housing development projects contributed to the decline in purchase order value in 2017. Most projects were of low cost and medium cost for the affordable housing scheme. Coupled with competition from direct importers of China products, trading profit in general has become thinner. There is an increase trend for developers to import building materials such as sanitary wares, bathroom fittings, locksets and doors directly from China. This will definitely affect the profit margin for FYE 2018.

The Division is anticipating to record improved revenue in 2018. The contribution is expected to come from the medical, hospitality and fire door segments. The Company will embark on an aggressive savings programme to offset expected increases in costs, and where possible, to pass on the increase to the end consumers.

Bedding Products Division

Kaiserkorp Group invested in the operations of The KING KOIL SUITES Flagship store. It currently has ten (10) stores via a licensing agreement with dealers selling only specific models. The total sales generated by these stores were RM5.7 million for FYE 2017.

In 2017, three (3) major marketing campaigns were undertaken: *THE KING KOIL EXTENDED LIFE, THE KING KOIL LUXURY HOTEL EVOLUTION 2.0 and THE KING KOIL PRINCE COLLECTION*. The Division engaged a local super star celebrity, Mr. Fattah Amin as KING KOIL brand ambassador during the *KING KOIL PRINCE COLLECTION* launch.

Besides the above major launches, the Division also undertook the following marketing programs in 2017:

1. Extended Life Kuala Lumpur ("KL") Product Launch on 29 March 2017
2. Extended Life Penang Product Launch on 14 April 2017
3. Extended Life Johor Product Launch on 18 April 2017
4. Extended Life Kuantan Product Launch on 19 May 2017
5. Luxury Hotel Evolution 2.0 KL Product Launch on 11 August 2017
6. Prince collection KL Product Launch on 31 October 2017

The above launches have helped the sales and pushed our products to the market. Going forward, Kaiserkorp Group managed to open up new sales channel via specialty shops catering mainly to tourists' market, online sales and pay TV channel.

MANAGEMENT **DISCUSSION AND ANALYSIS**

A REVIEW OF THE OPERATING ACTIVITIES (CONT'D)

Bedding Products Division (cont'd)

The market outlook for 2018 for the Division is:

(a) *Retail Sales (Domestic):*

The strengthening of the RM against USD is expected to re-energize the market sentiment throughout the rest of the year 2018. The foundations to the various King Koil strategic marketing plans in each of the market segment (premium market, middle market, and Malay consumer market) have been laid down in 2017. An A & P budget of approximately RM1.0 million has been allocated for the media spending to create the consumer pull and brand building activities in 2018. Internally, remuneration and commission incentive of the sales team have been modified to create the urgency to push for higher numbers.

(b) *Project Sales (Domestic):*

The human resource requirements for the project team will be reviewed. There will be a proper control and monitoring of the project sales in Malaysia. There is also a need to pursue for bed linen business by obtaining distribution rights from international renowned brand for the hospitality linen business in Malaysia and Singapore.

(c) *Export Sales:*

The Division will continue to develop business in Singapore and its export business and to also strengthen the latex export business in China. There are plans to further develop the KING KOIL retail and export business in the new market like Thailand, Vietnam, Myanmar and Cambodia, by setting up KING KOIL SUITES flagship stores.

LIQUIDITY AND CAPITAL MANAGEMENT

The Group maintains a healthy level of cash and cash equivalents and banking facilities from financial institutions to fund the Group's short term and long term operation requirements. For FYE 2017, the Group's cash and cash equivalents amounted to RM43.9 million, an increase of RM7.2 million from RM36.7 million for FYE 2016. This was mainly attributable to net cash generated from operating activities, whereas, the Group's total bank borrowings was RM48.0 million as compared to RM44.9 million in FYE 2016.

The Group's gearing ratio was 0.22 times as at 31 December 2017 as compared to 0.19 times as at 31 December 2016.

CAPITAL EXPENDITURE REQUIREMENTS, CAPITAL STRUCTURE AND CAPITAL RESOURCES

The Group strives to maintain a prudent financial structure to ensure that it has access to adequate capital and financing on terms which are favourable to the Group.

The Group invested capital expenditure aggregating RM18.2 million to support the growth in production capacity and as a replacement for assets damaged in a fire incident in 2016. The investment was mainly financed by insurance claims, internal generated funds and bank borrowings.

The Group's capital commitments, contracted but not provided for as at FYE 2017 was Nil.

MANAGEMENT **DISCUSSION AND ANALYSIS**

BUSINESS OUTLOOK

Malaysia's economy went beyond market expectations in 2017. The robust growth is expected to continue into 2018. Analysts remain positive that Malaysia will continue its growth momentum. They highlighted the primer for growth being the upcoming general election, the several rail infrastructure initiatives, and a firmer RM.

Assuming that the Malaysia's policy direction remains the same, we can expect a higher government spending before as well as after the election. Propped up by the recent oil price rebound, the Malaysian Government is expected to increase its spending. This was reflected in the Malaysian Government operating expenditure of 6.5 percent under Budget 2018. The Budget will put more money in the hands of consumers.

The public infrastructure projects jointly carried out with the Malaysian Government may lead to higher demand for commodities and a sustained economic growth. The Malaysian currency, which outperformed the market in 2017, is likely to remain steady in 2018.

These three (3) factors will be a booster to the income level and domestic consumption. Going forward, the Group should benefit from these stimuli in 2018. The stronger RM will also see the Group's cost of goods to level out and contribute positively to the pricing of the Group's products.

The issue on factory workers still remains a challenge for the Group. The Group anticipates that it will continue to depend on foreign labour to man its lines. From 1 January 2018, all employers shall bear the levy for foreign workers amounting to RM1,850 per worker for the manufacturing sector, and the employer's portion of the Employment Insurance Scheme amounting to 0.2% of employees' wages.

These will be an added cost to the Group where almost 21% (2016 : 18%) of our operators are foreigners. As at FYE 2017, the Group has a workforce of 554 (FYE 2016 : 602). However, the Group will manage these shortcomings and will look at automation as much as possible to reduce the reliance on manpower to run the production lines.

GROUP **DIRECTORY**

CONSUMER FOODS DIVISION

Our Consumer Foods Division under Ibufood Corporation Sdn. Bhd. and its subsidiary companies ("Ibufood Group") is a major producer of premium quality instant noodles under the brand IBUMIE; and mayonnaise, seasoning-powder, seasoning-oil, sauces and food ingredients under the brand TELLY.

IBUMIE's Mi Goreng variant has been a leader in the dry based instant noodle category for years. Its Mi Goreng range comes in five (5) exciting flavours – *Asli, Thai Tom Yam, Kari Kapitan, Sambal Udang and Har-Mee.*

IBUMIE's soup based variant continues to dominate the market with the all-time favourite *Penang Har-Mee soup flavour.*

Soup flavours such as *Vegemee* and *Ladmee* continue to spearhead the market with even stronger brand awareness. Loaded with quality Wakami/Seaweed which is high in iodine and minerals, *Vegemee* was developed to meet the demand of vegetarian consumers.

With the success of *Penang Har-Mee*, *Ladmee* was created along the same principle of authentic ingredients. A traditional recipe used in the preparation of a peppery soup, *Ladmee* uses only 100% Sarawak pepper spices to create this aromatic and warm taste.

IBUMIE launched *Penang White Curry*, a new soup based variant in mid-2014. This flavour was made popular in the early days by the Peranakan of Cantonese origin. The curry paste seasoning used in this variant is made of 38% fresh spices such as lengkuas, kefir lime, lemon grass, ginger leave, kesom and nutmeg. Served with a sachet of non-dairy creamer, IBUMIE's *Penang White Curry* is reminiscent of street curry noodles that only Penang can offer.

Ibufood Group's TELLY brand continues to be a strong player in the food seasoning segment offering premium quality blended seasoning-powder, seasoning-oil, sauces, mayonnaise, speciality spices, soup, soup stocks, marinades and canned tuna. TELLY range of salad dressing has grown over the years to become one (1) of the market leaders in the Food Service sector.

In 2012, Ibufood Group also acquired the exclusive licence to manufacture, distribute and sell LINGHAM's brand of chilli sauce. LINGHAM's is well known for its natural chilli sauce made from a recipe dated back to 1908. The chilli sauce comes in five (5) flavours – *Original, Garlic, Ginger, Ginger Garlic and Sriracha*. In 2013, the *Extra Hot variant* was introduced to cater to the ever growing spicy food market segment.

LINGHAM's range of curry paste was launched in Australia in mid-2016. Using traditional herbs and fresh spices, LINGHAM's curry pastes enable everyone to easily prepare and dish out authentic Malaysian curries at home. The range consists of four (4) hand-crafted Peranakan flavours – *Penang White Curry, Kapitan Curry, Lemongrass Curry and Laksa Curry*.

Ibufood Group also offers original equipment manufacturing ("OEM") solutions to locally-based instant noodles, seasonings and snack manufacturers and traders.

HEAD OFFICE & MANUFACTURING
Selangor
Lot 1956, Jalan Bangi Lama
Batu 1½
43500 Semenyih
Selangor Darul Ehsan
Malaysia
T : +603-8723 9588
F : +603-8723 7589
E : sss@telly.com.my/ info@telly.com.my
W : www.telly.com.my

SALES & SERVICES
Pahang
Lot 95-B
Semambu Industrial Estate
25300 Kuantan
Pahang Darul Makmur
Malaysia
T : +609-566 0268
F : +609-566 0278

GROUP **DIRECTORY**

BEDDING PRODUCTS DIVISION

Helping Malaysia and the World Sleep Comfortably since 1898…

Our Bedding Products Division is led by Kaiserkorp Sdn. Bhd. and its subsidiary companies ("Kaiserkorp Group") which specialise in manufacturing and distribution of premium brand innerspring coils, natural latex and foam-fibre mattress systems, divan-foundations and bedding accessories. Today, Kaiserkorp Group has become an industry benchmark of being a one-stop bedding solutions provider to consumers.

Kaiserkorp Group continues to strive to achieve best-in-class quality and comfort through improvement of sleep technology supported by our main state-of-the-art Research and Development ("R&D") centre in Chicago, United States of America ("USA"). Our R&D centre provides design, creation, testing as well as market research on new product roll-outs. With the help of our R&D centre, we are committed to designing, sourcing and manufacturing the best quality sleep products.

Kaiserkorp Group's success is contributed by our close relationship with our retail partners to provide the best-in-class sleep solutions to our customers. We adopt business processes which are oriented towards adding long-term value and competitiveness to our retail partners for them to provide continuous care and support to our customers' needs.

In Malaysia, we are the exclusive licensee of the prestigious KING KOIL brand. KING KOIL is a world leading brand and provider of high quality mattresses spanning ninety (90) countries over six (6) continents. KING KOIL is positioned to provide people from all over the world a more comfortable and healthier night's sleep. KING KOIL can be found in bedrooms of families as well as world-class hotels and medical institutions throughout the world.

With KING KOIL, we have developed innovative products and provide strong relationship services to our customers. We are mindful that our products meet the specifications and affordability parameters of customers. Through this understanding, we have adopted a multi-brand strategy under KING KOIL to cater for different market segments. With this strategy, we have successfully developed *WORLD LUXURY KINGKOIL, NATURAL RESPONSE, LUXURY HOTEL COLLECTION, EXTENDED LIFE, CERIA and PRINCE COLLECTION* series to tackle each of the segment. Aside from KING KOIL, Kaiserkorp Group has developed affordable brands such as FIRST KNIGHT, TAGGE, and WONDERCOIL, which still provide more affordable high quality product lines. Apart from the above brands, we have also developed the OEM business for the various mattress manufacturers and retailers in South East Malaysia.

Kaiserkorp Group continues to invest in brand building activities via innovative marketing strategies and creative advertising campaigns to further lift our brands image and build brand equity of KING KOIL in Malaysia. In 2016, with our retail partners, we successfully transformed our *KING KOIL LUXURY HOTEL COLLECTION* into the KING KOIL SUITES flagship stores. We launched ten (10) stores throughout Malaysia, with five (5) stores in strategic areas in Klang Valley and one (1) store each in Georgetown, Johor Bharu, Batu Pahat, Kuching and Kota Kinabalu. We also successfully developed and launched the NATURAL RESPONSE series, the first customisable and 100% Natural Latex Mattress, which sets a new benchmark in the bedding industry. Also, in 2017, in view of the vast business opportunity of the Malay consumers, which is the largest population in Malaysia, we have engaged a local superstar celebrity, Mr. Fattah Amin, as our KING KOIL brand ambassador for our *KING KOIL PRINCE COLLECTION*. This is to further enhance our brand presence to Malay consumers.

One (1) of the other important business for KaiserKorp Group is the hospitality projects. We have been supplying to more than one thousand (1,000) hotels in Malaysia and South East Asia in the last thirty-five (35) years ago. The King Koil brand is a popular and trusted brand among top hoteliers and hotel operators in Malaysia. It is estimated that more than 80% of the 5-Star hotels in Malaysia are using KING KOIL hospitality bedding. The business of the hospitality bedding has become an important business for KaiserKorp Group.

Kaiserkorp Group also produces other bedding related products under KING KOIL and other OEM brands for pillows of latex, down-feather, micro-fibre and polyester plus fine bedlinens and cotton towels. We have also partnered with PROTECT-A-BED to provide our customers with the best mattress protection against bed-bugs, allergens, stains and spills, perspiration and body fluids. PROTECT-A-BED is the world's best-selling mattress protector, selling in thirty (30) countries and across five (5) continents. It is the No.1 recognised brand in USA for mattress protection.

GROUP **DIRECTORY**

HEAD OFFICE
Wisma King Koil
2C-5, Level 5
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T : +603-7805 4766
F : +603-7805 4755
E : bed@kingkoil.com.my
W : www.kingkoil.com.my

SHOWROOM
Selangor
2B-2, Level 2
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T : +603-7805 4766

SALES & SERVICES
Johor
12, Jalan Sri Plentong 2
Taman Perindustrian Sri Plentong
81750 Masai
Johor Darul Takzim
Malaysia
T : +607-386 8681
F : +607-386 8682

MANUFACTURING
Selangor
Lot 2137, Jalan Enggang
Kampung Baru 9, Kebun Baru
42500 Teluk Panglima Garang
Kuala Langat
Selangor Darul Ehsan
Malaysia
T : +603-3122 1866/1867
+603-3122 1868/1869
F : +603-3122 1870

SALES & SERVICES
Penang
49P & 49Q, Lorong Sempadan Dua
11400 Pulau Pinang
Malaysia
T : +604-826 6601/6906
F : +604-826 6959

SALES & SERVICES
Seremban
168, Jalan Baiduri 3
Taman Baiduri Off
Jalan Tan Sri Manickavasagam
70200 Seremban
Negeri Sembilan Darul Khusus
Malaysia
T & F : +606-762 0412

SALES & SERVICES
Perak
6, Jalan Desa Cahaya 1
Taman Desa Cahaya
31400 Ipoh
Perak Darul Ridzuan
Malaysia
M : +6019-331 6581

SALES & SERVICES
Kelantan, Terengganu and Pahang
PT 133, Taman Sri Kebakat
Wakaf Bahru
16250 Kota Bahru
Kelantan Darul Naim
Malaysia
M : +6019-331 3408

GROUP **DIRECTORY**

BUILDING MATERIALS DIVISION

Our Building Materials Division under Agrow Malaysia Sdn. Bhd. and its subsidiary companies ("Agrow Group") is known in the building material supplies industry for delivering quality building products on time and within budget. Its strength lies in its expertise and capability in providing complete project assistance and specifications in the supply of specialist building materials for any upcoming construction of houses, hotels, laboratories and medical institutions procurement.

Agrow Group is also known for its ability to competitively source for new premium building materials from local and overseas manufacturers, thereby passing on savings to its customers. Some of the brands that Agrow Group represents are:

Sanitary Wares, Fittings and Healthcare Products			
ROCA	SLOAN	HANSGROHE	DOE
JOHNSON SUISSE	BOBRICK	AKRON	HYDRABATH
ECONAX	PRESTO	ARMITAGE SHANKS	PEGASUS
GBH	HEWI	GEBERIT	JOMOO
DURAVIT	KLUDI	HANSBO	STIEBEL ELTRON
CLAYTAN			

Locks and Ironmongeries, Floor Boards, Door Frames and Door Leaves			
LOKRITE	SAMSUNG	BALDWIN	HUSKEY
EZ-SET	KWIKSET	GEZE	ROBINA

Projects which Agrow Group has undertaken spreads over different segment such as residential, healthcare, offices, shopping mall and etc, with customers comprising leading developers, architects, government agencies and semi-government agencies. Some of the projects participated by Agrow Group in 2017 are:

- PotPourri Condominium at Ara Damansara, Selangor
- Cadangan Kompleks Institut Penyelidikan Kesihatan Bersepadu ("IPKB") untuk Kementerian Kesihatan Malaysia ("KKM") at Setia Alam, Selangor
- Ativo Suites at Damansara Avenue, Bandar Sri Damansara, Kepong, Kuala Lumpur
- Marin Condominium at Bukit Ferringhi, Penang
- 99 units Bungalow and 166 units Semi-Detached house at LOT PT142768, Persiaran Anggerik Oncidium, Bukit Kemuning, Shah Alam, Selangor
- PPA1M at Precinct 5, Putrajaya Selangor
- Rumah Keluarga Angkatan Tentera Pelbagai Kelas at Kem Syed Sirajuddin, Gemas, Negeri Sembilan
- Mix Development Eco Bloom (23 units Shop Lot and 490 units Apartment) on PT740, Jalan Paboi, Mukim 14, Daerah Seberang Perai Selatan, Pinang Pinang
- Sefina Condominium at Mont' Kiara, Kuala Lumpur
- 22 Storey Condominium Tower at Kobusak Penampang, Kota Kinabalu, Sabah

Agrow Group operates from its head office in Petaling Jaya, Selangor Darul Ehsan with showroom in the same premises featuring products from numerous world renowned brands like HANSGROHE, ROCA, JOHNSON SUISSE, DURAVIT HEWI, SLOAN, BOBRICK, PRESTO and JOMOO.

GROUP DIRECTORY

HEAD OFFICE
Wisma King Koil
2C-4, Level 4
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T : +603-7805 4748
F : +603-7805 4723
W : www.agrow.com.my

SHOWROOM
Wisma King Koil
2B-1, Ground Floor
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T : +603-7805 4748
F : +603-7805 4723

SALES & SERVICES
Penang
181, Jalan Macalister
10400 Georgetown
Pulau Pinang
Malaysia
T : +604-229 7461 / 7063
F : +604-229 7462

SALES & SERVICES
Johor Bahru
10-G & 10-01,
Jalan Austin Perdana 2/22
Taman Austin Perdana
81100 Johor Bahru
Johor Darul Takzim
Malaysia
T : +607-353 2267 / 2261
F : +607-353 2254

PROFILE OF **DIRECTORS**

TAN SRI DATO' NIK IBRAHIM KAMIL

Independent Non-Executive Chairman
Malaysian, Male, Aged 75

Tan Sri Dato' Nik Ibrahim Kamil was appointed as an Independent Non-Executive Chairman of OCB Berhad ("OCB" or "the Company") on 2 January 2007. He also sits as Chairman of the Remuneration Committee and Nomination Committee and as member of the Audit and Risk Management Committee of OCB. He is the appointed Senior Independent Director to whom all concerns may be conveyed.

Tan Sri Dato' Nik Ibrahim Kamil holds a Bachelor of Science Degree in Economics and Business Administration from Georgetown University, Washington DC, United States of America ("USA").

He has extensive managerial and business experience in various industries ranging from mining, petroleum, media, manufacturing, investment banking and finance, stock broking, port management, trading and golf resort development.

He commenced his career in 1966 as Assistant Company Secretary with Associated Mines Sdn. Bhd. In 1967, he joined Shell Malaysia Sdn. Bhd. and left in 1971 to join New Straits Times Press (M) Berhad ("NSTP") as an Assistant General Manager and was with NSTP until 1991 where his last position held was as Managing Director of the NSTP Group.

He is currently an Independent Non-Executive Director of Westports Holdings Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

ZAKARIA MERICAN BIN OSMAN MERICAN

Independent Non-Executive Director
Malaysian, Male, Aged 65

Zakaria Merican was appointed as an Independent Non-Executive Director of OCB on 7 February 2006. He is also a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee of OCB.

