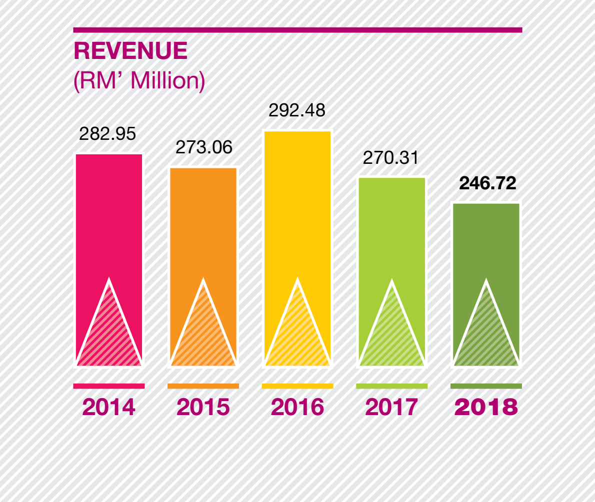
OCB BERHAD

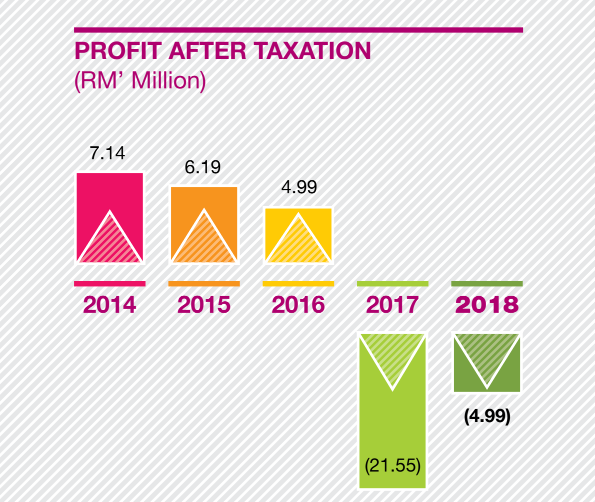
(Company No.: 3465-H)

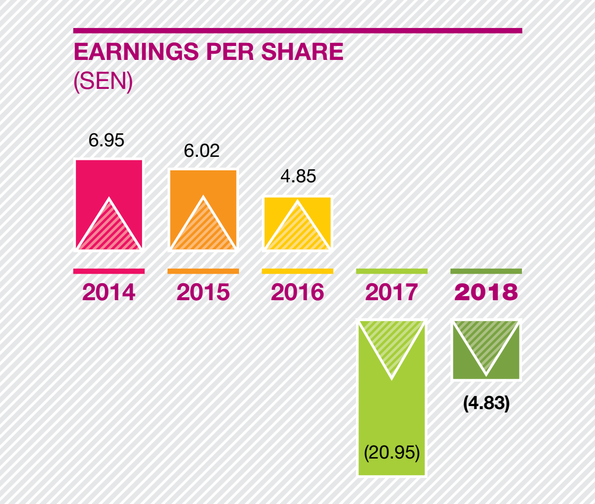
Annual Report 2018

FIVE-YEAR
GROUP FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018
Revenue (RM'Million)	282.95	273.06	292.48	270.31	**246.72**
Earnings/(Loss) before interest, taxes, depreciation and amortisation ("EBITDA") (RM'Million)	23.16	21.93	19.73	(7.30)	**8.40**
Profit/(Loss) before taxation (RM'Million)	10.71	9.69	8.83	(18.67)	**(3.23)**
Profit/(Loss) after taxation (RM'Million)	7.14	6.19	4.99	(21.55)	**(4.99)**
Net profit/(Loss) attributable to equity holders (RM'Million)	7.14	6.19	4.99	(21.55)	**(4.98)**
Total assets (RM'Million)	343.45	333.80	342.09	311.69	**294.41**
Total borrowings (RM'Million)	55.55	54.09	44.91	48.02	**41.11**
Shareholders' equity (RM'Million)	232.48	236.75	240.74	218.14	**212.63**
Earnings/(Loss) per share (Sen)	6.95	6.02	4.85	(20.95)	**(4.83)**
Net assets per share (RM)	2.26	2.30	2.34	2.12	**2.06**







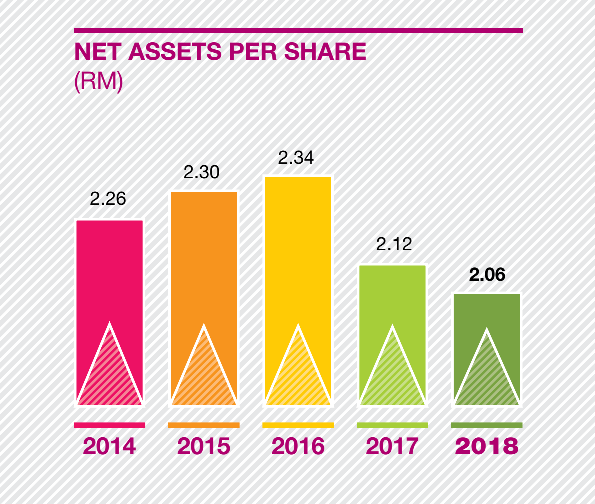


Table of CONTENTS

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

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 : 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
Tel No. : +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 Name : OCB
Stock Code : 5533
Sector : Customer Products & Services
Sub-Sector : Food & Beverages

SOLICITOR

Tay, Tee & Nasir

WEBSITE

www.ocbb.com.my

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 business.

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

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

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

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 recognisable 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 1 of the market leaders in the Food Service sector.

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. Our system has become an industry benchmark.

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

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 specialised building materials for the construction of houses, hotels, laboratories and medical institutions. Some of the brands that the Agrow Group represents are ROCA, ARMITAGE SHANKS, JOMOO, DURAVIT, SLOAN, HANSGROHE, DOE, JOHNSON SUISSE, BOBRICK, AKRON, AKRON PLUS, HYDRABATH, ECONAX, PRESTO, ELLECI, PEGASUS, GBH, HEWI, GEBERIT, SEERS, CLAYTAN, KLUDI, HANSBO, STIEBEL, and ELTRON 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, GEZE, BALDWIN, HUSKEY, EZ-SET, KWIKSET, GROOM and ROBINA.

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

The Group's Financial Performance for the financial year ended 31 December ("FYE") 2018 as compared to FYE 2017

	FYE 2018 RM'000	FYE 2017 RM'000	Increase/ (Decrease) RM'000	%
Revenue	**246,717**	270,309	(23,592)	(8.7)
Gross Profit ("GP")	**51,862**	55,872	(4,010)	(7.2)
Earnings/(Loss) before interest, taxes, depreciation and amortisation	**8,398**	(7,296)	15,694	215.1
(Loss)/Profit before taxation	**(3,233)**	(18,671)	15,438	82.8
(Loss)/Profit after taxation	**(4,985)**	(21,550)	16,565	76.9
Net (Loss)/Profit attributable to equity holders	**(4,984)**	(21,549)	16,565	76.9
Total assets	**294,407**	311,694	(17,287)	(5.5)
Total borrowings	**41,107**	48,025	(6,918)	(14.4)
Shareholders' equity	**212,626**	218,145	(5,519)	(2.5)
(Loss)/Earnings per share (Sen)	**(4.83)**	(20.95)	16.12	76.9
Net assets per share (RM)	**2.06**	2.12	(0.06)	(2.8)

A REVIEW OF THE FINANCIAL RESULTS AND FINANCIAL CONDITIONS.

The Group recorded a revenue of RM246.7 million and a loss before taxation of RM3.2 million in the FYE 2018 as compared to revenue of RM270.3 million and a loss before taxation of RM18.7 million reported in the immediate preceding year.

Building Materials and Consumer Foods Divisions reported lower sales for the FYE 2018. Building Materials Division registered a decrease of 39%, while the revenue of the Consumer Foods Division decreased by 4%. However, Bedding Products Division reported higher sales of 21%.

The lower loss before taxation reported by the Group was mainly attributable to lower impairment loss as compared to the preceding year corresponding year. The Group had impaired a total of RM3.7 million during the FYE 2018 compared to RM22.1 million in FYE 2017. The impairment loss consisted of RM1.1 million on goodwill from Building Materials Division, RM2.0 million of intangible asset from Bedding Products Division and RM0.6 million of intangible asset from Consumer Foods Division. During FYE 2017, a total of RM22.1 million of goodwill from Consumer Foods Division was impaired 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.

Consumer Foods Division posted a loss before taxation of RM5.8 million for FYE 2018 as compared to a loss before taxation of RM5.5 million in FYE 2017 due to waiver of debts to ultimate holding company of RM6.2 million. On operation level, this Division's performance improved due to lower operating expenses as a result of change of distribution company. On top of that, materials cost had on average seen a decrease of around 5%.

Bedding Products Division reported a slightly lower profit before taxation of RM3.4 million for FYE 2018 as compared to a profit before taxation of RM3.5 million in FYE 2017 as a result of impairment on its intangible assets. Bedding Products Division had reported an impairment loss on intangible asset of RM2.0 million on its TAGGE brand.

Building Materials Division posted a loss before taxation of RM4.7 million for FYE 2018 as opposed to profit before taxation of RM6.4 million in FYE 2017. This was mainly attributable to much lower completion of projects during the year under review.

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.

The Board does not recommend the payment of any dividend for the FYE 2018 (2017: Nil).

The loss per share for FYE 2018 were 4.83 sen as against loss per share of 20.95 sen in FYE 2017.

Consumer Foods Division

The Consumer Foods Division registered a revenue of RM132.2 million and a loss before taxation of RM5.8 million for FYE 2018 as against revenue of RM137.5 million and loss before taxation of RM5.5 million in FYE 2017. The decline was mainly due to drop in sales from the operating activities namely, trading and noodles.

The trading segment (creamer) dropped RM3.3 million or 7% due to slower demand in the export market. Competition from other brands affected the noodles segment which saw a reduction of RM8.0 million or 15%.

On the positive side, the salad dressing segment grew RM3.8 million or 13%. This solid performance was contributed by increased sales from both domestic and export markets. The seasoning segment also saw a growth of RM0.2 million or 13% owing to more repeat orders from overseas market for the new range of Ready to Cook Curry Paste. Sales of tuna increased by RM47,000 due to higher demand from customers.

The loss before taxation of RM5.8 million reported in FYE 2018 by this Division compared to loss before taxation of RM5.5 million in FYE 2017 was mainly due to the waiver of debts to ultimate holding company of RM6.2 million. The Division's business continues to be highly competitive. However, its OEM business for noodles and mayonnaise grew from RM8.8 million in the preceding year to RM14.9 million for the current year under review.

The Company has decided to cease its chilli sauce business which was not generating profit. Hence, the sale of chilli products was taken back by the principal on 1 January 2019.

The Company has and will continue to improve and increase shelf space at lower trade by investing in secondary displays, sampling activities and digital media in 2019 in order to build brand presence in the trade.

The challenges for 2019 will be in managing the increase in cost of goods, brought about by the implementation of Sales and Service Tax ("SST") in September 2018. The Company had to absorb the 10% SST charged on packaging materials used for non-taxable goods such as Instant Noodles. The net increase to the material cost is approximately 3%. Due to the sensitive consumer sentiments during the period, the Company has not passed on the increase to the consumers and has maintained the Retail Selling Price.

In general, the competition faced by the Consumer Foods Division remain intense as the currently saturated market is being further crowded by new in-coming players. The Division will continue to review its strategy to undertake appropriate measures to mitigates these challenges.

Building Materials Division

This Division reported a revenue of RM46.7 million with a loss before taxation of RM4.7 million in FYE 2018 as against a revenue of RM76.7 million and a profit before taxation of RM6.4 million in FYE 2017. The decrease was mainly due to decline in sales from both project and retail segments. The revenue for the retail segment showed a decline by RM0.2 million or 1%. The project segment revenue suffered a decline of RM29.6 million or 50%.

The industry was shaken by competition from China. Over the past years, this Division has been operating in a highly competitive environment with the entries of new brands.

This Division was greatly affected by the failure of the main supplier to react to the competition. The Company is currently evaluating and actively working on new agency plans for the coming years.

The Division is still reviewing its plan to either build a new warehouse or to upgrade the existing ones to increase storage space and resolve the issue of shortage in supply.

Bedding Products Division

Bedding Products Division registered a higher revenue of RM67.9 million and profit before taxation of RM3.4 million in FYE 2018 against revenue of RM56.2 million and profit before taxation of RM3.5 million in FYE 2017.

The Division enjoyed increase in sales from both domestic and project markets prior to implementation of SST on 1 September 2018. The 3 months tax holiday from June 2018 to August 2018 brought in positive sales figures to the Division.

The domestic market saw an increase of RM10.3 million or 31% in sales. Similarly, export sales recorded an increase of 92% or RM2.2 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 our customer. However, the project and hospitality segments saw a drop of RM0.8 million or 4% in sales.

The Division also carried out a pre-SST warehouse sales from 3 August 2018 to 5 August 2018 which drew tremendous response from customers who took the opportunity to enjoy the tax holiday period.

Some of the main projects carried out by the Division in FYE 2018 included:

a) Capri Hotel, Johor
b) Twin Danga Residence, Johor
c) TRI Tower Apartment, Johor
d) Pavillion Hotel, Kuala Lumpur
e) Tune Hotel 1 Borneo, Sabah

A REVIEW OF THE OPERATING ACTIVITIES

Consumer Foods Division

The Consumer Foods Division's operations normalised in 2018 after completion of the new noodle plant in June 2017. With the installation of a new "Fuji" noodle making line, the total capacity of both the Semenyih and Sibu noodle factories now stands at 12.9 million pieces of noodles per shift per month. However, the utilisation for 2018 reached 51% of the available capacity only. The Division has a lot of opportunities to pursue new projects and business to utilise the excess capacity of the noodles factory.

The Mayonnaise factory on the other hand has been running full swing, having to operate a second shift to keep up with orders. Due to the increase in volume of production for mayonnaise, the Division invested RM0.4 million to automate the packing process for 1 of the mayonnaise lines. With the installation of the Form, Fill & Seal Mayonnaise Pouch Machine, we were able to replace the current manual filling line. The Division was able to reduce 3 manpower; increase productivity and improve quality control. On top of that, we also invested in a sachet machine to produce dressings in single use 50ml sachets. The new product was launched in the Malaysian market in October 2018.

