4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Impairment of financial assets (Cont'd)

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment other receivables and amounts due from subsidiaries is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the other receivables and amounts due from subsidiaries.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

4.13 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries to the Group and Company, and real property gains taxes payable on disposal of properties.

Taxes in the statement of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties, if any.

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(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Income taxes (Cont'd)

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of the reporting period.

4.15 Provisions

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

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise such contingent liabilities but discloses their existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted and are expensed when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current periods entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

(c) Defined benefit plans

The Group operates an unfunded defined benefit plan for eligible employees of the Group.

The recognition and measurement of the defined benefits plan involve:

(i) Determining the deficit or surplus by:

(a) Using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the Group of the benefit that employees have earned in return for their service in the current and prior periods;
(b) Discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost; and
(c) Deducting the fair value or any plan assets from the present value of the defined benefit obligation.

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(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Employee benefits (Cont'd)

(c) Defined benefit plans (Cont'd)

(ii) Determining the amount of the net defined benefit liability as the amount of the deficit or surplus as determined above, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling; and

(iii) Determining amounts to be recognised in profit or loss, i.e. current service cost, any past service cost and gain or loss on settlement and net interest on the net defined benefit liability.

The Group determines the net defined benefit liability annually so that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The Group recognises the net defined benefit liability in the statement of financial position.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The Group uses the yield rate of high quality government or corporate bonds which have AA rating or higher to discount the post-employment benefit obligations. The currency and term of the government bonds (corporate bonds) are consistent with the currency and estimated term of the post-employment benefit obligations of the Group.

The re-measurement of the net defined obligation is recognised directly within equity. The re-measurement includes:

(i) Actuarial gains and losses;
(ii) Return on plan assets, excluding interest; and
(iii) Any asset ceiling effects, excluding interest.

Services costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of contributions and benefit payments during the reporting period. Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlement of defined benefit schemes are recognised in the period when the settlement occurs.

If there is no minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions is the present value of future service cost to the entity at the end of each reporting period over the shorter of the expected life of the plan and the expected life of the entity. The Group would assume no change to the benefits provided by a plan in the future until the plan is amended and shall assume a stable workforce in the future unless it is demonstrably committed at the end of the reporting period to make a reduction in the number of employees covered by the plan.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia ('RM'), which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to items reflected in profit or loss and comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

4.19 Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Revenue recognition (Cont'd)

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers.

(a) Sale of goods

Revenue from sale of products is recognised at a point in time when the products has been transferred to the customer and coincides with the delivery of products and acceptance by customers.

(b) Management fee

Management fee from rendering of services is recognised when the services are rendered.

Revenue recognition not in relation to performance obligations is described below:

(a) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.

4.20 Operating segments

Operating segments are defined as components of the Group that:

(a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 Operating segments (Cont'd)

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

  (i) The combined reported profit of all operating segments that did not report a loss; and

  (ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five percent (75%) of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.21 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Fair value measurement

The fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement method adopted assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSS

5.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	**Effective Date**
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS *Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 Applying MFRS 9 *Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

5. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

5.1 New MFRSs adopted during the financial year (Cont'd)

(a) MFRS 9 *Financial Instruments*

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

The Group applied MFRS 9 retrospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

The adoption of MFRS 9 has no material financial impact in the Group's and the Company's financial statements.

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

The Group has adopted MFRS 15 *Revenue from Contracts with Customers* for annual periods beginning on or after 1 January 2018. MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provides a comprehensive framework in measuring and recognising revenue. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of MFRS 15 has no material financial impact in the Group's and the Company's financial statements.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	**Effective date**
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019

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(CONT'D)

5. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSS (CONT'D)

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019 (Cont'd)

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company: (Cont'd)

Title	Effective date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards since the effects would only be observable for the future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

There are no critical judgments made by management in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

6.3 Key sources of estimation uncertainty

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

(a) Adequacy of write down of inventories to net realisable value

Management focused on the risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value.

Written down of inventories to their net realisable values is mainly based on management estimates, which have been derived from estimates of selling prices that are subject to price volatility of cocoa, and if not accounted for properly, may lead to the valuation of inventories being misstated.

(b) Recoverability of trade receivables

Recoverability of trade receivables requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

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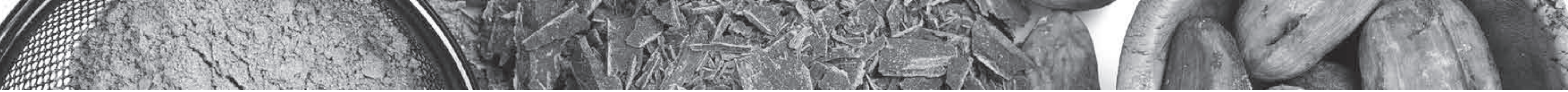
31 DECEMBER 2018
(CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Factory buildings and renovation RM	Plant, machineries, tools and equipment RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
Cost								
Balance as at 1 January 2018	19,250,026	4,929,279	156,652,029	382,163,746	12,933,888	9,628,910	11,686,532	597,244,410
Additions	–	–	580,650	4,117,746	1,147,734	4,777,534	87,888,298	98,511,962
Disposals	–	–	–	(111,012)	(1,437,089)	(47,104)	(2,526,983)	(4,122,188)
Written off	–	–	–	–	–	(98,989)	–	(98,989)
Reclassification	–	–	13,845,444	30,205,283	–	–	(44,050,727)	–
Translation differences	29,139	–	2,660,183	4,767,025	148,145	215,228	(15,405)	7,804,315
Balance as at 31 December 2018	19,279,165	4,929,279	173,738,306	421,142,788	12,792,678	14,475,579	52,981,715	699,339,510
Accumulated depreciation								
Balance as at 1 January 2018	–	(1,237,136)	(29,531,454)	(174,451,916)	(10,597,766)	(6,080,407)	–	(221,898,679)
Charge for the financial year	–	(88,068)	(4,512,147)	(19,774,340)	(645,270)	(979,716)	–	(25,999,541)
Disposals	–	–	–	62,790	1,077,089	46,398	–	1,186,277
Written off	–	–	–	–	–	98,955	–	98,955
Translation differences	–	–	(531,639)	(1,824,147)	(142,320)	(66,285)		(2,564,391)
Balance as at 31 December 2018	–	(1,325,204)	(34,575,240)	(195,987,613)	(10,308,267)	(6,981,055)	–	(249,177,379)
Accumulated impairment losses								
Balance as at 1 January 2018/ 31 December 2018	–	–	–	(2,312,409)	–	–	–	(2,312,409)
Net carrying amount								
Balance as at 31 December 2018	19,279,165	3,604,075	139,163,066	222,842,766	2,484,411	7,494,524	52,981,715	447,849,722



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

Group	Freehold land RM	Leasehold land RM	Factory buildings and renovation RM	Plant, machineries, tools and equipment RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
Cost								
Balance as at 1 January 2017	20,281,491	3,929,279	159,258,809	358,068,173	13,743,767	9,039,153	3,532,896	567,853,568
Additions	1,415,708	–	8,163,939	30,136,167	508,071	619,900	8,400,145	49,243,930
Disposals	(2,364,104)	–	(342,221)	(300,000)	(869,386)	(117,794)	–	(3,993,505)
Acquisition of subsidiary (Note 11(d))	–	1,000,000	5,868,863	18,906,191	259,231	1,005,698	–	27,039,983
Written off	–	–	(3,525,862)	(2,580,401)	–	(468,559)	–	(6,574,822)
Translation differences	(83,069)	–	(12,771,499)	(22,066,384)	(707,795)	(449,488)	(246,509)	(36,324,744)
Balance as at 31 December 2017	19,250,026	4,929,279	156,652,029	382,163,746	12,933,888	9,628,910	11,686,532	597,244,410
Accumulated depreciation								
Balance as at 1 January 2017	–	(729,068)	(26,107,051)	(148,773,885)	(10,294,042)	(5,299,204)	–	(191,203,250)
Charge for the financial year	–	(78,068)	(4,486,422)	(18,353,276)	(1,174,775)	(808,864)	–	(24,901,405)
Disposals	–	–	45,655	299,999	487,856	82,060	–	915,570
Acquisition of subsidiary (Note 11(d))	–	(430,000)	(2,390,760)	(16,603,602)	(244,858)	(734,049)	–	(20,403,269)
Written off	–	–	1,502,041	2,444,063	-	462,667	–	4,408,771
Translation differences	–	–	1,905,083	6,534,785	628,053	216,983	–	9,284,904
Balance as at 31 December 2017	–	(1,237,136)	(29,531,454)	(174,451,916)	(10,597,766)	(6,080,407)	–	(221,898,679)
Accumulated impairment losses								
Balance as at 1 January 2017/ 31 December 2017	–	–	–	(2,312,409)	–	–	–	(2,312,409)
Net carrying amount								
Balance as at 31 December 2017	19,250,026	3,692,143	127,120,575	205,399,421	2,336,122	3,548,503	11,686,532	373,033,322

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

(a) The net carrying amount of the Group's property, plant and equipment under hire purchase arrangements is as follows:

	Group	
	2018 **RM**	**2017** **RM**
Motor vehicles	990,594	427,348

(b) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2018 **RM**	**2017** **RM**
Additions of property, plant and equipment	98,511,962	49,243,930
Financed by hire purchase arrangements	(923,000)	–
Cash paid in respect of acquisitions in previous year	–	119,221
Cash outflow for acquisition of property, plant and equipment	97,588,962	49,363,151

(c) The carrying amount of property, plant and equipment of the Group charged to financial institutions for credit facilities granted to the Group as disclosed in Note 20 to the financial statements at the end of the reporting period are as follows:

	Group	
	2018 **RM**	**2017** **RM**
Certain freehold land, leasehold land, factory buildings and renovation, and plant and machinery	133,484,528	186,823,571

(d) Leasehold land is analysed as:

	Group	
	2018 **RM**	**2017** **RM**
Long term	3,604,075	3,692,143

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

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8. INVESTMENT PROPERTIES

	Group	
	2018	**2017**
	RM	**RM**
Cost		
Balance as at 1 January	27,279,774	28,105,782
Translation differences	166,709	(826,008)
Balance as at 31 December	27,446,483	27,279,774
Accumulated depreciation		
Balance as at 1 January	(3,110,167)	(2,260,103)
Charge for the financial year	(996,061)	(1,015,411)
Translation differences	(44,504)	165,347
Balance as at 31 December	(4,150,732)	(3,110,167)
Net carrying amount		
Balance as at 31 December	23,295,751	24,169,607

(a) The investment properties consist of the following:

	Group	
	2018	**2017**
	RM	**RM**
Freehold land and buildings	4,147,071	4,234,700
Leasehold office	1,701,762	1,751,816
Leasehold land and buildings	17,446,918	18,183,091
	23,295,751	24,169,607

(b) Direct operating expenses arising from investment properties during the financial year are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Quit rent and assessment		
- generating rental income	64,833	66,838
Insurance		
- generating rental income	39,006	41,893

(c) The fair value of the investment properties of approximately RM25,760,278 (2017: RM25,845,009) at Level 3 was recommended by the Directors as at the end of reporting period based on comparison method that makes reference to recent market value of a similar property in the vicinity on a price per square feet basis. Any changes in the price per square feet will result in a reasonable change in the fair value of the investment property.