He holds a Diploma in Credit Management from MARA Institute of Technology, Malaysia. He also attended the Advance Credit Analysis Course in Corporate Financial Reporting and Financial Management at the Golden Gate University in San Francisco, USA (1986), the London School of Economics - Summer School in Political Economy (1990) and the Advance Management Program at INSEAD, France (2001).

He has more than thirty-six (36) years experience in the banking industry. He started his career in Ban Hin Lee Bank Berhad in 1973 before he joined the Bank of Commerce (M) Berhad, later known as Bumiputra-Commerce Bank Berhad ("BCBB"). During his tenure with BCBB, he held various senior management positions from Senior Vice-President of Retail Banking (1999) to Executive Vice-President of Risk Management (2002) and Senior Executive Vice-President of Policy and Control (2005). He also sat on the Board of Directors ("Board") of several subsidiaries of BCBB. He served as Chairman of the Association of Banks in Malaysia Committee on Banking Legislations, Policies, Rules, Regulations and Interpretations from 2001 to 2005. He joined HSBC Bank Malaysia Berhad, Penang Branch as Director of Strategic Business Development in 2008 till 2009.

PROFILE OF **DIRECTORS**

ABD AZIZ BIN ATTAN

Independent Non-Executive Director
Malaysian, Male, Aged 65

Abd Aziz Bin Attan was appointed as an Independent Non-Executive Director of OCB on 1 December 2015. He is also the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and Nomination Committee of OCB.

He is a Chartered Accountant. He is a member of the Malaysian Institute of Accountants and a fellow member of the Association of Chartered and Certified Accountants, United Kingdom ("UK"). He is also a member of the Malaysian Institute of Taxation.

He has extensive experience in taxation, finance and accounting, having held senior finance positions in several companies. His last position was Group Financial Controller of Lotan Group of Companies. He also owns a management firm providing professional services in accounting, taxation and secretarial.

MOHD HARRIS BIN PARDI

Chief Operating Officer cum Executive Director
Malaysian, Male, Aged 65

Mohd Harris Bin Pardi was appointed to the Board of OCB on 2 January 2007 and assumed the position of Chief Operating Officer cum Executive Director on 17 April 2008. He is primarily responsible for the development and implementation of OCB Group's operational strategies and policies. He also oversees the management, operations and marketing activities of the Group.

A graduate from Universiti Malaya, Malaysia with a Degree in Economics, he has extensive experience in the food & beverage ("F&B") and hospitality industry. His experience includes restaurant design and construction, operations and management, product development and manufacturing, human resource training and development. He was a member of the pioneer management team of McDonald's Malaysia, holding the position of Head of Corporate and Business Development at Golden Arches Restaurants Sdn. Bhd. from 1989 to 1994. In 1996, he left McDonald's Malaysia to start the Burger King Restaurant franchise in Malaysia as its first Managing Director.

FONG HENG LEONG

Executive Director
Malaysian, Male, Aged 64

Fong Heng Leong was appointed to the Board of OCB as Executive Director on 19 April 2000. He is responsible for the corporate and financial affairs of OCB Group.

He holds a Master of Business Administration from Heriot-Watt University, Edinburgh, United Kingdom ("UK") and was a Chartered member of The Institute of Internal Auditors Malaysia.

He has extensive finance and accounting experience, particularly in the manufacturing and trading industries. He was the Head of the Finance Division of Kaiserkorp Sdn. Bhd., a wholly-owned subsidiary of OCB, a position he held until his appointment to the Board of OCB.

PROFILE OF **DIRECTORS**

SAK SWEE SANG

Executive Director
Malaysian, Male, Aged 48

Sak Swee Sang was appointed to the Board of OCB as Executive Director on 15 December 2005. He is responsible for the accounting, operations and management of the Group.

He holds a Diploma in Commerce (Management Accounting) from Tunku Abdul Rahman College, Kuala Lumpur, Malaysia. He is an associate member of The Chartered Institute of Management Accountants, UK and The Malaysian Institute of Taxation. He is also a Chartered member of The Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia.

He has twenty-four (24) years experience in accounting, audit and finance. He was with Messrs Sim & Co., a chartered accounting firm for six (6) years before he joined Bedco Sistem (M) Sdn. Bhd., a wholly-owned subsidiary of OCB, as Finance and Administration Manager in 2000. In 2002, he was promoted as Head of Internal Audit in OCB, a position he held until his appointment to the Board of OCB.

WONG CHOON SHEIN

Non-Independent Non-Executive Director
Malaysian, Male, Aged 67

Wong Choon Shein was appointed to the Board of OCB as Non-Independent Non-Executive Director on 28 November 2017.

He has over forty (40) years of experience and knowledge in international trade and wide networking with major global players in the building and construction industry. He was the founder and Managing Director of Buildtrend Group, a major building materials and architectural products distributor of global brands (like ROCA, TOTO, Villeroy and Boch) and contractor. In July 1994, after divesting Buildtrend Group to Hong Leong Malaysia, he assumed the position of Group Managing Director, Building Materials Division of Hong Leong Industries Berhad until 1996. Home Expo, the first one-stop home renovation and decoration centre in Malaysia, was launched by him in 1999.

Currently, he has embarked on several business ventures in the building and construction industry in Malaysia, Singapore and Australia. He is also the ASEAN Business Development Director for BSC Group Hong Kong, a building materials and interior contracting group with business activities in Hong Kong, China and Macau.

He is the Independent Non-Executive Director of Aluminium Company of Malaysia Berhad which is listed on the Main Market of Bursa Securities.

Additional Information:

1. *None of the Directors has any family relationship with any Director and/or major shareholder of OCB.*
2. *None of the Directors has any conflict of interest with OCB.*
3. *Save for Tan Sri Dato' Nik Ibrahim Kamil and Wong Choon Shein, none of the Directors has other directorship in public companies and listed issuers.*
4. *None of the Directors has been convicted of any offence within the past five (5) years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the financial year ended 31 December 2017 ("FYE 2017").*
5. *Details of the Directors' attendances at Board meetings in FYE 2017 are set out in the Corporate Governance Overview Statement on page 35 of this Annual Report.*

PROFILE OF **KEY SENIOR MANAGEMENT STAFF**

YEOH JIN BENG

Managing Director - Consumer Foods Division
Malaysian, Male, Aged 66

Yeoh Jin Beng is the Managing Director of Ibufood Group which is involved in the manufacture and distribution of instant noodles and other consumer food products since June 2000.

His expertise is in the manufacture and trading of fast moving consumer goods. He is one (1) of the co-founders of Kaiserkorp Group which manufactures and distributes KINGKOIL and other branded mattresses in Malaysia. Prior to that, he was working for an international pharmaceutical company which deals in pharmaceutical and other specialty medical products.

He is a Non-Independent Non-Executive Director of Can-One Berhad, a company which is listed on the Main Market of Bursa Securities.

TAN ENG HOE

Chief Operating Officer - Bedding Products Division
Malaysian, Male, Aged 65

Tan Eng Hoe is the Chief Operating Officer heading Kaiserkorp Group which is principally involved in the manufacture and distribution of bedding products and sleep accessories products. He has over forty-five (45) years of manufacturing, operation and marketing experience in the fibre felt, car seat cushion and mattresses industries. Early in his career, he was involved in the manufacture of rubberised natural fibre felt industry. In 1978, he went on to join a company manufacturing car seat cushions, holding various senior management positions therein until he joined Kaiserkorp Group in 1977.

CHENG KAI HIN

Senior General Manager - Bedding Products Division
Malaysian, Male, Aged 43

Cheng Kai Hin holds a Bachelor Degree in Business Administration with a Minor in Advertising from University of Kansas, Lawrence, USA, a Post Graduate Degree in Management Information System from University of Lincoln, UK, and a Master of Business Administration from Victoria University, Melbourne, Australia.

He joined Kingkoil Corporation (M) Sdn. Bhd. ("Kingkoil Corporation") in March 2014 to oversee the sales and marketing for the retail business.

Prior to joining Kingkoil Corporation, he was with Hilding Anders Malaysia Sdn. Bhd./Slumberland Malaysia Sdn. Bhd. for more than twelve (12) years, where his last position was the Asia Senior Business Development Manager. He also held various roles and key responsibilities for both the Retail and Hospitality business for Slumberland in Asia. His experience include sales and key account servicing in the out-door advertising industry, having worked for Big Tree Outdoor Sdn. Bhd., a subsidiary of Media Prima Berhad, previously.

PROFILE OF **KEY SENIOR MANAGEMENT STAFF**

YUSRI HANDAYA JOE

Director of Operations – Consumer Foods Division
Indonesian, Male, Aged 63

Yusri Handaya Joe graduated from University Nommensen of North Sumatera, Indonesia in 1977 with an Accounting Degree.

He has vast experience in managing manufacturing business. He served as President Director of PT Candi Kekal Jaya, a wooden sheet and chopsticks manufacturer in Indonesia for six (6) years from 1983 to 1988. He then worked two (2) years as Director at PT Jangkar Jati, a canned food and tea bag manufacturer in Jakarta. He joined PT Forinco Ancol, a plastic monofilament manufacturer as President Director from 1989 to 1994. From 1995 to 1998, he was the President Director at PT Jakarna Tama, a food and instant noodles manufacturer.

He started working in Malaysia in 1999, where he served as Managing Director of Spices & Seasonings Specialities Sdn. Bhd. ("Spices") for a period of twelve (12) years. He was the Managing Director of Navilim Food Manufacturing Sdn. Bhd. from 2011 to 2014. He re-joined Spices as the Director of Operations in October 2015.

WENDY NG WAN LOO

General Manager - Consumer Foods Division
Malaysian, Female, Aged 43

Wendy Ng Wan Loo holds a Bachelor Degree in Business Administration, majoring in Finance from Universiti Utara Malaysia, Kedah, Malaysia. She is a Chartered Accountant registered with the Malaysian Institute of Accountants and a member of the Federation of Investment Managers Malaysia.

She has twenty (20) years of experience in accounting and finance. She started her career in 1997 as an Accounts Executive with Matsushita Electric Co., (Malaysia) Berhad, a Japanese Multinational Manufacturer of National and Panasonic brand electrical products. In 2003, she joined TS-Lear Automotive (Malaysia) Sdn. Bhd., a joint-venture between two (2) automotive giants, Thai Summit and Lear Corporation, as Senior Accounts Executive. She was promoted to the position of General Manager in 2010. She then joined Lingham & Sons (Malaysia) Sdn. Bhd. as Director's Assistant in late 2011. She joined Spices & Seasonings Specialities Sdn. Bhd. as General Manager in August 2012.

CHAN WAI TATT

Executive Director – Building Materials Division
Malaysian, Male, Aged 44

Chan Wai Tatt holds a Master in Business Administration Degree from Nottingham Trent University, UK. He was appointed a Director of Agrow Corporation Sdn. Bhd. ("Agrow Corporation"), a wholly-owned subsidiary of OCB, on 5 April 2016. He also holds the position of General Manager from 15 April 2016.

He has nineteen (19) years experience in sales and marketing; and product and business development in building material distribution industry. Prior to his appointment as General Manager/Director of Agrow Corporation, he was the Head of Sales for both the sanitary and locks segments.

PROFILE OF **KEY SENIOR MANAGEMENT STAFF**

LOH SEE YING

Accountant – Building Materials Division
Malaysian, Female, Aged 39

Loh See Ying holds a Bachelor Degree in Accounting, majoring in audit from Universiti Utara Malaysia, Kedah, Malaysia. She is a Chartered Accountant registered with the Malaysian Institute of Accountants.

She has fourteen (14) years experience in auditing and accounting. Prior to joining Agrow Corporation, she was working as an auditor with Messrs SJ Grant Thornton, a member firm of Grant Thornton International Ltd for five (5) years. She joined Agrow Corporation as an Accountant in 2008. She is responsible for the administrative and accounting management of Agrow Corporation.

TAN BEE KENG

Group Company Secretary
Malaysian, Female, Aged 58

Tan Bee Keng is an associate of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). She joined OCB as Company Secretary in December 2001. She oversees the Group Secretarial department.

She also acts as Company Secretary for several other public companies listed on the Main Market of Bursa Securities, which are principally involved in the manufacture and distribution of tin cans, aluminium cans, cartons boxes and dairy and non-dairy products; manufacture and trading of aluminium sheet and foil products. She has extensive experience in company secretarial and corporate work. She was previously the Manager-Group Secretarial of a management company serving a public listed group.

Additional Information:

1. *None of the Key Senior Management staff has any family relationship with any Director and/or major shareholder of OCB.*
2. *None of the Key Senior Management staff has any conflict of interest with OCB.*
3. *Save for Yeoh Jin Beng, none of the Key Senior Management staff holds directorship in public companies and listed issuers.*
4. *None of the Key Senior Management staff has been convicted of any offence within the past five (5) years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the FYE 2017.*

SUSTAINABILITY **STATEMENT**

The Board of Directors of OCB Berhad ("OCB") ("Board") is pleased to present the Sustainability Statement of OCB Group for the financial year ended 31 December 2017 ("FYE 2017").

This Statement has been prepared based on the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities"). Sustainability in this context is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The Board recognises the fact that the Group's operations must be conducted in a sustainable manner in the process of achieving its short-term and long-term objectives. In this regard, the Board and the Chief Operating Officer ("COO") are responsible for setting the Group's sustainability strategies. In fact, sustainability is embedded in the Group's operations, and in this report, the Board has set out the Group's practices with respect to economic, environmental and social sustainability matters.

OCB Group's Sustainability Framework has been duly approved by the Board.

A. GOVERNANCE STRUCTURE

The governance structure for OCB's sustainability management is set out below. The Group is presently at Phase 2 of the governance structure as prescribed by the Bursa Securities' Sustainability Reporting Guide. The Board assumes the ultimate responsibility for the Group's sustainability efforts, while the COO plays the role of Chief Sustainability Officer ("CSO").

Board	The Board is ultimately responsible for the Group's sustainability. It ensures that the Group's business strategies give due considerations to all aspects of sustainability as prescribed by Bursa Securities.
Risk Management Executive Committee ("RMEC")	The RMEC oversees the proper implementation of the sustainability strategy. It evaluates overall sustainability risks and opportunities.
Risk Management & Sustainability Working Group ("RMSWG")	The RMSWG identifies and evaluates sustainability risks and opportunities. It oversees the sustainability management at each subsidiaries/business unit. The RMSWG comprises heads of subsidiaries/business units

B. SCOPE

This Sustainability Statement covers the following three (3) business divisions of Group, namely:

(i) Consumer Foods
(ii) Bedding Products
(iii) Building Materials

The investment holding business division has been excluded as its transactions are not significant in relation to the Group's revenue, and it has no material sustainability matters.

SUSTAINABILITY **STATEMENT**

C. STAKEHOLDERS

The Board has identified the stakeholders relating to sustainability management of the Group. They can be grouped into internal and external stakeholders, and their significance to the Group are ranked as follows:

Internal Stakeholders	External Stakeholders
1. Investors 2. Employees	1. Customers and end-consumers 2. Suppliers 3. Regulators 4. Government 5. Local communities

The Group engages with its investors, the key internal stakeholders, through its corporate website www.ocbb.com.my where investors as well as other stakeholders may obtain financial information and news on the latest business developments.

The Group recognises that customers and end-consumers are the key external stakeholders. In line with this, the Group places high priority in products quality and safety. Consumers may communicate with the management of the respective business divisions through their company websites and customer service hotline.

D. MATERIAL SUSTAINABILITY MATTERS

The Board, RMEC and RMSWG of the respective business unit have identified the Material Sustainability Matters relevant to each of the individual business units. They are set out as follows:

Business Divisions	Areas	Material Sustainability Matters
Consumer Foods	Social	• Product quality & safety • Labour practices • Workplace safety & health • Workforce diversity
	Economic	• Procurement practices
	Environmental	• Effluent & waste • Energy consumption
Bedding Products	Social	• Product quality & safety • Labour practices • Workplace safety & health • Workforce diversity
	Economic	• Procurement practices
	Environmental	• Energy consumption
Building Materials	Social	• Labour practices • Workforce diversity
	Economic	• Procurement practices
OCB Group	Social	• Contribution to local community

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Materiality Matrix

The Materiality Matrix shows the Material Sustainability Matters with their significance to the Group's economic, environmental and social impact and the influence on the stakeholders' assessments and decision:

Influence on Stakeholders' Assessments and Decision

	Low	Medium	High
High			• Product Quality & Safety
Medium		• Procurement Practices	• Workplace Safety & Health • Effluent & Waste
Low	• Contribution to Local Community	• Workforce Diversity	• Labour Practices • Energy Consumption

Significance to the Group's Economic, Environmental and Social impact

E. SUSTAINABILITY EFFORTS

Sustainability management is embedded within the Group's operations. OCB Group's sustainability efforts in relation to the Material Sustainability Matters are set out below.

(a) Product Quality and Safety

Product quality and safety are of the highest priority for the Consumer Foods Division. This Division has obtained certification for Hazard Analysis and Critical Control Point ("HACCP") MS 1480:2007 and Good Manufacturing Practice ("GMP") from Société Générale de Surveillance ("SGS"), as well as Halal certification from Department of Islamic Development Malaysia ("JAKIM"). These certifications set out procedures to ensure that the products are safe for consumption.

For the Bedding Products Division, the Research & Development ("R&D") team has been continuously improving on the bedding designs to ensure that the products provide sleep comfort and proper sleep posture. Employees participate in local and overseas exhibitions to expose themselves to new products and technologies. This Division is endorsed by the International Chiropractors Association of the USA.

SUSTAINABILITY **STATEMENT**

E. SUSTAINABILITY EFFORTS (CONT'D)

(b) Workplace Safety and Health

There are Safety and Health ("S & H") Committees formed at the Consumer Foods and Bedding Products Divisions. The S & H Committees carry their functions in accordance with the Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967.

Fire drills are carried out annually, which serve to familiarise employees with the safety procedures during emergencies.

(c) Effluent and Waste

The effluent discharge from food production is treated through the waste water treatment plant ("WWT") before being released. The WWT has been upgraded in order to cater for the increase in production. There is a qualified person who oversees the operation of the WWT.

(d) Procurement Practices

Majority of purchases of the Consumer Foods Division, Bedding Products Division and Building Materials Division are made from local vendors. The Management gives preference to local suppliers to support the local economy.

(e) Energy Consumption

The Management has developed an energy consumption policy and system. Training is provided to employees to monitor and implement this policy and system.

(f) Labour Practices and Workforce Diversity

There are equal opportunities for all employees within the Group. Employees are rewarded based on their respective performance.

The Management monitors that employee affairs are conducted in accordance with the Employment Act 1965.

(g) Contribution to Local Community

The Board and Management are particularly conscious about OCB Group's responsibility towards the local communities. Thus, it has been donating in the form of cash and kind to various non-profit organisations and hosting education visits for students, undergraduates and governmental organisations.

F. KEY SUSTAINABILITY INDICATORS ("KSI")

The RMEC has identified the KSI for the above Material Sustainability Matters. The KSI are useful to the RMEC in determining whether the sustainability initiatives are achieving their objectives, as well as alerting the RMEC where further improvements can be made.

The Board will present the KSI in the next year's Annual Report.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors ("Board") of the Company is fully committed to the principles and recommendations made in the Malaysian Code on Corporate Governance which took effect on 26 April 2017 ("MCCG"). This ensures that the best practices of corporate governance including accountability and transparency are adhered to by the Company to achieve long term financial performance and growth as the Board is mindful of its accountability to the shareholders and various stakeholders of the Company.

The Board is pleased to report to the shareholders, the Company's application of the three (3) key principles of the MCCG during the financial year ended 31 December 2017 ("FYE 2017"):

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board's main roles are to create value for shareholders and provide leadership to the Group. It is primarily responsible for the Group's overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning of Senior Management, implementing investor relations programmes and ensuring the system of internal controls and management information system are adequate and effective.