On the distribution front, there was a change of distributor for the state of Sarawak due to the sudden closure of LF Asia Sebor (Sarawak) Holdings Sdn Bhd in March 2018, which was our distributor for IBUMIE brand. The Division then appointed 4 new distributors to replace LF Asia. Operations and sales were not affected much by this change-over, as the IBUMIE brand has a steady market in the region.

Distribution and sales for the TELLY range of mayonnaise, dressings and seasonings continue to grow at a healthy pace in 2018. The domestic market was the biggest driver for sales of this business unit, buoyed by the aggressive promotion activities that ran during the year. Some of the successful campaigns included free aprons, free burger wrappers and free cutleries with purchase of our dressing products. The wholesalers' incentive scheme also proved to be very successful and the Division plans to extend the scheme to more wholesalers in 2019.

A REVIEW OF THE OPERATING ACTIVITIES (CONT'D)

Consumer Foods Division (cont'd)

The Division also participated in a few international food fairs in 2018 such as Sial Paris 2018 and FHT Bali 2018 in order to expand our export market. There are plans to participate in more fairs in 2019.

On the factory front, the Division has carried out some upgrading works amounting to RM0.8 million for better production efficiency.

The Division projects to improve sales in 2019, to be contributed mainly by the noodles and dressings segments. Most of the growth is projected 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

The Division secured an exclusive distributorship for ARMITAGE SHANKS products from United Kingdom and JOMOO from China in 2018. ARMITAGE SHANKS is a very well-established brand in sanitary wares and bathroom products with more than 200 years of history. The brand has strong presence in the healthcare and medical industries, especially in the United Kingdom.

The ARMITAGE SHANKS brand was officially launch with 2 products range, namely ARMITAGE SHANKS Contour 21+ ceramics basin and the ARMITAGE SHANKS Markwik 21+ medical mixers; and our advanced solution services for hospitals. The Division is also putting up its effort and hard work to promote and market its products for senior living homes and welfare homes; such products as AKRON sitting shower, ARMITAGE SHANKS Concept Freedom range and the BREATHAIR mattress.

Some of the key projects that the Division secured and supplied in 2018 included:

a) Midtown @ Petaling Jaya, Selangor
b) SOHO Highpark @ Kelana Jaya, Petaling Jaya, Selangor
c) Sejati Residence @ Cyberjaya, Selangor
d) Empire Damansara @ Petaling Jaya, Selangor
e) Alamas Mixed Development @ Johor
f) Petronas @ Klang, Selangor
g) Sefina Condominium @ Mont Kiara, Kuala Lumpur
h) Hospital Rembau @ Negeri Sembilan
i) Kobusak Penambang @ Sabah
j) AT Southern @ Johor

The Division is investing in its own brands such as AKRON and LOKRITE. We will intensify efforts to grow our house brands 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 2018. Most projects were of low 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 has definitely affected our profit margin for 2018 and will be in the future.

In 2019, the Division is projecting to record improved revenue. The contribution is expected to come from the medical, hospitality and fire door segments. The Division 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.

A REVIEW OF THE OPERATING ACTIVITIES (CONT'D)

Bedding Products Division

The Division invested in the operations of The KING KOIL Flagship store. It currently has 13 stores via a licensing agreement with dealers selling only specific models. The total sales generated by these stores were RM7.6 million (2017:RM5.7 million) for FYE 2018. A new store will be opening in IKEA Tebrau City, Johor Baru, in the first quarter of 2019.

As of 31 December 2018, the Division had opened stores in the following locations:

1. Viva Mall – Kuala Lumpur
2. Bangsar – Kuala Lumpur
3. Sunway Pyramid – Kuala Lumpur
4. Old Klang Road – Kuala Lumpur
5. Ikano Power Centre – Kuala Lumpur
6. Sungai Besi – Kuala Lumpur
7. Aman Centre – Alor Setar
8. Gurney Plaza – Penang
9. Batu Pahat Mall – Batu Pahat
10. Vivacity – Kuching, Sarawak
11. Imago – Kota Kinabalu
12. Paradigm Mall – Johor Bahru
13. Mid Valley South Bay – Johor Bahru

In 2018, we intensified marketing activities with our brand ambassador, Fattah Amin, a local superstar celebrity for meet and greet session, video-shoot and more. The Division will continue to leverage on Fattah Amin's popularity for more customer-pull activities. During the year, the Division had focused on the following Prince Collection series by Fattah Amin, namely:

1. *PRINCE COLLECTION - CRYSTAL*
2. *PRINCE COLLECTION - SAPPHIRE*
3. *PRINCE COLLECTION - DIAMOND*

Besides the above, the Division also undertook a major special trade incentive program for dealers which received a favourable response.

The Division has also planned to re-launch its previous popular series with an enhance facelift design to cater for consumers' current trend. These launches will help improve sales and push our products to the market. Going forward, the Division will continue to leverage on new sales channel via specialty shops catering mainly to tourists market, online sales and pay TV channel. The Division has registered significant growth from online and pay TV channels sales. The Division will also further enhance its online sales by adding new merchandise for customer selection.

The Division will continue to build its business based on foundations laid out in the various KING KOIL strategic marketing plans in each of the market segment (premium market, middle market, and Malay consumer market).

In 2019, the Division will continue with its advertising and promotion ("A&P") budget for the media spending to create the consumer pull and brand building activities. The Division will allocate the budget into the digital and social media marketing instead of the traditional channel. On top of that, the Division continues to pursue for bed linen business by obtaining distribution rights from international renowned brand for the hospitality linen business in Malaysia and Singapore. As for the export market, the Division will continue to develop its export business as well and also to 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 concept stores. We have successfully made inroads into a number of these export markets.

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. As of 31 December 2018, the Group's cash and cash equivalents amounted to RM52.8 million (2017: RM43.9 million), an increase of RM8.9 million from 31 December 2017 mainly attributable to net cash generated from operating activities, whereas the Group's total bank borrowings was RM41.1 million as compared to RM48.0 million in FYE 2017.

The Group's gearing ratio was 0.19 times as at 31 December 2018 as compared to 0.22 times as at 31 December 2017.

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 RM3.3 million (2017: RM18.2 million) in FYE 2018 to support the growth in production capacity. The higher capital expenditure incurred in FYE 2017 was replacement as assets damaged in fire incident during FYE 2016.

The Group's capital commitments contracted but not provided for as at 31 December 2018 was Nil (2017: Nil).

BUSINESS OUTLOOK

Malaysia's economic growth momentum has slowed to an annual rate of 4.4% in the third quarter of 2018. In 2019 the Malaysian economy is facing another volatile year. It is being challenged by ongoing domestic adjustments, a general global economic slowdown and particularly rising uncertainties about the state of the US-China trade disputes.

The drag on growth came from several factors, among which are the weakening exports, declining mining and agriculture output, a sharp contraction in public investment and moderate private investment growth.

After the general election in 2018, the new Government immediately sought to cut costly infrastructure expenditure to ease government debt incurred by its predecessor. At the same time, the Government continues to undertake structural reforms and recalibrate policies that cover fiscal, subsidy, product and labour markets; as well as sectoral policies on telecommunications, construction, property, the government-linked companies, media and energy. The sum effect is tightening of public sector spending, cutting back on subsidies and an increase in rates for utility services.

Presently however, Malaysia's consumer price inflation is lowest among Southeast Asian countries except Singapore. As of November 2018, Malaysia's inflation rate slowed down to 0.2% year-on-year from 0.6% in the previous month. Moreover, the Malaysia's foreign direct investment increased by 350% or a total of RM49 billion (US$11.8 billion) in the first 9 months of 2018.

We can expect the key driver of 2019 economic growth, which is estimated to grow by 4.5% to 4.7%, would be domestic demand-driven, largely due to private sector spending. Public sector expenditure will continue to consolidate and rationalise, focusing on essential sectors such as socio-economic projects, education and the on-going public infrastructure projects such as the LRT, MRT and highways.

What lies ahead for the Group? Under such economic climate, the Group will be prudent and cautious moving forward. Challenges remain as the Group continues to streamline its operations and strive at capping cost in order to remain competitive. At the same time it will initiate to improve the quality of our products and rationalise our existing product lines to be ahead of our competitors.

CONSUMER FOODS DIVISION

Our Consumer Foods Division under Ibufood Corporation Sdn. Bhd. and its subsidiary companies ("Ibufood Group") is a 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 range has been a leader in the dry based instant noodle category for years. Its Mi Goreng range comes in 5 exciting flavours – *Asli, Thai Tom Yam, Kari Kapitan, Sambal Udang* and *Har-Mee*.

IBUMIE's soup based variants continue to dominate the market with the all-time favourite *Penang Har-Mee soup flavour*, and *Penang White Curry* which was launched in 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 fresh spices such as galangal, kaffir lime, lemon grass, ginger leave, kesum leaves 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.

Other soup flavours such as *Vegemee* and *Ladmee* have been renamed *ala Misomee* and *Ladamee* in 2018 to further strengthen their position in the instant noodles market. Loaded with generous amounts of quality Wakame/ Seaweed, *ala Misomee* is suitable for Vegetarian consumers. *Ladamee* is a traditional peppery soup made from 100% Sarawak pepper to create an aromatic taste which warms the stomach especially on a rainy day.

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 of the market leaders in the Food Service sector. With the launch of TELLY's 50ml salad dressings in sachets in October 2018, Ibufood Group expects the salad dressing line to continue its healthy growth rate.

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

HEAD OFFICE AND MANUFACTURING
Selangor

Lot 1956, Jalan Bangi Lama
Batu 1½
43500 Semenyih
Selangor Darul Ehsan
Malaysia
Tel No. : +603-8723 9588
Fax No. : + 603-8723 7589
Email : sss@telly.com.my
Website : www.telly.com.my
www.ibumie.my

SALES & SERVICE
Pahang

Lot 95-B
Semambu Industrial Estate
25300 Kuantan
Pahang Darul Makmur
Malaysia
Tel No. : + 609-566 0268
Fax No. : + 609-566 0278
Fax No. : + 607-388 7845

GROUP
DIRECTORY

BEDDING PRODUCTS DIVISION

KING KOIL makes more ways to say Goodnight !

The Bedding Products Division is headed by Kaiserkorp Sdn. Bhd. and its subsidiary companies ("Kaiserkorp Group") which specialises 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 continuous improvement of sleep technology supported by KING KOIL's main state-of-the-art Research and Development ("R&D") centre in Chicago, USA. KING KOIL's R&D centre provides design, creation, testing as well as market research on new product roll-outs. With the help of KING KOIL's 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, Kaiserkorp Group is the exclusive licensee of the prestigious KING KOIL brand. KING KOIL is a world leading brand and provider of high quality mattresses spanning 90 countries and 6 continents. KING KOIL is committed to provide people from all over the world with a more comfortable, healthier and good quality 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 provided strong relationship services to our customers. Our products are priced to 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 suitable for different market segment. Aside from KING KOIL, Kaiserkorp Group also developed affordable brands like FIRST KNIGHT and WONDERCOIL thus providing additional affordable quality product ranges. Kaiserkorp is also into OEM manufacturing for third-party brands 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 the brand's image and build brand equity for KING KOIL in Malaysia. In 2016, with our retail partners, we successfully transformed our KING KOIL LUXURY COLLECTION into KING KOIL SUITES flagship stores.

Todate, 13 KING KOIL flagship stores have been set up in major towns. In continuing the brand building of KING KOIL, a local superstar, Fattah Amin was engaged to be KING KOIL brand Ambassador for the *PRINCE COLLECTION* series.

An important business sector for Kaiserkorp Group is in hospitality where KING KOIL has been supplying to more than 1,000 hotels in Malaysia and Southeast Asia in the last 35 years.

The KING KOIL brand is a popular and trusted brand among top hoteliers and hotel operators in Malaysia. More than 80% of the 5-Star hotels in Malaysia are using KING KOIL hospitality bedding.

Kaiserkorp Group also produces bedding related products and OEM brands for pillows of latex, down-feather, micro-fibre and polyester fibrefill plus fine bedlinens and cotton towels.

KING KOIL has 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 30 countries and across 6 continents. It is the No.1 recognised brand in the 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
Tel No. : +603-7805 4766
Fax No. : +603-7805 4755
Email : bed@kingkoil.com.my
Website : www.kingkoil.com.my

CORPORATE SHOWROOM
Selangor

2B-2, Level 2
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel No. : +603-7805 4766

SALES & SERVICE
Johor

12, Jalan Sri Plentong 2
Taman Perindustrian Sri Plentong
81750 Masai
Johor Darul Takzim
Malaysia
Tel No. : +607-386 8681
Fax No. : +607-386 8682

MANUFACTURING, SALES & SERVICE
Selangor

Lot 2137, Jalan Enggang
Kampung Baru 9, Kebun Baru
42500 Teluk Panglima Garang
Kuala Langat
Selangor Darul Ehsan
Malaysia
Tel No. : +603-3122 1866/1867
+603-3122 1868/1869
Fax No. : +603-3122 1870

SALES & SERVICE
Penang

49P & 49Q, Lorong Sempadan Dua
11400 Pulau Pinang
Malaysia
Tel No. : +604-826 6601/6906
Fax No. : +604-826 6959

SALES & SERVICE
Seremban

168, Jalan Baiduri 3
Taman Baiduri
Off Jalan Tan Sri Manickavasagam
70200 Seremban
Negeri Sembilan Darul Khusus
Malaysia
Tel & Fax No. : +606-762 0412

SALES & SERVICE
Perak

No. 6, Jalan Desa Cahaya 1
Taman Desa Cahaya
31400 Ipoh
Perak Darul Ridzuan
Malaysia
Mobile No. : +6019-331 6581

SALES & SERVICE
Kelantan, Terengganu and Pahang

PT 133, Taman Sri Kebakat
Wakaf Bahru
16250 Kota Bahru
Kelantan Darul Naim
Malaysia
Mobile No. : +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 world-renowned top industry players in sanitary wares and fittings such as ROCA, ARMITAGE SHANKS, JOMOO, DURAVIT, GEBERIT, HANSGROHE, SLOAN, BOBRICK, JOHNSON SUISSE, PRESTO, HEWI.

