STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

Guan Chong Berhad ("GCB" or "the Group") maintains a proactive stance in promoting good governance and being a socially responsible organisation. In adherence to our comprehensive corporate social responsibility ("CSR") policy, the Group regularly engages in activities that promote the development of our employees, safeguard the environment, while enhancing the lives of the communities around us.

THE WORKPLACE

We place a high priority on the wellbeing of our employees, and emphasize utmost importance on their safety by implementing rigorous safety standards. We aims to achieve zero injury/incidents by reducing manpower in heavy lifting goods with replacement of Robot Arm and also setting up procedure to reduce accident occurred within the premises. We also held multiple safety-training sessions for our staff throughout the year to ensure our workforce are kept abreast of latest industry practices.

Besides safety, we also provide a conducive environment for our employees to advance their professional development. In this regard, we organised training sessions to improve the technical and soft skills towards upskilling and long-term career progression.

We believe and promote gender equality and women's empowerment in our working environment. In our manufacturing industry, the tendency of hiring male employee is high due to the working environment inside the factory. We are able to have 27% of female employees and 38% of female managers within our organization (excluding factory workers). This enable us to achieve sustainable development in our workforce.

Additionally, we organised a badminton tournament during the year to promote camaraderie and healthy lifestyles among our employees.

THE MARKETPLACE

We strive to engage in effective and transparent communication with our stakeholders by providing valuable information in a timely and efficient manner.

Our updates, comprising financial results and corporate developments are done through announcements to Bursa Malaysia. We also engage with shareholders at our Annual General Meetings and other platforms, disseminate press releases to the media, as well as hold regular investor briefings and presentations.

STATEMENT OF **CORPORATE SOCIAL RESPONSIBILITY (CONT'D)**

THE ENVIRONMENT

We take pride in our efforts to conserve the environment and have adopted green practices across our operations. Among the initiatives we undertook in the past year was setting up recycling bins throughout our offices and factories, in order to encourage the practice among our employees.

We installed water treatment equipment in our factories to improve energy conservation, as well as ensure our wastewater meet regulatory standards before being discharged from our factories.

Additionally, we are installing solar system in our factories. The solar system has the least negative impact on the environment compare other energy source. Other than that, we will also benefit by reducing our energy cost and providing alternative energy to production.

THE COMMUNITY

GCB cares for the community and welfare of the people around us. We have supported various community projects and charitable institutions through monetary and other contributions.

In 2019, we organised a blood donation campaign to help alleviate inadequate blood supply in Hospital Sultanah Aminah in Johor Bahru. A total of 66 GCB employees participated in the campaign.

Besides this, 40 of our employees participated in the Johor Port Shipping and Forwarding Association Charity Run under the company banner. The proceeds of the run went to Pertubuhan Kebajikan Fitrah Qaseh and Persatuan Kebajikan Orang Kurang Upaya Xi Le Er.

Over in Batam, we also began construction of a sports community centre with volleyball, badminton and table tennis facilities that cater to the needs of the community. We decided to build these facilities as a way to give back to the local community in Batam.

SUSTAINABILITY STATEMENT

1.0 OUR APPROACH AND SCOPE

Sustainability has always been an integral part of our way of doing business as we strive to achieve continual financial performance. This sustainability statement aims to illustrate our approach to address sustainability challenges and opportunities in contributing towards the benefit of business, environment and society.

We are committed to driving responsible and sustainable business practises throughout our organisation. We instil the principles of sustainability into our policies and procedures, and integrate *Economic, Environmental* and *Social* considerations into our decision making.

To elaborate our sustainability efforts and commitment, this sustainability statement is structured into four sections, as follows:

- **Our Approach**: *Overview and Scope* of this statement
- **Sustainability Governance Structure**: The Group's *governance structure* in managing the *material sustainability matters*.
- **Materiality Process**: The processes to *identify* and *priorities* the *material sustainability matters*.
- **Managing Sustainability Matters**: The Group's *practises* and *performance* in managing the *material sustainability matters*. The Sustainability Statement will be reported in a balanced, comparable and meaningful way by referring to the Sustainability Reporting Guide 2nd Edition.

The scope of this sustainability statement for Year 2019 covers three main subsidiary companies, namely Guan Chong Cocoa Manufacturer Sdn Bhd (GCCM), PT Asia Cocoa Indonesia (ACI) and GCB Cocoa Malaysia Sdn Bhd (GCBCM), which through its cocoa bean processing activities.