The Board provides overall strategic guidance, effective oversight on the governance and management of the business affairs of the Group. Responsibilities of the Board include:

(i) Ensuring that the Group's goals are clearly established, the necessary resources are in place for the Group to meet its objectives and that a strategic plan, which promotes long-term value creation and includes strategies on economic, environmental, safety and health, social and governance consideration underpinning sustainability, are in place to achieve them;

(ii) Establishing policies for strengthening the performance of the Group including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;

(iii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;

(iv) Appointing the Chief Operating Officer/Executive Directors, including setting the relevant terms and objectives and where necessary, terminating his employment with the Group;

(v) Ensuring that the Group has appropriate business risk management framework and corporate governance framework, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;

(vi) Appointing board committees to address specific issues, considering recommendations of the various board committees and discussing problems and reservations arising from these committees' deliberations and reports;

(vii) Ensuring that the statutory financial statements of the Company and of the Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

Roles and Responsibilities of the Board (cont'd)

(viii) Ensuring that there is in place and appropriate succession plan for members of the Board and Senior Management;

(ix) Ensuring that the Group adheres to high standards of ethics and corporate behaviour in accordance with the Group's code of corporate conduct including transparency in the conduct of business. Directors are required to comply with the Directors' Code of Best Practice;

(x) Reviewing the Board Charter periodically and making it available publicly on the Company's website including the Terms of Reference ("TOR") of the respective Board Committees;

(xi) Ensuring that there is in place, an appropriate corporate disclosure policy and procedure which leverage on information technology for effective and timely dissemination of information which are comprehensive and accurate; and

(xii) Ensuring that there is in place an appropriate investor relations and communications policy which encourages shareholders' participation at general meetings and promotes effective communication and proactive engagements with shareholders.

Roles of the Chairman and Chief Operating Officer

There is a clear and distinct division of responsibilities between the Chairman, and the Chief Operating Officer ("COO") to ensure that there is an appropriate balance of power and role, responsibility and accountability at Board level.

The Chairman holds a Non-Executive position and is primarily responsible for the smooth running of the Board and encourages active participation by Board members and provides reasonable time for discussion of issues raised at meetings. Decisions reached at Board meetings reflect the consensus of the whole Board and not the views of any individual or group.

The COO is responsible for the development of the corporate goals and objectives of the Group, and the setting of strategies for the businesses. Together with the Executive Directors ("EDs"), the COO is primarily responsible for the day-to-day operations of the businesses of the Group, which includes implementation of policies and strategies adopted by the Board. The COO and EDs are responsible for communicating matters relating to the Group's businesses to the Board. Their knowledge of the Group's businesses and affairs contribute significantly towards the attainment of the Group's goals and objectives.

Board Charter

The Board had in 2013 adopted a Board Charter which clearly sets out the Board's strategic intent and outline the Board's role, powers, duties, and functions as well as a Schedule of Matters Reserved for collective decision of the Board. The Board Charter serves as a source of reference and primary induction literature, providing insight to prospective Board members and the Senior Management.

The Board Charter was reviewed and updated on 28 November 2017 in accordance with the needs of the Group and the new regulations that impacted the discharge of the Board's responsibilities. This is to ensure its relevance in respect of good corporate governance practices within the Group.

Code of Best Practice

The Board continues to adhere to the Code of Best Practice for Directors which sets out the standard of conduct expected of Directors with the aim to cultivate a good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

Access to Information and Advice

Prior to the Board meetings, every Director is given an agenda and a comprehensive set of Board papers consisting of reports on the Group's financial performance, status of major projects, future development, the quarterly or annual financial results, the minutes of preceding meetings of the Board and the Board Committees, and relevant proposal papers (if any) to allow them sufficient time to review, consider and deliberate knowledgeably on the matters to be tabled.

Senior Management staff as well as advisers and professionals appointed to act for the Company on corporate proposals to be undertaken by the Company are invited to attend the meetings to furnish the Board with their views and explanations on relevant agenda items tabled to the Board and to provide clarification on issues that may be raised by any Director.

In between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions enclosing all the relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board are tabled for notation at the subsequent Board meeting.

The Board also perused the decisions deliberated by the Board Committees through minutes of these Committees. The Chairman of the respective Board Committees is responsible for informing the Board at the Directors' Meetings of any salient matters noted by the Committees and which may require the Board's direction.

All Board members have direct access to the advice and services of the Company Secretary for the purpose of the Board's affairs and the business. The Company Secretary is responsible for ensuring that the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretary keeps the Board members updated on new requirements, guidelines and rulings issued by the relevant regulatory authorities, as and when it arises. The Board may undertake independent professional advice, where necessary and in appropriate circumstances, in furtherance of its duties.

Board Composition and Independence

The Board currently has seven (7) members, comprising four (4) Non-Executive Directors, a COO and two (2) EDs. Out of the four (4) Non-Executive Directors, three (3) of them are Independent Directors which is in compliance with Paragraph 15.02 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Independent Non-Executive Directors do not participate in the day-to-day management as well as the daily business of the Company. In staying clear of any potential conflict of interest situation, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide a check and balance to the Board. They provide independent and objective views, advice and judgment which take into account the interests of the Group as well as shareholders and investors.

Tan Sri Dato' Nik Ibrahim Kamil, the Chairman of the Board, the Remuneration Committee and the Nomination Committee, is the Senior Independent Director to whom concerns of shareholders, management, employees, and others may be conveyed. The Independent Directors led by Tan Sri Dato' Nik Ibrahim Kamil provide a broader view, independent and balanced assessment of proposals from the Senior Management of the Company.

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

Board Committees

In discharging its duties, the Board is assisted by the Board Committees namely, the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. Each Committee operates within its respective defined TOR which have been approved by the Board. The TOR of the respective Board Committees are periodically reviewed and assessed to ensure that the TOR remain relevant and adequate in governing the functions and responsibilities of the Committee concerned and reflect the latest developments in the MMLR of Bursa Securities and the MCCG.

A. Audit and Risk Management Committee

The Audit Committee was re-designated as the Audit and Risk Management Committee ("ARMC") on 29 August 2017. For details of its composition and activities during the FYE 2017, please refer to the ARMC Report on pages 39 and 40 of this Annual Report.

B. Remuneration Committee ("RC")

The RC comprises the following members, all of whom are Independent Non-Executive Directors:

Tan Sri Dato' Nik Ibrahim Kamil *(Chairman)*
Zakaria Merican Bin Osman Merican
Abd Aziz Bin Attan

The RC's primary responsibility is to structure and review the remuneration policies for key executives of the Group, with a view to ensure that compensation and other benefits encourage performance that enhances the Group's long-term profitability and value. The remuneration package for Key Senior Management staff are subject to the approval of the Board, and in the case of Directors' fees and benefits, the approval of the shareholders at the Annual General Meeting ("AGM") of the Company. In carrying out its duties and responsibilities, the RC has full, free and unrestricted access to the Company's records, properties and personnel.

During the FYE 2017, the RC convened one (1) meeting and full attendance of the members was recorded at the said meeting

The Company pays its Directors fees which are approved annually by the shareholders. The Directors are paid meeting allowance for the meetings they attended and are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company. Where applicable, the Board also takes into consideration any relevant information on Directors' fees provided by the independent consultants or from survey data.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

Board Committees (cont'd)

B. Remuneration Committee ("RC") (cont'd)

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

	Executive Directors			Non-Executive Directors				
	Mohd Harris Bin Pardi	Fong Heng Leong	Sak Swee Sang	Tan Sri Dato' Nik Ibrahim Kamil	Zakaria Merican Bin Osman Merican	Abd Aziz Bin Attan	Wong Choon Shein*	TOTAL (RM'000)
Group								
Salaries and Bonuses (1) (RM'000)	156	178	683	–	–	–	100	1,117
Fees (RM'000)	–	–	–	96	96	96	5	293
Statutory contributions (2) (RM'000)	19	21	82	–	–	–	–	122
Emoluments (3) (RM'000)	3	3	3	7	7	11	–	34
Benefits-in-kind (4) (RM'000)	6	13	24	7	–	5	5	60
Total (RM'000)	184	215	792	110	103	112	110	1,626
Company								
Salaries and Bonuses (1) (RM'000)	156	178	683	–	–	–	–	1,017
Fees (RM'000)	–	–	–	96	96	96	5	293
Statutory contributions (2) (RM'000)	19	21	82	–	–	–	–	122
Emoluments (3) (RM'000)	3	3	3	7	7	11	–	34
Benefits-in-kind (4) (RM'000)	6	13	24	7	–	5	–	55
Total (RM'000)	184	215	792	110	103	112	5	1,521

Notes:
- * *Appointed on 28 November 2017.*
- (1) *Salaries and bonuses comprised basic salary and bonus.*
- (2) *Statutory contributions comprised EPF and SOCSO.*
- (3) *Emoluments comprised meeting allowance and other allowances.*
- (4) *Benefits-in-kind comprised provision of company motor vehicle, petrol allowance, insurance and phone bill.*

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

Board Committees (cont'd)

B. Remuneration Committee ("RC") (cont'd)

The number of Directors whose total remuneration falls within the following bands are:

Remuneration Range	Number of Directors Executive Directors	 Non-Executive Directors
RM100,001 to RM150,000	–	4
RM150,001 to RM200,000	1	–
RM200,001 to RM250,000	1	–
RM750,001 to RM800,000	1	–

In determining the remuneration packages of the Group's Key Senior Management staff, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents. On the disclosure of the remuneration of the top five (5) Senior Management staff, the Board is of the view that disclosure on a named basis would not be in the interest of the Company because such information is sensitive and proprietary in view of the competitive nature of the human resource market and such confidentiality supports the Group's efforts to attract and retain executive talent.

The remuneration of the top five (5) Senior Management staff of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2017 are categorised as follows:

Senior Management Staff	Group RM'000	Company RM'000
Salaries and bonuses (1)	–	2,400
Statutory contributions (2)	–	256
Benefits-in-kind (3)	–	11
Total	**–**	**2,667**

Notes:
(1) Salaries and bonuses comprised basic salary and bonus.
(2) Statutory contributions comprised EPF and SOCSO.
(3) Benefits-in-kind comprised provision of company motor vehicle, petrol allowance, insurance and phone bill.

The number of Senior Management staff whose total remuneration falls within the following bands are as follows:

Remuneration Range	Number of Senior Management staff
Between RM250,001 – RM300,000	2
Between RM500,001 – RM550,000	1
Between RM700,001 – RM750,000	1
Between RM900,001 – RM950,000	1

The TOR of the RC are available for reference at www.ocbb.com.my.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

C. NOMINATION COMMITTEE ("NC")

The NC comprises the following members, all of whom are Independent Non-Executive Directors:

Tan Sri Dato' Nik Ibrahim Kamil *(Chairman)*
Zakaria Merican Bin Osman Merican
Abd Aziz Bin Attan

The NC's role is primarily to:

- identify, select and recommend to the Board, candidates for directorships of the Company;
- recommend to the Board, Directors to fill the seats on Board Committees;
- evaluate the effectiveness of the Board and the Board Committees (including its size and composition), contributions and performance of each individual Director and the independence of the Independent Directors; and
- ensure an appropriate framework and plan for the Board and Management succession for the Group.

The NC convened two (2) meetings for the FYE 2017 and full attendances of the members were recorded at both the said meetings.

A summary of the key activities undertaken by the NC in the discharge of its duties for the FYE 2017 were as follows:

(i) Discussed and reviewed the Practices in the MCCG, the status of application by the Company of the Practices and the proposed action to be taken, if any;
(ii) Recommended to the Board, the establishment of the Sustainability Framework which encompasses the Sustainability Policy and Sustainability Management Methodologies;
(iii) Recommended to the Board, the re-designation of the Audit Committee as ARMC and its revised TOR which have been enhanced to include risk management and sustainability;
(iv) Recommended to the Board, the re-designation of the Risk Management Committee as Risk Management Executive Committee and its amended TOR which have been enhanced to include sustainability;
(v) Recommended to the Board, the re-designation of the Risk Management Working Group as Risk Management and Sustainability Working Group, its composition and enhancement of its responsibilities to include sustainability;
(vi) Assessed and reviewed the independence of the Independent Directors and their tenure of service as Independent Directors on the Company;
(vii) Evaluated each Individual Director to assess the Director's caliber and ability to understand the requirements, risk and management of the Group's business; his contribution and performance; his character, integrity and professional conduct in dealing with conflict of interest situations; his ability to critically challenge and ask the right questions; his commitment and due diligence, his confidence to stand up for a point of view; his interaction at meetings and his training records for the current year under review;
(viii) Evaluated the Board and the Board Committees to assess their mix, composition, size, roles, responsibilities as well their activities, communications and effectiveness for the current year under review;
(ix) Discussed the gender diversity factor recommended in the MCCG;
(x) Endorsed Tan Sri Dato' Nik Ibrahim Kamil and Zakaria Merican Bin Osman Merican to continue to serve as Independent Directors of the Company as well as the re-election of Zakaria Merican Bin Osman Merican, Sak Swee Sang and Abd Aziz Bin Attan as Directors subject to shareholders' approval at the Fifty-Ninth AGM of the Company to be held in May 2018;
(xi) Reviewed and recommended the revised Board Charter of the Company; and
(xii) Recommended to the Board, the appointment of Wong Choon Shein as Non-Independent Non-Executive Director of the Company.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

C. NOMINATION COMMITTEE ("NC") (CONT'D)

The NC, after having conducted the abovementioned evaluation and assessment, concluded that:

(i) all the Independent Directors of the Company continued to demonstrate conduct and behaviour that were essential indicators of their independence, and that each of them continued to fulfill the definition and criteria of independence as set out in the MMLR of Bursa Securities.

(ii) each Director has the requisite competence, caliber to serve on the Board and Board Committee(s) and had demonstrated his commitment to the Group in terms of time, participation and dialogue during the current year under review.

(iii) the Board and the Board Committees' composition were adequate in number and there is a right mix of skills and knowledge on the Board as well as the Board Committees. Their respective responsibilities were well defined and set out in the Board Charter. The criteria in the MMLR of Bursa Securities that at least one (1) of the members of the ARMC must be a member of the Malaysian Institute of Accountants or a person approved under the MMLR of Bursa Securities is met. The practices set out in the MCCG pertaining to the composition of the audit committee and risk management committee have also been adopted.

The TOR of the NC are available for reference at *www.ocbb.com.my*.

Annual Assessment

The NC annually reviews the size and composition of the Board and the Board Committees in order to ensure the Board has the requisite competencies and capacity to effectively oversee the overall business and carry out its responsibilities. The NC uses the Board and Board Committee Evaluation Form comprising questionnaires for the assessment. The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, administration and conduct of meetings, communication and interaction with Management and stakeholders and Board engagement.

The annual evaluation of the individual Directors/Board Committee members are performed by the NC via the Directors' Evaluation Form comprising questionnaires pertaining to the Director's knowledge and skills, participation, contribution and performance, calibre and personality.

To assess the independence of the Independent Directors, each of the Independent Directors annually provides the NC with their Self-Assessment Independence Checklist.

Tenure of Independent Directors

The Board Charter of the Company has been changed to adopt the cumulative nine (9)-year term limit for Independent Directors and on completion of the nine (9) years, an Independent Director may continue to serve as a Non-Independent Director. Shareholders' approval is required in the event the Board desires to retain as an Independent Director, a person who has served in that capacity for more than nine (9) years.

As at 22 May 2018, Tan Sri Dato' Nik Ibrahim Kamil has served as Independent Director of the Company for eleven (11) years and three (3) months while Zakaria Merican Bin Osman Merican's tenure as Independent Director is more than twelve (12) years.

The NC has reviewed and recommended to the Board for both Tan Sri Dato' Nik Ibrahim Kamil and Zakaria Merican Bin Osman Merican to continue to act as Independent Non-Executive Directors of the Company subject to shareholders' approval at the forthcoming Fifty-Ninth AGM of the Company as the NC is of the view that a Director's independence cannot be determined solely with reference to his tenure of service. Instead, a Director's integrity, business knowledge or judgment, ability for dispassionate discourse, and the discharge of his duties and responsibilities in the best interest of the Group, are also valid criteria to determine his independence and effectiveness.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

Tenure of Independent Directors (cont'd)

The Board has determined that both Tan Sri Dato' Nik Ibrahim Kamil and Zakaria Merican Bin Osman Merican are able to bring independent and objective judgments to the Board as whole and strongly recommended for them to continue to serve as Independent Non-Executive Directors of the Company. Seeking shareholders' approval through a two (2)-tier voting process if the Board continues to retain the Independent Director after the twelfth (12th) year as recommended by the MCCG, will be implemented, if applicable, after the Company adopts its new Constitution in 2019 to allow such process to be undertaken.

Appointments and Re-elections to the Board

Candidates for appointment to the Board as Directors are selected after taking into consideration, the mix of skills, experience and strength that would be relevant for the effective discharge of the Board's responsibilities. Potential candidates are first evaluated by the NC and, if recommended by the NC, subsequently, by the Board based on their respective profiles as well as their character, integrity, professionalism, independence (if applicable) and their ability to commit sufficient time and energy to the Company's matters.

Article 97 of the Company's Articles of Association ("AA") provides that an election of Directors shall take place each year and all Directors shall retire from office at least once in every two (2) years but shall be eligible for re-election. Article 101 of the Company's AA provides that any Director newly appointed, shall hold office only until the next following AGM of the Company and shall be eligible for re-election but shall not be taken into account in determining the retirement of Directors at such meeting.

Zakaria Merican Bin Osman Merican, Sak Swee Sang and Abd Aziz Bin Attan are due for retirement at the forthcoming Fifty-Ninth AGM of the Company on 22 May 2018 pursuant to Article 97 of the Company's AA while Wong Choon Shein who was appointed on 28 November 2017 will retire pursuant to the Article 101 of the Company's AA. All the aforesaid Directors have offered themselves for re-election at the said AGM.

Gender Diversity Policy

The Board acknowledges the recommendations of the MCCG on the establishment of a gender diversity policy. There is no plan by the Board to implement a gender diversity policy or target, as the Board adheres to the practice of non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group. This includes the selection of Board members. The Company believes in, and provides equal opportunity to candidates with merit.

The Board is of the view that the suitability of a candidate for the Board is dependent on the candidate's competency, skills, experience, expertise, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender.

Meetings and Time Commitment

Five (5) Board meetings were held during the FYE 2017 and the attendances of the Directors were as follows:

Directors	Number of meetings attended in FYE 2017	% of Attendance
Tan Sri Dato' Nik Ibrahim Kamil	5 out of 5 meetings	100
Zakaria Merican Bin Osman Merican	5 out of 5 meetings	100
Mohd Harris Bin Pardi	5 out of 5 meetings	100
Fong Heng Leong	5 out of 5 meetings	100
Sak Swee Sang	5 out of 5 meetings	100
Abd Aziz Bin Attan	5 out of 5 meetings	100
Wong Choon Shein *	–	–

* *Appointed as Director on 28 November 2017.*

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

Meetings and Time Commitment (cont'd)

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company during the FYE 2017. All the Directors do not hold directorships more than that prescribed under the MMLR of Bursa Securities.

The Directors also made time to attend appropriate external training programs to equip themselves further with the knowledge to discharge their duties more effectively and to keep abreast of developments on a continuous basis in compliance with Paragraph 15.08 of the MMLR of Bursa Securities, the details of which are set out below:

Directors	Courses / Seminar / Workshop / Conference	Dates
Tan Sri Dato' Nik Ibrahim Kamil	Embracing the Companies Act 2016	February 2017
	Roles & Responsibilities of Finance Business Drivers	February 2017
Zakaria Merican Bin Osman Merican	Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	August 2017
Abd Aziz Bin Attan	Sustainability Engagement Series for Directors/Chief Executive Officer	March 2017
Mohd Harris Bin Pardi	Sustainability Engagement Series: Sector Specific Sustainability Statement Writing Workshop *(Manufacturing Sector)*	November 2017
Fong Heng Leong	Companies Act 2016: How does it impact Directors, CFOs, Accountants and Auditors?	August 2017
	Malaysian Code of Corporate Governance 2017 & Sustainability Reporting Seminar	October 2017
Sak Swee Sang	Talk on the New Companies Law Legislation (Malaysian Companies Act, 2016) with focus on Director's Duties and Responsibilities and Senior Management Staff's Responsibilities	April 2017
	Exclusive Briefing on MCCG, Sustainability Reporting under the Listing Requirements, Cyber Security Risk and GST Audit	June 2017
	Corporate Governance Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World	October 2017
	Post 2018 Budget Tax Briefing	November 2017
Wong Choon Shein *	Mandatory Accreditation Programme	February 2017

* *Appointed as Director on 28 November 2017.*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Suitability and Independence of External Auditors

Messrs Grant Thornton Malaysia, the External Auditors report to the ARMC in respect of their audit on each year's statutory financial statements and on matters that require the attention of the ARMC.

At least twice a year, the ARMC will have a separate session with the External Auditors without the presence of the COO, EDs and Management.

The External Auditors are required to declare their independence annually to the ARMC as specified by the By-Laws issued by the Malaysian Institute of Accountants. The External Auditors had provided the declaration in their annual audit plan presented to the ARMC of the Company.