Agrow also distributes wide range of Ironmongery and Builders Hardwares products with major brands like: LOKRITE, EZ-SET, SAMSUNG, KWIKSET, BALDWIN, GEZE, HUSKEY and ROBINA.

Projects which Agrow Group has undertaken spread over different segments such as residential, healthcare, offices shopping mall, etc, with customers comprising leading developers, architects, government agencies and semi-government agencies.

In early 2018, Agrow Group established a Healthcare Division focusing on bathroom-related products for the handicap and aging populations. Several unique and niche products have been been launched in these sectors which have generated substantial interests and support from the domestic market. Agrow Group is the first major distributor of bathroom products in Malaysia to take this initiative to establish a Healthcare Division which we intend to stay ahead of the curve in the fast growing market for the aging population.

Towards later part of 2018, Agrow Group had embarked into the E-Commerce trade which is the recognised and accepted distribution trend in the coming years. By second quarter of 2019, Agrow Group will be launching the Alibaba/T Mall online sales with JOMOO China on sanitary fittings using the Lazada Malaysia platform. Agrow Group is also setting up a designated shop in Lazada offering many other products for online sales.

By end 2018, Agrow Group also launched THE AGROW ASSURANCE which is an integrated site support and after-sales service scheme targeting the property developers, main contractors and home buyers. This unique scheme is first of its kind in the building industry viz-a-viz distribution of sanitary wares and fittings which has received commendable and positive feedback from the market. With this scheme, Agrow Group plans to launch a Loyalty Program by 2019/2020 for all end-users of bathroom products supplied by Agrow Group to all projects.

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.

HEAD OFFICE
Wisma King Koil

2C-4, Level 4
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel No. : +603-7805 4748
Fax No. : +603-7805 4723
Website : 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
Tel No. : +603-7805 4748
Fax No. : +603-7805 4723

SALES & SERVICE
Johor Bahru

No. 10-G & 10-01
Jalan Austin Perdana 2/22
Taman Austin Perdana
81100 Johor Bahru
Johor Darul Takzim
Malaysia
Tel No. : +607-353 2267/2261
Fax No. : +607-353 2254

SALES & SERVICE
Penang

181, Jalan Macalister
10400 Georgetown
Pulau Pinang
Malaysia
Tel No. : +604-229 7461/7063
Fax No. : +604-229 7462

TAN SRI DATO' NIK IBRAHIM KAMIL

Independent Non-Executive Chairman

Malaysian, Male, Aged 76

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 a 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 Bursa Malaysia Securities Berhad ("Bursa Securities").

ZAKARIA MERICAN BIN OSMAN MERICAN

Independent Non-Executive Director

Malaysian, Male, Aged 66

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 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.

ABD AZIZ BIN ATTAN

Independent Non-Executive Director

Malaysian, Male, Aged 66

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 qualified as a Chartered Accountant in 1998. 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 66

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 the OCB group of companies' ("OCB Group" or "the Group") 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 65

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, 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.

WONG CHOON SHEIN

Non-Independent Non-Executive Director

Malaysian, Male, Aged 68

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

He has over 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 Alcom Group 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 the Company.*
2. *None of the Directors has any conflict of interest with the Company.*
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 5 years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the financial year ended 31 December 2018 ("FYE 2018").*
5. *Details of the Directors' attendance at Board meetings in FYE 2018 are set out in the Corporate Governance Overview Statement on page 33 of this Annual Report.*

PROFILE OF
KEY SENIOR MANAGEMENT

YEOH JIN BENG

Managing Director
Consumer Foods Division

Malaysian, Male, Aged 67

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 2000.

His expertise is in the manufacture and trading of fast moving consumer goods. He is 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 Malaysia Securities Berhad.

YUSRI HANDAYA JOE

Director of Operations
Consumer Food Division

Indonesian, Male, Aged 64

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 6 years from 1983 to 1988. He then worked 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 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 Food Division

Malaysian, Female, Aged 44

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 21 years 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 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.

SAK SWEE SANG

Director
Bedding Products Division

Malaysian, Male, Aged 49

Sak Swee Sang was appointed as Director in the Bedding Products Division on 5 April 2015. 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 25 years experience in accounting, audit and finance. He was with Messrs Sim & Co., a chartered accounting firm for 6 years before he joined Bedco Sistem (M) Sdn. Bhd., a wholly-owned subsidiary of OCB as Finance and Administration Manager in 2000 and Head of Internal Audit of OCB from 2002 to 2005. He was an Executive Director OCB from December 2005 to August 2018.

PROFILE OF KEY SENIOR MANAGEMENT

TAN ENG HOE

Chief Operating Officer
Bedding Products Division

Malaysian, Male, Aged 66

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 46 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 1997.

CHAN WAI TATT

Executive Director
Building Materials Division

Malaysian, Male, Aged 45

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

He has 20 years experience in sales and marketing; and product and business development in building material distribution industry. Prior to his appointment as Executive Director of Agrow Corporation, he was the Head of Sales for both the sanitary and locks segments.

LOH SEE YING

Accountant
Building Materials Division

Malaysian, Female, Aged 40

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 15 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 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 59

Tan Bee Keng is an associate of The Malaysian Institute of Chartered Secretaries and Administrators. She has been the Company Secretary of the Group since December 2001 and 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, property development and manufacture and trading of aluminium sheets 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 personnel has any family relationship with any Director and/or major shareholder of OCB.*
2. *None of the Key Senior Management personnel has any conflict of interest with OCB.*
3. *Save for Yeoh Jin Beng, none of the Key Senior Management personnel holds directorship in public companies and listed issuers.*
4. *None of the Key Senior Management personnel has been convicted of any offence within the past 5 years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the FYE 2018.*

The Board of Directors of OCB Berhad ("OCB") ("Board") is pleased to present the Sustainability Statement of the OCB group of companies ("OCB Group" or "the Group") for the financial year ended 31 December 2018 ("FYE 2018").

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. OCB'S SUSTAINABILITY GOALS

At OCB, we continue to strive for economic success while also playing our part as a responsible corporate citizen. The business strategies and decisions we take are in line in our long-term sustainability goals of reducing our environmental footprint.

B. 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 in the Sustainability Reporting Guide issued by Bursa Securities. 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 subsidiary/business unit. The RMSWG comprises heads of subsidiaries/business units.

C. SCOPE

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

(a) Consumer Foods
(b) Bedding Products
(c) 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.

D. 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 is ranked as follows:

Internal Stakeholders	External Stakeholders
a. Investors b. Employees	a. Customers and end-consumers b. Regulators c. Government d. Suppliers e. 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 on products quality and safety. Consumers may communicate with the management of the respective business divisions through their company websites and customer service hotline.

E. 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 Division	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

E. 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 stakeholder's 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 of the Group's Economic, Environmental and Social impact

F. 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.

In 2018, there was no major non-compliance of product quality and safety standards which resulted in significant product return. Neither was there major complaint from consumers.

F. SUSTAINABILITY EFFORTS (CONT'D)

(b) Workplace Safety and Health

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

Each factory has its own fire fighting team and the team members undergo regular trainings to maintain their skills and alertness in handling emergency situations. Fire drills are carried out annually, which serve to familiarise employees with the safety procedures during emergencies.

In FYE 2018, none of the Group's subsidiaries was subject to penalties due to non-compliance with OSHA.

(c) Effluent and Waste

The effluent discharge from food production is treated through the waste water treatment plant ("WWT") before being released. There is a qualified person who oversees the operation of the WWT and reports are submitted to the Department of Environment every month.

In FYE 2018, there was no incident associated with WWT which had a significant impact on the food production operation.

(d) Procurement Practices

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

In FYE 2018, the purchases sourced from local suppliers are as follows:

Division	Percentage (%)
Consumer Food	99
Bedding Products	58
Building Materials	85

(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.

The Consumer Food Division uses more electricity energy as compared to the other Divisions. For FYE 2018, the electricity consumption in this Division was RM170/mt. The Management will continue to monitor the electricity usage with the aim of progressively reducing energy consumption while maintaining the product safety and quality.

F. SUSTAINABILITY EFFORTS (CONT'D)

(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.

The Management practices gender neutrality in the Group's hiring policies. Gender representation in OCB Group as at 31 December 2018 is as follows:

	Female	Male	Total
Management and executive positions	50%	50%	100%
Other positions	39%	61%	100%

While there is equal number of employees of each gender in the management and executive positions, male workers made up higher number in other positions. This is due to the job requirement in certain production areas which are physically more demanding.

(g) Training and Learning

In support of lifelong learning, we provide training programs to employees in various areas. During the FYE 2018, our employees participated in trainings relating to:

- Product familiarisation
- Computer system
- Safety and health
- Food handling
- Financial reporting
- Sales and Service Tax

(h) Contribution to Local Community

The Board and the 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.

The Board of Directors ("Board") of OCB Berhad ("OCB" or "the Company") is fully committed to the principles and recommendations made in the Malaysian Code on Corporate Governance ("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 3 key principles of the MCCG during the financial year ended 31 December 2018 ("FYE 2018"):

(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;

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

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

Roles and Responsibilities of the Board (cont'd)

(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 Director ("ED"), 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 ED 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 and further updated on 22 November 2018 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 for 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.

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 6 members, comprising 4 Non-Executive Directors, a COO and an ED. Out of 4 Non-Executive Directors, 3 of them are Independent Directors which is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities and practices advocated by the MCCG.

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 ("ARMC")

For details of the ARMC's composition and activities during the FYE 2018, please refer to the ARMC Report on pages 36 and 37 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 personnel 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 2018, the RC convened 2 meetings and the attendance of the members were as follows:

Members	Number of meetings attended in FYE 2018	% of Attendance
Tan Sri Dato' Nik Ibrahim Kamil	2 out of 2 meetings	100
Zakaria Merican Bin Osman Merican	1 out of 2 meetings	50
Abd Aziz Bin Attan	2 out of 2 meetings	100

The Directors' Remuneration Policy was recommended by the RC and approved by the Board for adoption on 22 November 2018.

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.

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 2018 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)	166	188	374	–	–	–	360	1,088
Fees (RM'000)	–	–	–	152	152	152	62	518
Statutory contributions (2) (RM'000)	20	22	45	–	–	–	–	87
Emoluments (3) (RM'000)	5	5	3	5	4	9	5	36
Benefits-in-kind (4) (RM'000)	6	13	14	1	–	5	30	69
Total (RM'000)	**197**	**228**	**436**	**158**	**156**	**166**	**457**	**1,798**
Company								
Salaries and Bonuses (1) (RM'000)	166	188	374	–	–	–	–	728
Fees (RM'000)	–	–	–	152	152	152	62	518
Statutory contributions (2) (RM'000)	20	22	45	–	–	–	–	87
Emoluments (3) (RM'000)	5	5	3	5	4	9	5	36
Benefits-in-kind (4) (RM'000)	6	13	–	1	–	5	–	25
Total (RM'000)	**197**	**228**	**422**	**158**	**156**	**166**	**67**	**1,394**

Notes:
- * *Resigned as Executive Director on 1 August 2018.*
- (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.*

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:

	Number of Directors	
Remuneration Range	**EDs**	**Non-EDs**
RM150,001 to RM200,000	1	3
RM200,001 to RM250,000	1	–
RM400,001 to RM450,00	1	–
RM450,001 to RM500,000	–	1

In determining the remuneration packages of the Group's Key Senior Management personnel, 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 5 Senior Management personnel, 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 5 Senior Management personnel of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2018 are categorised as follows:

Category	Group RM'000	Company RM'000
Salaries and bonuses [(1)]	2,450	–
Statutory contributions [(2)]	246	–
Benefits-in-kind [(3)]	17	–
Total	**2,713**	**–**

Notes:
(1) Salaries and bonuses comprised basic salary, bonus, EPF and SOCSO.
(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 personnel whose total remuneration falls within the following bands are as follows:

Remuneration Range	Number of Senior Management Personnel
Between RM250,001 - RM300,000	2
Between RM500,001 – RM550,000	1
Between RM550,001 – RM600,000	1
Between RM1,050,001 – RM1,100,000	1

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

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

Board Committees (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 1 meeting for the FYE 2018 and the attendance of the members was as follows:

Members	Number of meetings attended in FYE 2018	% of Attendance
Tan Sri Dato' Nik Ibrahim Kamil	1 out of 1 meetings	100
Zakaria Merican Bin Osman Merican	0 out of 1 meetings	0
Abd Aziz Bin Attan	1 out of 1 meetings	100

A summary of the key activities undertaken by the NC in the discharge of its duties for the FYE 2018 were as follows:

(i) Assessed and reviewed the independence of the Independent Directors and their tenure of service as Independent Directors on the Company;

(ii) Evaluated each Individual Director to assess the Director's calibre 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;

(iii) 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;

(iv) Discussed the gender diversity factor recommended in the MCCG;

(v) Endorsed Tan Sri Dato' Nik Ibrahim Kamil and Zakaria Merican to continue to serve as Independent Directors of the Company as well as the re-election of Tan Sri Dato' Nik Ibrahim Kamil, Mohd Harris Bin Pardi and Fong Heng Leong as Directors subject to shareholders' approval at the Sixtieth AGM of the Company to be held in May 2019.

(vi) Reviewed and recommended the revised Board Charter of the Company;

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

Board Committees (cont'd)

C. Nomination Committee ("NC")

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 behavior 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, calibre 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 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 Company has implemented a cumulative 9-year term limit for Independent Directors where upon completion of the 9 years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director.

Alternatively, the Board may justify and seek shareholders' approval annually in the event it desires to retain as an independent director, a person who has served in that capacity for more than 9 years.

At the forthcoming Sixtieth AGM of the Company, Tan Sri Dato' Nik Ibrahim Kamil would have served as Independent Director of the Company for 12 years whilst Zakaria Merican Bin Osman Merican's tenure as Independent Director of the Company would be 13 years.

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

Tenure of Independent Directors (cont'd)

The NC has reviewed and recommended to the Board for both Tan Sri Dato' Nik Ibrahim Kamil and Zakaria Merican to continue to act as Independent Non-Executive Directors of the Company subject to shareholders' approval at the forthcoming Sixtieth 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.