2.0 SUSTAINABILITY GOVERNANCE STRUCTURE

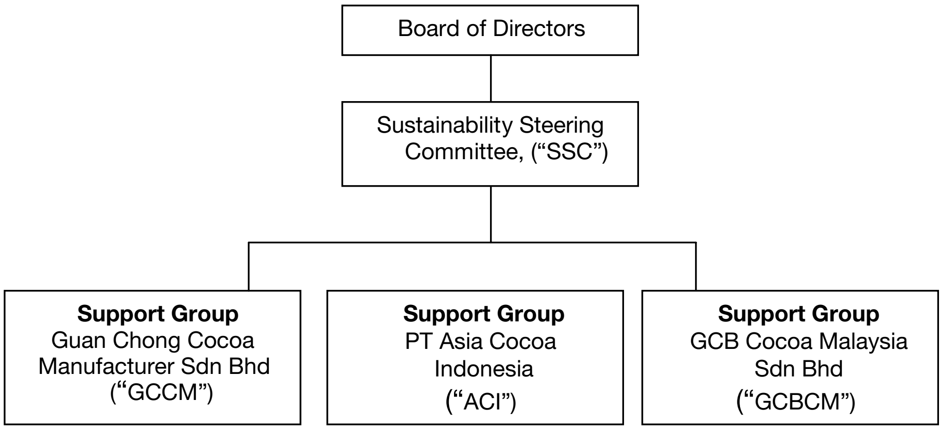
The responsibility to promote and embed sustainability in Guan Chong Berhad's (GCB's) business strategy lies with the Board of Directors. A Sustainability Steering Committee (SSC) was set up to oversee the incorporation of sustainability in the Group's businesses, as well as to prepare the Group for its sustainability disclosure. The objective of the SSC is to facilitate the preparation of the Sustainability Statement in the annual report, as required by the Bursa Malaysia's Listing Requirements. The SSC is chaired by Executive Director, and comprises of General Manager and Senior Manager of the respective functional units and also support groups from GCCM, ACI and GCBCM.

Among others, the responsibility of the SSC includes overseeing the following:

- Stakeholder engagement process (e.g. identification and engagement of key stakeholders)
- Materiality assessment (e.g. identification of sustainability issues relevant to the Group's business, risks and opportunities assessment on sustainability issues, and identification of material sustainability matters)
- Oversee the management of material sustainability matters identified
- Preparation of sustainability disclosures.

2.0 SUSTAINABILITY GOVERNANCE STRUCTURE (CONT'D)

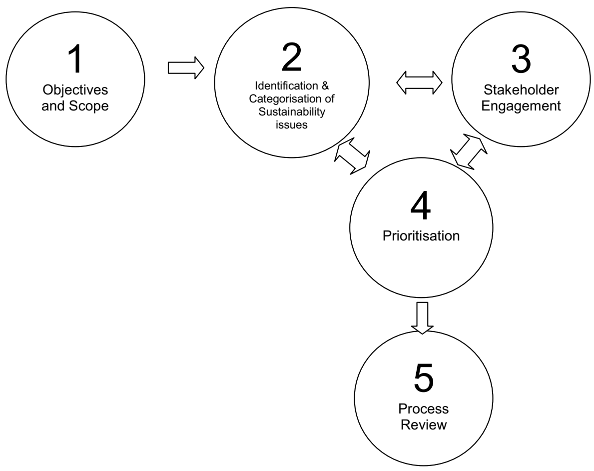
GCB's Sustainability governance structure:



GCB will also look into establishing a longer term governance structure that may enable incorporation of other smaller business units. We also consider the existing risk/crisis management processes adopted, to harness synergies and efficiencies from the existing governance processes that are already in place.

3.0 MATERIALITY PROCESS

To identify what is deemed material, GCB has adopted a materiality assessment process, suggested by **Bursa Malaysia's Sustainability Reporting Guide (2nd Edition)**. Our Materiality assessment processes are as follows:



This process employs a prioritization approach, taking into consideration of important sustainability issues from both perspectives of GCB and that of Stakeholders. GCB has therefore engaged with stakeholders to determine the significant sustainability matters and to solicit their views and inputs. This is in line with material sustainability matters as defined in Bursa Malaysia's Listing Requirements:

- Reflect the business's significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT

GCB acknowledges the importance of our stakeholders to our continued success and business sustainability, strongly believing that sustainability can only be achieved with the involvement of our stakeholders. Meaningful engagements with stakeholders are critical to understand their interests and needs. Stakeholders' feedbacks enable us to obtain a fully-integrated perspective about the issues that are most important to our business.