Sound Risk Management Framework

The Board recognises the importance of a sound risk management framework and internal control system in order to safeguard the Group's assets and therefore, shareholders' investments in the Group.

The Board affirms its overall responsibility for the Group's system of internal controls. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures within an acceptable risk profile. Since certain risks and threats are externally driven, unforeseen and beyond the Group's control, the system can only provide reasonable assurance against misstatement or loss.

The Board had put in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

A Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is set out in pages 41 to 43 of this Annual Report.

Internal Audit Function

The internal audit function are set out in the ARMC Report on page 40 of this Annual Report.

The key features of the Risk Management Framework are set out in the Directors' Statement on Risk Management and Internal Controls as presented on pages 41 to 43 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Compliance with Applicable Financial Reporting Standards

The Board takes responsibility for presenting a balanced and understandable assessment of the Group's operations and prospects each time it releases its quarterly and annual financial statements to shareholders. The ARMC reviews the information to be disclosed to ensure its accuracy and adequacy.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 45 of this Annual Report.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Investors Relations and Shareholders Communication

The Company recognises the importance of effective and timely communication with shareholders and investors to keep them informed of the Group's latest financial performance and material business/corporate matters affecting the Company. Such information is available to shareholders and investors through the Annual Reports, the various disclosures and announcements made to Bursa Securities and the Company's corporate website.

The AGM provides the principal platform for dialogue and interactions with the shareholders. At every meeting, the Chairman sets out the performance of the Group for the financial year then ended. Question and Answer session will then be convened wherein the Directors, Company Secretary and the External Auditors will be available to answer to the queries raised by the shareholders. A full explanation for each resolution proposed at the AGM will usually be provided by the Chairman before the resolution is put to the vote.

Shareholders and the public can access information on the Group's background, products and financial performance through the Company's website *www.ocbb.com.my*.

COMPLIANCE WITH MCCG

The Board considers that the Company has complied with the provisions and applied the key principles of the MCCG throughout the FYE 2017 except for the below where the explanation for departure is disclosed in the Corporate Governance Report:

Practice 4.1	:	At least half of the Board comprises Independent Directors.
Practice 4.2	:	If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two (2)-tier voting process.
Practice 4.5	:	The Board discloses its Company's policies on gender diversity, its targets and measures to meet those targets.
Practice 6.1	:	The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management.
Practice 7.2	:	The Board discloses on a named basis the top five (5) senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

The Board has reviewed, deliberated and approved this Corporate Governance Overview Statement via a resolution passed on 5 April 2018. The Board is satisfied that this Corporate Governance Overview Statement provides the information necessary to enable shareholders to evaluate how the MCCG has been applied and obligations are fulfilled under the MCCG and the MMLR of Bursa Securities throughout the FYE 2017, save for the exceptions as disclosed above.

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report, which is made available online at *www.ocbb.com.my*.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

COMPOSITION

The Audit and Risk Management Committee ("ARMC" or "Committee") comprises of the following:

MEMBERS

Abd Aziz Bin Attan *(Chairman/Independent Non-Executive Director)* *
Tan Sri Dato' Nik Ibrahim Kamil *(Member/Independent Non-Executive Director)* **
Zakaria Merican Bin Osman Merican *(Member/Independent Non-Executive Director)*

Notes:
* *Appointed as Chairman on 29 August 2017*
** *Re-designated as a Member on 29 August 2017*

SECRETARY

Tan Bee Keng

The details of the terms of reference of the ARMC are available for reference at www.ocbb.com.my.

NUMBER OF MEETINGS AND ATTENDANCE

The Committee held five (5) meetings during FYE 2017 which were attended by all its members.

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee in discharging their responsibilities during the FYE 2017 were as follows:

(i) Reviewed the announcements on the quarterly unaudited financial results of the Group before recommendation to the Board for its consideration and approval;

(ii) Reviewed the quarterly internal audit reports regarding significant risk areas and internal control matters coming to the attention of the Committee and discussion on the findings with Senior Management to ensure that appropriate and timely measures have been taken to improve on the internal control system;

(iii) Reviewed the quarterly risk management reports on significant key risks identified, discussion with the Management and action to take to address or mitigate these risks;

(iv) Reviewed with the External Auditors, the audit report and their findings arising from the final audit of the financial statements of the Group and of the Company for the FYE 2016;

(v) Reviewed the annual audited financial statements of the Group and of the Company for the FYE 2016 with the External Auditors prior to submission to the Board for approval;

(vi) Discussed with the Management and the External Auditors on developments in respect of the Malaysian Financial Reporting Standards ("MFRSs") applicable to the financial statements of the Group and of the Company for the FYE 2017 and their judgment of the items that may affect the financial statements;

(vii) Reviewed the assistance given by the Company's employees to the Internal Auditors and External Auditors;

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

SUMMARY OF ACTIVITIES (CONT'D)

(viii) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016;

(ix) Evaluated the performance of the External Auditors and made recommendation to the Board for their re-appointment;

(x) Reviewed and approved the External Audit Plan in respect of the financial statements of the Group and of the Company for the FYE 2017 and the scope for the annual audit for the Group presented by the External Auditors; and

(xi) Reviewed and approved the Internal Audit Plan for the Group for year 2018 presented by the Internal Auditors.

INTERNAL AUDIT FUNCTION

In discharging its function, the Company engaged an external independent consulting firm ("Internal Auditors") to undertake independent regular and systematic review of the system of internal controls within the Group based on the approved Internal Audit Plan so as to provide reasonable assurance on the adequacy and effectiveness of governance, risk management and the internal control processes. The Internal Auditors provide the Committee with independent and objective reports on the state of internal control of the Group's operations, the extent of the branches' compliance with the Group's policies, procedures and relevant statutory requirements and made recommendations, where necessary.

The Committee then deliberates on the internal audit reports to ensure recommendations made are duly acted upon by the Management.

A summary of activities of the internal audit function during the FYE 2017 is presented in the Statement on Risk Management and Internal Control. The Group paid a total fee of RM93,158 for services rendered in respect of internal audit for the FYE 2017.

This Report is made in accordance with a resolution passed by the Board on 5 April 2018.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Board recognises the importance of a consistently sound risk management and internal control system to meet the Group's business objectives, safeguard shareholders' interest and the Group's assets. It affirms its responsibilities for the Group's risk management and internal control system which include the establishment of an appropriate control environment and framework as well as review of the adequacy, integrity and effectiveness of the internal control system. The internal control system covers the areas of risk management, finance, operations, management information systems and complies with the relevant laws and regulations.

However, in view of the limitations inherent in any system of internal control, the system is designed to identify and manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

INTERNAL CONTROL SYSTEM

The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures which are clearly set out in the Board Charter. The Board meets regularly and has a Schedule of Matters specifically reserved for its collective decision in order that effective control over strategic, financial, operational, environmental and compliance issues can be maintained. This structure includes the Risk Management Executive Committee ("RMEC") (re-designated from Risk Management Committee on 29 August 2017) and the Audit and Risk Management Committee ("ARMC") (re-designated from Audit Committee on 29 August 2017).

The COO, EDs and senior management team are assigned with the responsibility of managing the Group. Key functions such as finance, tax, treasury, corporate, legal matters and contract awarding are controlled centrally by them. They are also accountable for the conduct and performance of the various business divisions. The COO, EDs and Senior Management team monitor the affairs of the Divisions through review of performance and operation reports and having regular management meetings with the heads of the business divisions to identify, discuss and resolve business, financial, operational and management issues. The meetings also serve as an excellent platform whereby the Group's goals and objectives are communicated.

RISK MANAGEMENT

The Board confirms that there is an on-going process for identifying, assessing and responding to risks to achieve the objectives of the Group for the financial year under review. The process is in place for the year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

The Group has formalised the risk management process in place to identify, evaluate and manage the significant risks faced by the Group in meeting its business objectives. The risk management process is conducted in accordance with the Group's Risk Management Framework. The Framework sets out the Risk Management Policy and Risk Management Methodologies.

In accordance with the Risk Management Framework, the Group had in 2013 formed a Risk Management Committee (now refer to as RMEC) at corporate level to oversee the Group's risk management process. The RMEC consists of the COO, EDs, Internal Auditors (Risk Management Co-ordinator) and Company Secretary. At each business division, a Risk Management and Sustainability Working Group (re-designated from Risk Management Working Group on 29 August 2017) ("RMSWG") was also formed consisting of the COO, EDs, Internal Auditors (Risk Management Co-ordinator), Company Secretary and the senior managers of the division.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

RISK MANAGEMENT (CONT'D)

Risks are identified and assessed by the RMSWG of each business division by employing the following methodologies:

- Identification of risks by the process owners
- Assessment of the likelihood and impact of the risks identified
- Evaluating the control strategies in relation to the risks
- Formulating action plan to address control deficiencies
- Setting Key Risk Indicators to monitor the risks

The RMSWG of each business division reports its work to the RMEC. The RMEC will then meet to discuss and evaluate the RMSWGs' reports for adoption. Thereafter, at the quarterly meetings, the RMEC will report to the ARMC about key risks and risk management activities carried out during that period.

During the FYE 2017, the RMEC and the RMSWG of all the business divisions had their respective meetings. The RMSWG carried out reviews on the following areas of the Group during the financial year under review:

- Sales and Marketing
- Warehouse
- Purchasing
- Production
- Human resource
- Finance
- Management Information System ("MIS") / Information Technology ("IT")
- Credit control
- Safety
- Research and development
- Quality control ("QC")
- Collection
- Income tax

INTERNAL AUDIT

The ARMC is responsible for reviewing and monitoring the adequacy, integrity and effectiveness of the Group's system of internal control. In this respect, the Group outsourced the internal audit function to an independent external consulting firm, Messrs Tan Yen Yeow & Company. The internal audit function assists the Board to achieve the following objectives:

- Assesses the adequacy and integrity of the current internal control system and provides recommendations to improve on the existing control environment in relation to business processes and risk management practices;
- Evaluates existing policies and procedures of key business processes and provides recommendations for enhancement;
- Highlights opportunity to improve efficiency, effectiveness and economic aspects of the Group's operations;
- Promotes a system of internal control that is responsive to the dynamic and ever changing business environment; and
- To be cost effective and sustainable over time.

The annual Internal Audit Plan is reviewed and approved by the ARMC prior to each financial year. The Plan is developed based on the analysis of the businesses of the Group. The Internal Auditors will focus its resources on areas of high risks which will be audited more frequently than low risk areas.

For purposes of identifying and prioritising risks, the Internal Auditors will discuss with the RMEC and the RMSWG, review management reports and financial statements as well as learning from previous audit experiences.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTERNAL AUDIT (CONT'D)

During the FYE 2017, the Internal Auditors carried out reviews on the following core areas of the Group and the divisions to assess the adequacy and effectiveness of internal controls, compliance with regulations and the Group's policies and procedures by each division:

- Accounts receivable
- Credit control
- Sales transactions
- Inventory management
- Purchasing and payables
- Information technology control environment
- Access to computer systems (Internal and external)
- Data back-up
- Sales performance and commissions
- Accounts receivable and credit control
- Advertising and promotions

The findings of their audit were tabled at the ARMC meetings for deliberation and the ARMC's expectation on the corrective measures were communicated to the respective heads of the business divisions.

CONCLUSION

The External Auditors provide reasonable assurance in the form of their annual statutory audit of the financial statements. Further areas for improvement identified during the course of the statutory audit by the External Auditors are brought to the attention of the ARMC through management letters or discussed at the ARMC meetings. If necessary, the Internal Auditors shall meet with the External Auditors to discuss matters arising from the external audit and review of the Statement on Risk Management and Internal Control by the External Auditors.

Standard Operating Procedures which include policies and procedures within each business divisions are in place and continuously updated.

Continuous training and development programmes are also provided to enhance employees' competencies and maintain a risk control conscious culture.

Based on the Internal Audit reports for the FYE 2017, the Board is of the view that the risk management and internal control system in place for the year under review is generally adequate. The Board, having received assurance from the COO and the EDs, is satisfied with the adequacy and integrity of the risk management and internal control system. There were no material internal control weaknesses which had resulted in material losses, uncertainties or contingencies that would require disclosure in this Annual Report.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and reported that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the internal control system within the Group.

This Statement is made in accordance with a resolution passed by the Board on 5 April 2018.

ADDITIONAL **COMPLIANCE INFORMATION**

AUDIT AND NON-AUDIT FEES PAID/PAYABLE

During the FYE 2017, the amount of audit and non-audit fees paid/payable by the Group and the Company to the External Auditors, Messrs Grant Thornton Malaysia for services rendered to the Company and its subsidiaries are as follows:

Type of fees	Group RM'000	Company RM'000
Audit fees		
- auditor of the Company	171	32
- other auditors	93	–
Non-audit fees	33	33

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving the interests of the Directors, Chief Executive who is not a Director, or major shareholder, which are still subsisting at the end of the FYE 2017 or, if not then subsisting, which were entered into since the end of the previous financial year.

DIRECTORS' **RESPONSIBILITY STATEMENT**

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows and changes in equity of the Group and of the Company for that financial year.

In preparing the financial statements for the FYE 2017 on pages 46 to 116, the Directors consider that, the Group has used the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), applied them consistently and made judgments and estimates that are reasonable and prudent.

The Directors also consider that the MFRSs and IFRSs have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016, disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the MFRSs and IFRSs.

The Auditors' responsibilities are stated in their Report to the members of the Company.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	21,550	6,553
Attributable to:-		
Owners of the Company	21,549	6,553
Non-controlling interest	1	–
	21,550	6,553

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year.

DIVIDENDS

Since the end of the last financial year as proposed in the last report, the Company paid:-

	RM'000
A first and final tax exempt (single-tier) dividend of 1.0% (1.0 sen per share) in respect of the financial year ended 31 December 2016, paid on 19 June 2017	1,029

DIRECTORS' **REPORT**

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are:-

- Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil
(Chairman/Independent Non-Executive Director)
- Abd Aziz Bin Attan (Independent Non-Executive Director)
- Mohd Harris Bin Pardi (Chief Operating Officer cum Executive Director)
- Fong Heng Leong (Executive Director)*
- Sak Swee Sang (Executive Director)*
- Zakaria Merican Bin Osman Merican (Independent Non-Executive Director)
- Wong Choon Shein (Non-Independent Non-Executive Director, appointed on 28.11.2017) *

* Directors of the Company and the subsidiaries

The Directors of subsidiaries who held office during the financial year and up to the date of this report are as follows:-

- Yeoh Jin Beng
- Chan Wai Tatt
- Kan Kheong Weng
- Nur Aisyah Wong @ Wong Wai Yin (Appointed on 21.3.2018)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, there was no Director in office at the end of the financial year who held any direct or indirect interest in the shares of the Company and its related corporations.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than as disclosed in Notes 26 and 27 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.

DIRECTORS' REMUNERATION

Details of Directors remuneration are set out in Notes 26 and 27 to the Financial Statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity coverage and insurance premium paid for Directors and officers of the Company during the financial year.

DIRECTORS' REPORT

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises the following members:-

- Abd Aziz Bin Attan (Chairman/Independent Non-Executive Director)
- Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil (Independent Non-Executive Director)
- Zakaria Merican Bin Osman Merican (Independent Non-Executive Director)

The functions of the Audit and Risk Management Committee are to review accounting policies, internal controls, financial results and annual financial statements of the Group and of the Company on behalf of the Board of Directors.

In performing its functions, the Audit and Risk Management Committee reviewed the overall scope of external audit. It met up with the Group's and the Company's auditors to discuss the results of their examinations and their evaluation of the system of internal accounting controls of the Group and of the Company. The Audit and Risk Management Committee also reviewed the assistance given by the Group's and the Company's officers to the auditors.

The Audit and Risk Management Committee reviewed the financial statements of the Group and of the Company as well as the auditors' report thereon and recommended to the Board of Directors, the reappointment of Messrs Grant Thornton Malaysia as statutory auditors.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) 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; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) 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 liability of any other person; or

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

DIRECTORS' **REPORT**

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

(a) 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 as and when they fall due;

(b) the results of 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; and

(c) 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 current financial year in which this report is made.

AUDITORS

Details of auditors' remuneration are set out in Note 23 to the Financial Statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

The auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

MOHD HARRIS BIN PARDI	)	
	)	DIRECTORS
SAK SWEE SANG	)	

Petaling Jaya, Selangor Darul Ehsan
5 April 2018

STATEMENT **BY DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 55 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Directors in accordance with a resolution of the Directors,

MOHD HARRIS BIN PARDI

SAK SWEE SANG

Petaling Jaya, Selangor Darul Ehsan
5 April 2018

STATUTORY **DECLARATION**

I, Fong Heng Leong, being the Director primarily responsible for the financial management of OCB Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 55 to 116 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this 5th day of)
April 2018)

FONG HENG LEONG

Before me:

VALLIAMAH A/P PERIAN
W594
Commissioner for Oaths

INDEPENDENT **AUDITORS' REPORT**
TO THE MEMBERS OF OCB BERHAD

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 ("ISAs"). 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 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, in forming our opinion thereon and we do not provide a separate opinion on these matters.

Impairment of trade receivables

The risk – Under MFRS and IFRS, management is required to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Management's assessment process is based on assumptions on the recoverability of debts from each customer, such as the probability of insolvency or significant financial difficulties which are not within the control of the Group and require significant management judgement.

We identified impairment of trade receivables as a significant risk requiring special audit consideration. This is because the Group's trade receivables are material to the financial statements.

Our response – In addition to other procedures, we considered it necessary to test the trade receivables aging report, assess the reasonableness of assumptions and judgements made by the management regarding the recoverability of debts from each customer and test the recoverability of outstanding trade receivables through examination of subsequent cash collections.

We found management's assumptions and judgements regarding the adequacy of the impairment of trade receivables to be reasonable in the context of the financial statements as a whole. The Group's disclosures regarding impairment of trade receivables are included in Note 12 to the Financial Statements.

INDEPENDENT **AUDITORS' REPORT**
TO THE MEMBERS OF OCB BERHAD

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matter (Cont'd)

Goodwill on consolidation and intangible assets with indefinite useful lives

The risk – Under MFRS and IFRS, the Group is required to test annually the amount of goodwill and intangible assets with indefinite useful lives for impairment. This impairment testing relies on estimates of value-in-use based on estimated future cash flows.

The annual impairment test was significant to our audit because the assessment process used in preparing the estimated future cash flows is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions.

Our response – Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth, expenses and profit margins. We checked for additional impairment triggers by reading Board's minutes, holding regular discussions with management and examining the performance of each cash generating unit. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets.

Whilst recognising that forecasting is inherently judgemental, we concluded that the assumptions and methodologies used by management were within an acceptable range of reasonable estimates. The Group's disclosures about goodwill and intangible assets are included in Notes 7 and 8 to the Financial Statements.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Group and 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 the 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 Group and 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 MFRSs, IFRSs and the requirements of the Companies Act, 2016. 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 intends to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Report on the Audit of the Financial Statements (Cont'd)

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 ISAs 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 ISAs, 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 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 and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements 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 provided 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 determined those matters that were of most significant in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT **AUDITORS' REPORT**
TO THE MEMBERS OF OCB BERHAD

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the Financial Statements.