The Board has determined that both Tan Sri Dato' Nik Ibrahim Kamil and Zakaria Merican are able to bring independent and objective judgments to the Board as whole and strongly recommended for them to continue to act as Independent NED of the Company.

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 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.

Tan Sri Dato' Nik Ibrahim Kamil, Mohd Harris Bin Pardi and Fong Heng Leong will be up for retirement at the conclusion of the forthcoming Sixtieth AGM of the Company pursuant to Article 97 of the Company's AA. All the aforesaid Directors have offered themselves for re-election. The Board, with these Directors abstaining, had endorsed their re-election as Directors at the said AGM.

Gender Diversity Policy

The Board members were of the view that the Board comprised a good mix of individuals of different race from diverse industries contributing considerable knowledge, skills and expertise. All the Board Committees were also adequate in terms of number.

Female representation on the Board will be considered when there is a vacancy on the Board and a suitable candidate is identified underpinned by the overriding primary aim of selecting the best candidate to support the Group's objectives. Hence, a policy or target in relation to gender diversity will be established only if the situation so requires and if it is in the best interest of the Company to do so.

Meetings and Time Commitment

5 Board meetings were held during the FYE 2018 and the attendances of the Directors were as follows:

Director	Number of meetings attended in FYE 2018	% of Attendance
Tan Sri Dato' Nik Ibrahim Kamil	5 out of 5 meetings	100
Zakaria Merican Bin Osman Merican	4 out of 5 meetings	80
Mohd Harris Bin Pardi	5 out of 5 meetings	100
Fong Heng Leong	5 out of 5 meetings	100
Sak Swee Sang*	3 out of 3 meetings	100
Abd Aziz Bin Attan	5 out of 5 meetings	100
Wong Choon Shein	5 out of 5 meetings	100

Note:

* *Resigned as Director on 1 August 2018.*

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 2018. 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	Seminar / Workshop / Conference	Date
Tan Sri Dato' Nik Ibrahim Kamil	Container Terminals of the Future	8 November 2018
	Journey Towards Integrated Reporting	12 November 2018
Zakaria Merican	Tax Seminar on Budget 2019	16 November 2018
Abd Aziz Bin Attan	2019 Budget Seminar: Restoring Public Finances, Sustaining Growth, Enhancing Wellbeing	13 December 2018
Mohd Harris Bin Pardi	Sustainability Engagement Series for Chief Financial Officer/Chief Sustainability Officers	29 August 2018
Fong Heng Leong	Breakfast Series: "Non-Financials - Does it Matter?"	5 December 2018
Wong Choon Shein	Gearing Up for Corporate Liability	10 October 2018

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, ED 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 38 to 40 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Internal Audit Function

The internal audit function are set out in the ARMC Report on page 37 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 38 to 40 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 42 of this Annual Report.

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 2018 except for the below where the explanation for departure is disclosed in the Corporate Governance Report:

Practice 4.2	:	If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a 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 4.6	:	In identifying candidates for appointment of directors, the Board utilises independent sources to identify suitably qualified candidates.
Practice 7.2	:	The Board discloses on a named basis the top 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 of the Board dated 9 April 2019. 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 2018, 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.*

COMMITTEE REPORT

COMPOSITION

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

Members

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

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 5 meetings during the financial year ended 31 December 2018 ("FYE 2018") and the attendance of the members were as follows:

Members	Number of meetings attended in FYE 2018	% of Attendance
Abd Aziz Bin Attan	5 out of 5 meetings	100
Tan Sri Dato' Nik Ibrahim Kamil	5 out of 5 meetings	100
Zakaria Merican Bin Osman Merican	4 out of 5 meetings	80

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee in discharging their responsibility during FYE 2018 were as follows:

(i) Reviewed the announcements on the quarterly unaudited financial results of the Group before recommendation to the Board of Directors of the Company ("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, and also the Sustainability Reports on material sustainability matters;

(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 financial year ended 31 December 2017 ("FYE 2017");

(v) Reviewed the annual audited financial statements of the Group and of the Company for the FYE 2017 with the External Auditors prior to submission to the Board for approval;

SUMMARY OF ACTIVITIES (CONT'D)

(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 2018 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;

(viii) Reviewed the ARMC Report, Statement on Risk Management and Internal Control and Sustainability Statement for inclusion in the Annual Report 2017;

(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 2018 and the scope for the annual audit for the Group presented by the External Auditors;

(xi) Reviewed and approved the Internal Audit Plan for the Group for year 2019 presented by the Internal Auditors; and

(xii) Recommended to the Board, the adoption of the proposed External Auditors' Assessment Policy which sets out the policies and procedures to assess the suitability, objectivity and independence of the External 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 Internal Auditors also assist the Risk Management Executive Committee in collecting data, monitor and report on material sustainability matters.

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 2018 is presented in the Statement on Risk Management and Internal Control. The Group paid a total fee of RM116,010 for services rendered in respect of internal audit for the FYE 2018.

This Report is made in accordance with a resolution passed by the Board on 9 April 2019.

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 and the Audit and Risk Management Committee ("ARMC").

The COO, ED 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, ED 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 which has been redesignated as Risk Management Executive Committee ("RMEC") at corporate level to oversee the Group's risk management process. The RMEC consists of the COO, ED, Internal Auditors (acting as Risk Management Coordinator) and Company Secretary. At each business division, a Risk Management and Sustainability Working Group ("RMSWG") was also formed consisting of the COO, ED, Internal Auditors (acting as Risk Management Coordinator), Company Secretary and the senior managers of the division.

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.

RISK MANAGEMENT (CONT'D)

During the FYE 2018, 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:

- Assess the adequacy and integrity of the current internal control system and provide recommendations to improve on the existing control environment in relation to business processes and risk management practices;
- Evaluate existing policies and procedures of key business processes and provide recommendations for enhancement;
- Highlight opportunity to improve efficiency, effectiveness and economic aspects of the Group's operations;
- Promote 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.

During the FYE 2018, 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:

- Inventory management
- Accounts receivable
- Credit control
- Product pricing and profitability
- Payroll
- Human resource development
- Safety and Health

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 2018, 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 ED, 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 this 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 9 April 2019.

AUDIT AND NON-AUDIT FEES PAID/PAYABLE

During the FYE 2018, the amount of audit and non-audit fees paid/payable by the Group and the Company to the External Auditors for services rendered to the Company and its subsidiaries are as follows:

Type of fees	Group RM	Company RM
Audit fees		
- auditors of the Company	175,000	34,000
- other auditors	93,000	–
Non-audit fees	38,000	33,000

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 2018 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 2018 on pages 43 to 124, 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.

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 2018.

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	4,985	5,159
Attributable to:-		
Owners of the Company	4,984	5,159
Non-controlling interest	1	–
	4,985	**5,159**

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

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

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

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)
- Zakaria Merican Bin Osman Merican (Independent Non-Executive Director)
- Wong Choon Shein (Non-Independent Non-Executive Director)*
- Mohd Harris Bin Pardi (Chief Operating Officer cum Executive Director)
- Fong Heng Leong (Executive Director)*
- Sak Swee Sang (Executive Director, resigned on 1.8.2018)*#

* *Directors of the Company and the subsidiaries*
\# *Resigned as Executive Director of the Company but remained as Director of the subsidiaries*

DIRECTORS (CONT'D)

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 (resigned on 10.7.2018)
- Nur Aisyah Wong @ Wong Wai Yin

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, 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' REMUNERATION

Details of Directors remuneration are set out in Notes 28 and 29 to the Financial Statements.

During and at end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling 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.

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.

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 (Member/Independent Non-Executive Director)
- Zakaria Merican Bin Osman Merican (Member/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.

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 25 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
	)	
	)	
	)	
	)	
FONG HENG LEONG	)	

Petaling Jaya, Selangor Darul Ehsan
9 April 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 52 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

MOHD HARRIS BIN PARDI **FONG HENG LEONG**

Petaling Jaya, Selangor Darul Ehsan
9 April 2019

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 52 to 124 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 day of)
9 April 2019)

FONG HENG LEONG

Before me:

No: W594
Valliamah A/P Perian
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 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and 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 the impairment requirements under MFRS9, the management is required to applied forward-looking approach in assessing the impairment of trade receivables. Broader range of information is considered including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cashflows of trade receivables are applied to calculate the expected credit losses using a provision matrix.

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 expected credit losses and 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 14 to the Financial Statements.

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 – 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.

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

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

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.

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

TAN HOOI SHIN
(NO: 3383/06/2020J)
CHARTERED ACCOUNTANT

Kuala Lumpur
9 April 2019

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**100,808**	111,704	**95**	120
Investment properties	5	**12,809**	7,773	**–**	–
Investment in subsidiaries	6	**–**	–	**131,007**	131,007
Goodwill on consolidation	7	**37,165**	38,265	**–**	–
Intangible assets	8	**12,397**	15,085	**–**	–
Deferred tax assets	9	**2,750**	2,750	**–**	–
Other investment	10	**–**	–	**–**	–
Amount due from a subsidiary	11	**–**	–	**2,611**	–
Total non–current assets		**165,929**	175,577	**133,713**	131,127
Current assets					
Inventories	12	**28,576**	26,029	**–**	–
Right of return assets	13	**318**	–	**–**	–
Trade receivables	14	**41,290**	56,609	**–**	–
Other receivables	15	**3,398**	6,118	**5**	20
Amount due from subsidiaries	11	**–**	–	**7,060**	10,703
Tax recoverable		**1,394**	978	**49**	49
Short term deposits with licensed banks	16	**17,806**	3,556	**–**	–
Cash and bank balances		**35,696**	42,827	**306**	606
Total current assets		**128,478**	136,117	**7,420**	11,378
Total assets		**294,407**	311,694	**141,133**	142,505
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	**103,105**	103,105	**103,105**	103,105
Reserves	18	**109,521**	115,040	**37,604**	32,445
Equity attributable to owners of the Company		**212,626**	218,145	**140,709**	135,550
Non-controlling interest	6	**112**	113	**–**	–
Total equity		**212,738**	218,258	**140,709**	135,550
LIABILITIES					
Non-current liabilities					
Bank borrowings	19	**17,983**	24,992	**–**	–
Finance lease liabilities	20	**141**	423	**–**	–
Deferred tax liabilities	9	**3,944**	4,027	**–**	–
Total non-current liabilities		**22,068**	29,442	**–**	–

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current liabilities					
Trade payables	21	**21,779**	31,999	**–**	–
Other payables	22	**10,489**	8,941	**424**	253
Contract liabilities	23	**3,952**	–	**–**	–
Refund liabilities	13	**395**	–	**–**	–
Amount due to subsidiaries	11	**–**	–	**–**	6,702
Tax payable		**3**	444	**–**	–
Bank borrowings	19	**22,687**	22,215	**–**	–
Finance lease liabilities	20	**296**	395	**–**	–
Total current liabilities		**59,601**	63,994	**424**	6,955
Total liabilities		**81,669**	93,436	**424**	6,955
Total equity and liabilities		**294,407**	311,694	**141,133**	142,505

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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue from contract with customers	24				
- Sales of goods		**246,646**	270,128	**–**	–
- Management fees		**–**	–	**1,176**	1,296
- Dividend income		**–**	–	**416**	3,698
- Rental income		**71**	181	**–**	–
Total revenue		**246,717**	270,309	**1,592**	4,994
Cost of sales		**(194,855)**	(214,437)	**–**	–
Gross profit		**51,862**	55,872	**1,592**	4,994
Other income		**3,750**	2,720	**6,157**	22
Selling and distribution expenses		**(18,007)**	(22,008)	**–**	–
Administration expenses		**(28,859)**	(27,653)	**(2,431)**	(2,341)
Other expenses		**(9,509)**	(24,899)	**–**	(9,388)
Finance costs		**(2,470)**	(2,703)	**(131)**	–
(Loss)/profit before tax	25	**(3,233)**	(18,671)	**5,187**	(6,713)
Tax (expense)/income	26	**(1,752)**	(2,879)	**(28)**	160
Net (loss)/profit for the financial year		**(4,985)**	(21,550)	**5,159**	(6,553)
Other comprehensive income					
Item that will be reclassified subsequently to profit or loss:-					
Foreign exchange translation differences for foreign operation		**(1)**	(15)	**–**	–
Total comprehensive (loss)/ income for the financial year		**(4,986)**	(21,565)	**5,159**	(6,553)
Net (loss)/profit for the financial year attributable to:-					
Owners of the Company		**(4,984)**	(21,549)	**5,159**	(6,553)
Non-controlling interest		**(1)**	(1)	**–**	–
		(4,985)	(21,550)	**5,159**	(6,553)
Total comprehensive (loss)/ income for the financial year attributable to:-					
Owners of the Company		**(4,985)**	(21,564)	**5,159**	(6,553)
Non-controlling interest		**(1)**	(1)	**–**	–
		(4,986)	(21,565)	**5,159**	(6,553)
Loss per share (sen):					
Basic/Diluted	27	**(4.83)**	(20.95)		

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

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
	Attributable to owners of the Company						
	Non-distributable			Distributable			
Balance at 1 January 2017	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
Adjustments from the adoption of new standards	–	–	–	(534)	(534)	–	(534)
Balance at 1 January 2018, restated	**103,105**	**126**	**–**	**114,380**	**217,611**	**113**	**217,724**
Net loss for the financial year	**–**	**–**	**–**	**(4,984)**	**(4,984)**	**(1)**	**(4,985)**
Other comprehensive loss	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
Total comprehensive loss for the financial year	**–**	**(1)**	**–**	**(4,984)**	**(4,985)**	**(1)**	**(4,986)**
Balance at 31 December 2018	**103,105**	**125**	**–**	**109,396**	**212,626**	**112**	**212,738**

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	**Share capital RM'000**	**Non-distributable Share premium RM'000**	**Distributable Retained earnings RM'000**	**Total RM'000**
Balance at 1 January 2017	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
Total comprehensive income for the financial year	**–**	**–**	**5,159**	**5,159**
Balance at 31 December 2018	**103,105**	**–**	**37,604**	**140,709**