(d) Investment properties with an aggregate carrying amount of RM4,147,071(2017: RM4,234,700) are charged to a financial institution for banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

9. PREPAID LEASE PAYMENTS

Group	Balance as at 1.1.2018 RM	Amortisation charge for the financial year RM	Payment of sub-lease rental RM	Translation difference RM	Balance as at 31.12.2018 RM
Carrying amount					
Sub-leases of warehouse	677,247	(259,191)	123,738	–	541,794
Leasehold land	9,991,946	(547,330)	–	200,172	9,644,788
	10,669,193	(806,521)	123,738	200,172	10,186,582

	At 31.12.2018		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Sub-leases of warehouse	1,578,558	(1,036,764)	541,794
Leasehold land	14,140,963	(4,496,175)	9,644,788
	15,719,521	(5,532,939)	10,186,582

Group	Balance as at 1.1.2017 RM	Amortisation charge for the financial year RM	Payment of sub-lease rental RM	Translation difference RM	Balance as at 31.12.2017 RM
Carrying amount					
Sub-leases of warehouse	812,700	(259,191)	123,738	–	677,247
Leasehold land	11,687,963	(588,040)	–	(1,107,977)	9,991,946
	12,500,663	(847,231)	123,738	(1,107,977)	10,669,193

	At 31.12.2017		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Sub-leases of warehouse	1,454,820	(777,573)	677,247
Leasehold land	13,838,382	(3,846,436)	9,991,946
	15,293,202	(4,624,009)	10,669,193

The leasehold land have a lease period of nineteen (19) to twenty-five (25) years which expires on year 2022 to 2031.

10. INTANGIBLE ASSETS

Group **At 31 December 2018**	**Goodwill** **RM**	**Trademark** **RM**	**Total** **RM**
Cost			
At beginning of financial year	11,944,983	13,013	11,957,996
Translation differences	–	284	284
At end of financial year	11,944,983	13,297	11,958,280
Accumulated amortisation			
At beginning of financial year	–	(1,158)	(1,158)
Charge for the financial year	–	(856)	(856)
Translation differences	–	(54)	(54)
At end of financial year	–	(2,068)	(2,068)
Net carrying amount	11,944,983	11,229	11,956,212

Group **At 31 December 2017**	**Goodwill** **RM**	**Trademark** **RM**	**Total** **RM**
Cost			
At beginning of financial year	11,944,983	–	11,944,983
Additions	–	13,824	13,824
Translation differences	–	(811)	(811)
At end of financial year	11,944,983	13,013	11,957,996
Accumulated amortisation			
At beginning of financial year	–	–	–
Charge for the financial year	–	(1,230)	(1,230)
Translation differences	–	72	72
At end of financial year	–	(1,158)	(1,158)
Net carrying amount	11,944,983	11,855	11,956,838

(a) Goodwill has been allocated to the identified cash generating unit ("CGU") according to relevant operating segments based on the geographical location of customers as follows:

	Group	
	2018 **RM**	**2017** **RM**
Indonesia	6,521,533	6,521,533
United States	5,423,450	5,423,450
	11,944,983	11,944,983

10. INTANGIBLE ASSETS (CONT'D)

(b) For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

(c) The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following key assumptions are used to generate the financial budgets:

	Group	
	2018	**2017**
	%	**%**
Sales growth rates		
Indonesia	1	1
United States	1	1
Pre-tax discount rate	6.9	5.7

Based on the annual impairment testing undertaken by the Group, no impairment losses were required for the carrying amounts of the goodwill assessed as at 31 December 2018 as their recoverable amounts were in excess of their carrying amounts.

(d) A reasonable change in the assumptions above would not cause any impairment loss on goodwill. The calculations of value in use for the CGUs are most sensitive to the following assumptions:

(i) Sales growth rate

The forecasted sale growth rate is based on business past performance and management's expectations of market development.

(ii) Pre-tax discount rate

Discount rate reflects the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess the operating performance of the CGUs.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
At cost		
Unquoted equity shares		
At beginning of financial year	73,588,114	56,921,204
Acquisition of a subsidiary	–	16,666,910
	73,588,114	73,588,114
Accumulated impairment loss		
At beginning/end of financial year	(4,870,001)	(4,870,001)
Unquoted equity shares, at cost	68,718,113	68,718,113
Equity loan	52,274,417	–
	120,992,530	68,718,113

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) The Directors of the Company have reassessed the nature of the amounts owing by subsidiaries and determined that an outstanding balance amounting to RM52,274,417 (2017: Nil) shall constitute an equity loan to subsidiaries as these amounts are unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future and are considered to be part of the investment of the Company providing the subsidiaries with a long term source of additional capital.

(b) The details of the subsidiaries are as follows:

Name of companies	Country of incorporation	Effective interest in equity 2018 %	Effective interest in equity 2017 %	Principal activities
Guan Chong Cocoa Manufacturer Sdn. Bhd.#	Malaysia	100	100	Production of cocoa-derived food ingredients.
Guan Chong Trading Sdn. Bhd. #	Malaysia	100	100	Dormant.
GCB Foods Sdn. Bhd. #	Malaysia	100	100	Manufacture, marketing and promotion of cocoa related products.
GCB Cocoa Malaysia Sdn. Bhd. #	Malaysia	100	100	Manufacture of cocoa cake, cocoa butter, cocoa powder, cocoa mass and other related cocoa products.
GCB America, Inc ("GCBA")*	United States of America	100	100	Purchase and distribution of cocoa-derived food ingredients and investment holding.
Cocoarich Sdn. Bhd.#	Malaysia	100	100	Investment holding.
GCB Oversea Holdings Corporation ("GCBOHC")^	Federal Territory of Labuan, Malaysia	100	100	Investment holding.
(i) Subsidiaries of GCBOHC				
GCB Cacao GmbH*	Germany	100	100	Dormant.
GCB Cocoa Singapore Pte. Ltd. ("GCBCSPL")#	Singapore	100	100	Trading of cocoa beans, cocoa-derived food ingredients and cocoa products.

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11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) The details of the subsidiaries are as follows: (Cont'd)

Name of companies	Country of incorporation	Effective interest in equity 2018 %	2017 %	Principal activities
(ii) Subsidiaries of GCBCSPL				
PT Asia Cocoa Indonesia^	Indonesia	90 (Direct) **10 (Indirect)	90 (Direct) **10 (Indirect)	Manufacture of cocoa butter, cocoa cake and cocoa liquor.
PT GCB Cocoa Indonesia^	Indonesia	90 (Direct) **10 (Indirect)	90 (Direct) **10 (Indirect)	Trading of cocoa products.
GCB Cocoa Cote D'Ivoire ("GCBCCI")*	Ivory Coast	100	–	Dormant.
(iii) Subsidiary of GCBA				
Carlyle Cocoa Co., LLC*	United States of America	100	100	Manufacture of cocoa powder.

\# Audited by BDO or BDO Member Firms.
^ Audited by firms other than BDO in Malaysia and BDO Member Firms.
* Not a legal requirement to be audited and therefore consolidated based on unaudited management accounts.

(c) During the financial year, the Group has acquired 100% of equity interest in newly incorporated GCBCCI. Upon incorporation, GCBCCI become a subsidiary of the Group.

(d) The fair values of the identifiable assets and liabilities acquired in the previous financial year and the effects on cash flows arising from the acquisition were as follows:

	RM
Property, plant and equipment (Note 7)	6,636,714
Inventories	11,612,103
Trade and other receivables	3,788,746
Cash and bank balances	3,544,284
Deferred tax liabilities (Note 22)	(171,000)
Trade and other payables	(1,437,385)
Borrowings	(6,995,000)
Derivative liabilities	(54,725)
Total identifiable net assets	16,923,737
Negative goodwill	(256,827)
Purchase consideration	16,666,910
Cash and cash equivalents of the subsidiary acquired	(3,544,284)
Net cash outflow of the Group on acquisition	13,122,626

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12. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted equity shares, at cost	7,283,670	7,283,670	7,283,670	7,283,670
Share of post-acquisition reserves, net of dividends received	(505,258)	400,446	–	–
	6,778,412	7,684,116	7,283,670	7,283,670

(a) The details of the associates are as follows:

Name of Company	Country of incorporation	Effective interest in equity 2018 %	Effective interest in equity 2017 %	Principal activities
SMC Food21 Malaysia Sdn. Bhd. ("SMC")^	Malaysia	20.00	20.00	Production of blended cocoa-derived food ingredients.
GCB Specialty Chocolates Sdn. Bhd. ("GCBSC")^	Malaysia	27.75	27.75	Manufacture, marketing and promotion of cocoa related products.

^ Audited by firms other than BDO in Malaysia and BDO Member Firms.

(b) The Group recognised its share of results in SMC based on unaudited financial statements as at 31 December 2018. The summarised unaudited financial information for the associate is as follows:

	SMC	
	2018 RM	2017 RM
Assets and liabilities		
Current assets	77,237,967	84,350,853
Non-current assets	59,549,328	55,928,553
Total assets	136,787,295	140,279,406
Current liabilities	95,753,645	98,433,112
Non-current liabilities	24,473,158	24,515,185
Total liabilities	120,226,803	122,948,297
Results		
Revenue	149,366,506	155,726,794
Profit/(Loss) for the financial year	1,753,545	(6,070,030)
Other comprehensive (loss)/ income	(2,524,160)	492,721
	(770,615)	(5,577,309)

12. INVESTMENTS IN ASSOCIATES (CONT'D)

(c) The Group recognised its share of results in GCBSC based on audited financial statements as at 31 December 2018. The summarised audited financial information for the associate is as follows:

	GCBSC	
	2018 **RM**	**2017** **RM**
Assets and liabilities		
Current assets	28,723,748	26,535,338
Non-current assets	54,886,266	57,236,299
Total assets	83,610,014	83,771,637
Current liabilities	55,375,264	48,407,703
Non-current liabilities	17,926,145	22,346,927
Total liabilities	73,301,409	70,754,630
Results		
Revenue	67,300,830	70,109,448
Profit for the financial year	2,535,959	1,711,152
Other comprehensive (loss)/income	(5,244,361)	4,910,030
	(2,708,402)	6,621,182

(d) All the above associates are accounted for using the equity method in the consolidated financial statements.

(e) The reconciliation of net assets of the associates to the carrying amount of the investments inassociates are as follows:

	SMC		GCBSC	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Share of net assets of the Group	3,312,099	3,466,222	2,860,638	3,612,219
Goodwill	605,675	605,675	–	–
Carrying amount in the statements of financial position	3,917,774	4,071,897	2,860,638	3,612,219
Share of results for the financial year				
Share of profit/(loss)	350,709	(1,214,006)	703,729	474,845
Share of other comprehensive (loss)/ income	(504,832)	98,544	(1,455,310)	1,362,533
Share of total comprehensive (loss)/ income	(154,123)	(1,115,462)	(751,581)	1,837,378

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13. INVENTORIES

	Group 2018 RM	Group 2017 RM
At cost		
Raw materials	668,076,585	641,767,825
Work-in-progress	10,078,989	6,098,751
Finished goods	125,404,435	162,594,333
Packaging materials	4,481,903	4,442,292
Stores and supplies	10,696,250	11,189,906
	818,738,162	826,093,107
At net realisable value		
Work-in-progress	–	5,684,429
Finished goods	50,210,880	30,412,199
	868,949,042	862,189,735

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM1,875,365,407 (2017: RM1,988,844,511).