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.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

KHO KIM ENG
(NO: 3137/10/18(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
5 April 2018

STATEMENTS OF **FINANCIAL POSITION**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**111,704**	102,075	**120**	–
Investment properties	5	**7,773**	8,187	**–**	–
Investment in subsidiaries	6	**–**	–	**131,007**	139,371
Goodwill on consolidation	7	**38,265**	60,339	**–**	–
Intangible assets	8	**15,085**	15,235	**–**	–
Deferred tax assets	9	**2,750**	2,164	**–**	–
Other investments	10	**–**	–	**–**	–
Total non-current assets		**175,577**	188,000	**131,127**	139,371
Current assets					
Inventories	11	**26,029**	29,595	**–**	–
Trade receivables	12	**56,609**	70,268	**–**	–
Other receivables	13	**6,118**	10,761	**20**	20
Amount due from subsidiaries	14	**–**	–	**10,703**	12,190
Tax recoverable		**978**	973	**49**	–
Short term deposits with licensed banks	15	**3,556**	4,717	**–**	–
Cash and bank balances		**42,827**	37,776	**606**	659
Total current assets		**136,117**	154,090	**11,378**	12,869
Total assets		**311,694**	342,090	**142,505**	152,240
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	**103,105**	102,850	**103,105**	102,850
Reserves	17	**115,040**	137,888	**32,445**	40,282
Equity attributable to owners of the Company		**218,145**	240,738	**135,550**	143,132
Non-controlling interest	6	**113**	114	**–**	–
Total equity		**218,258**	240,852	**135,550**	143,132
LIABILITIES					
Non-current liabilities					
Bank borrowings	18	**24,992**	13,104	**–**	–
Finance lease liabilities	19	**423**	717	**–**	–
Deferred tax liabilities	9	**4,027**	3,849	**–**	–
Total non–current liabilities		**29,442**	17,670	**–**	–

STATEMENTS OF **FINANCIAL POSITION**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current liabilities					
Trade payables	20	**31,999**	37,745	**–**	–
Other payables	21	**8,941**	14,431	**253**	214
Amount due to subsidiaries	14	**–**	–	**6,702**	8,871
Tax payable		**444**	304	**–**	23
Bank borrowings	18	**22,215**	30,327	**–**	–
Finance lease liabilities	19	**395**	761	**–**	–
Total current liabilities		**63,994**	83,568	**6,955**	9,108
Total liabilities		**93,436**	101,238	**6,955**	9,108
Total equity and liabilities		**311,694**	342,090	**142,505**	152,240

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

STATEMENTS OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Revenue	22	**270,309**	292,477	**4,994**	17,470
Cost of sales		**(214,437)**	(232,443)	**–**	–
Gross profit		**55,872**	60,034	**4,994**	17,470
Other income		**2,720**	20,459	**22**	–
Selling and distribution expenses		**(22,008)**	(26,601)	**–**	–
Administration expenses		**(27,653)**	(27,041)	**(2,341)**	(2,313)
Other expenses		**(24,899)**	(14,664)	**(9,388)**	–
Finance costs		**(2,703)**	(3,357)	**–**	–
(Loss)/profit before tax	23	**(18,671)**	8,830	**(6,713)**	15,157
Tax (expense)/income	24	**(2,879)**	(3,838)	**160**	(67)
Net (loss)/profit for the financial year		**(21,550)**	4,992	**(6,553)**	15,090
Other comprehensive income					
Item that will be reclassified subsequently to profit or loss:-					
Foreign exchange translation differences for foreign operation		**(15)**	21	**–**	–
Total comprehensive (loss)/ income for the financial year		**(21,565)**	5,013	**(6,553)**	15,090
Net (loss)/profit for the financial year attributable to:-					
Owners of the Company		**(21,549)**	4,993	**(6,553)**	15,090
Non-controlling interest		**(1)**	(1)	**–**	–
		(21,550)	4,992	**(6,553)**	15,090
Total comprehensive (loss)/ income for the financial year attributable to:-					
Owners of the Company		**(21,564)**	5,014	**(6,553)**	15,090
Non-controlling interest		**(1)**	(1)	**–**	–
		(21,565)	5,013	**(6,553)**	15,090
(Loss)/Earnings per share (sen): Basic/Diluted	25	**(20.95)**	4.85		

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company						
	Non-distributable			Distributable			
Group	**Share capital RM'000**	**Foreign currency translation reserve RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
Balance at 1 January 2016	102,850	120	255	133,528	236,753	115	236,868
Net profit for the financial year	–	–	–	4,993	4,993	(1)	4,992
Other comprehensive income	–	21	–	–	21	–	21
Total comprehensive income for the financial year	–	21	–	4,993	5,014	(1)	5,013
Transaction with owners:-							
First and final tax exempt (single-tier) dividend of 1.0% (1.0 sen per share)	–	–	–	(1,029)	(1,029)	–	(1,029)
Balance at 31 December 2016	102,850	141	255	137,492	240,738	114	240,852
Net loss for the financial year	**–**	**–**	**–**	**(21,549)**	**(21,549)**	**(1)**	**(21,550)**
Other comprehensive loss	**–**	**(15)**	**–**	**–**	**(15)**	**–**	**(15)**
Total comprehensive loss for the financial year	**–**	**(15)**	**–**	**(21,549)**	**(21,564)**	**(1)**	**(21,565)**
Transition to no–par value regime	**255**	**–**	**(255)**	**–**	**–**	**–**	**–**
Transaction with owners:-							
First and final tax exempt (single-tier) dividend of 1.0% (1.0 sen per share)	**–**	**–**	**–**	**(1,029)**	**(1,029)**	**–**	**(1,029)**
Balance at 31 December 2017	**103,105**	**126**	**–**	**114,914**	**218,145**	**113**	**218,258**

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	**Share capital RM'000**	**Non-distributable Share premium RM'000**	**Distributable Retained earnings RM'000**	**Total RM'000**
Balance at 1 January 2016	102,850	255	25,966	129,071
Total comprehensive income for the financial year	–	–	15,090	15,090
Transaction with owners:-				
First and final tax exempt (single-tier) dividend of 1.0% (1.0 sen per share)	–	–	(1,029)	(1,029)
Balance at 31 December 2016	102,850	255	40,027	143,132
Total comprehensive loss for the financial year	**–**	**–**	**(6,553)**	**(6,553)**
Transition to no-par value regime	**255**	**(255)**	**–**	**–**
Transaction with owners:-				
First and final tax exempt (single-tier) dividend of 1.0% (1.0 sen per share)	**–**	**–**	**(1,029)**	**(1,029)**
Balance at 31 December 2017	**103,105**	**–**	**32,445**	**135,550**

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

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
OPERATING ACTIVITIES					
(Loss)/profit before tax		**(18,671)**	8,830	**(6,713)**	15,157
Adjustments for:					
Depreciation of property, plant and equipment		**8,108**	6,975	**4**	6
Gain on disposal of property, plant and equipment		**(242)**	(170)	**–**	–
Property, plant and equipment written off		**8**	7,953	**–**	–
Impairment loss on property, plant and equipment		**584**	–	**–**	–
Amortisation of investment properties		**414**	414	**–**	–
Amortisation of intangible assets		**150**	150	**–**	–
Impairment loss on goodwill		**22,074**	–	**–**	–
Impairment loss on investment in subsidiary		**–**	–	**8,364**	–
Impairment loss on amount due from a subsidiary		**–**	–	**1,024**	–
Impairment loss on slow moving inventories		**437**	712	**–**	–
Inventories written off		**110**	3,465	**–**	–
Reversal of impairment loss on slow moving inventories		**(466)**	(573)	**–**	–
Impairment loss on trade receivables		**2,120**	2,817	**–**	–
Bad debts written off		**441**	403	**–**	–
Bad debts recovered		**(3)**	–	**–**	–
Reversal of impairment loss on trade receivables		**(2,084)**	(1,011)	**–**	–
Waiver of debts		**(37)**	(63)	**–**	–
Interest expenses		**2,574**	3,186	**–**	–
Dividend income		**–**	–	**(3,698)**	(16,150)
Interest income		**(180)**	(157)	**–**	–
Unrealised loss on foreign exchange		**89**	300	**–**	–
Operating profit/(loss) before working capital changes		**15,426**	33,231	**(1,019)**	(987)
Changes in working capital:-					
Inventories		**3,485**	(5,160)	**–**	–
Receivables		**17,802**	3,381	**–**	–
Payables		**(11,198)**	13,825	**39**	(20)
Cash generated from/(used in) operations		**25,515**	45,277	**(980)**	(1,007)
Tax refunded		**515**	157	**142**	90
Tax paid		**(3,668)**	(4,222)	**(54)**	(67)
Net cash from/(used in) operating activities		**22,362**	41,212	**(892)**	(984)

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
INVESTING ACTIVITIES					
Repayment from subsidiaries		**–**	–	**(1,706)**	2,186
Interest received		**180**	157	**–**	–
Dividend received		**–**	–	**3,698**	–
Proceeds from disposal of property, plant and equipment		**275**	220	**–**	–
Purchase of property, plant and equipment	A	**(18,214)**	(17,025)	**(124)**	–
Net cash (used in)/ from investing activities		**(17,759)**	(16,648)	**1,868**	2,186
FINANCING ACTIVITIES					
Drawdown of bankers' acceptance and trust receipt		**64,727**	39,583	**–**	–
Repayment of bankers' acceptance and trust receipt		**(67,499)**	(35,992)	**–**	–
Drawdown of revolving credit		**4,000**	5,000	**–**	–
Repayment of revolving credit		**(7,000)**	(6,000)	**–**	–
Interest paid		**(2,574)**	(3,186)	**–**	–
Dividend paid		**(1,029)**	(1,029)	**(1,029)**	(1,029)
Drawdown of term loans and bill payables		**29,038**	4,883	**–**	–
Repayment of term loans and bill payables		**(16,115)**	(7,780)	**–**	–
Repayment of finance lease liabilities		**(894)**	(952)	**–**	–
Net cash from /(used in) financing activities		**2,654**	(5,473)	**(1,029)**	(1,029)
CASH AND CASH EQUIVALENTS					
Net changes		**7,257**	19,091	**(53)**	173
Effect of exchange translation differences on cash and cash equivalents		**8**	(148)	**–**	–
Brought forward		**36,669**	17,726	**659**	486
Carried forward	B	**43,934**	36,669	**606**	659

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group	
	2017 RM'000	**2016 RM'000**
Total purchases	**18,448**	17,095
Acquired through hire purchase arrangements	**(234)**	(70)
Cash purchases	**18,214**	17,025

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:-

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Bank overdrafts (Note 18)	**(2,449)**	(5,824)	**–**	–
Short-term deposits with licensed banks (Note 15)	**3,556**	4,717	**–**	–
Cash and bank balances	**42,827**	37,776	**606**	659
	43,934	36,669	**606**	659

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

1. GENERAL INFORMATION

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

The registered and corporate office and principal place of business of the Company are located at 2B-5, Level 5, Jalan SS 6/6, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 5 April 2018.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

2.4 Malaysian Financial Reporting Standards ("MFRSs")

2.4.1 Adoption of Amendments/Improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the Financial Statements to all years presented in these financial statements.

At the beginning of current financial year, the Group and the Company adopted amendments/ improvements to MFRSs which are mandatory for the financial year beginning on or after 1 January 2017.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except for:

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information are provided in Note 30.3 to the Financial Statements. Consistent with the transition provisions of the amendments, the Group does not disclose comparative information for the prior year.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:-

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2018:-

MFRS 9	Financial Instruments (International Financial Reporting Standards ("IFRS") 9 issued by International Accounting Standards Board ("IASB") in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2*	Classification and Measurement of Share-Based Payment Transactions
Amendments to MFRS 4*	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7	Financial Instruments – Disclosure: Mandatory effective date of MFRS 9 and transitional disclosures
Amendments to MFRS 140	Investment Property: Transfer of Investment Property
IC Interpretation 22*	Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRS Standards 2014 – 2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)*

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2019:-

MFRS 16	Leases
Amendments to MFRS 9	Financial Instrument: Prepayment Features with Negative Compensation
Amendments to MFRS 119*	Post-employment Benefits: Defined Benefit Plans
Amendments to MFRS 128*	Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Annual Improvement to MFRS Standards 2015 – 2017 Cycle*

MFRS effective 1 January 2021:-

MFRS 17*	Insurance Contracts

Amendments to MFRS – effective date deferred indefinitely:-

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

* Not applicable to the Group's and the Company's operations

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

The initial application of the above standards, amendments and interpretations are not expected to have any financial impacts to the financial statements, except for:-

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group had performed a detailed impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt MFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of MFRS 9. In addition, the Group had assessed the changes in classification of certain financial instruments.

(a) Classification and measurement of financial assets

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

(b) Impairment of financial assets

MFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

The Group is in the business of manufacturing, trading and distribution of building materials, bedding products and edible products. The goods are sold on their own in separate identified contracts with customers.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

(a) Sale of goods

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of MFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to adopt MFRS 15, the Group considers the following:

<u>Variable consideration</u>

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception and update thereafter.

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group expects that application of the constraint will result in more revenue being deferred than under current MFRS.

<u>Rights of return</u>

When a contract with a customer provides a right to return the good within the specified period, the Group currently accounts for the right of return using a probability-weighted average amount of return approach similar to the expected value method under MFRS 15. Under the current accounting policy, the amount of revenue related to the expected returns is deferred and recognised in the statements of financial position within other payables. A corresponding adjustment is made to the cost of sales. The initial carrying amount of goods expected to be returned is included within inventories.

Under MFRS 15, because the contract allows the customer to return the products, the consideration received from the customer is variable. The Group has decided to use the expected value method to estimate the goods that will be returned because this method better predicts the amount of variable consideration to which the Group will be entitled. The Group applied the requirements in MFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

(b) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new and the Group had assessed that the impact of some of these disclosures requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as requires by MFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017, the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

(c) Other adjustments

The recognitions and measurement requirements in MFRS are also applicable for recognition and measurement of any gains or losses or disposal of non-financial assets (such as items of property, plant and equipment), when that disposal is not in the ordinary course of business. However, on transaction, the effect of these changes is not expected to be material for the Group.

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all lease will be brought onto the statement of financial position by recognising "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statements of financial position are expected to increase substantially.

The adoption of MFRS 16 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 16.

2.6 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual result may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

Useful lives of depreciable assets

Assets are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the assets to be within 2 to 89 years and reviews the useful lives of depreciable assets at the end of each reporting year. At 31 December 2017, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the end of the reporting year is disclosed in Note 4 to the Financial Statements.

Amortisation of intangible assets

Intangible assets are amortised for a period of 10 years based on industry comparison. Changes in market demand could impact economical useful life of the assets, therefore future amortisation changes could be revised.

The carrying amount of the Group's intangible assets at the end of the reporting year is disclosed in Note 8 to the Financial Statements.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made.

The carrying amount of the Group's inventories at the end of the reporting year is disclosed in Note 11 to the Financial Statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Impairment of loans and receivables

The Group and the Company assess at the end of each reporting year whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The carrying amounts of the Group's and the Company's loans and receivables at the end of the reporting year are as summarised in Notes 12, 13 and 14 to the Financial Statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Income taxes

Significant 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 and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

2.6.2 Significant management judgements

The following are significant management judgement in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under finance lease), the Group accounts for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company have applied the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Company is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting year.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3.1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

3.1.3 Business combinations and goodwill (cont'd)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting year, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

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

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency translation and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3.3 Property, plant and equipment

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

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such costs as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings that are leasehold property are also included in property, plant and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives or over the term of the lease, if shorter.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Freehold land and buildings	2% to 10%
Long term leasehold land and buildings	Over the lease period of 57 to 89 years
Buildings	2%
Computer equipment	20%
Furniture, fittings, office equipment and renovations	2% to 50%
Motor vehicles	10% to 20%
Tools, plant and machinery	6.7% to 20%

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

Capital work-in-progress consists of building and plant and machineries under construction/installation for intended use as production facilities. Assets under construction/installation are not depreciated until they are completed and ready for their intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable, or at least annually to ensure that the amount, method and rate of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items 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 in the financial year in which asset is derecognised.

3.4 Investment properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group.

Investment properties are treated as long term investments and are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are stated at cost less accumulated amortisation. Amortisation is recognised on the straight line method in order to write off the cost of each investment property over its estimated useful life. Freehold land is not amortised.

The principal annual depreciation rates used are as follows:-

Leasehold buildings	Over the lease period of 86 years or 2% whichever is lower
Freehold buildings	2%-10%

Investment properties are derecognised when either they are disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal.

Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year of retirement or disposal.

Investment properties are written down to recoverable amount if, there is objective evidence that, it is less than their carrying value. Recoverable amount is the net selling price of the properties i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.5.1 Trademarks

The useful lives of the trademarks are estimated to be indefinite based on the current market share of the brands. Management believes there is no foreseeable limit to the period over which trademarks are expected to generate net cash inflows for the Group.

3.5.2 Licenses

Licences consist of "Lingham's" and "Kingkoil".

"Lingham's" relating to the use of the consumer foods and is amortised on a straight line basis over the useful life of 10 years.

"Kingkoil" relating to the use of the bedding products and is estimated to have indefinite useful lives.

3.6 Financial instruments

3.6.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:-

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.2 Financial assets – categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

(a) financial assets at fair value through profit or loss;
(b) held to maturity investments;
(c) loans and receivables; and
(d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at end of each reporting year. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the considerate received (including any new asset obtained less any new liability assume) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

As at the reporting date, the Group and the Company carry only loans and receivables and available-for-sale financial assets on its statements of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowance for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and other receivables and amount due from subsidiaries fall into this category of financial instruments.

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's and the Company's available-for-sale financial assets include both unquoted and quoted securities.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.2 Financial assets – categorisation and subsequent measurement (cont'd)

Available-for-sale financial assets (cont'd)

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments which fair value cannot be reliably measured is measured at cost less impairment loss.

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

3.6.3 Financial liabilities – categorisation and subsequent measurement

After the initial recognition, financial liabilities are classified as:-

(a) financial liabilities at fair value through profit or loss;
(b) other financial liabilities measured at amortised cost using the effective interest method; and
(c) financial guarantee contracts.

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

As at the reporting date, the Group and the Company carry only other financial liabilities measured at amortised cost on its statements of financial position.

Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities include trade and other payables, finance lease liabilities, amount due to subsidiaries and bank borrowings.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

3.6.4 Offsetting of financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of assets

3.7.1 Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's 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, had no impairment loss been recognised for asset in prior years.

Goodwill is tested for impairment annually as at the end of each reporting year, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future years.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting year, either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.7.2 Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of assets (cont'd)

3.7.2 Financial assets (cont'd)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting year whether there is objective evidence that an investment or a group of investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Inventories

Inventories comprising of raw materials, work-in-progress and finished goods.

Inventories are stated at the lower of cost and net realisable value. Where necessary, allowance is made for deteriorated, obsolete and slow-moving inventories. Cost include all expenses incurred in bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods include direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Cost of inventories for building materials and bedding products are determined using first-in-first-out method.

Cost of inventories for consumer trading goods and foodstuffs products are determined using weighted average method.

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

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances, short-term demand deposits, bank overdraft and highly liquid investments which are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Bank overdrafts are shown in current liabilities in the statements of financial position.

For the purpose of the financial position, cash and cash equivalents are restricted to be used to settle a liability of 12 months or more after the end of the reporting year are classified as non-current assets.

3.10 Leases

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

3.10.1 Finance leases

Leases, where the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

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 in 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Leases (cont'd)

3.10.2 Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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 year in which they incurred.

3.11 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 during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

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 ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the year in which they incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.12 Equity, reserves and dividends

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

The new Companies Act, 2016, which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share.

Retained earnings include all current and prior years' retained profits.

All transactions with owners of the Company are recorded separately within equity.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as liabilities.

3.13 Revenue recognition

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

(i) Trading and manufacturing

Sales of goods are recognised as income, net of discounts and goods returns in the profit or loss upon delivery of goods and customers' acceptance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue recognition (cont'd)

(ii) Dividend income

Dividends earned from investments are recognised as income in the profit or loss when the right to receive such payments has been established.

(iii) Rental income

Rental income is recognised on accrual basis.

(iv) Management fee

Management fee is recognised when services are rendered.

(v) Interest income

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

3.14 Employees benefits

3.14.1 Short-term employees benefits

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

3.14.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employees services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.15 Tax expenses

Tax expenses comprise current tax 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.

3.15.1 Current tax

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

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax expenses (cont'd)

3.15.2 Deferred tax

Deferred tax is recognised using the liability method, providing for 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 that 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 year.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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 differences can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowances being tax incentives that are not a tax base of an asset, are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against the unutilised tax incentives can be utilised.

3.16 Goods and services tax

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchases of business inputs can be deducted from output 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 authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified to make strategic decisions.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group in an arm's length transaction. These transfers are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.19 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, 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 a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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.

Provisions are reviewed at each end of the reporting year 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. Where the effect of the time of money is material, provision 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.