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

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
OPERATING ACTIVITIES					
(Loss)/profit before tax		**(3,233)**	(18,671)	**5,187**	(6,713)
Adjustments for:					
Depreciation of property, plant and equipment		**8,563**	8,108	**25**	4
Loss/(Gain) on disposal of property, plant and equipment		**45**	(242)	**–**	–
Property, plant and equipment written off		**5**	8	**–**	–
Impairment loss on property, plant and equipment		**–**	584	**–**	–
Amortisation of investment properties		**473**	414	**–**	–
Amortisation of intangible assets		**125**	150	**–**	–
Intangible assets written off		**563**	–	**–**	–
Impairment loss on intangible assets		**2,000**	–	**–**	–
Impairment loss on goodwill		**1,100**	22,074	**–**	–
Impairment loss on investment in subsidiary		**–**	–	**–**	8,364
Impairment loss on amount due from a subsidiary		**–**	–	**–**	1,024
Provision of slow moving inventories		**813**	437	**–**	–
Inventories written off		**144**	110	**–**	–
Reversal of impairment loss on slow moving inventories		**(532)**	(466)	**–**	–
Loss allowance on trade and other receivables		**4,414**	2,120	**–**	–
Trade receivables written off		**605**	441	**–**	–
Reversal of impairment loss on trade receivables		**(1,412)**	(2,084)	**–**	–
Waiver of debts		**–**	(37)	**(6,157)**	–
Interest expenses		**2,470**	2,703	**131**	–
Dividend income		**–**	–	**(416)**	(3,698)
Interest income		**(533)**	(180)	**–**	–
Unrealised (gain)/loss on foreign exchange		**(6)**	89	**–**	–
Operating profit/(loss) before working capital changes		**15,604**	15,558	**(1,230)**	(1,019)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
OPERATING ACTIVITIES (cont'd)					
Changes in working capital:-					
Right of return assets		**(98)**	–	**–**	–
Contract liabilities and refund liabilities		**3,952**	–	**–**	–
Inventories		**(2,972)**	3,485	**–**	–
Receivables		**14,080**	17,799	**15**	–
Payables		**(8,672)**	(11,198)	**171**	39
Cash generated from/(used in) operations		**21,894**	25,644	**(1,044)**	(980)
Tax refunded		**1**	515	**–**	142
Tax paid		**(2,694)**	(3,668)	**(28)**	(54)
Net cash from/(used in) operating activities		**19,201**	22,491	**(1,072)**	(892)
INVESTING ACTIVITIES					
Repayment from/(Advance to) subsidiaries		**–**	–	**356**	(1,706)
Interest received		**533**	180	**–**	–
Dividend received		**–**	–	**416**	3,698
Proceeds from disposal of property, plant and equipment		**109**	275	**–**	–
Purchase of property, plant and equipment	A	**(3,328)**	(18,214)	**–**	(124)
Net cash (used in)/ from investing activities		**(2,686)**	(17,759)	**772**	1,868
FINANCING ACTIVITIES					
Drawdown of bankers' acceptance and trust receipt		**32,021**	64,727	**–**	–
Repayment of bankers' acceptance and trust receipt		**(30,772)**	(67,499)	**–**	–
Drawdown of revolving credit		**1,500**	4,000	**–**	–
Repayment of revolving credit		**(1,000)**	(7,000)	**–**	–
Interest paid		**(2,470)**	(2,703)	**–**	–
Dividend paid		**–**	(1,029)	**–**	(1,029)
Drawdown of term loans and bill payables		**–**	29,038	**–**	–
Repayment of term loans and bill payables		**(6,572)**	(16,115)	**–**	–
Repayment of finance lease liabilities		**(381)**	(894)	**–**	–
Net cash (used in)/from financing activities		**(7,674)**	2,525	**–**	(1,029)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH AND CASH EQUIVALENTS					
Net changes		**8,841**	7,257	**(300)**	(53)
Effect of exchange translation differences on cash and cash equivalents		**(8)**	8	**–**	–
Brought forward		**43,934**	36,669	**606**	659
Carried forward	**B**	**52,767**	43,934	**306**	606

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group 2018 RM'000	Group 2017 RM'000
Total purchases	**3,328**	18,448
Acquired through hire purchase arrangements	**–**	(234)
Cash purchases	**3,328**	18,214

B. CASH AND CASH EQUIVALENTS

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Bank overdrafts (Note 19)	**(735)**	(2,449)	**–**	–
Short-term deposits with licensed banks (Note 16)	**17,806**	3,556	**–**	–
Cash and bank balances	**35,696**	42,827	**306**	606
	52,767	43,934	**306**	606

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

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 9 April 2019.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 New Standards/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 2018.

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

2. BASIS OF PREPARATION (CONT'D)

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 Adoption of New Standards/Amendments/Improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to standards did not have material impact to the financial statement, except for (cont'd):-

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 11 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects that consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply the standard to all contracts that are not completed as at 1 January 2018.

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The effect of adopting MFRS 15 as at 1 January 2018 was, as follows:-

Group	**Increase/ (decrease) RM'000**
Current assets	
Right of return assets	**299**
Trade receivables	**(468)**
	(169)
Current liabilities	
Other payable	**(1,341)**
Contract liabilities	**1,341**
Refund liabilities	**365**
	365
Equity	
Retained earnings	**534**

2. BASIS OF PREPARATION (CONT'D)

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to standards did not have material impact to the financial statement, except for (cont'd):-

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

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of MFRS 15. The adoption of MFRS 15 did not have a material impact on other comprehensive income or the Group's and the Company's operating, investing and financing cash flows. The first column shows amounts prepared under MFRS 15 and the second column shows what the amounts would have been had MFRS 15 not been adopted.

	Amounts prepared under		
Consolidated statement of profit or loss for the year ended 31 December 2018	**MFRS 15 RM'000**	**Previous MFRS RM'000**	**Increase/ (decrease) RM'000**
Revenue from contracts with customers	246,717	247,343	(626)
Cost of sales	(194,855)	(195,173)	(318)
Gross profit	51,862	52,170	(308)

	Amounts prepared under		
Consolidated statement of financial position for the year ended 31 December 2018	**MFRS 15 RM'000**	**Previous MFRS RM'000**	**Increase/ (decrease) RM'000**
Current assets			
Trade receivable	41,290	41,521	(231)
Right of return assets	318	–	318
	41,608	41,521	87
Equity			
Retained earnings	109,396	109,704	(308)
Current liabilities			
Other payable	10,489	14,441	(3,952)
Contract liabilities	3,952	–	3,952
Refund liabilities	395	–	395
	14,836	14,441	395

The adoption of MFRS 15 does not have any financial impact on the Company's financial statements.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and statement of profit and loss for the financial year ended 31 December 2018 are described below.

2. BASIS OF PREPARATION (CONT'D)

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to standards did not have material impact to the financial statement, except for (cont'd):-

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

Sale of goods with variable consideration

Contracts for sale of goods provide customers with a right of return and prompt payment rebates. Before adopting MFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred recognition of revenue until the uncertainty was resolved. Under MFRS 15, rights of return and volume rebates give rise to variable consideration.

- *Rights of return*

  When a contract provides a customer with a right to return the goods within a specified period, the Group previously recognised revenue for these contracts when a reasonable estimate of the return can be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition would be deferred until the return period lapsed or a reasonable estimate of return could be made.

  Under MFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned. For goods expected to be returned, the Group presented a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. Upon adoption of MFRS 15, the Group reclassified revenue of RM364,516 to refund liabilities and cost of sales of RM298,752 to right of return assets as at 1 January 2018. As a result of these adjustments, retained earnings as at 1 January 2018 decreased by RM65,764.

  As at 31 December 2018, MFRS 15 increased right of return assets and refund liabilities by RM317,693 and RM394,521 respectively and decreased retained earnings by RM76,828 respectively. It also decreased revenue from contracts with customers and cost of sales by RM394,521 and RM317,693 respectively for the year ended 31 December 2018.

- *Prompt payment rebates*

  Before adoption of MFRS 15, the Group estimated the expected prompt payment rebates using the probability-weighted average amount of rebates approach and included an allowance for rebates in trade and other payables.

  Under MFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the 'most likely amount method' for contracts with a single rebate threshold and the 'expected value method' for contracts with more than one rebate threshold. Upon adoption of MFRS 15, the Group recognised prompt payment rebate on trade receivables of RM467,814 for the expected future rebates as at 1 January 2018. The Company also reduced the retained earnings for the difference of RM467,814 as at 1 January 2018.

  As at 31 December 2018, MFRS 15 recognised prompt payment rebate on trade receivables of RM230,572 and retained earnings of RM230,572, respectively. It also decreased Revenue from contracts with customers by RM230,572 for the year ended 31 December 2018.

2. BASIS OF PREPARATION (CONT'D)

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to standards did not have material impact to the financial statement, except for (cont'd):-

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139.

Classification and Measurement

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

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

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The following are the changes in the classification of the Group's and the Company's financial assets:

- Financial assets classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

- Equity investments in non-listed companies classified as AFS financial assets as at 31 December 2017 are classified and measured as Equity instruments designated at fair value through OCI beginning 1 January 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future.

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

2. BASIS OF PREPARATION (CONT'D)

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to standards did not have material impact to the financial statement, except for (cont'd):-

MFRS 9 Financial Instruments (cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 January 2018:

	MFRS 9 measurement category		
MFRS 139 measurement category	**Carrying amount RM'000**	**FVOCI RM'000**	**AC RM'000**
Group			
Available-for-sale			
Other investment	–	*	–
Loans and receivables			
Trade receivables	56,609	–	56,609
Other receivable	1,414	–	1,414
Fixed deposit to licensed bank	3,556	–	3,556
Cash and bank balances	42,827	–	42,827
	104,406	*	104,406
Company			
Loans and receivables			
Other receivables	7	–	7
Amount due from subsidiaries	10,703	–	10,703
Cash and bank balances	606	–	606
	11,316	–	11,316

* Other investment of the Group has been fully impaired.

Impairment

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

2. BASIS OF PREPARATION (CONT'D)

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 Adoption of new standards/amendments/improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to standards did not have material impact to the financial statement, except for (cont'd):-

MFRS 9 Financial Instruments (cont'd)

Impairment (cont'd)

Set out below is the reconciliation of the ending impairment allowances in accordance with MFRS 139 to the opening loss allowances determined in accordance with MFRS 9:

	Allowance for impairment under MFRS 139 as at 31 December 2017 RM	Remeasurement RM	ECL under MFRS 9 as at 1 January 2018 RM
Loans and receivables under MFRS 139/Financial assets at amortised cost under MFRS 9	4,096	*	**4,096**

* Additional impairment on the loan and receivables are immaterial.

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 MFRSs and IC Interpretation effective 1 January 2019:-

MFRS 16	Leases
Amendments to MFRS 9	Financial Instrument: Prepayment Features with Negative Compensation
Amendment to MFRS 119*	Plans Amendment, Curtailment or Settlement
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 – 2018 Cycle*

Amendments to MFRSs and Amendments to References to the Conceptual Framework Standards effective 1 January 2020:-

Amendments to MFRS 3*	Business Combinations: Definition of a Businesss
Amendments to MFRS 101	Presentation of Financial Statements: Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Amendments to Reference to the Conceptual Framework in MFRS Standards

MFRS effective 1 January 2021:-

MFRS 17*	Insurance Contracts

2. BASIS OF PREPARATION (CONT'D)

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

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 (cont'd):-

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

The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MRFS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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

2. BASIS OF PREPARATION (CONT'D)

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.

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 2018, 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 12 to the Financial Statements.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and coverage by letters of credit and other forms of credit insurance).

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Provision for expected credit losses of trade receivables (cont'd)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Note 14 and Note 31 to the Financial Statements.

Estimating variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sales equipment with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The information about the returns and volume rebates of the Group are disclosed in Note 13 to the Financial Statements.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

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 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.

The information about the impairment of non-financial assets are disclosed in the Note 4 and Note 8 to 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.

The information about the deferred tax assets are disclosed in the Note 9 to the Financial Statements.

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.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Significant management judgements (cont'd)

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.

Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of edible products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the edible products with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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.

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.

3.1.2 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)

3.1.2 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.

3.1.3 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.

3.1.4 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.

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
Computer equipment	20%
Tools, plant and machinery	6.7% to 20%
Motor vehicles	10% to 20%
Furniture, fittings, office equipment and renovations	2% to 50%

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets (cont'd)

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

Licenses 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 and Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3.6.2 Financial assets – categorisation and subsequent measurement

Accounting policies applied from 1 January 2018

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

In the periods presented the Group and the Company do not have any financial assets categorised as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

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

Accounting policies applied from 1 January 2018 (cont'd)

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's cash and cash equivalents, trade and other receivables and fixed deposit with a licensed bank fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group and the Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income will be recycled upon derecognition of the asset.

Accounting Policies applied until 31 December 2017

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

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

Accounting Policies applied until 31 December 2017 (cont'd)

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 consideration received (including any new asset obtained less any new liability assumed) 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 year 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 and the Company's available-for-sale financial assets include unquoted investment.

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.

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 such payment is established.

Investment in equity instrument 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.3 Financial liabilities – categorisation and subsequent measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's and the Company's financial liabilities include trade and other payables and amount due to ultimate holding company, amount due to immediate holding company, amount due to related companies, finance lease liabilities and bank borrowings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Other financial liabilities are classified as current liabilities unless the Group and the Company 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.

3.7 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer period, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of assets (cont'd)

3.7.1 Non-financial assets (cont'd)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

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

<u>Accounting policies applied from 1 January 2018</u>

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group and the Company first identifying a credit loss event. Instead the Group and the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of assets (cont'd)

3.7.2 Financial assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group and the Company make use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group and the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group and the Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Accounting Policies applied until 31 December 2017

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of assets (cont'd)

3.7.2 Financial assets (cont'd)

Accounting Policies applied until 31 December 2017 (cont'd)

Financial assets carried at amortised cost (cont'd)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3.10.2 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 and reserves

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.

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

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

3.13 Revenue recognition

The Group is in the business of manufacturing, trading and distribution of building materials, bedding products and edible products. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are disclosed in Note 2.6 to the Financial Statements.

3.13.1 Sales of goods

Revenue from sale of goods recognised at the point in time when control of the asset are transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue recognition (cont'd)

3.13.1 Sales of goods (cont'd)

Variable consideration (cont'd)

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in MFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

3.13.2 Contract balances

Contract Assets

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

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets is Note 3.7 to the Financial Statements.