A summary of engagement activities with our stakeholders is shown as follows:

Stakeholder	Engagement activities	Stakeholders' key concerns
Employee	• Worker recreation club – discussion and dialogue • Recreation events	• Financial sustainability • Equal opportunities and human rights • Community services
Customers	• Sustainability forum and seminar • Customer visit/meeting • Marketing materials and events • Corporate announcement and publication	• Energy consumption • Equal opportunities and human rights – participation of women work force • Ethical business and transparency • Financial sustainability • Combating forced labor and child labor • Minimizing water use
Suppliers	• Meeting and discussions	• Financial sustainability • Ethical business and transparency • Combating forced labor and child labor
Regulatory authorities and government	• Regular consultation and meeting • Reporting • Government agency - industrial dialogue	• Human capital development and labor practices • Waste management
Local Communities	• Meeting and discussions	• Community services • Waste management

MATERIALITY ASSESSMENT

Materiality assessment is a process of identifying, refining, and assessing numerous potential economic, environmental, and social (EES) issues that could affect our business and stakeholders, and condensing them into a shortlist of topics.

To determine our key material sustainability issues, SSC conducted a materiality assessment exercise:

1. Identification of potential topics. SSC identified the typical material issues faced by other cocoa companies by comparing peer companies.

2. Shortlist of issues that are relevant to GCB. We then identified a preliminary list of material issues faced by conducting interviews with key internal stakeholders comprising the senior management team.

3. Prioritization. We further prioritised the material issues based on our assessment of the impact of the issues to the business and the level of concern to our stakeholders.

MATERIALITY ASSESSMENT (CONT'D)

Four most material issues were identified arising from this exercise.

They are financial sustainability, energy consumption, equal opportunities and human rights and ethical business and transparency.

4. Validation. We finalized the prioritized material issues by presenting Chief Executive Officer for validation. Notwithstanding, we will periodically review our materiality assessment to cater for changes in our operations and stakeholders' inputs.

ASSURANCE

This sustainability statement has not been externally assured. We will review the need to engage an external party to provide assurance for our report in the coming years.

LINKAGE

This sustainability statement is also mentioned in our Corporate Governance Overview Statement, which is part of the Listing requirement.

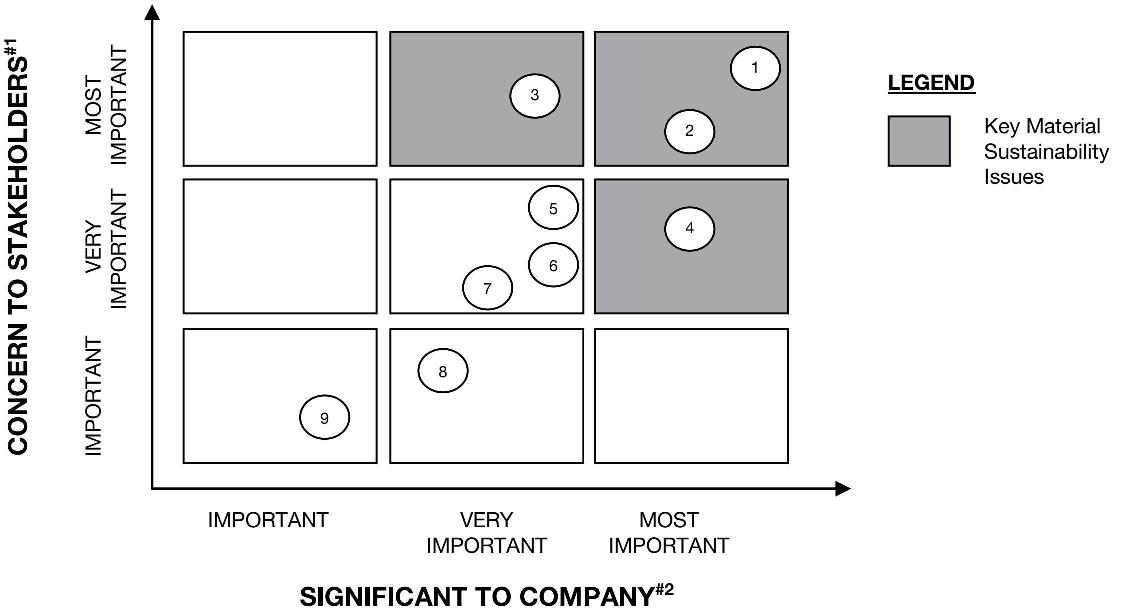
The outcome of the materiality assessment exercise is presented in table below which lists material issues in order of priority.