3.20 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity;
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly-controlled by a person identified in (a) above;
- (vii) a person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group; or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

4. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings RM'000	Equipment, tools, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and others RM'000	Capital-work-in progress RM'000	Total RM'000
Cost						
At 1 January 2016	86,474	72,091	10,502	23,564	632	193,263
Additions	–	522	587	1,194	14,792	17,095
Disposals	–	(1,424)	(465)	–	–	(1,889)
Foreign exchange translation effect	86	–	–	7	–	93
Reclassification	–	298	–	–	(298)	–
Written off	(7,867)	(2,421)	(125)	(4,899)	–	(15,312)
At 31 December 2016	78,693	69,066	10,499	19,866	15,126	193,250
Additions	**2,732**	**10,624**	**757**	**2,525**	**1,810**	**18,448**
Disposals	**–**	**–**	**(879)**	**(8)**	**–**	**(887)**
Foreign exchange translation effect	**(106)**	**–**	**–**	**(9)**	**–**	**(115)**
Reclassification	**12,213**	**4,101**	**–**	**324**	**(16,638)**	**–**
Written off	**–**	**(14)**	**–**	**(45)**	**–**	**(59)**
At 31 December 2017	**93,532**	**83,777**	**10,377**	**22,653**	**298**	**210,637**
Accumulated depreciation						
At 1 January 2016	20,320	55,055	6,522	11,491	–	93,388
Charge for the financial year	1,908	2,549	971	1,547	–	6,975
Disposals	–	(1,424)	(415)	–	–	(1,839)
Foreign exchange translation effect	7	–	–	3	–	10
Written off	(3,459)	(1,330)	(49)	(2,521)	–	(7,359)
At 31 December 2016	18,776	54,850	7,029	10,520	–	91,175
Charge for the financial year	**1,954**	**3,506**	**955**	**1,693**	**–**	**8,108**
Disposals	**–**	**–**	**(854)**	**–**	**–**	**(854)**
Foreign exchange translation effect	**(10)**	**–**	**–**	**(4)**	**–**	**(14)**
Written off	**–**	**(8)**	**–**	**(43)**	**–**	**(51)**
At 31 December 2017	**20,720**	**58,348**	**7,130**	**12,166**	**–**	**98,364**
Accumulated impairment						
At 1 January 2016/ 31 December 2016	–	–	–	–	–	–
Impairment loss recognised for the financial year	354	–	–	230	–	584
Foreign exchange translation effect	(9)	–	–	(6)	–	(15)
At 31 December 2017	**345**	**–**	**–**	**224**	**–**	**569**
Net carrying amount						
At 31 December 2017	**72,467**	**25,429**	**3,247**	**10,263**	**298**	**111,704**
At 31 December 2016	59,917	14,216	3,470	9,346	15,126	102,075

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

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

Analysis of land and buildings as at 31 December:-

Group	**Freehold land and buildings RM'000**	**Long-term leasehold land and buildings RM'000**	**Total RM'000**
Cost			
At 1 January 2016	33,697	52,777	86,474
Written off	–	(7,867)	(7,867)
Foreign exchange translation effect	–	86	86
At 31 December 2016	33,697	44,996	78,693
Additions	11	2,721	2,732
Reclassifications	5,682	6,531	12,213
Foreign exchange translation effect	–	(106)	(106)
At 31 December 2017	**39,390**	**54,142**	**93,532**
Accumulated depreciation			
At 1 January 2016	6,455	13,865	20,320
Charge for the financial year	737	1,171	1,908
Written off	–	(3,459)	(3,459)
Foreign exchange translation effect	–	7	7
At 31 December 2016	7,192	11,584	18,776
Charge for the financial year	820	1,134	1,954
Foreign exchange translation effect	–	(10)	(10)
At 31 December 2017	**8,012**	**12,708**	**20,720**
Accumulated impairment			
At 1 January 2016/31 December 2016	–	–	–
Impairment loss recognised for the financial year	–	354	354
Foreign exchange translation effect	–	(9)	(9)
At 31 December 2017	**–**	**345**	**345**
Net carrying amount			
At 31 December 2017	**31,378**	**41,089**	**72,467**
At 31 December 2016	26,505	33,412	59,917

The Directors of the Group and of the Company are of the opinion that it would not be possible to segregate the costs of the land and buildings separately as they were acquired in a lump sum amount.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

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

Company	**Motor vehicles RM'000**	**Furniture, fittings and others RM'000**	**Total RM'000**
Cost			
At 1 January 2016/31 December 2016	534	541	1,075
Additions	124	–	124
At 31 December 2017	**658**	**541**	**1,199**
Accumulated depreciation			
At 1 January 2016	528	541	1,069
Charge for the financial year	6	–	6
At 31 December 2016	534	541	1,075
Charge for the financial year	4	–	4
At 31 December 2017	**538**	**541**	**1,079**
Net carrying amount			
At 31 December 2017	**120**	**–**	**120**
At 31 December 2016	–	–	–

(a) During the financial year ended 31 December 1998, the Directors revalued certain subsidiaries' freehold and leasehold land and buildings based on open market value basis. They were revalued by an independent professional valuer.

The above freehold and leasehold land and buildings of the subsidiaries have not been revalued ever since. The subsidiaries did not adopt a policy of regular revaluation as required by MFRS 116, Property, Plant and Equipment and were applying the transitional provision for assets revalued before the coming into force of the respective standard. This is the deemed cost of the properties.

Had these assets been carried at original cost less accumulated depreciation, the net carrying amount of the subsidiaries' revalued freehold and leasehold land and buildings are RM14,287,619 (2016: RM14,580,679).

(b) The net carrying amount of property, plant and equipment which are under finance lease arrangement is as follows:-

Group	**2017 RM'000**	**2016 RM'000**
- Motor vehicles	**1,480**	1,938
- Plant and machinery	**–**	773

(c) In the previous financial year, motor vehicles with net carrying amount of RM72,981 were held in trust by a Director of a subsidiary.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

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

(d) The net carrying amount of assets pledged as securities for bank borrowings granted are:-

Group	2017 RM'000	2016 RM'000
- Land and buildings	**55,912**	47,262
- Plant and machinery	**5,119**	660

5. INVESTMENT PROPERTIES

Group	Freehold land and buildings RM'000	Leasehold buildings RM'000	Total RM'000
Cost			
At 1 January 2016/31 December 2016 31 December 2017	9,847	345	10,192
Accumulated amortisation			
At 1 January 2016	1,531	60	1,591
Charge for the financial year	410	4	414
At 31 December 2016	1,941	64	2,005
Charge for the financial year	410	4	414
At 31 December 2017	**2,351**	**68**	**2,419**
Net carrying amount			
At 31 December 2017	**7,496**	**277**	**7,773**
At 31 December 2016	7,906	281	8,187
Market value based on similar properties at proximity area:-			
At 31 December 2017	**11,350**	**920**	**12,270**
At 31 December 2016	11,145	903	12,048

The estimated market value of the investment properties as at 31 December 2017 is approximately RM12,270,000 (2016: RM12,048,000).

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

5. INVESTMENT PROPERTIES (CONT'D)

The market value at the reporting date was obtained from observable market information, determined by reference to similar industrial land and buildings which have been sold or are being offered for sale. No independent valuation by professional valuer has been performed on these investment properties.

(a) Freehold land and buildings of a subsidiary with net carrying amount of RM2,228,931 (2016: RM2,260,558) were revalued by an independent professional valuer on 3 February 1997 by using the open market value basis and had been incorporated in the financial statements in the financial year 1997. The properties have not been revalued since 1997. The subsidiary did not adopt policy of regular revaluation as required by MFRS 140, Investment Property and was applying the transitional provision for assets revalued before the coming into force of the accounting standard. It is the deemed cost of the investment properties.

Had the freehold land and buildings been carried at original historical cost less accumulated amortisation, the net carrying amount of the revalued freehold land and buildings at the end of the reporting year is as follows:-

	Group	
	2017 RM'000	**2016 RM'000**
Freehold land and buildings	**916**	940

(b) The following are recognised in profit or loss in respect of investment properties:-

	Group	
	2017 RM'000	**2016 RM'000**
Direct operating expenses	**97**	106
Rental income	**181**	181

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	**2016 RM'000**
Unquoted shares, at cost	**139,371**	139,371
Less: Accumulated impairment losses	**(8,364)**	–
	131,007	139,371

The movement of accumulated impairment losses is as follows:-

	Company	
	2017 RM'000	**2016 RM'000**
At 1 January	**–**	–
Impairment loss recognised during the financial year	**8,364**	–
At 31 December	**8,364**	–

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, which are all incorporated in Malaysia, except for First Knight (Singapore) Pte. Ltd. which is incorporated in Singapore, are as follows:-

Name of companies	Effective equity interest 2017 %	2016 %	Principal activities
Kaiserkorp Sdn. Bhd. *	**100**	100	Investment holding company
Agrow Malaysia Sdn. Bhd.	**100**	100	Investment holding company
Ibufood Corporation Sdn. Bhd.	**100**	100	Investment holding company
Enigma Sinar Sdn. Bhd. *	**80**	80	Investment holding company
Subsidiaries of Kaiserkorp Sdn. Bhd.			
T N Metal Industries (M) Sdn. Bhd. *	**100**	100	Property holding
Kingkoil Bedding (Malaysia) Sdn. Bhd. *	**100**	100	Trading and marketing of spring mattress and sleep related products and property holding
Kaiserkoil Incorporated (M) Sdn. Bhd. *	**100**	100	Property holding
Dreambed (Malaysia) Sdn. Bhd. *	**100**	100	Property holding
Bedco Sistem (M) Sdn. Bhd. *	**100**	100	Manufacturing of spring mattress, headboards and divans
Kingkoil Corporation (M) Sdn. Bhd. *	**100**	100	Trading and marketing of spring mattress and sleep related products
Acrowyn (M) Sdn. Bhd. *	**100**	100	Dormant
First Knight (Singapore) Pte. Ltd. *	**100**	100	Trading and marketing of spring mattress and sleep related products
Subsidiaries of Agrow Malaysia Sdn. Bhd.			
Pure-Ecology (M) Sdn. Bhd.	**100**	100	Investment in properties
Keenwai Enterprises (M) Sdn. Bhd.	**100**	100	Investment holding
Agrow Corporation Sdn. Bhd.	**100**	100	Buying, selling, fabricating spare parts and equipment
AG Textronic Sdn. Bhd.	**100**	100	Dormant

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, which are all incorporated in Malaysia, except for First Knight (Singapore) Pte. Ltd. which is incorporated in Singapore, are as follows (cont'd):-

Name of companies	Effective equity interest 2017 %	2016 %	Principal activities
Subsidiaries of Ibufood Corporation Sdn. Bhd.			
Ibufood Manufacturing (M) Sdn. Bhd.	**100**	100	Investment holding
Spices & Seasonings Specialities Sdn. Bhd.	**100**	100	Manufacturing of instant noodles, spices, food seasonings, sauces and other edible products
Ecoway (Malaysia) Sdn. Bhd.	**100**	100	Dormant
Biz-Allianz International (M) Sdn. Bhd.	**100**	100	Trading and distribution of consumer products
Selera Citarasa Sdn. Bhd. *	**100**	100	Dormant
Biz-Markas Sdn. Bhd.	**100**	100	Dormant

* Subsidiaries not audited by Grant Thornton Malaysia

Non-controlling interest in a subsidiary

Information of the Group's subsidiary that has non-controlling interest ("NCI") is as follows:-

	2017 RM'000	2016 RM'000
NCI percentage of ownership interest and voting interest		
Carrying amount of NCI	**113**	114
Net loss allocated to NCI	**(1)**	(1)
Summarised financial information before intra-group elimination		
As at 31 December		
Current assets	**568**	575
Current liabilities	**(1)**	(1)
Net assets	**567**	574
Year ended 31 December		
Net loss for the year	**(7)**	(7)
Total comprehensive loss	**(7)**	(7)
Cash flows from operating activities	**(7)**	(7)
Cash flows from investing activities	**–**	117
Net (decrease)/increase in cash and cash equivalents	**(7)**	110

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

7. GOODWILL ON CONSOLIDATION

	Group	
	2017	**2016**
	RM'000	**RM'000**
At 1 January	**60,339**	60,339
Less: Accumulated impairment losses	**(22,074)**	–
At 31 December	**38,265**	60,339

During the financial year, the Directors reassessed the recoverable amounts of goodwill from consumer foods CGU and the recoverable amount is lower than the carrying amount. Hence an impairment loss of RM22,074,000 has been made in current financial year.

The recoverable amount of the cash generating unit ("CGU") is determined based on value in use calculation using cash flows projections based on financial budgets approved by the management covering a five-years period.

Key assumptions made in determining the value-in-use are as follows:-

- Cash flows were projected based on actual operating results and the five (5) year business plan;
- The discount rate applied to the cash flows projections are derived from the weighted average cost of capital of the Group;
- The weighted average growth rates used are consistent with the long-term average growth rate for the industry; and
- The size of operation will remain at least or not lower than the current results.

The key assumptions represent management's assessment of future trends in the building materials, bedding products and consumer foods industries and are based on both external sources and internal sources (historical data).

With regards to the assessments of value-in-use of these CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2017

8. INTANGIBLE ASSETS

Group	Trademarks RM'000	Licences RM'000	Total RM'000
Cost			
At 1 January 2016/ 31 December 2016/ 31 December 2017	2,030	13,867	15,897
Accumulated amortisation			
At 1 January 2016	–	512	512
Charge for the financial year	–	150	150
At 31 December 2016	–	662	662
Charge for the financial year	–	150	150
At 31 December 2017	**–**	**812**	**812**
Net carrying amount			
At 31 December 2017	**2,030**	**13,055**	**15,085**
At 31 December 2016	2,030	13,205	15,235

Trademarks relate to the use of the "Miyachi", "First Knight" and "Tagge" for the Group's consumer foods and bedding products' business respectively. The useful lives of the trademarks are estimated to be indefinite because based on the current market share of the trademarks, Directors believe that there is no foreseeable limit to the period over which trademarks are expected to generate net cash inflows for the Group.

For the purpose of impairment testing, these intangible assets have been allocated to a cash generating units ("CGU") according to subsidiaries' operation. The recoverable amounts of the CGU have been determined based on the value in use calculations using discounted cash flows projections from financial budgets approved by management covering a five-years period.

The details on the gross margin, growth rate and discount rate for the CGU are disclosed in Note 7 to the Financial Statements.

Licences consist of "Lingham's" and "Kingkoil".

"Lingham's" is relating to the use of the consumer foods and is amortised on a straight line basis over the useful life of 10 years.

"Kingkoil" is relating to the use of the bedding products and is estimated to have indefinite useful lives.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

9. DEFERRED TAX ASSETS/LIABILITIES

Group	**2017 RM'000**	**2016 RM'000**
Deferred tax assets		
At beginning of the year	**2,164**	2,950
Underprovision in prior year (Note 24)	**23**	17
Transferred from/(to) profit or loss (Note 24)	**563**	(803)
At end of the year	**2,750**	2,164

Deferred tax assets comprise the following:-

Carrying amount of qualifying property, plant and equipment in excess of their tax base	**(1,475)**	(352)
Unutilised capital allowances	**1,422**	–
Provisions	**81**	–
Reinvestment allowances	**2,722**	2,516
	2,750	2,164

Deferred tax liabilities		
At beginning of the year	**3,849**	3,794
Underprovision in prior year (Note 24)	**99**	–
Transferred from profit or loss (Note 24)	**79**	55
At end of the year	**4,027**	3,849

Deferred tax liabilities comprise the following:-

Carrying amount of qualifying property, plant and equipment in excess of their tax base	**3,015**	2,741
Revaluation of land and building	**1,101**	1,130
Unutilised capital allowances	**(89)**	(22)
	4,027	3,849

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of their recoverability:-

	2017 RM'000	**2016 RM'000**
Unabsorbed tax losses	**8,429**	7,199
Unutilised capital allowances	**722**	409
Impairment loss on trade receivables	**1,050**	–
Others	**(2)**	(36)
	10,199	7,572

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient future taxable profits to be used to offset or they arose from the subsidiaries that have a recent history of losses.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

10. OTHER INVESTMENTS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Available-for-sale financial assets		
Quoted shares in Malaysia, at cost	**9**	9
Less: Accumulated impairment loss		
At beginning/end of the year	**(9)**	(9)
At end of the year	**–**	–
At market value	**1**	1
Unquoted shares in Malaysia, at cost	**78**	78
Less: Accumulated impairment loss		
At beginning/end of the year	**(78)**	(78)
	–	–

11. INVENTORIES

	Group	
	2017	**2016**
	RM'000	**RM'000**
Raw materials	**11,117**	10,427
Work-in-progress	**1,095**	648
Finished goods	**13,817**	18,232
Goods in transit	**–**	288
	26,029	29,595
Recognised in profit or loss:-		
Inventories recognised as cost of sales	**200,682**	220,282
Inventories written off	**110**	3,465
Impairment loss on slow moving inventories	**437**	712
Reversal of impairment loss on slow moving inventories	**(466)**	(573)

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

12. TRADE RECEIVABLES

	Group 2017 RM'000	Group 2016 RM'000
Trade receivables	**60,705**	74,349
Less: Allowance for impairment		
At beginning of year	**(4,081)**	(2,277)
Translation differences	**21**	2
Impairment loss recognised	**(2,120)**	(2,817)
Reversal of impairment loss	**2,084**	1,011
At end of year	**(4,096)**	(4,081)
	56,609	70,268

The normal trade credit terms granted by the Group to the trade receivables range from 14 to 120 (2016: 14 to 120) days.

13. OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sundry receivables	**878**	8,126	**–**	–
GST receivable	**1,930**	590	**13**	13
Advances to staff	**15**	18	**–**	–
Deposits	**521**	563	**7**	7
Prepayments	**2,774**	1,464	**–**	–
	6,118	10,761	**20**	20

14. AMOUNTS DUE FROM /(TO) SUBSIDIARIES

	2017 RM'000	2016 RM'000
Company		
Amount due from subsidiaries	**11,727**	12,190
Less: Impairment loss		
At beginning of year	**–**	–
Recognised during the year	**(1,024)**	–
At end of year	**(1,024)**	–
	10,703	12,190

Amounts due from/(to) subsidiaries are non-trade, non-interest bearing, unsecured and repayable on demand.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

15. SHORT TERM DEPOSITS WITH LICENSED BANKS

Group

Short-term deposits are placed with licensed banks. The interest rates are 2.95% to 3.45% (2016: 2.20% to 3.45%) per annum with maturity dates of 1 to 12 months (2016: 1 to 12 months).

16. SHARE CAPITAL

	No. of ordinary shares		Amount	
	2017	2016	2017 RM'000	2016 RM'000
Group and Company				
Issued and fully paid:-				
At 1 January	**102,850,000**	102,850,000	**102,850**	102,850
Transition to no-par value regime (a)	**–**	–	**255**	–
At 31 December	**102,850,000**	102,850,000	**103,105**	102,850

(a) The new Companies Act 2016 ("The Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM255,000 for purposes as set out in Section 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

17. RESERVES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable				
Share premium				
- At 1 January	**255**	255	**255**	255
- Transition to no-par value regime	**(255)**	–	**(255)**	–
- At 31 December	**–**	255	**–**	255
Foreign currency translation reserve	**126**	141	**–**	–
Distributable				
Retained earnings	**114,914**	137,492	**32,445**	40,027
	115,040	137,888	**32,445**	40,282

18. BANK BORROWINGS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Current		
Secured		
Bank overdrafts	**2,449**	5,618
Term loans	**4,065**	3,212
Bankers' acceptance	**11,315**	5,621
Trust receipt	**79**	–
Bill payables	**2,307**	2,125
Revolving credit	**2,000**	5,000
	22,215	21,576
Unsecured		
Bank overdrafts	**–**	206
Bankers' acceptance	**–**	8,177
Trust receipt	**–**	368
	–	8,751
Non-current		
Secured		
Term loans	**24,992**	13,104
Total bank borrowings	**47,207**	43,431

Bank borrowings obtained from local banks bear interest rates ranging from 1.50% to 8.54% (2016: 1.25% to 9.85%) per annum.

Bank borrowings of the Group are secured by:-

(i) Joint and several guarantee by certain Directors of subsidiaries;
(ii) Corporate guarantee by the Company and subsidiaries;
(iii) Letter of negative pledge over the present and future floating assets of subsidiaries;
(iv) Trade financing general agreement;
(v) Legal subordination of the Company and a subsidiary's advances;
(vi) Facilities agreement and first party first legal charge on certain properties of the Company and subsidiaries;
(vii) Specific debenture over plant and machineries financed by the banks;
(viii) Blanket counter indemnity;
(ix) General security agreement; and
(x) Open all monies first party debenture by way of fixed and floating charges over the property of a subsidiary.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

19. FINANCE LEASE LIABILITIES

	Group	
	2017	**2016**
	RM'000	**RM'000**
Finance lease liabilities		
- less than 1 year	**440**	827
- more than 1 year but less than 2 years	**387**	480
- more than 2 years but less than 5 years	**105**	304
	932	1,611
Less: Future finance charges	**(114)**	(133)
	818	1,478
Present value of finance lease liabilities		
- less than 1 year	**395**	761
- more than 1 year but less than 2 years	**332**	436
- more than 2 years but less than 5 years	**91**	281
	423	717
	818	1,478

The finance lease liabilities bear interest rates ranging from 2.13% to 4.50% (2016: 2.13% to 4.50%) per annum.