(b) During the financial year, the Group had written down inventories of RM7,931,810 (2017: RM2,929,817) in cost of sales.

(c) Inventories with carrying amounts of RM95,193,419 (2017: RM350,843,448) are held as security by way of floating charge for the Group's banking facilities as disclosed in Note 20 to the financial statements.

14. TRADE AND OTHER RECEIVABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current				
Other receivables				
Amounts owing by subsidiaries	–	–	–	58,909,825
Less: Allowance for impairment losses	–	–	–	(7,355,960)
	–	–	–	51,553,865
Current				
Trade receivables				
Third parties	320,390,377	212,694,037	–	–
Amounts owing by associates	3,969,079	1,991,244	–	–
Amount owing by a related party	–	4,313,783	–	4,000
Amounts owing by a subsidiaries	–	–	307,072	265,072
	324,359,456	218,999,064	307,072	269,072
Less: Allowance for impairment losses	(28,423,003)	(13,937,928)	(265,072)	(265,072)
	295,936,453	205,061,136	42,000	4,000

14. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Other receivables				
Sundry receivables	15,126,625	19,075,861	–	–
Amounts owing by associates	–	84,519	–	–
Amount owing by a related party	790,800	182,525	–	–
Amount owing by a subsidiary	–	–	–	3,230,069
Amount owing by ultimate holding company	819,664	–	819,664	–
	16,737,089	19,342,905	819,664	3,230,069
Less: Allowance for impairment losses	(3,558,353)	(3,494,357)	–	–
	13,178,736	15,848,548	819,664	3,230,069
	309,115,189	220,909,684	861,664	3,234,069
Deposits and prepayments				
Deposits	16,165,236	14,286,515	6,500	4,000
Prepayments	3,176,057	3,025,081	–	–
	19,341,293	17,311,596	6,500	4,000
	328,456,482	238,221,280	868,164	3,238,069
Grand total	328,456,482	238,221,280	868,164	54,791,934

(a) Trade receivables are non-interest bearing and the normal trade terms granted by the Group range from 30 days to 120 days (2017: 30 days to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Trade amounts owing by associates represent trade balances, which are non-interest bearing and subject to normal trade terms of 30 days (2017: 30 days).

(c) Trade amount owing by related party represent trade balances, which is subject to the normal trade terms ranging 30 days to 60 days. (2017: 30 days to 60 days).

(d) Trade amount owing by subsidiaries are unsecured, interest-free and payable in cash and cash equivalents.

(e) Non-trade amounts owing by a subsidiary, associates, related parties and ultimate holding company are unsecured, interest-free and payable in cash and cash equivalents.

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14. TRADE AND OTHER RECEIVABLES (CONT'D)

(f) The currency exposure profile of trade and other receivables (excluding deposits and prepayments) is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
United States Dollar	142,147,545	98,555,228	–	52,578,015
British Pound	138,175,334	77,871,999	–	–
Ringgit Malaysia	16,894,173	24,911,005	861,664	2,148,802
Indonesian Rupiah	11,162,663	19,350,616	–	–
Euro	455,298			
Singapore Dollar	280,176	220,836	–	–
Others	–	–	–	61,117
	309,115,189	220,909,684	861,664	54,787,934

(g) Lifetime expected loss provision for trade receivables of the Group as at 31 December 2018 are as follows:

Group 2018	**Gross carrying amount RM**	**Lifetime expected loss RM**	**Net carrying amount RM**
Not past due	240,252,721	(662,612)	239,590,109
Past due:			
1 to 30 days	39,413,609	(325,007)	39,088,602
31 to 60 days	8,897,644	(570,883)	8,326,761
61 to 90 days	7,372,479	(278,868)	7,093,611
Over 90 days	11,733,448	(9,896,078)	1,837,370
	67,417,180	(11,070,836)	56,346,344
Individual assessment	16,689,555	(16,689,555)	–
	324,359,456	(28,423,003)	295,936,453
Company 2018			
Not past due	42,000	–	42,000
Individual assessment	265,072	(265,072)	–
	307,072	(265,072)	42,000

During the financial year, the Group and the Company did not renegotiate the terms of any trade receivables. These receivables are not secured by any collateral.

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(h) Trade and other receivables that are past due and impaired at the end of the reporting period and the reconciliation of movements in allowance for impairment accounts is as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Trade receivables				
At 1 January	13,937,928	9,917,545	265,072	265,072
Effect of adoption of MFRS 9	–	–	–	–
Restated as at 1 January	13,937,928	9,917,545	265,072	265,072
Charge for the financial year	14,436,458	4,819,888	–	–
Reversal	(82,860)	(281,573)	–	–
Written off	(120,465)	(207,645)	–	–
Translation differences	(251,942)	(310,287)	–	–
At 31 December	28,423,003	13,937,928	265,072	265,072
Other receivables (individually impaired)				
At 1 January	3,494,357	–	7,355,960	7,355,960
Effect of adoption of MFRS 9	–	–	–	–
Restated as at 1 January	3,494,357	–	7,355,960	7,355,960
Charge for the financial year	–	3,712,173	–	–
Reversal	(12,143)	–	–	–
Written off	–	–	(7,355,960)	–
Translation differences	76,139	(217,816)	–	–
At 31 December	3,558,353	3,494,357	–	7,355,960

(i) Information on financial risks of trade and other receivables is disclosed in Note 38 to the financial statements.

15. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Contract/ Notional amount RM	Assets RM	Liabilities RM
2018			
Group			
Commodity futures contracts	(478,124,884)	30,493,136	(26,767,679)
Commodity option contracts	70,767,605	4,754,530	(5,256,910)
Foreign currency forward contracts	68,924,646	5,281,868	(1,003,808)
Interest rate swap	–	740,199	(591)
	(338,432,633)	41,269,733	(33,028,988)
2017			
Group			
Commodity futures contracts	15,746,985	4,314,404	(4,403,563)
Commodity option contracts	(348,869,001)	916,484	(7,750,768)
Foreign currency forward contracts	62,649,410	1,320,739	(7,888,635)
Interest rate swap	–	51,658	–
	(270,472,606)	6,603,285	(20,042,966)

(a) Commodity futures and option contracts

The Group uses commodity futures contracts and commodity options contracts to manage open sales and purchase commitments and movements in cocoa bean prices in the respective commodity markets. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with fair value changes exposure.

(b) Foreign currency forward contracts

The Group uses forward currency contracts to hedge the Group's sales and purchases denominated in foreign currencies for which firm commitments existed at the reporting period. The forward currency contracts have maturity dates that coincide with the expected occurrence of these transactions. The fair value of these components has been determined based on the difference between the contracted rate and the forward exchange rate as applicable to a contract of similar amount and maturity profile at the end of the reporting period.

As at the end of the reporting period, the settlements dates for foreign currency forward contracts range from 1 to 6 months (2017: 1 to 6 months).

(c) Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a certain proportion of those borrowings from floating rates to fixed rates. The interest rate swap contract allows the Group to receive floating interest for borrowings equal to 3.0% + LIBOR per annum (2017: 3.0% + LIBOR per annum), pays a fixed rate of interest of 4.10% (2017: 4.05% to 4.10%) and matures on 1 March 2019 (2017: 17 July 2018 and 1 March 2019).

(d) During the financial year, the Group recognised a total fair value gain of RM21,680,426 (2017: RM9,426,665) arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rates. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 37(d) to the financial statements.

15. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONT'D)

(e) The currency exposure profile of derivative financial assets/liabilities is as follows:

	Group	
	2018 RM	**2017 RM**
Derivative financial assets		
British Pound	15,304,269	1,346,412
United States Dollar	25,965,464	5,256,873
	41,269,733	6,603,285
Derivative financial liabilities		
British Pound	(9,781,732)	(11,092,964)
United States Dollar	(23,247,256)	(8,950,002)
	(33,028,988)	(20,042,966)

(f) Information on financial risks of derivative financial assets/liabilities is disclosed in Note 38 to the financial statements.

16. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cash and bank balances	31,358,107	26,210,380	65,067	26,997
Deposits with licensed banks	13,440,606	13,713,514	–	–
	44,798,713	39,923,894	65,067	26,997

(a) Deposits with licensed banks of the Group have maturity period ranging from overnight to three months, except for deposits pledged to licensed banks which have maturity period of twelve months (2017: twelve months).

(b) As at the end of reporting period, the deposits placed with licensed banks of the Group amounting to RM13,440,606 (2017: RM12,985,514) has been charged to financial institutions as security for credit facilities granted to the Group as disclosed in Note 20 to the financial statements.

(c) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

(d) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
United States Dollar	30,330,436	26,025,193	–	–
Indonesian Rupiah	4,865,206	4,717,847	–	–
Ringgit Malaysia	4,368,600	4,770,615	65,067	26,997
British Pound	2,718,222	3,706,136	–	–
Euro	1,791,992	11,446	–	–
Singapore Dollar	720,643	688,921	–	–
Others	3,614	3,736	–	–
	44,798,713	39,923,894	65,067	26,997

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16. CASH AND BANK BALANCES (CONT'D)

(e) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	31,358,107	26,210,380	65,067	26,997
Deposits with licensed banks	13,440,606	13,713,514	–	–
	44,798,713	39,923,894	65,067	26,997
Less: Deposits pledged to licensed banks	(13,440,606)	(12,985,514)	–	–
	31,358,107	26,938,380	65,067	26,997

(f) Information on financial risks of cash and bank balances is disclosed in Note 38 to the financial statements.

17. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares				
At beginning of financial year	480,158,452	121,831,751	480,158,452	120,039,613
Transfer from share premium account pursuant to the Companies Act 2016	–	–	–	1,792,138
At end of financial year	480,158,452	121,831,751	480,158,452	121,831,751

(a) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(b) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, in 2017, balance within the share premium account of RM1,792,138 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

18. TREASURY SHARES

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Ordinary shares				
At beginning of financial year	2,240,700	5,194,748	2,240,700	5,194,748
Purchase of treasury shares	113,000	152,301	–	–
At end of financial year	2,353,700	5,347,049	2,240,700	5,194,748

The shareholders of the Company have approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ('Share Buy Back'). The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders.

During the financial year, the company acquired 113,000 shares in the Company from the open market on Bursa Malaysia Securities Berhad at the average price of RM1.35 per ordinary share with a carrying amount at RM152,301.

19. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable				
Foreign currency translation reserve	44,150,775	37,073,460	–	–
Distributable				
Retained earnings	506,504,948	325,882,818	1,854,743	10,564,330
	550,655,723	362,956,278	1,854,743	10,564,330

(a) The movements in each category of reserves are disclosed in the statements of changes in equity.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items, which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

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20. BORROWINGS

	Group	
	2018	**2017**
	RM	**RM**
Short term borrowings		
Secured:		
Hire purchase creditors (Note 21)	169,958	131,665
Revolving credits	131,441,532	54,401,650
Term loans	15,309,117	31,647,360
Trade loans	412,074,211	683,661,639
	558,994,818	769,842,314
Long term borrowings		
Secured:		
Hire purchase creditors (Note 21)	711,511	–
Term loans	42,660,897	17,463,368
	43,372,408	17,463,368
Total borrowings		
Hire purchase creditors	881,469	131,665
Revolving credits	131,441,532	54,401,650
Term loans	57,970,014	49,110,728
Trade loans	412,074,211	683,661,639
	602,367,226	787,305,682

(a) The borrowings of the Group are secured by:

(i) Corporate guarantee from the Company;

(ii) A legal charges over certain properties (Note 7(c)), and investment properties (Note 8 (d)) of the Group;

(iii) A legal charge over a subsidiary's inventories (Note 13(c));

(iv) A fixed and floating charge over a subsidiary's assets;

(v) Deposits pledged with licensed banks of the Group (Note 16(b)); and

(vi) Negative pledge by certain subsidiaries.

20. BORROWINGS (CONT'D)

(b) The currency exposure profile of borrowings are as follows:

	Group	
	2018	**2017**
	RM	**RM**
United States Dollar	553,093,097	785,174,017
Ringgit Malaysia	44,226,201	2,131,665
British Pound	5,047,928	–
	602,367,226	787,305,682

(c) Information on financial risks of borrowings and their remaining maturity is disclosed in Note 38 to the financial statements.

21. HIRE PURCHASE CREDITORS

	Group	
	2018	**2017**
	RM	**RM**
Minimum hire purchase payments:		
- not later than one (1) year	205,944	134,138
- later than one (1) year and not later than five (5) years	771,805	–
Total minimum hire purchase payments	977,749	134,138
Less: Future finance charges	(96,280)	(2,473)
Present value of hire purchase payments	881,469	131,665
Repayable as follows:		
Current liabilities (Note 20):		
- not later than one (1) year	169,958	131,665
Non-current liabilities (Note 20):		
- later than one (1) year but not later than five (5) years	711,511	–
	881,469	131,665

Information on financial risks of hire purchase creditors and its remaining maturity is disclosed in Note 38 to the financial statements.

22. DEFERRED TAX LIABILITIES

(a) The deferred tax assets and liabilities are made up of the following:

	Group 2018 RM	Group 2017 RM
Balance as at 1 January	32,100,625	20,337,410
Acquisition of a subsidiary (Note 11(d))	–	171,000
Recognised in profit or loss (Note 29)	3,194,498	13,117,214
Recognised in other comprehensive income	21,179	(19,564)
Translation differences	468,240	(1,505,435)
Balance as at 31 December	35,784,542	32,100,625

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

Deferred tax liabilities/(assets) of the Group

	Property, plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 January 2018	31,315,042	785,583	32,100,625
Recognised in profit or loss	6,053,414	(2,858,916)	3,194,498
Recognised in other comprehensive income	–	21,179	21,179
Translation differences	534,579	(66,339)	468,240
Balance as at 31 December 2018	37,903,035	(2,118,493)	35,784,542
Balance as at 1 January 2017	28,889,916	(8,552,506)	20,337,410
Acquisition of a subsidiary	171,000	–	171,000
Recognised in profit or loss	4,156,543	8,960,671	13,117,214
Recognised in other comprehensive income	–	(19,564)	(19,564)
Translation differences	(1,902,417)	396,982	(1,505,435)
Balance as at 31 December 2017	31,315,042	785,583	32,100,625

(c) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Unused tax losses				
- Expires by 31 December 2025	3,240,000	83,286,000	1,571,000	1,026,000

Deferred tax assets of the Company and certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

23. RETIREMENT BENEFITS OBLIGATIONS

(a) Certain foreign subsidiaries of the Group operate an unfunded defined benefits retirement plan required under the Labour Laws of that country in which they operate. The Group is required to pay their employees termination, appreciation and compensation benefits in case of employment dismissal based on the employees' number of years of services provided.

(b) Under the plan, all of the eligible permanent employees of the certain foreign subsidiaries of the Group are entitled to retirement benefits based on last drawn final salary and length of service attainment of the retirement age of 55.

(c) The amounts recognised in the statements of financial position are determined as follows:

Group	2018 RM	2017 RM
Present value of defined benefit obligations	1,782,938	1,652,975
Analysed as follows:		
Non-current liabilities	1,782,938	1,652,975

(d) The following table sets out the reconciliation of defined benefit plan:

Group	2018 RM	2017 RM
Balance as at 1 January	1,652,975	1,458,892
Current service costs	172,677	197,228
Interest costs	108,063	99,339
Translation differences	(105,225)	(11,554)
Included in profit or loss	175,515	285,013
Remeasurement:		
Effects of experience adjustment	61,005	8,041
Effects of changes in financial assumptions	(145,736)	70,220
Translation differences	39,179	(163,593)
	(45,552)	(85,332)
Benefits paid	–	(5,598)
Balance as at 31 December	1,782,938	1,652,975

(e) The principal actuarial assumptions used were as follows:

	Group	
	2018	2017
Retirement age	55 years	55 years
Discount rate	8.50%	7.30%
Expected rate of salary increases	8.00%	8.00%

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23. RETIREMENT BENEFITS OBLIGATIONS (CONT'D)

(f) The following table demonstrates the sensitivity analysis of the Group if the significant actuarial assumptions at the end of each reporting period changed by one hundred (100) basis points with all other variables held constant:

	Group 2018	
	Increase	Decrease
Discount rate	RM	RM
Present value of defined benefit obligation	(104,297)	115,846
Current service cost	(10,041)	11,150
Salary increment rate		
Present value of defined benefit obligation	107,061	(98,593)
Current service cost	10,305	(9,493)

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	365,446,160	199,525,728	–	–
Amount owing to a related party	–	2,099,780	–	–
	365,446,160	201,625,508	–	–
Other payables				
Other payables	32,673,930	16,374,232	–	6,360
Accruals	32,454,910	30,066,139	248,379	96,250
Deposits received	642,433	1,604,485	–	–
Amounts owing to Directors	165,499	168,510	–	–
Amount owing to ultimate holding company	–	3,480,942	–	3,480,942
Amounts owing to related parties	8,188	860	–	–
Amounts owing to subsidiaries	–	–	10,628,136	46,078
	65,944,960	51,695,168	10,876,515	3,629,630
	431,391,120	253,320,676	10,876,515	3,629,630

(a) Trade payables are non-interest bearing and the normal trade terms granted to the Group range from 30 days to 60 days (2017: 30 days to 60 days).

(b) Non-trade amounts owing to Directors, ultimate holding company, subsidiaries and related parties are unsecured, interest-free and payable on demand in cash and cash equivalents.

24. TRADE AND OTHER PAYABLES (CONT'D)

(c) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
United States Dollar	227,398,480	163,782,866	–	–
British Pound	144,984,024	68,956,139	–	46,078
Ringgit Malaysia	38,109,392	11,197,157	10,876,515	3,583,552
Singapore Dollar	10,305,453	314,907	–	–
Indonesian Rupiah	7,253,237	6,085,510	–	–
Euro	3,335,474	2,984,097	–	–
Others	5,060	–	–	–
	431,391,120	253,320,676	10,876,515	3,629,630

(d) Information on financial risks of trade and other payables are disclosed in Note 38 to the financial statements.

25. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

The Group had entered into non-cancellable lease agreements hostel and factory and outlet and warehouse, resulting in future rental commitments.

The Group has aggregate future minimum lease commitments as at the end of each reporting period as follows:

	Group	
	2018 RM	2017 RM
Not later than one (1) year	2,977,691	1,409,743
Later than one (1) year and not later than five (5) years	2,872,937	1,164,521
	5,850,628	2,574,264

(b) The Group as lessors

The Group had entered into non-cancellable lease agreements on warehouse with third parties.

The Group has aggregate future minimum lease receivable under the above non-cancellable operating leases as at the end of each reporting period as follows:

	Group	
	2018 RM	2017 RM
Not later than one (1) year	1,339,178	3,764,410
Later than one (1) year and not later than five (5) years	164,033	3,378,557
Later than five (5) years	–	826,056
	1,503,211	7,969,023

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25. OPERATING LEASE COMMITMENTS (CONT'D)

(c) Sub-lease rental commitments

The Group has the following outstanding sub-lease rental commitments which are not taken up in the financial statements:

	Group	
	2018 **RM**	**2017** **RM**
Not later than one (1) year	123,738	123,738
Later than one (1) year and not later than five (5) years	371,214	494,952
	494,952	618,690

26. CAPITAL COMMITMENTS

	Group	
	2018 **RM**	**2017** **RM**
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	39,599,000	71,220,000

27. REVENUE

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Revenue from contracts with customers				
- Sales of goods	2,273,424,277	2,147,914,289	–	–
Other revenue				
- Management fees	–	–	42,000	–
	2,273,424,277	2,147,914,289	42,000	–

27. REVENUE (CONT'D)

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated in the table below by primary geographical market, major products and service lines and timing of revenue recognition.

31 December 2018	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Total RM
Major product and service line					
Sales of goods/ Revenue from external customer	936,135,368	1,207,540,180	74,544,010	55,204,719	2,273,424,277
Timing of revenue recognition					
Transferred at a point in time/ Revenue from external customers	936,135,368	1,207,540,180	74,544,010	55,204,719	2,273,424,277

28. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, profit/(loss) before tax is arrived at:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging:				
Auditors' remuneration	308,511	296,501	61,000	59,000
Bad debts written off	8,083	58,169	7,267	–
Fair value realised loss on derivatives	–	4,497,006	–	–
Interest expense:				
- bank commission	1,994,327	1,753,741	–	–
- bank overdraft	64,099	665	–	–
- bankers' acceptance	–	104,328	–	–
- hire purchases	12,879	10,392	–	–
- term loans	1,599,856	2,905,874	–	–
- trade loans	22,131,070	17,157,258	–	–
- revolving credit	1,459,296	1,219,581	–	–
Loss on foreign exchange:				
- realised	20,223,866	–	–	1,814,903
- unrealised	–	–	–	8,835,333
Property, plant and equipment written off	34	2,166,051	–	–
Rental of:				
- factory	997,697	1,080,844	–	–
- forklift/crane/container	133,173	62,188	–	–
- hostel	230,399	186,635	1,000	–
- warehouse	4,130,497	1,828,538	–	–

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28. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Other than those disclosed elsewhere in the financial statements, profit/(loss) before tax is arrived at: (Cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
And after crediting:				
Fair value realised gain on derivatives	(45,108,710)	–	–	–
Gain on foreign exchange				
- realised	–	(22,532,665)	(383.436)	–
- unrealised	(7,369,779)	(13,084,873)	(1,367,016)	–
Gain on washout of sale and purchase contracts	–	(378,371)	–	–
Insurance claim	(501,882)	(514,925)	–	–
Interest income	(444,922)	(583,842)	–	–
Management fee	–	(105,000)	–	–
Warehouse rental income	(2,963,872)	(4,340,430)	–	–

29. TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense				
- Malaysia income tax	4,059,352	667,936	–	–
- Foreign income tax	11,165,398	7,090,763	–	–
	15,224,750	7,758,699	–	–
Under provision/(Over) in prior years				
- Malaysia income tax	76,472	(234,327)	–	–
- Foreign income tax	111,300	1,668,145	–	–
	187,772	1,433,818	–	–
	15,412,522	9,192,517	–	–
Deferred tax (Note 22)				
- Relating to origination and reversal of temporary differences	1,795,517	13,769,447	–	–
- Under/(Over) provision in prior years	1,398,981	(652,233)	–	–
	3,194,498	13,117,214	–	–
Real property gain tax	–	85,498	–	–
	18,607,020	22,395,229	–	–

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year. Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

29. TAX EXPENSE (CONT'D)

(b) The numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	208,721,693	113,440,430	846,508	(11,435,480)
Tax expense at the applicable tax rate of 24% (2017: 24%)	50,093,206	27,225,703	203,162	(2,744,515)
Tax effects in respect of:				
Different tax rate in foreign subsidiaries	(7,083,168)	(3,955,573)	–	–
Non-taxable income	(1,011,964)	(1,057,878)	(420,108)	–
Non-deductible expenses	1,527,722	6,196,254	86,052	2,671,839
Double deduction relief	–	(43,521)	–	–
Tax incentives	(7,294,600)	(3,979,366)	–	–
Deferred tax assets not recognised during the financial year		–	130,894	72,676
Utilisation of deferred tax assets previously not recognised	(19,210,929)	(2,857,473)	–	–
Real property gain tax	–	85,498	–	–
	17,020,267	21,613,644	–	–
Under/(Over) provision in prior years				
- income tax	187,772	1,433,818	–	–
- deferred tax	1,398,981	(652,233)	–	–
	18,607,020	22,395,229	–	–

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29. TAX EXPENSE (CONT'D)

(c) Tax on each component of other comprehensive income is as follows:

Group 2018	Before tax RM	Tax effect RM	After tax RM
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	9,037,457	–	9,037,457
Share of other comprehensive income of associates	(1,960,142)	–	(1,960,142)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment benefit obligation	84,731	(21,179)	63,552
	7,162,046	(21,179)	7,140,867

Group 2017	Before tax RM	Tax effect RM	After tax RM
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	(25,140,087)	–	(25,140,087)
Share of other comprehensive income of associates	1,461,077	–	1,461,077
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment benefit obligation	(78,261)	19,564	(58,697)
	(23,757,271)	19,564	(23,737,707)

30. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Profit attributable to equity holders of the parent ('RM')	190,114,673	91,045,201
Weighted average number of ordinary shares in issue	477,861,519	477,917,752
Basic earnings per ordinary share (sen)	39.78	19.05

30. EARNINGS PER ORDINARY SHARE (CONT'D)

(b) Diluted

The diluted earnings per ordinary share of the Group for the financial years 2018 and 2017 are the same as the basic earnings per ordinary share of the Group since there are no dilutive potential ordinary shares.

31. DIVIDENDS

	Group and Company	
	2018	2017
	RM	RM
In respect of financial year ended 31 December 2018:		
First interim single tier dividend of 2.0 sen per ordinary share, paid on 28 September 2018	9,556,095	–
In respect of financial year ended 31 December 2017:		
First interim single tier dividend of 1.5 sen per ordinary share, paid on 13 October 2017	–	7,168,769
Second interim single tier dividend of 1.0 sen per ordinary share, paid on 27 December 2017	–	4,779,177
	9,556,095	11,947,946

On 18 February 2019, the Board of Directors declared a special single-tier dividend of 2.0 sen per ordinary share, amounting to RM9,556,095 in respect of the financial year ended 31 December 2018. The dividend was paid on 29 March 2019 to shareholders at the close of business on 6 March 2019. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2018.

32. EMPLOYEE BENEFITS

	Group	
	2018	2017
	RM	RM
Salaries, wages and bonuses	60,443,065	50,968,319
Defined contribution plan	3,320,326	2,635,089
Social security contribution	481,992	425,985
Defined benefit plan	175,515	285,013
Other benefits	5,641,472	4,319,475
	70,062,370	58,633,881

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM17,660,334 (2017: RM14,096,497).

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33. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Executive Directors of the Company:				
- Fees	450,000	450,000	–	–
- Other emoluments	14,827,262	11,800,584	–	–
	15,277,262	12,250,584	–	–
Estimated money value of benefits-in-kind	57,367	54,650	–	–
	15,334,629	12,305,234	–	–
Executive Directors of the subsidiaries:	2,833,072	2,295,913	–	–
Estimated money value of benefits -in-kind	15,658	28,000	–	–
	2,848,730	2,323,913	–	–
Total Executive Directors' remuneration	18,183,359	14,629,147	–	–
Non- Executive Directors of the Company:				
- Fees	165,750	146,250	165,750	146,250
- Other emoluments	9,000	9,000	9,000	9,000
	174,750	155,250	174,750	155,250
Total Directors' remuneration including benefits-in-kind	18,358,109	14,784,397	174,750	155,250

34. CONTINGENT LIABILITIES

	Company	
	2018 RM	**2017 RM**
Corporate guarantees – unsecured		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	1,712,046,640	1,325,785,500
- amount utilised	(610,243,577)	(823,617,878)

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote. Accordingly, the fair values of the above corporate guarantees given to subsidiaries for banking facilities are negligible.

35. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Company has related party relationships with its direct, indirect subsidiaries, associates and ultimate holding company. In addition, the Company also has related party relationships with the following party:

Identifies related party	**Relationship with the Group**
Enrich Mix Sdn. Bhd.	A related party by virtue of the directorship of certain Directors of the Company, Hia Cheng and Tay Hoe Lian.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		**Company**	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Subsidiary				
- Management fee income	–	–	42,000	–
Related parties				
- Sale of goods	(2,827,625)	(10,587,645)	–	–
- Purchase of goods	–	7,108,360	–	–
Associates				
- Sale of goods	(16,928,460)	(18,308,164)	–	–
- Management fee income	–	(105,000)	–	–
- Purchase of goods	–	31,779	–	–

Material balances of the above related parties are disclosed in Note 14 and Note 24 to the financial statements.

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

35. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) and any other members of key management personnel of the Group and the Company.

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Short term employee benefits	18,903,916	15,018,234	9,000	9,000
Contribution to defined contribution plan	748,893	608,576	–	–
	19,652,809	15,626,810	9,000	9,000
Fees	615,750	596,250	165,750	146,250
	20,268,559	16,223,060	174,750	155,250
Included in the total key management personnel compensation are:				
Directors' remuneration	17,669,334	14,105,497	9,000	9,000

36. OPERATING SEGMENTS

Guan Chong Berhad and its subsidiaries are principally engaged in investment holding, manufacturing, distributing and trading in cocoa butter, cocoa cake, cocoa powder and cocoa-derived food ingredients.

Guan Chong Berhad has arrived at three (3) reportable segments that are Malaysia, Singapore and Indonesia as a result of the business expanding activities carried out in the financial year 2011.

Other operating segments that do not constitute reportable segments comprise operations related to investment holding and provision of management services.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

Inter-segment revenue is priced along the same lines as sales to external customers and conditions and is eliminated on the consolidated financial statements. These policies have been applied constantly throughout the current and previous financial years.

The respective subsidiaries' chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit or loss before tax, interest, depreciation and amortisation.

Segment assets

The amounts provided to the chief operating decision maker with respect to total assets are based on all assets allocated to each reportable segment other than deferred income tax assets and tax recoverable.

Segment liabilities

The amounts provided to the chief operating decision maker with respect to total liabilities are based on all liabilities allocated to each reportable segment other than income tax liabilities and borrowings.

36. OPERATING SEGMENTS (CONT'D)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:

2018	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
Total external revenue	936,135,368	1,207,540,180	74,544,010	55,204,719	–	2,273,424,277
Inter-segment revenue	1,143,605,801	2,342,522,890	690,631,864	42,000	(4,176,802,555)	–
Total revenue	2,079,741,169	3,550,063,070	765,175,874	55,246,719	(4,176,802,555)	2,273,424,277
Segment results	131,868,985	146,654,494	(12,609,236)	(2,572,966)	–	263,341,277
Interest income	69,456	297,800	77,202	464	–	444,922
Finance cost	(12,076,188)	(15,095,845)	(67,634)	(21,860)	–	(27,261,527)
Depreciation and amortisation	(10,075,449)	(369,271)	(14,077,869)	(3,280,390)	–	(27,802,979)
Segment profit before tax						208,721,693
Tax expense						(18,607,020)
Profit for the financial year						190,114,673
Segment assets	901,770,061	281,208,198	514,330,762	86,231,628	–	1,783,540,649
Current tax assets						609,571
Total assets						1,784,150,220
Segment liabilities	64,671,830	344,073,504	56,309,117	1,148,595	–	466,203,046
Current tax liabilities						12,654,981
Deferred tax liabilities						35,784,542
Borrowings						602,367,226
Total liabilities						1,117,009,795
Other information:						
Capital expenditure	91,669,197	425,593	3,493,163	2,924,009	–	98,511,962
Net fair value loss/(gain) on derivatives	(9,867,999)	(11,812,427)	–	–	–	(21,680,426)
Non-cash (income)/ expenses (other than depreciation and amortisation)	11,756,382	(137)	2,112,969	(260,238)	–	14,129,452

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(CONT'D)

36. OPERATING SEGMENTS (CONT'D)

The following tables provide an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments: (Cont'd)

2017	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
Total external revenue	1,005,184,371	994,328,520	89,883,081	58,518,317	–	2,147,914,289
Inter-segment revenue	721,336,105	1,619,442,887	81,761,924	–	(2,422,540,916)	–
Total revenue	1,726,520,476	2,613,771,407	171,645,005	58,518,317	(2,422,540,916)	2,147,914,289
Segment results	79,242,404	67,641,256	23,408,479	(7,518,435)		162,773,704
Interest income	157,839	335,573	89,931	499	–	583,842
Finance cost	(9,887,829)	(13,264,010)	–	–	–	(23,151,839)
Depreciation and amortisation	(9,708,956)	(396,223)	(15,431,415)	(1,228,683)	–	(26,765,277)
Segment profit before tax						113,440,430
Tax expense						(22,395,229)
Profit for the financial year						91,045,201
Segment assets	759,753,273	468,080,317	276,453,081	70,164,599	–	1,574,451,270
Current tax assets						5,717,358
Total assets						1,580,168,628
Segment liabilities	47,835,529	213,277,241	9,355,541	4,548,306	–	275,016,617
Current tax liabilities						6,152,423
Deferred tax liabilities						32,100,625
Borrowings						787,305,682
Total liabilities						1,100,575,347
Other information:						
Capital expenditure	10,512,017	633,837	1,672,788	36,439,112	–	49,257,754
Net fair value loss/ (gain) on derivatives	6,571,080	(15,997,745)	–	–	–	(9,426,665)
Non-cash (income)/ expenses (other than depreciation and amortisation)	(12,388,126)	3,092,796	495,539	9,461,890	–	662,099

36. OPERATING SEGMENTS (CONT'D)

Major customers

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

	Revenue		Segment
	2018 RM	**2017 RM**	
Customer A	380,285,818	345,001,857	Malaysia and Singapore
Customer B	258,762,170	–	Singapore

37. FINANCIAL INSTRUMENTS

(a) Capital management

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

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and bank balances. Capital includes equity attributable to the owners of the parent.