Contract Liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue recognition (cont'd)

3.13.3 Assets and liabilities arising from rights of return

Right of Return Assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund Liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

3.13.4 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Prior to 1 January 2017 and until 31 December 2017, when a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount. Being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

3.13.5 Management fee

Management fee is recognised when services are rendered.

3.13.6 Rental income

Rental income is recognised on accrual basis.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employees benefits (cont'd)

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).

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 on or before 31 May 2018 is included as part of receivables or payables in the statements of financial position.

3.17 Sales Tax

Expenses and assets are recognised net of the amount of sales tax, except:

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

- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority from 1 September 2018 is included as part of receivables or payables in the statement of financial position.

3.18 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.

3.19 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 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.

3.21 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.

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 2017	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)
Reclassifications	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
Additions	**–**	**1,103**	**259**	**1,225**	**741**	**3,328**
Disposals	**–**	**(39)**	**(704)**	**(45)**	**–**	**(788)**
Foreign exchange translation effect	**9**	**–**	**–**	**–**	**–**	**9**
Reclassifications	**–**	**494**	**5**	**279**	**(778)**	**–**
Transfer to investment properties	**(6,307)**	**–**	**–**	**–**	**–**	**(6,307)**
Written off	**–**	**(2)**	**–**	**(21)**	**–**	**(23)**
At 31 December 2018	**87,234**	**85,333**	**9,937**	**24,091**	**261**	**206,856**
Accumulated depreciation						
At 1 January 2017	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
Charge for the financial year	**1,996**	**3,898**	**913**	**1,756**	**–**	**8,563**
Disposals	**–**	**(6)**	**(591)**	**(37)**	**–**	**(634)**
Foreign exchange translation effect	**2**	**–**	**–**	**–**	**–**	**2**
Transfer to investment properties	**(453)**	**–**	**–**	**–**	**–**	**(453)**
Written off	**–**	**(1)**	**–**	**(17)**	**–**	**(18)**
At 31 December 2018	**22,265**	**62,239**	**7,452**	**13,868**	**–**	**105,824**
Accumulated impairment						
At 1 January 2017	–	–	–	–	–	–
Impairment loss recognised for the financial year	354	–	–	230	–	584
Foreign exchange translation effect	(9)	–	–	(6)	–	(15)
31 December 2017	345	–	–	224	–	569
Transfer to investment properties	**(345)**	**–**	**–**	**–**	**–**	**(345)**
Foreign exchange translation effect	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2018	**–**	**–**	**–**	**224**	**–**	**224**
Net carrying amount						
At 31 December 2018	**64,969**	**23,094**	**2,485**	**9,999**	**261**	**100,808**
At 31 December 2017	72,467	25,429	3,247	10,263	298	111,704

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 2017	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
Transfer to investment properties	**(1,736)**	**(4,571)**	**(6,307)**
Reclassifications			
Foreign exchange translation effect	**–**	**9**	**9**
At 31 December 2018	**37,654**	**49,580**	**87,234**
Accumulated depreciation			
At 1 January 2017	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
Charge for the financial year	**817**	**1,179**	**1,996**
Transfer to investment properties	**(3)**	**(450)**	**(453)**
Foreign exchange translation effect	**–**	**2**	**2**
At 31 December 2018	**8,826**	**13,439**	**22,265**
Accumulated impairment			
At 1 January 2017	–	–	–
Impairment loss recognised for the financial year	–	354	354
Foreign exchange translation effect	–	(9)	(9)
At 31 December 2017	–	345	345
Transfer to investment properties	**–**	**(345)**	**(345)**
At 31 December 2018	**–**	**–**	**–**
Net carrying amount			
At 31 December 2018	**28,828**	**36,141**	**64,969**
At 31 December 2017	31,378	41,089	72,467

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.

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 2017	534	541	1,075
Additions	**124**	**–**	**124**
At 31 December 2017/31December 2018	**658**	**541**	**1,199**
Accumulated depreciation			
At 1 January 2017	534	541	1,075
Charge for the financial year	4	–	4
At 31 December 2017	538	541	1,079
Charge for the financial year	**25**	**–**	**25**
At 31 December 2018	**563**	**541**	**1,104**
Net carrying amount			
At 31 December 2018	**95**	**–**	**95**
At 31 December 2017	120	–	120

(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 RM13,994,560 (2017: RM14,287,619).

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

Group	2018 RM'000	2017 RM'000
- Motor vehicles	**560**	1,480

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

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

Group	2018 RM'000	2017 RM'000
- Land and buildings	**56,832**	55,912
- Plant and machinery	**4,531**	5,119

5. INVESTMENT PROPERTIES

Group	Freehold land and buildings RM'000	Leasehold buildings RM'000	Total RM'000
Cost			
At 1 January 2017/31 December 2017	9,847	345	10,192
Transfer from property, plant and equipment	**1,736**	**4,571**	**6,307**
At 31 December 2018	**11,583**	**4,916**	**16,499**
Accumulated amortisation			
At 1 January 2017	1,941	64	2,005
Charge for the financial year	410	4	414
At 31 December 2017	2,351	68	2,419
Charge for the financial year	**444**	**29**	**473**
Transfer from property, plant and equipment	**3**	**450**	**453**
At 31 December 2018	**2,798**	**547**	**3,345**
Accumulated impairment			
At 1 January 2017/31 December 2017	–	–	–
Transfer from property, plant and equipment	**–**	**345**	**345**
At 31 December 2018	**–**	**345**	**345**
Net carrying amount			
At 31 December 2018	**8,785**	**4,024**	**12,809**
At 31 December 2017	7,496	277	7,773
Market value based on similar properties at proximity area:-			
At 31 December 2018	**10,059**	**4,114**	**14,173**
At 31 December 2017	11,350	920	12,270

The estimated market value of the investment properties as at 31 December 2018 is approximately RM14,173,000 (2017: RM12,270,000).

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 RM2,197,304 (2017: RM2,228,931) 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	
	2018	**2017**
	RM'000	**RM'000**
Freehold land and buildings	**892**	916

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Direct operating expenses	**97**	97
Rental income	**161**	181

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM'000	**RM'000**
Unquoted shares, at cost	**139,371**	139,371
Less: Accumulated impairment losses	**(8,364)**	(8,364)
	131,007	131,007

The movement of accumulated impairment losses is as follows:-

	Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	**8,364**	–
Impairment loss recognised during the financial year	**–**	8,364
At 31 December	**8,364**	8,364

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 2018 %	Effective equity interest 2017 %	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

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 2018 %	Effective equity interest 2017 %	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:-

Enigma Sinar Sdn. Bhd.

	2018 RM'000	2017 RM'000
NCI percentage of ownership interest and voting interest		
Carrying amount of NCI	**112**	113
Net loss allocated to NCI	**(1)**	(1)
Summarised financial information before intra-group elimination		
Summary of financial position as at 31 December		
Current assets	**141**	568
Current liabilities	**–**	(1)
Net assets	**141**	567

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interest in a subsidiary (cont'd)

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

Enigma Sinar Sdn. Bhd.

	2018 RM'000	2017 RM'000
Summary of financial performance for the financial year ended 31 December		
Net loss for the year	**(7)**	(7)
Total comprehensive loss	**(7)**	(7)
Summary of cash flows for the financial year ended 31 December		
Cash flows from operating activities	**(7)**	(7)
Cash flows from investing activities	**–**	–
Net decrease in cash and cash equivalents	**(7)**	(7)

7. GOODWILL ON CONSOLIDATION

	Group	
	2018 RM'000	2017 RM'000
At 1 January	**60,339**	60,339
Less: Accumulated impairment losses	**(23,174)**	(22,074)
At 31 December	**37,165**	38,265

The goodwill on consolidation at the end of the reporting date are made up from the building materials, bedding products and consumer foods of Nil, RM14,161,000 and RM23,004,000 (2017:RM1,100,000, RM14,161,000 and RM23,004,000).

During the financial year, the Directors reassessed the recoverable amounts of goodwill from building materials, cash generating unit ("CGU") and the recoverable amount is lower than the carrying amount. Hence an impairment loss of RM1,099,295 has been made in current financial year.

The recoverable amount of the 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;
- Revenue was projected at anticipated annual revenue growth of approximately 1.5% to 3% per annum;
- The discount rate applied to the cash flows projections are derived from the weighted average cost of capital of the Group;
- The size of operation will remain at least or not lower than the current results.

7. GOODWILL ON CONSOLIDATION (CONT'D)

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.

8. INTANGIBLE ASSETS

Group	Trademarks RM'000	Licences RM'000	Total RM'000
Cost			
At 1 January 2017/ 31 December 2017	2,030	13,867	15,897
Written off	**–**	**(1,500)**	**(1,500)**
At 31 December 2018	**2,030**	**12,367**	**14,397**
Accumulated amortisation			
At 1 January 2017	–	662	662
Charge for the financial year	–	150	150
At 31 December 2017	–	812	812
Charge for the year	**–**	**125**	**125**
Written off	**–**	**(937)**	**(937)**
At 31 December 2018	**–**	**–**	**–**
Accumulated impairment			
At 1 January 2017/31 December 2017	–	–	–
Recognised during the financial year	**2,000**	**–**	**2,000**
At 31 December 2018	**2,000**	**–**	**2,000**
Net carrying amount			
At 31 December 2018	**30**	**12,367**	**12,397**
At 31 December 2017	2,030	13,055	15,085

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.

8. INTANGIBLE ASSETS (CONT'D)

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.

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.

During the financial year, license related to "Lingham's" has been written off as the licensing agreement have been mutually agreed to be terminated by the Company and the counterparty.

During the financial year, the carrying amount of trademark relate to "Tagge" has been impaired as the Group has assessed that trademark is carried in excess of their value in use.

9. DEFERRED TAX ASSETS/LIABILITIES

Group	2018 RM'000	2017 RM'000
Deferred tax assets		
At beginning of the year	**2,750**	2,164
Underprovision in prior year (Note 26)	**–**	23
Transferred from profit or loss (Note 26)	**–**	563
At end of the year	**2,750**	2,750
Deferred tax liabilities		
At beginning of the year	**4,027**	3,849
(Over)/Under provision in prior year (Note 26)	**(29)**	99
Transferred (to)/from profit or loss (Note 26)	**(54)**	79
At end of the year	**3,944**	4,027

9. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

The deferred tax assets/(liabilities) at the end of the reporting date are made up of temporary differences arising from:-

Group	1 January RM'000	Recognised in profit or loss RM'000	31 December RM'000
2018			
Non-current assets			
Property, plant and equipment	**(4,623)**	**(85)**	**(4,708)**
Revaluation of land and buildings	**(1,101)**	**28**	**(1,073)**
Unutilised tax allowances	**4,347**	**136**	**4,483**
Current assets			
Inventories	**35**	**(3)**	**32**
Trade receivables	**65**	**7**	**72**
	(1,277)	**83**	**(1,194)**
2017			
Non-current assets			
Property, plant and equipment	(3,093)	(1,530)	(4,623)
Revaluation of land and buildings	(1,130)	29	(1,101)
Unutilised tax allowances	2,538	1,809	4,347
Current assets			
Inventories	–	35	35
Trade receivables	–	65	65
	(1,685)	408	(1,277)

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of its recoverability:-

Group	2018 RM'000	2017 RM'000
Unabsorbed tax losses	**8,831**	8,429
Unutilised capital allowances	**586**	722
Impairment loss on trade receivables	**–**	1,050
Others	**(1)**	(2)
	9,416	10,199

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.

10. OTHER INVESTMENT

	Group	
	2018 RM'000	**2017 RM'000**
Quoted shares in Malaysia, at cost	**9**	9
Less: Accumulated impairment loss		
At beginning/end of the financial 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 financial year	**(78)**	(78)
	–	–

11. AMOUNTS DUE FROM /TO SUBSIDIARIES

	2018 RM'000	**2017 RM'000**
Company		
Amount due from subsidiaries	**10,695**	11,727
Less: Accumulated impairment loss		
At beginning of year	**(1,024)**	–
Recognised during the financial year	**–**	(1,024)
At end of year	**(1,024)**	(1,024)
	9,671	10,703
Represented by:		
Non-current	**2,611**	–
Current	**7,060**	10,703
	9,671	10,703

Amount due from a wholly-owned subsidiaries, Agrow Malaysia Sdn. Bdn. is non-trade, non-interest bearing, unsecured and repayable over two years (2017: on demand). Consequently, finance expenses of RM131,077 (2017: Nil) are recognised in the profit or loss represent the discounting effect of the amount due form a subsidiary classified under non-current asset based on 5% discount rate (2017: Nil).

Amounts due from other subsidiaries are non-trade, non-interest bearing, unsecured and repayable on demand.

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

12. INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000
Raw materials	**12,622**	11,117
Work-in-progress	**780**	1,095
Finished goods	**14,043**	13,817
Goods in transit	**1,131**	–
	28,576	26,029
Recognised in profit or loss:-		
Inventories recognised as cost of sales	**194,931**	200,682
Inventories written off	**144**	110
Provision of slow moving inventories	**813**	437
Reversal of impairment loss on slow moving inventories	**(532)**	(466)

13. RIGHT OF RETURN ASSETS AND REFUND LIABILITIES

	Group 2018 RM'000	Group 2017 RM'000
Right of return assets	**318**	–
Refund liabilities		
- Arising from right of returns	**395**	–

14. TRADE RECEIVABLES

	Group 2018 RM'000	Group 2017 RM'000
Trade receivables	**46,703**	60,705
Less: Allowance for expected credit losses	**(5,413)**	(4,096)
At 31 December	**41,290**	56,609

14. TRADE RECEIVABLES (CONT'D)

The closing balance of the trade receivables loss allowance as at 31 December 2018 reconciles with the trade receivables loss allowance opening balance as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Loss allowance as at 1 January calculated under MFRS 139	**4,096**	4,081
Amounts restated through opening retained earnings	*	–
Loss allowance as at 1 January	**4,096**	4,081
Loss allowance recognised during the year	**3,334**	2,120
Receivables written off during the year	**(1,412)**	(2,084)
Loss allowance unused and reversed during the year	**(605)**	(21)
Loss allowance as at 31 December	**5,413**	4,096

* Amount restated through opening retained earnings are immaterial.