20. TRADE PAYABLES

The normal trade credit terms granted by the trade payables range from 1 to 120 (2016: 1 to 120) days.

21. OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sundry payables	**3,629**	4,032	**–**	–
GST payable	**166**	249	**–**	–
Accruals of expenses	**3,366**	5,941	**253**	214
Deposits received	**1,780**	4,209	**–**	–
	8,941	14,431	**253**	214

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

22. REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue				
Sales of goods	**270,128**	292,296	**–**	–
Management fee	**–**	–	**1,296**	1,320
Dividend income	**–**	–	**3,698**	16,150
Rental income	**181**	181	**–**	–
	270,309	292,477	**4,994**	17,470

23. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is determined after charging/(crediting) amongst others, the following:-

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Audit fees				
- auditors of the Company	**171**	167	**32**	30
- other auditors	**93**	73	**–**	–
Non-audit fees charged by auditors	**33**	33	**33**	33
Rental of premises	**333**	304	**60**	60
Realised gain on foreign exchange	**(78)**	(66)	**–**	–

24. TAX (EXPENSE)/INCOME

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current year tax	**(3,291)**	(3,244)	**–**	(67)
(Under)/overprovision in prior years				
- taxation	**4**	247	**160**	–
- deferred taxation (Note 9)	**(76)**	17	**–**	–
Transferred from/(to) deferred tax (Note 9)	**484**	(858)	**–**	–
	(2,879)	(3,838)	**160**	(67)

The provision for current year taxation is determined by applying the Malaysian statutory tax rate on the chargeable income. The Malaysian statutory tax rate is 24% of the estimated assessable profits for the financial year.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

24. TAX (EXPENSE)/INCOME (CONT'D)

A numerical reconciliation between the statutory tax rate and the average effective tax rate is as follows:-

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
(Loss)/profit before tax	**(18,671)**	8,830	**(6,713)**	15,157
	%	**%**	**%**	**%**
Tax at Malaysian statutory tax rate	**(24.0)**	24.0	**(24.0)**	24.0
Tax effects in respect of:-				
Expenses not deductible for tax purposes	**40.9**	23.6	**37.6**	2.0
Income not subject to tax	**(3.7)**	(6.5)	**(13.2)**	(25.6)
Additional reinvestment allowances recognised	**(1.5)**	–	**–**	–
Overprovision of taxation in prior years	**–**	(2.8)	**(2.8)**	–
Under/(over) provision of deferred taxation in prior year	**0.4**	(0.5)	**–**	–
Deferred tax assets not recognised	**3.3**	5.7	**–**	–
Tax at effective tax rate	**15.4**	43.5	**(2.4)**	0.4

25. (LOSS)/EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated based on Group's net (loss)/profit for the year attributable to owners of the Company of RM21,549,000 (2016: RM4,993,000) over the number of weighted average shares during the financial year of 102,850,000 (2016: 102,850,000).

There is no diluted earnings per share during the financial year as the Company does not have any potential dilutive shares as at the end of the reporting year.

26. EMPLOYEES BENEFITS EXPENSES

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Salaries and other emoluments	**28,758**	27,011	**1,582**	1,577
Defined contribution plan	**2,708**	2,652	**171**	170
Social security contributions	**238**	229	**2**	11
Other benefits	**1,318**	2,233	**142**	109
	33,022	32,125	**1,897**	1,867

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

26. EMPLOYEES BENEFITS EXPENSES (CONT'D)

The remuneration receivable by Directors and other member of key management personnel of the Group and of the Company during the financial year are as follows:-

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Executive Directors:-				
Salaries and other emoluments	**1,988**	2,061	**1,047**	1,046
Defined contribution plan	**201**	176	**122**	122
	2,189	2,237	**1,169**	1,168
Non-Executive Directors:-				
Fees	**123**	120	**123**	120
Key management personnel:-				
Salaries and other emoluments	**2,042**	1,379	**–**	–
Total	**4,354**	3,736	**1,292**	1,288

27. RELATED PARTY DISCLOSURES

(a) Significant related party transactions during the financial year are as follows:-

	Company	
	2017 RM'000	**2016 RM'000**
Dividend income received from subsidiaries	**3,698**	16,150
Management fees received from subsidiaries	**1,296**	1,320
Rental paid to a subsidiary	**60**	60

The Directors of the Company are of the opinion that the terms of the above transactions were entered on a negotiated basis between the companies.

(b) Compensation of key management personnel

Key management includes all the Directors of the Company and its subsidiaries and certain members of senior management of the Group.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activites of the Group either directly or indirectly.

The remuneration of key management personnel is disclosed in Note 26 to the Financial Statements.

(c) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 14 to the Financial Statements.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

28. CAPITAL COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000
Authorised and contracted for:-		
Capital commitments for capital-work-in progress	–	10,008

29. OPERATING SEGMENT

(a) Business segments

Management currently identifies the Group's manufacturing and trading activities as operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The following summary describes the operations in each of the Group's reportable segments:-

(i) Building materials : Trading in building materials

(ii) Bedding products : Manufacturing and trading of various types of bedding products

(iii) Consumer foods : Manufacturing and trading of various types of consumer foods

(iv) Others : Investment holding and dormant

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

29. OPERATING SEGMENT (CONT'D)

(a) Business segments (cont'd)

	Note	Building materials RM'000	Bedding products RM'000	Consumer foods RM'000	Others RM'000	Adjustments and eliminations RM'000	Total as per consolidated financial statements RM'000
2017							
Revenue:-							
External revenue		76,568	56,247	137,494	–	–	270,309
Inter-segment revenue	(i)	115	–	–	4,994	(5,109)	–
		76,683	56,247	137,494	4,994	(5,109)	270,309
Results:-							
Interest income		12	39	129	–	–	180
Finance cost		(478)	(943)	(1,282)	–	–	(2,703)
Depreciation of property, plant and equipment		(687)	(2,628)	(4,789)	(4)	–	(8,108)
Amortisation of investment properties		(414)	–	–	–	–	(414)
Amortisation of intangible assets		–	–	(150)	–	–	(150)
Income tax expense		(2,039)	(1,583)	583	160	–	(2,879)
Other non-cash expenses	(ii)	(1,528)	(945)	(1,227)	(9,338)	9,338	(3,700)
Segment profit/(loss)	(iii)	6,886	4,396	(4,324)	(5,697)	(17,409)	(16,148)
Assets:-							
Additions to non-current assets	(iv)	453	3,708	14,163	124	–	18,448
Segment assets	(v)	59,758	108,594	103,723	144,097	(104,478)	311,694
Liabilities:-							
Segment liabilities	(vi)	20,461	34,230	50,772	6,956	(18,983)	93,436

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

29. OPERATING SEGMENT (CONT'D)

(a) Business segments (cont'd)

	Note	Building materials RM'000	Bedding products RM'000	Consumer foods RM'000	Others RM'000	Adjustments and eliminations RM'000	Total as per consolidated financial statements RM'000
2016							
Revenue:-							
External revenue		90,997	58,082	143,398	–	–	292,477
Inter-segment revenue	(i)	120	–	–	17,470	(17,590)	–
		91,117	58,082	143,398	17,470	(17,590)	292,477
Results:-							
Interest income		22	6	129	–	–	157
Finance cost		(1,359)	(1,210)	(788)	–	–	(3,357)
Depreciation of property, plant and equipment		(710)	(2,405)	(3,854)	(6)	–	(6,975)
Amortisation of investment properties		(414)	–	–	–	–	(414)
Amortisation of intangible assets		–	–	(150)	–	–	(150)
Income tax expense		(1,235)	(1,434)	(1,102)	(67)	–	(3,838)
Other non-cash expenses	(ii)	(2,019)	(768)	(12,563)	–	–	(15,350)
Segment profit	(iii)	5,327	5,683	2,024	15,149	(16,153)	12,030
Assets:-							
Additions to non-current assets	(iv)	30	5,186	11,879	–	–	17,095
Segment assets	(v)	70,901	114,280	104,122	152,815	(100,028)	342,090
Liabilities:-							
Segment liabilities	(vi)	35,986	38,112	46,276	9,109	(28,245)	101,238

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

29. OPERATING SEGMENT (CONT'D)

(a) Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Other non-cash expenses consist of the following items:-

	2017 RM'000	**2016 RM'000**
Impairment loss on trade receivables	**2,120**	2,817
Impairment loss on slow moving inventories	**437**	712
Bad debts written off	**441**	403
Property, plant and equipment written off	**8**	7,953
Inventories written off	**110**	3,465
Impairment loss on property, plant and equipment	**584**	–
	3,700	15,350

(iii) The following items are added to/(deducted from) segment profit to arrive at "Net profit for the financial year" presented in the consolidated statements of profit or loss and other comprehensive income:-

	2017 RM'000	**2016 RM'000**
Segment (loss)/profit	**(16,148)**	12,030
Interest income	**180**	157
Finance costs	**(2,703)**	(3,357)
Tax expense	**(2,879)**	(3,838)
Net (loss)/profit for the financial year	**(21,550)**	4,992

(iv) Additions to non-current assets consist of:-

	2017 RM'000	**2016 RM'000**
Property, plant and equipment	**18,448**	17,095

(v) The following items are adjusted from segments assets to arrive at total assets reported in the consolidated satements of financial position:-

	2017 RM'000	**2016 RM'000**
Investment in subsidiaries	**(79,032)**	(79,032)
Inter-segment balances	**(25,446)**	(20,996)
	(104,478)	(100,028)

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

29. OPERATING SEGMENT (CONT'D)

(a) Business segments (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

(vi) The following item is adjusted from segments liabilities to arrive at total liabilities reported in the consolidated statements of financial position:-

	2017 RM'000	2016 RM'000
Inter-segment balances	**(18,983)**	(28,245)

(b) Geographical information

The Group's revenue and non-current assets information based on geographical location are as follows:-

	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia *	**202,922**	221,941	**169,001**	181,217
Republic of Singapore	**6,850**	8,000	**3,826**	4,619
Thailand	**299**	52	**–**	–
Indonesia	**48,082**	54,005	**–**	–
Brunei	**2,642**	2,727	**–**	–
Australia	**2,202**	244	**–**	–
United States of America	**1,615**	2,283	**–**	–
United Kingdom	**1,023**	1,575	**–**	–
Others	**4,674**	1,650	**–**	–
	270,309	292,477	**172,827**	185,836

* Company's home country

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position:-

	2017 RM'000	2016 RM'000
Property, plant and equipment	**111,704**	102,075
Investment properties	**7,773**	8,187
Goodwill on consolidation	**38,265**	60,339
Intangible assets	**15,085**	15,235
	172,827	185,836

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS

30.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R"), available-for-sale financial assets ("AFS") and financial liabilities categorised as other liabilities measured at amortised cost ("AC"):-

Group	Carrying amount RM'000	L&R RM'000	AFS RM'000	AC RM'000
2017				
Financial assets				
Trade receivables	**56,609**	**56,609**	**–**	**–**
Other receivables	**1,414**	**1,414**	**–**	**–**
Short-term deposits with licensed banks	**3,556**	**3,556**	**–**	**–**
Cash and bank balances	**42,827**	**42,827**	**–**	**–**
Other investments	**–**	**–**	*****	**–**
	104,406	**104,406**	**–**	**–**
Financial liabilities				
Trade payables	**31,999**	**–**	**–**	**31,999**
Other payables	**8,775**	**–**	**–**	**8,775**
Bank borrowings	**47,207**	**–**	**–**	**47,207**
Finance lease liabilities	**818**	**–**	**–**	**818**
	88,799	**–**	**–**	**88,799**
2016				
Financial assets				
Trade receivables	70,268	70,268	–	–
Other receivables	8,707	8,707	–	–
Short-term deposits with licensed banks	4,717	4,717	–	–
Cash and bank balances	37,776	37,776	–	–
Other investments	–	–	*	–
	121,468	121,468	–	–
Financial liabilities				
Trade payables	37,745	–	–	37,745
Other payables	14,182	–	–	14,182
Bank borrowings	43,431	–	–	43,431
Finance lease liabilities	1,478	–	–	1,478
	96,836	–	–	96,836

* Other investments of the Group had been fully impaired

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R"), available-for-sale financial assets ("AFS") and financial liabilities categorised as other liabilities measured at amortised cost ("AC") (cont'd):-

Company	**Carrying amount RM'000**	**L&R RM'000**	**AFS RM'000**	**AC RM'000**
2017				
Financial assets				
Other receivables	**7**	**7**	**–**	**–**
Amount due from subsidiaries	**10,703**	**10,703**	**–**	**–**
Cash and bank balances	**606**	**606**	**–**	**–**
	11,316	**11,316**	**–**	**–**
Financial liabilities				
Other payables	**253**	**–**	**–**	**253**
Amount due to subsidiaries	**6,702**	**–**	**–**	**6,702**
	6,955	**–**	**–**	**6,955**
2016				
Financial assets				
Other receivables	7	7	–	–
Amount due from subsidiaries	12,190	12,190	–	–
Cash and bank balances	659	659	–	–
	12,856	12,856	–	–
Financial liabilities				
Other payables	214	–	–	214
Amount due to subsidiaries	8,871	–	–	8,871
	9,085	–	–	9,085

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management Objectivities and Policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's and the Company's businesses whilst managing their credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

Following are the areas where the Group and the Company are exposed to credit risk:-

(i) Receivables

At the end of the reporting year, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk and are monitored individually.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management Objectivities and Policies (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

(i) Receivables (cont'd)

The ageing analysis of the trade receivables is as follows:-

Group	Gross RM'000	Individually impaired RM'000	Net RM'000
2017			
Not past due	**31,474**	**–**	**31,474**
Past due 1-30 days	**7,228**	**–**	**7,228**
Past due 31-60 days	**5,727**	**–**	**5,727**
Past due 61-90 days	**6,550**	**(1,209)**	**5,341**
More than 90 days	**9,726**	**(2,887)**	**6,839**
	60,705	**(4,096)**	**56,609**
2016			
Not past due	**42,277**	**–**	**42,277**
Past due 1-30 days	**13,268**	**–**	**13,268**
Past due 31-60 days	**6,945**	**–**	**6,945**
Past due 61-90 days	**4,824**	**(448)**	**4,376**
More than 90 days	**7,035**	**(3,633)**	**3,402**
	74,349	**(4,081)**	**70,268**

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

As at 31 December 2017, trade receivables of RM25,135,000 (2016: RM27,991,000) that are past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The credit risk concentration profile of the Group at the end of the reporting year is as follows:-

	Group	
	2017 RM'000	**2016 RM'000**
By country:-		
Malaysia	**54,605**	67,627
Republic of Singapore	**986**	1,034
United States of America	**740**	1,329
Others	**278**	278
	56,609	70,268

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management Objectivities and Policies (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

(i) Receivables (cont'd)

As at the reporting date, approximately 21% (2016: 11%) of trade receivables was due from two (2016: one) major customers.

The net carrying amounts of trade and other receivables are considered a reasonable approximate of their fair values. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the end of reporting year relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(ii) Corporate guarantees

The maximum exposure to credit risk RM46,854,000 (2016: RM39,458,000) is represented by the outstanding banking facilities utilised by the subsidiaries as at the end of the reporting year.

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the borrowers and their repayments to the banks. As at the end of the reporting year, there was no indication that any of the subsidiaries would default on repayments.

(iii) Intercompanies balances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Company provides unsecured advances to subsidiaries and monitors the results of the subsidiaries regularly. As at the end of the reporting year, there was no indication that the advances to the subsidiaries are not recoverable.

(iv) Cash and cash equivalents

The credit risk for cash and cash equivalent is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management Objectivities and Policies (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due.

In managing its exposures to liquidity risk arises principally from its various payables, loans and borrowings, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

Following are the areas where the Group and the Company are exposed to liquidity risk:-

Group	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
2017						
Trade payables	**31,999**	**31,999**	**31,999**	**–**	**–**	**–**
Other payables	**8,941**	**8,941**	**8,941**	**–**	**–**	**–**
Bank borrowings	**47,207**	**55,751**	**23,276**	**5,876**	**16,743**	**9,856**
Finance lease liabilities	**818**	**932**	**440**	**387**	**105**	**–**
	88,965	**97,623**	**64,656**	**6,263**	**16,848**	**9,856**
2016						
Trade payables	37,745	37,745	37,745	–	–	–
Other payables	14,431	14,431	14,431	–	–	–
Bank borrowings	43,431	46,897	30,879	2,368	6,641	7,009
Finance lease liabilities	1,478	1,611	827	480	304	–
	97,085	100,684	83,882	2,848	6,945	7,009

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management Objectivities and Policies (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

Following are the areas where the Group and the Company are exposed to liquidity risk (cont'd):-

Company	Carrying amount RM'000	Contractual cash flow RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000
2017					
Other payables	**253**	**253**	**253**	**–**	**–**
Amount due to subsidiaries	**6,702**	**6,702**	**6,702**	**–**	**–**
	6,955	**6,955**	**6,955**	**–**	**–**
Financial guarantees	**–**	**46,854**	**46,854**	**–**	**–**
2016					
Other payables	214	214	214	–	–
Amount due to subsidiaries	8,871	8,871	8,871	–	–
	9,085	9,085	9,085	–	–
Financial guarantees	–	39,458	39,458	–	–

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

To mitigate the Group's exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar (USD), Singapore Dollar (SGD), Great Britain Pound (GBP), Euro (EURO), Swiss Franc (CHF), Canadian Dollar (CAD) and Brunei Dollar (BND).

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management Objectivities and Policies (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Foreign currency risk (cont'd)

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting year is as follows:-

				Group Denominated in			
2017	**USD RM**	**SGD RM**	**GBP RM**	**EURO RM**	**CHF RM**	**CAD RM**	**BND RM**
Trade receivables	**744,550**	**1,040,143**	**50,459**	**22,195**	**–**	**–**	**205,455**
Cash and bank balances	**594,131**	**235,598**	**–**	**–**	**–**	**–**	**–**
Trade payables	**(1,714,932)**	**–**	**–**	**–**	**–**	**–**	**–**
	(376,251)	**1,275,741**	**50,459**	**22,195**	**–**	**–**	**205,455**
2016							
Trade receivables	1,316,466	1,215,870	47,702	87,414	62,195	80,696	–
Cash and bank balances	1,380,728	56,000	–	–	–	–	–
Trade payables	(1,208,499)	–	–	–	(128,550)	–	(47,249)
	1,488,695	1,271,870	47,702	87,414	(66,355)	80,696	(47,249)

Exposure to foreign exchange rates vary during the financial year depending on the volume of overseas transactions.

As at the reporting date, the management of the Group determined the effects of sensitivity of the Group's net profit for the financial year to a reasonable possible changes in USD, SGD, GBP, EURO, CHF, CAD and BND to be immaterial.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group's targets a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial Risk Management Objectivities and Policies (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(d) Interest rate risk (cont'd)

The interest rate profile of the Group's significant interest bearing financial instruments based on the carrying amounts as at the end of the reporting year is as follows:-

Group	2017 RM'000	2016 RM'000
Fixed rate instruments		
Financial asset		
Short-term deposits with licensed banks	**3,556**	4,717
Financial liabilities		
Bank borrowings	**8,980**	1,436
Finance lease liabilities	**818**	1,478
	9,798	12,914
Floating rate instrument		
Financial liabilities		
Bank borrowings	**38,227**	31,995

The Group does not account for any fixed rate financial assets and liabilities through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

The following table illustrates the sensitivity of net profit to a reasonable possible change in interest rates of +/- 50 basis point ("bp"). These changes considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Group Net profit for the financial year	
	RM'000 +50 bp	RM'000 -50 bp
2017	**(191)**	**191**
2016	(160)	160

NOTES TO THE **FINANCIAL STATEMENTS**
– 31 DECEMBER 2017

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Reconciliation of liabilities arising from financing activities

	At 1 January 2017 RM'000	Repayments RM'000	Drawndowns RM'000	At 31 December 2017 RM'000
Loans and borrowings				
- Borrowings	**37,607**	(90,614)	97,765	**44,758**
- Finance lease liabilities	**1,478**	(894)	234	**818**
Liabilities arising from financing activities	**39,085**	(91,508)	97,999	**45,576**

31. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as going concerns, so as to maintain investor, creditor and market confidence and to sustain future development of the businesses. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group and the Company set the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Total capital managed at Group level is the shareholders' funds as shown in the statements of financial position.