As it is common in the cocoa industry for manufacturers or processors to carry cocoa beans inventory that are sufficient to mitigate the impact of seasonality and varieties of crops, and normally the bean inventory is financed through trade finance facilities. The interest cost of this is recouped and imputed through cocoa product pricing. In order to reflect better Group's gearing position, the net debt is adjusted to exclude trade finance facilities which are used to finance cocoa bean or raw material. There was no change in the Group's approach to capital management during the reporting period.

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:

	Group	
	2018 RM	**2017 RM**
Borrowings (Note 20)	602,367,226	787,305,682
Less: Cash and bank balances (Note 16)	(44,798,713)	(39,923,894)
Net debt	557,568,513	747,381,788
Total equity	667,140,425	479,593,281
Debt-to-equity ratio (time)	0.84	1.56

37. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial instruments

Categories of financial instruments

Group	2018 RM	2017 RM
Financial assets		
Fair value through profit or loss		
Derivative financial assets	41,269,733	6,603,285
Amortised cost/Loans and receivables		
Trade and other receivables, excluding deposits and prepayments	309,115,189	220,909,684
Cash and bank balances	44,798,713	39,923,894
	353,913,902	260,833,578
	395,183,635	267,436,863
Financial liabilities		
Fair value through profit or loss		
Derivative financial liabilities	33,028,988	20,042,966
Amortised cost/Other financial liabilities		
Trade and other payables	431,391,120	253,320,676
Borrowings	602,367,226	787,305,682
	1,033,758,346	1,040,626,358
	1,066,787,334	1,060,669,324

Company	2018 RM	2017 RM
Financial assets		
Amortised cost/Loans and receivables		
Trade and other receivables, excluding deposits	861,664	54,787,934
Cash and bank balances	65,067	26,997
	926,731	54,814,931
Financial liabilities		
Amortised cost/Other financial liabilities		
Trade and other payables	10,876,515	3,629,630

37. FINANCIAL INSTRUMENTS (CONT'D)

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are at reasonable approximation of fair value.

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and floating rate borrowings, are reasonable approximation of 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 end of the reporting period.

The carrying amounts of the current position of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

(ii) Obligations under finance lease

The fair value of hire purchase creditors is estimated by discounting expected future cash flows at market incremental lending rate for similar types of instruments available to the Group at the end of the reporting period.

(iii) Derivatives

The fair values of commodity futures contracts are determined based on the quoted closing price on the relevant commodity markets at the end of the reporting period.

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

The fair value of the interest rate swap contracts is the amount that would be payable or receivable upon termination of the position at the end of each reporting period, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the spot rate as at the end of each reporting period.

(d) Fair value hierarchy

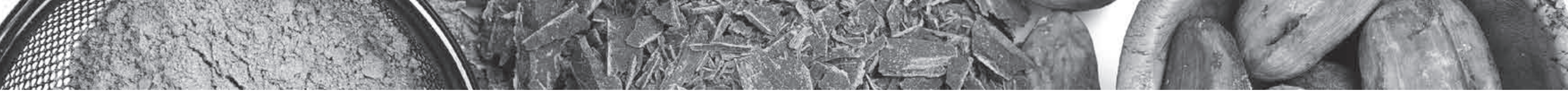
Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

(i) The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest.

(ii) Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).



37. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
2018 Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
Financial assets								
Fair value through profit or loss								
Derivative financial assets								
- Commodity futures contracts	30,493,136	–	–	–	–	–	30,493,136	30,493,136
- Commodity option contracts	4,754,530	–	–	–	–	–	4,754,530	4,754,530
- Foreign currency forward contracts	–	5,281,868	–	–	–	–	5,281,868	5,281,868
- Interest rate swap	–	740,199	–	–	–	–	740,199	740,199
	35,247,666	6,022,067	–	–	–	–	41,269,733	41,269,733
Financial liabilities								
Fair value through profit or loss								
Derivative financial liabilities								
- Commodity futures contracts	26,767,679	–	–	–	–	–	26,767,679	26,767,679
- Commodity option contracts	5,256,910	–	–	–	–	–	5,256,910	5,256,910
- Foreign currency forward contracts	–	1,003,808	–	–	–	–	1,003,808	1,003,808
- Interest rate swap	–	591	–	–	–	–	591	591
Amortised cost								
Hire purchase creditors	–	–	–	–	880,705	–	880,705	881,469
	32,024,589	1,004,399	–	–	880,705	–	33,909,693	33,910,457

37. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (continued).

2017 Group	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
Financial assets								
Fair value through profit or loss								
Derivative financial assets								
- Commodity futures contracts	4,314,404	–	–	–	–	–	4,314,404	4,314,404
- Commodity option contracts	916,484	–	–	–	–	–	916,484	916,484
- Foreign currency forward contracts	–	1,320,739	–	–	–	–	1,320,739	1,320,739
- Interest rate swap	–	51,658	–	–	–	–	51,658	51,658
	5,230,888	1,372,397	–	–	–	–	6,603,285	6,603,285
Financial liabilities								
Fair value through profit or loss								
Derivative financial liabilities								
- Commodity futures contracts	4,403,563	–	–	–	–	–	4,403,563	4,403,563
- Commodity option contracts	7,750,768	–	–	–	–	–	7,750,768	7,750,768
- Foreign currency forward contracts	–	7,888,635	–	–	–	–	7,888,635	7,888,635
Amortised cost								
Hire purchase creditor	–	–	–	–	131,665	–	131,665	131,665
	12,154,331	7,888,635	–	–	131,665	–	20,174,631	20,174,631

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange, interest rates and unpredictably of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through risk review, internal control systems and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, foreign currency risk, interest rate risk, commodity price risk as well as liquidity and cash flow risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major international institutions and reputable multinational organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade and other receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period 30 days to 120 days (2017: 30 days to 120 days). Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control officer to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

<u>Credit risk concentration profile</u>

The Group's major concentration of credit risk relates to the amounts owing by two (2) customers (2017: one (1)) customer which constituted approximately 16% (2017:12%) of its trade receivables at the end of the reporting period.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables (including amounts owing by a related party and associates) on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of each reporting period are as follows:

	Group		Group	
	2018 RM	2018 % of total	2017 RM	2017 % of total
By Country				
United States	65,628,838	22.2%	11,578,883	5.6%
Malaysia	32,038,777	10.8%	32,603,815	15.9%
Singapore	30,599,600	10.3%	13,983,818	6.8%
Netherlands	28,369,966	9.6%	23,852,553	11.6%
Brazil	25,368,810	8.6%	10,418,946	5.1%
Russia	19,850,990	6.7%	16,975,947	8.3%
China	17,407,995	5.9%	17,299,911	8.4%
Switzerland	17,128,179	5.8%	9,038,537	4.4%
Japan	13,762,627	4.7%	4,735,606	2.3%
India	5,982,293	2.0%	7,033,513	3.5%
Germany	2,720,650	0.9%	604,359	0.3%
United Kingdom	15,693	0.0%	17,223,844	8.4%
Other countries	37,062,035	12.5%	39,711,404	19.4%
	295,936,453	100.0%	205,061,136	100.0%

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Indonesian Rupiah ("RUPIAH"), British Pound ("GBP") and Euro ("EUR"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward currency contracts to hedge against its foreign currency risk. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

The majority of the Group transactional currency risk arises from its foreign currency based forward sales and purchase of commodity items, contracted along the cocoa bean price chain. These non-financial forward contracts denominated in foreign currency are exposed to economic risk due to currency fluctuations and accounted as financial instruments with fair value impact to its financial statements. These forward contracts on fulfillment at maturity will result in book receivables or payables in foreign currency.

The Group entity's currency exposure and corresponding foreign currency contract are mark-to-market and fair value quarterly for operational hedge effectiveness testing and for management reporting and oversight. Monthly long-short positions on foreign currencies and foreign currency derivatives are also produced for timely control and intervention.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in Singapore Dollar ("SGD"), United States Dollar ("USD"), Euro ("EUR"), British Pound ("GBP") and Indonesian Rupiah ("RUPIAH") exchange rate against the respective functional currencies of the Group entities, with all other variables held constant:

		Group	
		2018	2017
Profit after tax		RM	RM
USD/RM	- strengthen by 5% (2017: 5%)	(23,001,200)	(31,466,600)
	- weaken by 5% (2017: 5%)	23,001,200	31,466,600
SGD/RM	- strengthen by 5% (2017: 5%)	(353,600)	22,800
	- weaken by 5% (2017: 5%)	353,600	(22,800)
RUPIAH/RM	- strengthen by 5% (2017: 5%)	333,400	683,400
	- weaken by 5% (2017: 5%)	(333,400)	(683,400)
GBP/RM	- strengthen by 5% (2017: 5%)	(137,400)	109,300
	- weaken by 5% (2017: 5%)	137,400	(109,300)
EUR/RM	- strengthen by 5% (2017: 5%)	(41,400)	(113,000)
	- weaken by 5% (2017: 5%)	41,400	113,000

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates. The exposures to market risk of the Group of changes in interest rates relates primarily to the deposits placed with licensed banks and interest bearing borrowings of the Group.

The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

Group As at 31 December 2018	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
Fixed rates						
Deposits with licensed banks	16	1.63	13,440,606	–	–	13,440,606
Hire purchase creditors	21	4.39	(169,958)	(711,511)	–	(881,469)
Floating rates						
Term loans	20	3.47	(15,309,117)	(41,968,779)	(692,118)	(57,970,014)
Trade loans	20	3.13	(412,074,211)	–	–	(412,074,211)
Revolving credits	20	2.87	(131,441,532)	–	–	(131,441,532)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Interest rate risk (Cont'd)

Group As at 31 December 2017	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
Fixed rates						
Deposits with licensed banks	16	1.68	13,713,514	–	–	13,713,514
Hire purchase creditors	21	4.64	(131,665)	–	–	(131,665)
Floating rates						
Term loans	20	3.16	(31,647,360)	(14,760,690)	(2,702,678)	(49,110,728)
Trade loans	20	3.08	(683,661,639)	–	–	(683,661,639)
Revolving credits	20	2.63	(54,401,650)	–	–	(54,401,650)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and of the Company if interest rates at the end of reporting period changed by 100 basis points with all other variables held constant.

	Group 2018 RM	Group 2017 RM
Profit after tax		
- Increase by 1% (2017: 1%)	(4,571,000)	(5,879,000)
- Decrease by 1% (2017: 1%)	4,571,000	5,879,000

The Group's exposure to the interest rate risk is lower in 2018 than in 2017 due to the decrease in outstanding borrowings and entering into interest rate swap contracts during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

(iv) Commodity price risk

The manufacturing of the Group's cocoa-derived food ingredients products require raw materials such as cocoa beans. The Group seeks to protect itself from the volatility of cocoa bean price risk through the use of commodity futures contracts in a cost effective manner.

The value of the Group's open sale and purchase commitments and inventory of raw materials changes continuously in line with cocoa bean price movements in the respective commodity markets.