The loss allowances on trade receivables was reversed during the financial year as a result of subsequent receipts and written off of the amount.

Trade receivables are non-interest bearing and the normal credit terms are generally ranging from 30 to 120 (2017: 30 to 120) days.

15. OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Prepayments	**2,383**	2,774	**–**	–
Less: impairment loss	**(1,080)**	–	**–**	–
Net prepayment	**1,303**	2,774	**–**	–
GST receivable	**1,182**	1,930	**–**	13
Advances to staff	**10**	15	**–**	–
Deposits	**748**	521	**5**	7
Sundry receivables	**155**	878	**–**	–
	3,398	6,118	**5**	20

16. SHORT TERM DEPOSITS WITH LICENSED BANKS

Group

Short-term deposits are placed with licensed banks. The interest rates are 2.95% to 3.45% (2017: 2.20% to 3.45%) per annum with maturity dates of 1 to 12 months (2017: 1 to 12 months).

17. SHARE CAPITAL

Group and Company	No. of ordinary shares 2018	2017	Amount 2018 RM'000	2017 RM'000
Issued and fully paid:-				
At 1 January	**102,850,000**	102,850,000	**103,105**	102,850
Transition to no-par value regime	**–**	–	**–**	255
31 December	**102,850,000**	102,850,000	**103,105**	103,105

18. RESERVES

	Group 2018 RM'000	2017 RM'000	Company 2018 RM'000	2017 RM'000
Non-distributable				
Share premium				
- At 1 January	**–**	255	**–**	255
- Transition to no-par value regime	**–**	(255)	**–**	(255)
- At 31 December	**–**	–	**–**	–
Foreign currency translation reserve	**125**	126	**–**	–
Distributable				
Retained earnings	**109,396**	114,914	**37,604**	32,445
	109,521	115,040	**37,604**	32,445

19. BANK BORROWINGS

	Group 2018 RM'000	2017 RM'000
Current		
Secured		
Bank overdrafts	**735**	2,449
Term loans	**4,504**	4,065
Bankers' acceptance	**10,641**	11,315
Trust receipt	**56**	79
Bill payables	**4,251**	2,307
Revolving credit	**2,500**	2,000
	22,687	22,215
Non-current		
Secured		
Term loans	**17,983**	24,992
Total bank borrowings	**40,670**	47,207

19. BANK BORROWINGS (CONT'D)

Bank borrowings obtained from local banks bear interest rates ranging from 1.0% to 8.54% (2017: 1.50% to 8.54%) 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 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.

20. FINANCE LEASE LIABILITIES

	Group	
	2018 RM'000	**2017 RM'000**
Finance lease liabilities		
- less than 1 year	**325**	440
- more than 1 year but less than 2 years	**109**	387
- more than 2 years but less than 5 years	**58**	105
	492	932
Less: Future finance charges	**(55)**	(114)
	437	818
Present value of finance lease liabilities		
- less than 1 year	**296**	395
- more than 1 year but less than 2 years	**86**	332
- more than 2 years but less than 5 years	**55**	91
	141	423
	437	818

The finance lease liabilities bear interest rates ranging from 2.13% to 4.50% (2017: 2.13% to 4.50%) per annum.

21. TRADE PAYABLES

The normal trade credit terms granted by the trade payables range from 1 to 120 (2017: 1 to 120) days.

22. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sundry payables	**3,920**	3,629	**–**	–
GST payable	**29**	166	**–**	–
Accruals of expenses	**6,509**	3,366	**424**	253
Deposits received	**31**	1,780	**–**	–
	10,489	8,941	**424**	253

23. CONTRACT LIABILITIES

As at 31 December 2018, the Company has contract liabilities of RM3,952,000 (1.1.2018: RM1,341,000) which represent advances deposit from customer for the future sale of goods. The increased in contract liabilities in 2018 was mainly due to the increased in performance obligations required to be fulfilled in the financial year 2019.

24. REVENUE FROM CONTRACT WITH CUSTOMERS

24.1 Disaggregated revenue information

	Group		Company	
Segments	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Types of income				
- Sales of goods	**246,646**	270,128	**–**	–
- Management fee	**–**	–	**1,176**	1,296
- Dividend income	**–**	–	**416**	3,698
- Rental income	**71**	181	**–**	–
Total revenue from contracts with customers	**246,717**	270,309	**1,592**	4,994
Geographical markets				
- Malaysia	**183,703**	202,922	**1,592**	4,994
- Republic of Singapore	**6,970**	6,850	**–**	–
- Thailand	**12**	299	**–**	–
- Indonesia	**44,223**	48,082	**–**	–
- Brunei	**3,027**	2,642	**–**	–
- Australia	**1,928**	2,202	**–**	–
- United States of America	**1,444**	1,615	**–**	–
- United Kingdom	**1,415**	1,023	**–**	–
- Others	**3,995**	4,674	**–**	–
	246,717	270,309	**1,592**	4,994
Timing of revenue recognition				
- Goods and services transferred/ rendered at a point in time	**246,717**	270,309	**1,592**	4,994

24. REVENUE FROM CONTRACT WITH CUSTOMERS (CONT'D)

24.2 Performance obligations

The performance obligations represent sales of goods which are satisfied upon delivery of goods to the customers and rendering of services at a point in time.

The remaining performance obligation which is represented by the amount of contract liabilities are expected to be recognised within one year.

25. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Audit fees				
- auditors of the Company	**175**	171	**34**	32
- other auditors	**93**	93	**–**	–
Non-audit fees charged by auditors	**38**	33	**33**	33
Rental of premises	**510**	333	**60**	60
Realised loss/(gain) on foreign exchange	**561**	(78)	**–**	–

26. TAX (EXPENSE)/INCOME

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current year tax	**2,016**	(3,291)	**28**	–
(Under)/overprovision in prior years				
- taxation	**(181)**	4	**–**	160
- deferred taxation (Note 9)	**(29)**	(76)	**–**	–
Transferred (to)/from deferred tax (Note 9)	**(54)**	484	**–**	–
	1,752	(2,879)	**28**	160

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.

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

A numerical reconciliation of tax expense at the statutory income tax rate to tax expense at the effective income tax rate is as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before tax	**(3,233)**	(18,671)	**5,187**	(6,713)
Tax at 24%	**(776)**	(4,481)	**1,245**	(1,611)
Tax effects in respect of:-				
Expenses not deductible for tax purposes	**4,961**	7,787	**361**	2,497
Income not subject to tax	**(1,812)**	(691)	**(1,578)**	(886)
Additional reinvestment allowances recognised	**(223)**	(280)	**–**	–
Movement of deferred tax assets not recognised	**(188)**	616	**–**	–
(Under)/Over provision of current tax in prior years	**(181)**	4	**–**	(160)
Over/(Under) provision of deferred tax in prior year	**(29)**	(76)	**–**	–
Tax at effective tax rate	**1,752**	2,879	**28**	(160)

As at 31 December 2018, the Group has unutilised capital allowances and unutilised reinvestment allowances amounting to approximately RM4,983,000 (2017: RM6,721,000) and RM11,950,000 (2017: RM11,021,000) respectively which are available to offset against future taxable profits.

27. LOSS PER SHARE

Basic earnings per share

Basic earnings per share is calculated based on Group's net loss for the year attributable to owners of the Company of RM4,984,000 (2017: RM21,549,000) over the number of ordinary shares during the financial year of 102,850,000 (2017: 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.

28. EMPLOYEES BENEFITS EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other emoluments	**27,357**	28,758	**1,665**	1,582
Defined contribution plan	**2,394**	2,708	**136**	171
Social security contributions	**219**	238	**2**	2
Other benefits	**1,088**	1,318	**156**	142
	31,058	33,022	**1,959**	1,897

28. 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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Executive Directors:-				
Salaries and other emoluments	**742**	1,026	**742**	1,026
Defined contribution plan	**87**	122	**87**	122
	829	1,148	**829**	1,148
Non-Executive Directors:-				
Fees	**518**	318	**518**	318
Salaries and other emoluments	**383**	100	**–**	–
	901	418	**518**	318
Key management personnel:-				
Salaries and other emoluments	**2,957**	2,042	**–**	–
Total	**4,687**	3,608	**1,347**	1,466

29. RELATED PARTY DISCLOSURES

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

	Company	
	2018 RM'000	**2017 RM'000**
Dividend income received from subsidiaries	**416**	3,698
Management fees received from subsidiaries	**1,176**	1,296
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 28 to the Financial Statements.

(c) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 11 to the Financial Statements.

30. 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

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

	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
2018							
Revenue:-							
External revenue		46,607	67,945	132,237	–	–	246,789
Inter-segment revenue	(i)	90	–	–	1,592	(1,682)	–
		46,697	67,945	132,237	1,592	(1,682)	246,789
Results:-							
Interest income		95	172	266	–	–	533
Finance cost		(294)	(919)	(1,257)	–	–	(2,470)
Depreciation of property, plant and equipment		(670)	(2,620)	(5,248)	(25)	–	(8,563)
Amortisation of investment properties		(414)	(59)	–	–	–	(473)
Amortisation of intangible assets		–	–	(125)	–	–	(125)
Income tax expense		183	(1,816)	(91)	(28)	–	(1,752)
Other non-cash							
- income	(ii)	872	298	780	–	–	1,950
- expenses	(ii)	(3,897)	(2,411)	(2,281)	(1,100)	–	(9,689)
Segment profit/(loss)	(iii)	(4,503)	4,203	(4,792)	5,180	(1,384)	(1,296)
Assets:-							
Additions to non-current assets	(iv)	230	728	2,370	–	–	3,328
Segment assets	(v)	50,134	109,704	96,913	141,277	(103,621)	294,407
Liabilities:-							
Segment liabilities	(vi)	15,355	33,866	43,032	424	(11,008)	81,669

30. 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							
- income	(ii)	1,420	461	948	–	–	2,829
- expenses	(ii)	(1,558)	(945)	(1,286)	(31,412)	9,338	(25,863)
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

30. 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 (income)/expenses consist of the following items:-

	2018 RM'000	2017 RM'000
Income		
Gain on disposal of property, plant and equipment	**–**	(242)
Reversal of impairment loss on slow moving inventories	**(532)**	(466)
Reversal of impairment loss on trade receivables	**(1,412)**	(2,084)
Unrealised gain on foreign exchange	**(6)**	–
Waiver of debts	**–**	(37)
	(1,950)	(2,829)
Expenses		
Loss on disposal of property, plant and equipment	**45**	–
Property, plant and equipment written off	**5**	8
Impairment loss on property, plant and equipment	**–**	584
Impairment loss on goodwill	**1,100**	22,074
Intangible assets written off	**563**	–
Impairment loss on intangible assets	**2,000**	–
Inventories written off	**144**	110
Provision of slow moving inventories	**813**	437
Impairment loss on trade receivables	**3,334**	2,120
Bad debts written off	**605**	441
Impairment loss on other receivables	**1,080**	–
Unrealised loss on foreign exchange	**–**	89
	9,689	25,863

(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:-

	2018 RM'000	2017 RM'000
Segment loss	**(1,296)**	(16,148)
Interest income	**533**	180
Finance costs	**(2,470)**	(2,703)
Tax expense	**(1,752)**	(2,879)
Net loss for the financial year	**(4,985)**	(21,550)

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

	2018 RM'000	2017 RM'000
Property, plant and equipment	**3,328**	18,448

30. 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):-

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

	2018 RM'000	2017 RM'000
Investment in subsidiaries	**(92,745)**	(79,032)
Inter-segment balances	**(10,876)**	(25,446)
	(103,621)	(104,478)

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

	2018 RM'000	2017 RM'000
Inter-segment balances	**(11,008)**	(18,983)

(b) Geographical information

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

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Geographical markets				
- Malaysia	**183,703**	202,922	**159,428**	169,001
- Republic of Singapore	**6,970**	6,850	**3,751**	3,826
- Thailand	**12**	299	**–**	–
- Indonesia	**44,223**	48,082	**–**	–
- Brunei	**3,027**	2,642	**–**	–
- Australia	**1,928**	2,202	**–**	–
- United States of America	**1,444**	1,615	**–**	–
- United Kingdom	**1,415**	1,023	**–**	–
- Others	**3,995**	4,674	**–**	–
	246,717	270,309	**163,179**	172,827

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

	2018 RM'000	2017 RM'000
Property, plant and equipment	**100,808**	111,704
Investment properties	**12,809**	7,773
Goodwill on consolidation	**37,165**	38,265
Intangible assets	**12,397**	15,085
	163,179	172,827

31. FINANCIAL INSTRUMENTS

31.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value and other comprehensive income ("FVOCI") (2017: loans and receivables ("L&R"), available-for-sale financial assets ("AFS")) and financial liabilities categorised as other financial liabilities measured at amortised cost ("AC"):-

Group	Carrying amount RM'000	FVOCI RM'000	AC RM'000
2018			
Financial assets			
Other investment	*	*	–
Trade receivables	**41,290**	–	**41,290**
Other receivables	**913**	–	**913**
Short-term deposits with licensed banks	**17,806**	–	**17,806**
Cash and bank balances	**35,696**	–	**35,696**
	95,928	*	**95,928**
Financial liabilities			
Trade payables	**21,779**	–	**21,779**
Other payables	**10,460**	–	**10,460**
Bank borrowings	**40,670**	–	**40,670**
Finance lease liabilities	**437**	–	**437**
	73,346	–	**73,346**

* Other investment is fully impaired as at the end of the financial year.

The financial instrument classification in the prior period are in accordance with MFRS 139 as follows:

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

* Other investment is fully impaired as at the end of the financial year.

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value and other comprehensive income ("FVOCI") (2017: loans and receivables ("L&R"), available-for-sale financial assets ("AFS")) and financial liabilities categorised as other financial liabilities measured at amortised cost ("AC") (cont'd):-

Company	Carrying amount RM'000	AC RM'000
2018		
Financial assets		
Other receivables	**5**	**5**
Amount due from subsidiaries	**9,671**	**9,671**
Cash and bank balances	**306**	**306**
	9,982	**9,982**
Financial liabilities		
Other payables	**424**	**424**
	424	**424**

The financial instrument classification in the prior period are in accordance with MFRS 139 as follows:

Company	Carrying amount RM'000	L&R 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

Net losses arising from financial instruments of the Group are losses are represented by impairment losses of trade and other receivables recognised in the financial statements.