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

LIST OF **PROPERTIES**
AS AT 31 DECEMBER 2017

Location	Tenure	Area (Square Metres)	Description and Existing Use	Approximate Age of Buildings (Years)	Net Book Value as at 31.12.2017 (RM)	Year of Last Revaluation/ Acquisition
Lot 1, Lorong Perak 2 42500 Teluk Panglima Garang Kuala Langat Selangor Darul Ehsan Malaysia	Leasehold 99 years expiring 2086 Residual lease 69 years	5,236 Built-up 2,913	1½ Storey Factory	29	2,834,336	1998
Lot 2137, Jalan Enggang Kg. Batu 9, Kebun Baru 42500 Teluk Panglima Garang Kuala Langat Selangor Darul Ehsan Malaysia	Freehold	20,233 Built-up 11,148	1 Storey Factory	19	18,969,731	1998
Lot 2447, Jalan Pulau Carey 42500 Telok Panglima Garang Kuala Langat Selangor Darul Ehsan Malaysia	Freehold	20,158 Built-up 3,345	1 Storey Factory	13	4,913,585	2011
Lot 2448, Jalan Pulau Carey 42500 Telok Panglima Garang Kuala Langat Selangor Darul Ehsan Malaysia	Freehold	21,954	Vacant Land	Not Applicable	5,147,000	2011
2B, Jalan SS 6/6 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia	Freehold	372 Built-up 1,802	4 Storey Commercial Shoplot/Office	21	2,577,212	1994
2C, Jalan SS 6/6 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia	Freehold	372 Built-up 1,802	4 Storey Commercial Shoplot/Office	21	4,640,000	1998
Lot 1956, Jalan Bangi Lama Batu 1 1/2 43500 Semenyih Selangor Darul Ehsan Malaysia	Freeehold	40,696 Built-up 22,360	1 Storey Detached Factory cum 3 Storey Office and 1 Storey Detached Warehouse	18	18,756,704	2009
1A, Jalan Helang Bukit Kepong Baru Industrial Area 52100 Kepong Kuala Lumpur Wilayah Persekutuan Malaysia	Freehold	1,478 Built-up 870	1 Storey Warehouse	39	1,726,111	1998
Lot 10-05 Pinnacle Tower Service Apartment P1, Geran 456089 Johor Bharu Johor Darul Takzim Malaysia	Freehold	123	Service Apartment	1	805,335	N/A

LIST OF **PROPERTIES**
AS AT 31 DECEMBER 2017

Location	Tenure	Area (Square Metres)	Description and Existing Use	Approximate Age of Buildings (Years)	Net Book Value as at 31.12.2017 (RM)	Year of Last Revaluation/ Acquisition
Lot 32.06 Pinnacle Tower Service Apartment P1, Geran 456089 Johor Bharu Johor Darul Takzim Malaysia	Freehold	121	Service Apartment	1	927,939	N/A
A-6-P, Cameron Green Jalan Kemunting Tanah Rata 39100 Cameron Highlands Pahang Darul Makmur Malaysia	Leasehold 99 years expiring 2087 Residual lease 70 years	196.11	Apartment	16	276,988	1999
Lots 13 & 14 Kawasan Perusahaan Senawang 70450 Seremban Negeri Sembilan Darul Khusus Malaysia	Leasehold 99 years expiring 2078 Residual lease 61 years	15,060 Built-up 7,530	1 Storey Factory	14	7,204,287	2006
Lots 916, 917 & 918 Block 5 Seduan Land District Sungai Aup, Sibu Sarawak Malaysia	Leasehold 60 years expiring 2060 Residual lease 43 years	10,004 Built-up 5,340	2 Storey Detached Factory	15	6,174,577	2002
No. 49-P Lorong Sempadan Dua Bandar Air Itam 11400 Pulau Pinang Malaysia	Freehold	138 Built-up 220	2 Storey Shoplot	34	504,795	2012
No. 49-Q Lorong Sempadan Dua Bandar Air Itam 11400 Pulau Pinang Malaysia	Freehold	264 Built-up 357	2 Storey Shoplot	34	969,370	2012
11 Woodlands Close Woodlands 11 #10-32 Singapore 737853	Leasehold 60 years expiring 2070 Residual lease 53 years	170 Built-up 170	Flatted Office	6	1,908,459	2013
11 Woodlands Close Woodlands 11 #10-33 Singapore 737853	Leasehold 60 years expiring 2070 Residual lease 53 years	170 Built-up 170	Flatted Office	6	1,908,459	2013

ANALYSIS OF **SHAREHOLDINGS**

AS AT 12 APRIL 2018

Total number of issued shares	:	102,850,000
Class of shares	:	Ordinary share
Voting rights	:	One (1) vote per ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares held	%
Less than 100 shares	24	0.89	944	*
100 to 1,000 shares	698	26.03	664,131	0.65
1,001 to 10,000 shares	1,463	54.55	5,904,765	5.74
10,001 to 100,000 shares	446	16.63	11,344,580	11.03
100,001 to 5,142,499 shares	49	1.83	50,690,700	49.29
5,142,500 shares and above	2	0.07	34,244,880	33.29
Total	**2,682**	**100.00**	**102,850,000**	**100.00**

* *Negligible*

SUBSTANTIAL SHAREHOLDERS

(According to the Register of Substantial Shareholders)

Name	Direct		Indirect		Total	
	No. of shares held	%	No. of shares held	%	No. of shares held	%
Rangkai Kartika Sdn. Bhd. (“RKSB”)	29,044,880	28.24	–	–	29,044,880	28.24
Zeigells (M) Sdn. Bhd. (“ZSB”)	–	–	29,044,880 [(a)]	28.24 [(a)]	29,044,880	28.24
Ng Kok Yin	–	–	29,044,880 [(b)]	28.24 [(b)]	29,044,880	28.24
Ho Kit Heng	–	–	29,044,880 [(b)]	28.24 [(b)]	29,044,880	28.24
Exosoft Sdn. Bhd. (“ESB”)	5,200,000	5.06	–	–	5,200,000	5.06
Hatijah Binti Yun	–	–	5,200,000 [(c)]	5.06 [(c)]	5,200,000	5.06
Tan Hoon Cheng @ Dahlan Bin Abdullah	–	–	5,200,000 [(c)]	5.06 [(c)]	5,200,000	5.06
Patricia Woon Lai Ching @ Lee Yah Seng	5,308,700	5.16	–	–	5,308,700	5.16

Notes:

(a) Deemed interest by virtue of its 100% shareholding in RKSB.

(b) Deemed interest by virtue of his substantial shareholding in ZSB, which in turn holds 100% equity interest in RKSB.

(c) Deemed interest by virtue of her/his substantial shareholding in ESB.

ANALYSIS OF **SHAREHOLDINGS**
AS AT 12 APRIL 2018

DIRECTORS' SHAREHOLDINGS
(According to the Register of Directors' Shareholdings)

Name	Direct No. of shares held	Direct %	Indirect No. of shares held	Indirect %	Total No. of shares held	Total %
Tan Sri Dato' Nik Ibrahim Kamil	–	–	–	–	–	–
Zakaria Merican Bin Osman Merican	–	–	–	–	–	–
Abd Aziz Bin Attan	–	–	–	–	–	–
Mohd Harris Bin Pardi	–	–	–	–	–	–
Fong Heng Leong	–	–	–	–	–	–
Sak Swee Sang	–	–	–	–	–	–
Wong Choon Shein	–	–	–	–	–	–

LIST OF THIRTY (30) LARGEST SHAREHOLDERS
(According to the Record of Depositors)

No.	Name	No. of shares held	%
1.	Rangkai Kartika Sdn. Bhd.	29,044,880	28.24
2.	HLIB Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Exosoft Sdn. Bhd.*	5,200,000	5.06
3.	Yap Ah Fatt	5,132,000	4.99
4.	HLIB Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Taipanmatics Sdn. Bhd.*	4,100,000	3.99
5.	Foo Khen Ling	3,430,000	3.33
6.	Unifonte Sdn. Bhd.	3,304,000	3.21
7.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Ong Huey Peng*	3,202,720	3.11
8.	Bukit Feringhi Resort Sdn. Bhd.	3,122,600	3.04
9.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Patricia Woon Lai Ching @ Lee Yah Seng*	2,985,000	2.90
10	Kam Loong Mining Sdn. Bhd.	2,952,000	2.87
11.	Suasana Proaktif Sdn. Bhd.	2,843,100	2.76
12.	Chan Wan Moi	2,631,600	2.56
13.	Chan Wan Moi	1,833,900	1.78
14.	Teo Kwee Hock	1,796,000	1.75
15.	Khor Saw Hoon	1,600,000	1.56
16.	Tan Han Chuan	1,478,600	1.44
17.	Patricia Woon Lai Ching @ Lee Yah Seng	1,220,700	1.19
18.	Cimsec Nominees (Tempatan) Sdn. Bhd. *- CIMB Bank for Patricia Woon Lai Ching @ Lee Yah Seng*	850,000	0.83

ANALYSIS OF **SHAREHOLDINGS**

AS AT 12 APRIL 2018

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)
(According to the Record of Depositors)

No.	Name	No. of shares held	%
19.	Amsec Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account - AmBank (M) Berhad for Yeoh Jin Hoe*	680,000	0.66
20.	HSBC Nominees (Asing) Sdn. Bhd. *- BPSS Sin for Inclusif Value Fund*	554,000	0.54
21.	Tan Pak Nang	500,000	0.49
22.	Juliet Yap Swee Hwang	498,300	0.48
23.	Choy Cheng Choong	481,600	0.47
24.	Kenanga Nominees (Tempatan) Sdn. Bhd. *- Derrick Kong Ying Kit (PCS)*	460,000	0.45
25.	Tay Teck Ho	370,000	0.36
26.	Hoo Wan Fatt	364,900	0.35
27.	Tay Ying Lim @ Tay Eng Lim	346,500	0.34
28.	Ng Teng Song	339,000	0.33
29.	Ang Huat Keat	291,200	0.28
30.	Marc Francis Yeoh Min Ching	288,500	0.28
	Total	**81,901,000**	**79.64**

NOTICE OF FIFTY-NINTH **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Fifty-Ninth Annual General Meeting ("AGM") of OCB Berhad will be held at Greens 3 (Sport Wing), Tropicana Golf & Country Resort Club, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 22 May 2018 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon. **(Please refer to Note C of this Agenda)**

2. To re-elect the following Directors of the Company who retire pursuant to Article 97 of the Company's Articles of Association:

   (i) Zakaria Merican Bin Osman Merican **Resolution 1**
   (ii) Sak Swee Sang **Resolution 2**
   (iii) Abd Aziz Bin Attan **Resolution 3**

3. To re-elect as Director, Wong Choon Shein who retires pursuant to Article 101 of the Company's Articles of Association. **Resolution 4**

4. To approve the payment of Directors' fees amounting to RM293,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ended 31 December 2017. **Resolution 5**

5. To approve the payment of benefits of up to RM80,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2018. **Resolution 6**

6. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following as an Ordinary Resolution:

   Continuation of office of Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil as an Independent Non-Executive Director **Resolution 8**

   "THAT Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil continues to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company."

8. To consider and, if thought fit, to pass the following as an Ordinary Resolution:

   Continuation of office of Zakaria Merican Bin Osman Merican as an Independent Non-Executive Director **Resolution 9**

   "THAT, subject to the passing of Resolution 1, Zakaria Merican Bin Osman Merican continues to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF FIFTY-NINTH **ANNUAL GENERAL MEETING**

9. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 **Resolution 10**

"THAT subject to the Companies Act, 2016, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, if applicable, the Board of Directors of the Company ("Board") be and is hereby empowered pursuant to Sections 75 and 76 of the Companies Act, 2016, to allot and issue shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Board may in its 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 number of issued shares of the Company for the time being (excluding treasury shares);

AND THAT such authority shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first;

AND FURTHER THAT the Board be and is also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

10. To consider and, if thought fit, to pass the following as an Ordinary Resolution:

Proposed renewal of authority for the Company to purchase its own shares **Resolution 11**

"THAT subject to compliance with the Companies Act, 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), provisions of the Company's Memorandum and Articles of Association and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Board of Directors of the Company ("Board") from time to time through Bursa Securities upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company, provided that:

(i) the aggregate number of shares to be purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company as at the date of the share buy-back;

(ii) an aggregate amount of the funds not exceeding the retained profits of the Company as at the date of the share buy-back, be utilised by the Company for the purchase of its own shares; and

(iii) the shares of the Company to be purchased may be cancelled, retained as treasury shares, distributed as dividends or resold on Bursa Securities, or a combination of any of the above, at the absolute discretion of the Board;

NOTICE OF FIFTY-NINTH **ANNUAL GENERAL MEETING**

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the MMLR of Bursa Securities or any other relevant authorities;

AND FURTHER THAT the Board be and is hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the purchase by the Company of its own shares with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

11. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act, 2016.

By Order of the Board

TAN BEE KENG
(MAICSA 0856474)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
Malaysia
23 April 2018

NOTES:

(A) GENERAL MEETING RECORD OF DEPOSITORS

Only members whose name appears in the General Meeting Record of Depositors as at 14 May 2018 shall be entitled to attend the Meeting or appoint proxy(ies) to attend and vote in his stead.

(B) PROXY

(i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. Where a member appoints two (2) proxies to attend and vote at the same meeting, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

(ii) Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.

(iii) Where a member is an exempt authorised nominee ("EAN") as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

NOTICE OF FIFTY-NINTH **ANNUAL GENERAL MEETING**

(B) PROXY (Cont'd)

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under its common seal or under the hand of an officer or its attorney duly authorised in its behalf. Any alteration to the instrument appointing a proxy must be initialled.

(v) To be valid, the instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at 2B-5, Level 5, Jalan SS 6/6, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting (or in case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll).

(C) AUDITED FINANCIAL STATEMENTS

This agenda item is meant for discussion only as under the provision of Section 340(1) of the Companies Act, 2016, the audited financial statements do not require a formal approval of the members. Hence, this item will not be put forward for voting.

(D) POLL VOTING

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to the vote by way of poll. Independent Scrutineers will be appointed to verify the results of the poll.

(E) PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the forthcoming Fifty-Ninth Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, claims, demands, losses and damages as a result of the member's breach of warranty.

(F) EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 8 - Continuation of office of Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil as Independent Non-Executive Director

Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil, who was appointed as an Independent Non-Executive Director of the Company on 2 January 2007, has served the Company for more than nine (9) years. The Board, after having assessed the independence of Tan Sri Dato' Nik Ibrahim Kamil, recommends that he continues to serve as an Independent Non-Executive Director based on the following reasons:

(i) he fulfils the criteria stated under the definition of "Independent Director" as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and he is able to provide proper check and balance thus bringing an element of objectivity to the Board;

(ii) he actively participated in Board's and Board Committees' deliberations and decision making in an objective and independent manner; and

(iii) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making.

NOTICE OF FIFTY-NINTH **ANNUAL GENERAL MEETING**

(F) EXPLANATORY NOTES ON SPECIAL BUSINESS (Cont'd)

Resolution 9 - Continuation of office of Zakaria Merican Bin Osman Merican as an Independent Non-Executive Director

Zakaria Merican Bin Osman Merican, who was appointed as an Independent Non-Executive Director of the Company on 7 February 2006, has served the Company for more than nine (9) years. The Board, after having assessed the independence of Zakaria Merican, recommends that he continues to serve as an Independent Non-Executive Director based on the following reasons:

(i) he fulfils the criteria stated under the definition of "Independent Director" as defined in the Main Market Listing Requirements of Bursa Securities and he is able to provide proper check and balance thus bringing an element of objectivity to the Board;

(ii) he actively participated in Board's and Board Committees' deliberations and decision making in an objective and independent manner; and

(iii) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making.

Resolution 10 - Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of Companies Act, 2016

The Company had at the Fifty-Eighth AGM held on 23 May 2017, obtained renewed mandate for issuance of shares by the Board pursuant to the Companies Act, 2016. As at the date of this Notice, no new shares in the Company were issued pursuant to the renewed mandate granted to the Board at the Fifty-Eighth AGM and hence, no proceeds were raised.

The Ordinary Resolution 10 proposed, if passed, will give renewed authority to the Board, from the date of the forthcoming Fifty-Ninth AGM, to allot and issue ordinary shares of the Company at any time to such persons for such purposes as the Board may, in its absolute discretion, consider to be in the interest of the Company, without having to convene a general meeting provided that the aggregate number of the shares issued shall not exceed 10% of the total number of issued shares of the Company for the time being (excluding treasury shares). The renewed authority from the shareholders will be effective immediately upon passing of the Ordinary Resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company; or
(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

The renewed authority will provide flexibility to the Company to raise capital for any possible fund raising activities including but not limited to placing of shares for purpose of funding future investment project(s), working capital and/or acquisitions.

Resolution 11 - Proposed renewal of authority for the Company to purchase its own shares

The Ordinary Resolution 11 proposed, if passed, will renew the authority for the Company to purchase through Bursa Securities such number of ordinary shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company. The renewed authority from the shareholders will be effective immediately upon passing of the Ordinary Resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company; or
(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

For further information, please refer to the Share Buy-Back Statement dated 23 April 2018 which is despatched together with the Company's Annual Report 2017.

OCB BERHAD
(Company No. 3465-H)

FORM OF **PROXY**

CDS Account No.	No. of Shares Held

I/We .... (NRIC/Company No. ....)
(Full Name in Block Letters)

of .... Tel No. ....
(Address)
being a member/members of OCB Berhad hereby appoint:

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings

*and/or *(*delete if not applicable)*

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote on my/our behalf at the Fifty-Ninth Annual General Meeting of the Company to be held at Greens 3 (Sport Wing), Tropicana Golf & Country Resort Club, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 22 May 2018 at 10.00 a.m. and at any adjournment thereof.

My/our proxy/ proxies will vote on the resolutions as indicated by an 'X' in the spaces provided below. In the absence of specific direction as to voting, my/our proxy/ proxies will vote or abstain from voting at his/their discretion.

Resolution	Ordinary Business	For	Against
1	To re-elect Zakaria Merican Bin Osman Merican as Director		
2	To re-elect Sak Swee Sang as Director		
3	To re-elect Abd Aziz Bin Attan as Director		
4	To re-elect Wong Choon Shein as Director		
5	To approve the payment of Directors' fees amounting to RM293,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ended 31 December 2017		
6	To approve the payment of benefits of up to RM80,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2018		
7	To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration		
	Special Business		
8	Continuation of office of Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil as Independent Non-Executive Director		
9	Continuation of office of Zakaria Merican Bin Osman Merican as Independent Non-Executive Director		
10	Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
11	Proposed renewal of authority for the Company to purchase its own shares		

Dated this ……….…… day of ……………..…....…… 2018.

....
Signature/Seal of Shareholder

Notes:

(i) *Only members whose name appears in the General Meeting Record of Depositors as at 14 May 2018 shall be entitled to attend this Meeting or appoint proxy(ies) to attend and vote in his stead.*

(ii) *A member of the Company entitled to attend and vote at this Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. Where a member appoints two (2) proxies to attend and vote at the same meeting, the appointment shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.*

(iii) *Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") it may appoint one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.*

(iv) *Where a member is an exempt authorised nominee ("EAN") as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.*

(v) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under its common seal or under the hand of an officer or its attorney duly authorised in its behalf. Any alteration to the instrument appointing a proxy must be initialled.*

(vi) *To be valid, the instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at 2B-5, Level 5, Jalan SS 6/6, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less forty-eight (48) hours before the time appointed for holding the Meeting or adjourned meeting (or in case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll).*

(vii) *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to the vote by way of poll. Independent Scrutineers will be appointed to verify the results of the poll.*

(viii) *By submitting an instrument appointing a proxy and/or representative, the member accepts and agrees to the Personal Data Privacy terms set out in the Notice of the Fifty-Ninth Annual General Meeting dated 23 April 2018.*

Fold This Flap For Sealing

2nd Fold Here

AFFIX
STAMP

The Secretary
OCB Berhad (3465-H)
2B-5, Level 5
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1st Fold Here

OCB BERHAD
(Company No.: 3465-H)

2B-5, Level 5
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel No. : 603-7880 7539
Fax No. : 603-7880 7536
Website : www.ocbb.com.my