The Group uses commodity futures manage its price risk and exposure by having policies and procedures governing its limits on volume and tenure, mark-to-market losses and on approval. The Group's marketing and trading operations are centralised and long-short positions are monitored closely.

Sensitivity analysis for commodity price risk

The following table demonstrates the sensitivity analysis of the Group if commodity price index at the end of reporting period changed by 100 basis points with all other variables held constant.

	Group 2018 RM	Group 2017 RM
Profit after tax		
- Increase by 1% (2017: 1%)	210,010	(283,463)
- Decrease by 1% (2017: 1%)	(210,010)	283,463

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(v) Liquidity and cash flow risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group would encounter difficulty in meeting its financial obligations when due.

The Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

As at 31 December 2018	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial liabilities				
Trade and other payables	431,391,120	–	–	431,391,120
Borrowings	561,693,590	46,357,908	696,587	608,748,085
Derivative financial liabilities	33,028,988	–	–	33,028,988
	1,026,113,698	46,357,908	696,587	1,073,168,193
Company				
Financial liabilities				
Trade and other payables	10,876,515	–	–	10,876,515
As at 31 December 2017				
Group				
Financial liabilities				
Trade and other payables	253,320,676	–	–	253,320,676
Borrowings	772,179,056	15,734,883	2,761,869	790,675,808
Derivative financial liabilities	20,042,966	–	–	20,042,966
	1,045,542,698	15,734,883	2,761,869	1,064,039,450
Company				
Financial liabilities				
Trade and other payables	3,629,630	–	–	3,629,630

LIST OF PROPERTIES

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2018
Malaysia						
PLO273 Jalan Timah 2, 81700 Pasir Gudang, Johor	60 years (expiring on 8 May 2043)	7,976	28 years (Main factory and office) 22 years (second factory)	Industrial premises / factory consists of GCC main office, production area for GCC and temporary warehouse	7 December 1989	6,531,106
No. 49 Jalan 10/9, Perjiranan 10, Pasir Gudang, Johor	99 years (expiring on 6 May 2082)	143	35 years	Hostel	28 July 1994	54,013
PLO725, Jalan Keluli 9, 81700 Pasir Gudang, Johor	60 years (expiring on 17 February 2068)	27,523	12 years	Factory / warehouse	9 January 2006	18,312,335
Lot 4-0104(P) Mukim of Plentong, Johor	Freehold	3,502	N/A	Industrial land	1 July 2013	2,032,207
Lot 4-0114 Mukim of Plentong, Johor	Freehold	5,507	N/A	Industrial land	1 July 2013	3,197,812
Lot 4-0115 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	2,364,104
Lot 4-0117 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	2,364,104
Lot 4-0118 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	2,364,104
Lot 4-0119 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	2,364,104
Lot 4-0120 Mukim of Plentong, Johor	Freehold	5,565	N/A	Industrial land	1 July 2013	3,230,950
Lot D30 & D31, Distripark B, Pelepas Free Zone, Johor	13 years (expiring on 23 March 2025)	16,107	8 years	Rental	2 July 2014	17,446,918

LIST OF PROPERTIES
(CONT'D)

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2018
PLO207, Jalan Tembaga Satu, 81700 Pasir Gudang, Johor	60 years (expiring on 30 September 2045)	8,093.71	1 year	Industrial premises / factory consists of GCBCM main office, production area for GCBCM and temporary warehouse	26 December 1990	11,290,843
Singapore						
The Cascadia 943 Bukit Timah Road #05-47 Singapore 589659	Freehold	111	9 years	Residential	17 January 2011	4,147,070
1 Commonwealth Lane #08-04 One Commonwealth Singapore 149544	30 years (expiring on 28 February 2038)	111	11 years	Office	19 January 2011	1,701,763
United States						
400, Eagle Court Swedesboro, Logan Township, Gloucester County, NJ 08085	Freehold	6,113.02	N/A	Industrial premises / Factory consists of CCC main office, production area for CCC	10 April 2017	8,839,433
Indonesia						
Komplek Tunas Industrial Estate Type 7 No. A-F, Batam, Indonesia	30 years (expiring on 24 August 2030)	33,181	9 years	Industrial premises / Factory consists of PT Asia main office, production area for PT Asia	21 June 2010	38,995,800
Komplek Tunas Industrial Estate Type 6 No. 7-G, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	6,985	13 years	Industrial premises and warehouse	17 March 2011	4,826,567
Komplek Tunas Industrial Estate Type 6 No. 6-D, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	1,257	13 years	Industrial premises and warehouse	17 March 2011	931,041
Komplek Perumahan Diamond Palace Blok B No. 26, Batam, Indonesia	Leasehold (expiring on 13 August 2030)	170	14 years	Hostel	23 September 2011	472,146

LIST OF PROPERTIES
(CONT'D)

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2018
Komplek Perumahan Purimas Residence Blok B3 No. 11, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	13 years	Hostel	6 May 2011	169,500
Komplek Perumahan Purimas Residence Blok B3 No. 15, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	13 years	Hostel	6 May 2011	169,500
Komplek Perumahan Purimas Residence Blok B5 No. 23, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	15 years	Hostel	6 May 2011	169,500
Kawasan Industri Kelurahan IV, Batam Centre, Indonesia	Leasehold (expiring on 8 August 2031)	30,000	6 years	Industrial premises/ Factory consists of PT Asia main office, production area for PT Asia	10 January 2012	36,920,128
Komplek. Tunas Industrial Estate Type 6 No. 6-C, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	942	13 years	Industrial premises and warehouse	8 June 2012	905,578
Kawasan Daan Mogot Arcadia, G15 No.5, Jl Raya Daan Mogot KM21, Batu Ceper, Jakarta, Indonesia.	Leasehold (expiring on 4 August 2035)	864	6 year	Industrial premises	2 October 2012	2,866,183
Palu warehouse Jalan Trans Sulaiwesi,Taipa, Palu- Sulaiwesi Tengah 94352.	Leasehold (expiring on 21 January 2027)	15,551	12 years	Warehouse	13 December 2013	7,147,530
Makassar Warehouse Jl. Kima 10 Kav A/5-a Makassar 90241	Leasehold (expiring on 29 October 2028)	10,890	20 years	Warehouse	10 December 2013	4,750,035
Komplek Villa Bukit Indah Blok H3 No.1, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	174	3 years	Hostel	29 December 2015	555,030

LIST OF PROPERTIES
(CONT'D)

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2018
Komplek Villa Bukit Indah Blok H3 No.2, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.3, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.3A, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.5, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.6, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.9, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.10, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.11, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.12, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.12A, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	3 years	Hostel	29 December 2015	358,856
Komplek Villa Bukit Indah Blok H3 No.12B, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	174	3 years	Hostel	29 December 2015	555,030

OTHER COMPLIANCE **INFORMATION**

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

2. AUDIT AND NON-AUDIT FEES

The fees payable to the external auditors in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 31 December 2018 are as follows:

	COMPANY RM	GROUP RM
Audit fees	61,000	308,511
Non audit fees	25,000	25,000

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

ANALYSIS OF **SHAREHOLDINGS**
as at 1 April 2019

Issued and Fully Paid Up Share Capital	**480,158,452 ordinary shares (including treasury shares)** **477,804,752 ordinary shares (excluding treasury shares)**
Voting Right	**One vote per ordinary share**
Number of Shareholders	**2,361**

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held *	% of Issued Share Capital
Less than 100 shares	100	4.24	5,291	Neg
100 to 1,000 shares	473	20.03	256,475	0.05
1,001 to 10,000 shares	1,196	50.66	5,408,444	1.13
10,001 to 100,000 shares	438	18.55	13,598,656	2.85
100,001 to less than 5% of issued shares	152	6.44	175,732,418	36.78
5% and above of issued shares	2	0.08	282,803,468	59.19
TOTAL	**2,361**	**100.00**	**477,804,752**	**100.00**

Notes:
Neg – Negligible
* – Excluding 2,353,700 shares held as treasury shares

LIST OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares held			
Name	**Direct**	**%***	**Indirect**	**%***
Guan Chong Resources Sdn. Bhd.	253,723,469	53.10	–	–
Misi Galakan Sdn. Bhd.	29,079,999	6.09	–	–

DIRECTORS' SHAREHOLDINGS

	No. of Shares held			
Name	**Direct**	**%***	**Indirect**	**%***
YBhg Dato Dr. Mohamad Musa Bin Md Jamil	105,999	0.02	29,079,999[1]	6.09
Tay Hoe Lian	12,865,791	2.69	254,023,469[2]	53.16
Tay How Sik @ Tay How Sick	6,239,548	1.31	60,000[3]	0.01
Hia Cheng	8,748,179	1.83	9,631,799[4]	2.02
YBhg Datuk Tay Puay Chuan	30,000	0.01	–	–
Tan Ah Lai	–	–	–	–

ANALYSIS OF SHAREHOLDINGS
as at 1 April 2019 (Cont'd)

HOLDING COMPANY – GUAN CHONG RESOURCES SDN. BHD.

	No. of Shares held			
Name	**Direct**	**%***	**Indirect**	**%***
Tay Hoe Lian	28,373	28.37	2,375(5)	2.38
Tay How Sik @ Tay How Sick	13,934	13.93	–	–
Hia Cheng	5,000	5.00	–	–

Other than as disclosed above, the Directors of the Company did not have any other interest in the shares of the Company and its related corporations as at the date of the Analysis of Shareholdings.

By virtue of his interest in the shares of Guan Chong Resources Sdn. Bhd., Mr Tay Hoe Lian is also deemed to have an interest in the shares of all the subsidiaries to the extent that Guan Chong Resources Sdn. Bhd. has an interest.