Net losses arising from financial instruments of the Company is represented by impairment losses of amount due from a subsidiary recognised in the financial statements.

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 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:-

Trade Receivables

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statement of financial position.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external rating, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the management.

More than 98% (2017: 99%) of the Group's customers have been transacting with the Group for long-term basis, and none of these customer's balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 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)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

Trade Receivables (cont'd)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

The Group evaluates the concentration of risk with respect to trade receivables and as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Days past due			
	Not past due RM	1 - 30 RM	30 - 60 days RM	More than 60 days RM	Total RM
31 December 2018					
Expected credit loss rate	**0% -0.1%**	**0% - 3.5%**	**0% - 10.3%**	**5% - 100%**	
Estimated total gross carrying amount	**19,355**	**10,165**	**5,611**	**11,572**	**46,703**
Expected credit loss	**(1)**	**(5)**	**(8)**	**(5,398)**	**(5,412)**

The credit risk concentration profile of the Group at the end of the reporting year is as follows:-

	2018		2017	
	RM	% of total	RM	% of total
By country:-				
Malaysia	**40,258**	**97.5**	54,605	96.5
United States	**537**	**1.3**	740	1.3
Singapore	**462**	**1.1**	986	1.7
Others	**33**	**0.1**	278	0.5
	41,290	**100.0**	56,609	100.0

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 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)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

Receivables (cont'd)

The ageing analysis of the trade receivables as at 31 December 2017 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
Past due more than 90 days	9,726	(2,887)	6,839
	60,705	(4,096)	56,609

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 that are past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at the reporting date, approximately 27% (2017: 21%) of trade receivables was due from two (2017: two) major customers, namely Customer A (19%) and Customer B (8%) (2017: Customer A (12%) and Customer B (10%)).

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.

Corporate guarantees

The maximum exposure to credit risk of RM40,648,000 (2017: RM46,854,000) 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 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)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

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.

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.

(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
2018						
Trade payables	21,779	21,779	21,779	–	–	–
Other payables	10,460	10,460	10,460	–	–	–
Bank borrowings	40,670	55,751	23,276	5,876	16,743	9,856
Finance lease liabilities	437	492	325	109	58	–
	73,346	88,482	55,840	5,985	16,801	9,856

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 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):-

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	8,775	8,775	8,775	–	–	–
Bank borrowings	47,207	55,751	23,276	5,876	16,743	9,856
Finance lease liabilities	818	932	440	387	105	–
	88,799	97,457	64,490	6,263	16,848	9,856

Company	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000
2018			
Other payables	**424**	**424**	**424**
Financial guarantees	**–**	**40,648**	**40,648**
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

(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") and Brunei Dollar ("BND").

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 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				
	USD	**SGD**	**GBP**	**EURO**	**BND**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**537**	**461**	**–**	**33**	**–**
Cash and bank balances	**106**	**–**	**–**	**–**	**–**
	643	**461**	**–**	**33**	**–**
2017					
Trade receivables	744	1,040	50	22	205
Cash and bank balances	594	236	–	–	–
Trade payables	(1,714)	–	–	–	–
	(376)	1,276	50	22	205

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 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 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	2018 RM'000	2017 RM'000
Fixed rate instruments		
Financial asset		
Short-term deposits with licensed banks	**17,806**	3,556
Financial liabilities		
Bank borrowings	**17,448**	15,701
Finance lease liabilities	**437**	818
	17,885	16,519
Floating rate instrument		
Financial liabilities		
Bank borrowings	**23,222**	31,506

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 (Increased)/decreased net loss for the financial year	
	RM'000 +50 bp	RM'000 -50 bp
2018	**(116)**	**116**
2017	(158)	158

31. FINANCIAL INSTRUMENTS (CONT'D)

31.3 Fair value of financial instruments

The carrying amounts of financial assets and liabilities of the Company at the reporting date approximate their fair values due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or insignificant impact of discounting.

31.4 Fair value hierarchy

No fair value hierarchy has been disclosed as the Group and the Company do not have financial instruments measured at fair value.

31.5 Reconciliation of liabilities arising from financing activities

2018	At 1 January RM'000	Repayments RM'000	Drawndowns RM'000	At 31 December RM'000
Loans and borrowings				
- Borrowings (exclude overdraft)	**44,758**	**(38,344)**	**33,521**	**39,935**
- Finance lease liabilities	**818**	**(381)**	**–**	**437**
Liabilities arising from financing activities	**45,576**	**(38,725)**	**33,521**	**40,372**
2017				
Loans and borrowings				
- Borrowings (exclude overdraft)	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

32. 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.

32. CAPITAL MANAGEMENT (CONT'D)

Total capital managed at Group level is the shareholders' funds as shown in the statements of financial position.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain the debt-to-equity ratio not more than 1.0.

	2018 RM'000	2017 RM'000
Total loan and borrowings	**41,107**	48,025
Total equity	**212,738**	218,258
Debt-to-equity ratio	**(0.19)**	(0.22)

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

Location	Tenure	Area (Square Metres)	Description and Existing Use	Approximate Age of Buildings (Years)	Net Book Value as at 31.12.2018 (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 68 years	5,236 Built-up 2,913	1½ Storey Factory	30	2,755,018	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	20	18,564,562	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	14	4,800,945	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	22	2,545,394	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	22	4,582,000	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	19	17,875,914	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	40	1,488,888	1998
Lot 10-05, Pinnacle Tower Service Apartment P1, Geran 456089 Johor Bharu Johor Darul Takzim Malaysia	Freehold	123	Service Apartment	2	789,202	N/A

LIST OF PROPERTIES

AS AT 31 DECEMBER 2018

Location	Tenure	Area (Square Metres)	Description and Existing Use	Approximate Age of Buildings (Years)	Net Book Value as at 31.12.2018 (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	2	909,349	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 69 years	196.11	Apartment	17	272,980	1999
Lots 13 & 14 Kawasan Perusahaan Senawang 70450 Seremban Negeri Sembilan Darul Khusus Malaysia	Leasehold 99 years expiring 2078 Residual lease 60 years	15,060 Built-up 7,530	1 Storey Factory	15	6,838,075	2006
Lots 916, 917 & 918 Block 5 Seduan Land District Sungai Aup, Sibu Sarawak Malaysia	Leasehold 60 years expiring 2060 Residual lease 42 years	10,004 Built-up 5,340	2 Storey Detached Factory	16	6,004,729	2002
No. 49-P Lorong Sempadan Dua Bandar Air Itam 11400 Pulau Pinang Malaysia	Freehold	138 Built-up 220	2 Storey Shoplot	35	499,425	2012
No. 49-Q Lorong Sempadan Dua Bandar Air Itam 11400 Pulau Pinang Malaysia	Freehold	264 Built-up 357	2 Storey Shoplot	35	959,057	2012
11 Woodlands Close Woodlands 11 #10-32 Singapore 737853	Leasehold 60 years expiring 2070 Residual lease 52 years	170 Built-up 170	Flatted Office	7	1,875,298	2013
11 Woodlands Close Woodlands 11 #10-33 Singapore 737853	Leasehold 60 years expiring 2070 Residual lease 52 years	170 Built-up 170	Flatted Office	7	1,875,299	2013

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2019

Total number of issued shares	:	102,850,000
Class of shares	:	Ordinary share
Voting rights	:	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	23	0.88	942	*
100 to 1,000 shares	688	26.47	651,533	0.63
1,001 to 10,000 shares	1,414	54.41	5,727,465	5.57
10,001 to 100,000 shares	426	16.39	10,860,280	10.56
100,001 to 5,142,499 shares	46	1.77	51,364,900	49.94
5,142,500 shares and above	2	0.08	34,244,880	33.30
Total	**2,599**	**100.00**	**102,850,000**	**100.00**

* *Negligible*

SUBSTANTIAL SHAREHOLDERS

(According to the Register of Substantial Shareholders)

Name	Direct No. of shares held	Direct %	Indirect No. of shares held	Indirect %	Total No. of shares held	Total %
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 1 APRIL 2019

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	–	–	–	–	–	–
Wong Choon Shein	–	–	–	–	–	–

LIST OF 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	3,583,000	3.48
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.	Kam Loong Mining Sdn. Bhd.	3,042,000	2.96
10.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Patricia Woon Lai Ching @ Lee Yah Seng*	2,985,000	2.90
11.	Suasana Proaktif Sdn. Bhd.	2,843,100	2.76
12.	Chan Wan Moi	2,631,600	2.56
13.	Teo Kwee Hock	1,886,000	1.83
14.	Chan Wan Moi	1,833,900	1.78
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

LIST OF 30 LARGEST SHAREHOLDERS (CONT'D)
(According to the Record of Depositors)

No.	Name	No. of shares held	%
18.	Cimsec Nominees (Tempatan) Sdn. Bhd. *- CIMB Bank for Patricia Woon Lai Ching @ Lee Yah Seng*	850,000	0.83
19.	Amsec Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account - AmBank (M) Berhad for Yeoh Jin Hoe*	680,000	0.66
20.	Choy Cheng Choong	637,800	0.62
21.	CIMB Nominees (Asing) Sdn. Bhd. *- Exempt An for DBS Bank LTD*	554,000	0.54
22.	Tan Pak Nang	500,000	0.49
23.	Juliet Yap Swee Hwang	498,300	0.48
24.	Kenanga Nominees (Tempatan) Sdn. Bhd. *- Derrick Kong Ying Kit*	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 Chang	288,500	0.28
	Total	**82,390,300**	**80.11**

NOTICE OF SIXTIETH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixtieth Annual General Meeting ("AGM") of OCB Berhad will be held at Greens 3 (Sports Wing), Tropicana Golf & Country Resort Club, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 27 May 2019 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 2018 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) Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil **Resolution 1**
    (ii) Mohd Harris Bin Pardi **Resolution 2**
    (iii) Fong Heng Leong **Resolution 3**

3. To approve the payment of Directors' fees amounting to RM518,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ended 31 December 2018. **Resolution 4**

4. To approve the payment of benefits of up to RM150,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2019. **Resolution 5**

5. 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 6**

AS SPECIAL BUSINESS

6. 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 7**

    "THAT subject to the passing of Resolution 1, 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."

7. 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 8**

    "THAT 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."

8. 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 9**

"THAT subject to the Companies Act, 2016, the Constitution 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."

9. 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 10**

"THAT subject to compliance with the Companies Act, 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution 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;

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 it deems 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."

10. To consider and, if thought fit, to pass the following as a Special Resolution:

Proposed Adoption of New Constitution of the Company **Special Resolution 1**

"THAT the New Constitution in the form and manner as set out in Part B of the Company's Circular to Shareholders dated 26 April 2019, be and is hereby approved and adopted as the New Constitution of the Company in substitution for, and to the exclusion, of the existing Memorandum and Articles of Association of the Company;

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as it may consider necessary and/or expedient in order to give full effect to the adoption of the New Constitution of the Company."

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
26 April 2019

Notes:

(A) GENERAL MEETING RECORD OF DEPOSITORS

Only members whose name appears in the General Meeting Record of Depositors as at 17 May 2019 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 the Meeting is entitled to appoint not more than 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 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 1 proxy but not more than 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 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.

(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 office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia, not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting (or in case of a poll, not less than 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 Sixtieth 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 7 - 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 12 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.

Resolution 8 - 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 13 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.

(F) EXPLANATORY NOTES ON SPECIAL BUSINESS (cont'd)

Resolution 9 - 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-Ninth AGM held on 22 May 2018, 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-Ninth AGM and hence, no proceeds were raised.

The Ordinary Resolution 9 proposed, if passed, will give renewed authority to the Board, from the date of the forthcoming Sixtieth 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 10 - Proposed renewal of authority for the Company to purchase its own shares

The Ordinary Resolution 10 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 26 April 2019 which is despatched together with the Company's Annual Report 2018.

Special Resolution 1 - Proposed Adoption of New Constitution of the Company

The Special Resolution 1 proposed, if passed, will (i) align the Company's Constitution with the Companies Act, 2016 which came into force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements applicable to the Company; and (ii) provide clarity to certain provisions therein, where relevant, as well as to render consistency throughout in order to facilitate and to enhance administrative efficiency.

For further details, please refer to Part B of the Circular to Shareholders dated 26 April 2019 which is despatched together with the Company's Annual Report 2018.

The Proposed Adoption of New Constitution shall take effect once the Special Resolution has been passed by members representing not less than 75% of the total voting rights of the members who are entitled to attend and vote and do vote in person or by proxy on the said resolution at the Sixtieth AGM of the Company.

This page has been intentionally left blank

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 Sixtieth Annual General Meeting of the Company to be held at Greens 3 (Sports Wing), Tropicana Golf & Country Resort Club, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Monday, 27 May 2019 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 Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil as Director		
2	To re-elect Mohd Harris Bin Pardi as Director		
3	To re-elect Fong Heng Leong as Director		
4	To approve the payment of Directors' fees amounting to RM518,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ended 31 December 2018		
5	To approve the payment of benefits of up to RM150,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2019		
6	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		
7	Continuation of office of Tan Sri Dato' Nik Ibrahim Kamil Bin Tan Sri Dato' Nik Ahmad Kamil as an Independent Non-Executive Director		
8	Continuation of office of Zakaria Merican Bin Osman Merican as an Independent Non-Executive Director		
9	Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
10	Proposed renewal of authority for the Company to purchase its own shares		
Special Resolution			
1	Proposed Adoption of New Constitution of the Company		

Dated this ……......…. day of ……………...….....…… 2019.

....
Signature/Seal of Shareholder

Notes:

(i) Only members whose name appears in the General Meeting Record of Depositors as at 17 May 2019 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 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 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 1 proxy but not more than 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 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 office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia, not less 48 hours before the time appointed for holding the Meeting or adjourned meeting (or in case of a poll, not less than 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 Sixtieth Annual General Meeting dated 26 April 2019.

Fold This Flap For Sealing

2nd Fold Here

AFFIX
STAMP

The 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

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