Notes:
* Excluding 2,353,700 shares held as treasury shares.
(1) Deemed interest by virtue of his substantial shareholding in Misi Galakan Sdn. Bhd.
(2) Deemed interest by virtue of his substantial shareholding in Guan Chong Resources Sdn. Bhd. and his spouse, Yap Kim Hong's shareholding in the Company
(3) Deemed interest by virtue of his daughter, Tay Jing Ye's shareholding in the Company
(4) Deemed interest by virtue of his spouse, Wong Saow Lai's shareholding in the Company
(5) Deemed interest by virtue of his spouse, Yap Kim Hong's shareholding in Guan Chong Resources Sdn. Bhd.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares held	%*
1.	Guan Chong Resources Sdn. Bhd.	253,723,469	53.10
2.	Misi Galakan Sdn. Bhd.	29,079,999	6.09
3.	Syarikat PJ Enterprise Sdn. Bhd.	15,113,399	3.16
4.	Tay Hoe Lian	10,565,792	2.21
5.	Hia Cheng	8,748,179	1.83
6.	Wong Saow Lai	8,641,799	1.81
7.	Tay Hoe Chin	7,289,763	1.53
8.	Lee Peck Lin	7,054,648	1.48
9.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Affin Hwang Select Asia (Ex Japan) Quantum Fund (4579)	6,508,200	1.36
10.	Tan Hui Yang	5,953,048	1.25
11.	Tay How Sik @ Tay How Sick	5,889,849	1.23
12.	Tay How Yeh	5,278,745	1.10
13.	Lim Yock @ Lim Kiak	5,209,838	1.09
14.	T & T Family Sdn. Bhd.	4,347,729	0.91
15.	Tan Bak Keng @ Tang Ka Guek	3,744,024	0.78
16.	Ngiam Ping-Shin	3,141,899	0.66
17.	Oung Chee Seng	3,012,147	0.63
18.	Lim Peng Jin	2,906,999	0.61
19.	Chan Lee Yin	2,730,798	0.57
20.	Tay How Seng	2,727,637	0.57

ANALYSIS OF SHAREHOLDINGS
as at 1 April 2019 (Cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares held	%*
21.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFFHWG6939-403)	2,574,100	0.54
22.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tay Hock Soon (MY1055)	2,170,600	0.45
23.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Citibank New York (Norges Bank 14)	2,061,500	0.43
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (AFFIN HWANG SM CF)	1,876,700	0.39
25.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for Saham Amanah Sabah (ACC2-940410)	1,835,100	0.38
26.	Chew Teng Huat	1,727,051	0.36
27.	Oon Ai Fen	1,701,400	0.36
28.	Tay Lie Siang	1,639,459	0.34
29.	Tay Lee Lin	1,500,059	0.31
30.	Tay Lee Goh	1,488,558	0.31

Note:
* - Excluding 2,353,700 shares held as treasury shares.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of GUAN CHONG BERHAD ("GCB" or "the Company") will be held at Sri Panti, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, K.B. No. 779, 80990 Johor Bahru, Johor on Tuesday, 28 May 2019 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' fees up to RM700,000 for the financial year ending 31 December 2019 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. — **Ordinary Resolution 1**

3. To re-elect the following Directors who retire in accordance with Article 81 of the Company's Articles of Association:

   i) Hia Cheng — **Ordinary Resolution 2**

   ii) YBhg Datuk Tay Puay Chuan — **Ordinary Resolution 3**

4. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorize the Directors to fix their remuneration. — **Ordinary Resolution 4**

As Special Business

To consider and if thought fit, to pass the following resolutions with or without any modifications as resolutions:

5. **Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016** — **Ordinary Resolution 5**

   "THAT subject always to the Companies Act 2016 ("the Act"), the Constitution (formerly known as Memorandum and Articles of Association) of the Company and the approvals of Bursa Malaysia Securities Berhad and other relevant governmental or regulatory bodies, where such approvals are necessary, the Directors be hereby empowered, pursuant to Section 75 of the Act, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

6. **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT")** **Ordinary Resolution 6**

"THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be hereby given for the renewal of and new shareholders' mandate for the GCB Group to enter into and to give effect to specified RRPT and with the related parties as stated in Section 4.3 of the Circular to Shareholders dated 26 April 2019, which are necessary for its day-to-day operations, to be entered into by the GCB Group on the basis that these transactions are or to be entered into on terms which are not more favorable to the Related Parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company" ("Proposed Shareholders' Mandate");

THAT the Proposed Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Shareholders' Mandate shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which the Proposed Shareholders' Mandate has been passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company and/or any of them be hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Shareholders' Mandate."

7. **Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued and paid-up capital** **Ordinary Resolution 7**

"THAT, subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution (formerly known as Memorandum and Articles of Association) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Company be hereby given full authority, to seek shareholders' approval for the renewal of authority for the Company to purchase such amount of ordinary shares in the Company ("Shares") through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:

(i) the aggregate number of Shares so purchased and/or held pursuant to this ordinary resolution ("Purchased Shares") does not exceed ten percent (10%) of the total issued and paid-up capital of the Company; and

(ii) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the aggregate of the retained profits of the Company;

THAT the Directors be hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 127 of the Act) and/or to cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares and/or cancel the remainder and to deal with the Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force;

AND THAT such approval and authorisation shall only continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed 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 after that date 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 Directors of the Company be authorised to do all such acts and things (including, without limitation executing all such documents as may be required) as they may consider expedient or necessary to give full effect to this mandate."

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

8. **Proposed retention of YBhg Datuk Tay Puay Chuan as Independent Director** **Ordinary Resolution 8**

   THAT subject to passing of ordinary resolution 3, approval be hereby given to YBhg Datuk Tay Puay Chuan who has served as Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years to continue to act as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017.

9. **Proposed retention of Tan Ah Lai as Independent Director** **Ordinary Resolution 9**

   THAT approval be hereby given to Tan Ah Lai who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017

10. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016.

By order of the Board,

TAN HUI KHIM (LS 0009936)
NG MEI WAN (MIA 28862)
Company Secretaries

Muar, Johor
26 April 2019

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 21 May 2019 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised. In the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

5. To be valid, the proxy form duly completed must be deposited at the registered office of the Company situated at No. 7 (1st Floor) Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri 84000 Muar, Johor not less than twenty-four (24) hours before the time for holding the meeting as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Fifteenth Annual General Meeting to be put to vote by poll.

Explanatory Notes:

6. **Item 1 of the Agenda**

   This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

7. **Item 2 of the Agenda – Ordinary Resolution 1**
   Approval of Directors' fees for the financial year ending 31 December 2019

   Directors' fees approved for the financial year ended 31 December 2018 was RM650,000. The Directors' fees proposed for the financial year ending 31 December 2019 are calculated based on the number of scheduled Board and Committee Meetings for 2019 and assuming that all Non-Executive Directors will hold office until the conclusion of the next annual general meeting.

   This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed are insufficient (e.g. due to more meetings), approval will be sought at the next annual general meeting for additional fees to meet the shortfall.

8. **Item 5 of the Agenda – Ordinary Resolution 5**
   Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016

   (a) The proposed Ordinary Resolution no. 5, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting ("AGM") to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM of the Company.

   (b) The mandate now sought is a renewal from the previous mandate obtained at the last AGM held on 28 May 2018 which will expire at the conclusion of the forthcoming AGM.

   (c) As at the date of this Notice, no new share in the Company was issued pursuant to the mandate granted to the Directors at the last AGM held on 28 May 2018.

   (d) The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

9. **Item 6 of the Agenda – Ordinary Resolution 6**
   Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT") ("Proposed Shareholders' Mandate")

   The proposed Ordinary Resolution no. 6, if passed, will approve RRPT which are necessary for the Group's day-to-day operations to be entered into by the Company and its subsidiaries with the respective related parties from the forthcoming Annual General Meeting ("AGM") to the next AGM; subject to the condition that the transactions are entered into on terms which are not more favorable to the related parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company. Further details on the Proposed Shareholders' Mandate are provided in the Circular to Shareholders dated 26 April 2019.

10. **Item 7 of the Agenda – Ordinary Resolution 7**
    Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued and paid-up capital ("Proposed Shares Buy-Back Authority")

    The proposed Ordinary Resolution no. 7, if passed, will empower the Directors to purchase shares in the Company up to an amount not exceeding ten percent (10%) of the issued and paid-up share capital of the Company as they consider would be in the interest of the Company. Further details on the Proposed Shares Buy-Back Authority are provided in the Circular to Shareholders dated 26 April 2019.

NOTICE OF ANNUAL GENERAL MEETING
(Cont'd)

11. **Item 8 and 9 of the Agenda – Ordinary Resolutions 8 and 9**
Proposed Retention of YBhg Datuk Tay Puay Chuan and Tan Ah Lai as Independent Directors

The Board has assessed the independence of the Directors, YBhg Datuk Tay Puay Chuan and Tan Ah Lai who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years and nine (9) years respectively, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

i) They fulfill the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they will be able to function as check and balance, provide a broader view and bring an element of objectivity to the Board;
ii) During their tenure in office, they have not developed, established or maintained any significant relationship which would impair their independence as Independent Directors with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as Independent Non-Executive Directors and Chairman or member of the Board's Committees;
iii) During their tenure in office, they have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;
iv) They are currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiaries;
v) During their tenure in office as Independent Non- Executive Directors in the Company, they have not been offered or granted any options by the Company. Other than Director's fees and allowances paid which have been an industry norm and within acceptable market rates and duly disclosed in this Annual Report, no other incentives or benefits of whatsoever nature had been paid to them by the Company;
vi) Their vast experience and legal and accounting background enable them to provide the Board with a diverse set of experience, expertise and independent judgment; and
vii) They have performed their duties diligently and in the best interest of the Company and provide a broader view, independent and balanced assessment of proposals from the management.

12. **ANNUAL REPORT**

The Annual Report for the financial year ended 31 December 2018 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholders upon request soonest possible from the date of receipt of the written request. The Annual Report can also be downloaded at the Company's corporate website, www.guanchong.com.

Shareholders who wish to receive the printed Annual Report and/or require assistance in viewing the CD-ROM may fax to Boardroom Share Registrars Sdn Bhd (Formerly known as Symphony Share Registrars Sdn. Bhd.) (378993-D) at fax no. 03-78418151 or email your request to Shamsul.Kamal@boardroomlimited.com.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

No individual is seeking election as a Director at the Fifteenth Annual General Meeting of the Company.

GUAN CHONG BERHAD
(646226-K)
(Incorporated in Malaysia)

PROXY FORM

No of shares held	

I/We, ...

of ....

being a member/members of GUAN CHONG BERHAD, hereby appoint ....

....

of ....

or failing him/her, ...

of ....

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Sri Panti, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, K.B. No. 779, 80990 Johor Bahru, Johor on Tuesday, 28 May 2019 at 11:00 a.m and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:-

No.	Ordinary Resolution	For	Against
1	Approval of Directors' Fees for the financial year ending 31 December 2019		
2	Re-election of Hia Cheng as Director		
3	Re-election of YBhg Dato Datuk Tay Puay Chuan as Director		
4	Re-appointment of Messrs BDO PLT as Auditors		
5	Authority for Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
6	Proposed Renewal of and New Shareholders' Mandate		
7	Proposed Renewal of Shareholders' Mandate to purchase its own shares		
8	Retention of YBhg Datuk Tay Puay Chuan as Independent Director		
9	Retention of Tan Ah Lai as Independent Director		

[Please indicate with a "x" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instructions, your proxy will vote or abstain as he/she thinks fit]

For appointment of two proxies, percentage of shareholdings to be represented by the proxies :

Proxy	No of Shares	Percentage
1		
2		
Total		100%

....
Signature of Shareholder or Common Seal

Dated this .... day of 2019

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 21 May 2019 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised. In the event the member(s) duly executes the proxy form but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

5. To be valid, the proxy form duly completed must be deposited at the registered office of the Company situated at No. 7 (1st Floor) Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri 84000 Muar, Johor not less than twenty-four (24) hours before the time for holding the meeting as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Fifteenth Annual General Meeting to be put to vote by poll.

Personal Data Privacy
By submitting the proxy form, the member or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the 15th AGM (including any adjournment thereof).

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
Guan Chong Berhad (646226-K)
No. 7 (1st Floor), Jalan Pesta 1/1
Taman Tun Dr Ismail 1, Jalan Bakri
84000 Muar
Johor Darul Takzim

1st fold here

GUAN CHONG BERHAD
(646226-K)

PLO 273, Jalan Timah Dua,
Kawasan Perindustrian Pasir Gudang,
81700 Pasir Gudang, Johor

Tel : 07-254 8888 | Fax : 07-251 1711 | Email : info@favorich.com

www.guanchong.com