PRIORITY	MATERIAL SUSTAINABILITY ISSUES
1	**Financial Sustainability**
2	**Energy Consumption**
3	**Equal Opportunities and Human Rights**
4	**Ethical Business and Transparency**
5	Human Capital Development and Labor Practices
6	Combating Forced Labor and Child Labor
7	Minimizing Water Use
8	Community Services
9	Waste Management

SUSTAINABILITY STATEMENT (CONT'D)

LINKAGE

Comparing the material issues against our stakeholders' concerns (deduced from our stakeholder engagement efforts) we derived a Materiality Matrix as follows:



Remarks:
#1 "Concern to stakeholders" is defined as the importance of a sustainability issues to the stake holders
#2 "Significant to company" is defined as the importance of a sustainability issue to GCB

The most material sustainability matters will be categorised and discussed in the following manner.

KEY EES* CATEGORY	SUSTAINABILITY ISSUES
Economic Sustainable Growth	***Financial Sustainability*** ***Ethical Business and Transparency***
Environmental Minimizing environmental impact	***Energy Consumption***
Social Social Responsibility	***Equal Opportunities and Human Rights***

* Economic, Environmental and Social

4.0 MANAGING SUSTAINABILITY MATTERS

FINANCIAL SUSTAINABILITY

Our key objective is to create economic value from our cocoa business. We emphasize efficiency, cost savings, and good business ethics. Despite the volatile market environment over the years, we maintain our agility to respond to risks and opportunities. Over the years, GCB has showed our stakeholders that we are one of the most resilient cocoa companies in Asia. 2019 has been a stable year for cocoa processors; GCBCM is operating at almost full capacity and we achieve reasonably good financial results in term of Revenue and Profit before Tax as compared to that of in 2018 as shown in table below:-

FINANCIAL SUSTAINABILITY	2018	2019	Change %
Revenue (RM Million)	2,273	2,942	29.4%
Profit before Tax (RM Million)	209	267	27.8%

Financial sustainability is a key focus of our business. The main contributor to GCB performance is our core business: cocoa bean processing. Regardless of market condition, our key considerations to ensure sustainability in this respect are to:

1. Ensure high utilization of cocoa grinding capacity,
2. Persistent drives on cost efficiency,
3. Agile response towards changes in cocoa market and forward planning.

We endeavor to enhance our financial performance to deliver value to all our stakeholders on a continuous basis.

ENERGY CONSUMPTION

We consume a considerable amount of energy in processing cocoa bean, mainly in the form of electricity. GCCM, ACI and GCBCM have setup energy management and data collection system, helping us manage our energy usage by improving efficiency and conserving resources. kWh/MT consumed per cocoa bean processed has been identified as the meaningful key indicator to measure Energy Consumption, various initiatives to improve reduction of electricity has been put in place to drive towards lower energy consumption.

Average kWh/MT cocoa bean processed	2018	2019	Change %
Guan Chong Cocoa Manufacturer Sdn Bhd (GCCM)	377	371	-1.6%
PT Asia Cocoa Indonesia (ACI)	271	279	3.0%
GCB Cocoa Malaysia Sdn Bhd (GCBCM)	–	333	–

GCCM and ACI managed to achieve good figures of reduction in kWh/MT per cocoa bean process in previous years, via various improvements from Production and Engineering Team; nonetheless, proven by stabilized figures shown above, further reduction is not easily attainable.

Therefore, with comprehensive studies, we have decided to explore renewable energies, namely solar power and biomass:

- 1120kWp roof mounted solar photovoltaic system will be installed at GCCM. We expect the system to start generating energy by mid of 2020.
- 6tph cocoa shells fired steam boiler will be installed at GCBCM. We expect the boiler to start generating energy by 2021.

SUSTAINABILITY STATEMENT (CONT'D)

ENERGY CONSUMPTION (CONT'D)

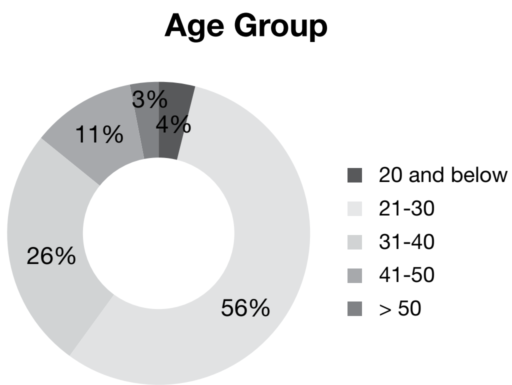
With these projects, we foresee reduction in dependency on non-renewable energy in coming years. Following that, we shall expand existing and/or explore new projects. Meanwhile, we will still continue our efforts in lowering energy consumption. This post a great challenge to our team, but we are willing to take on for our environment.

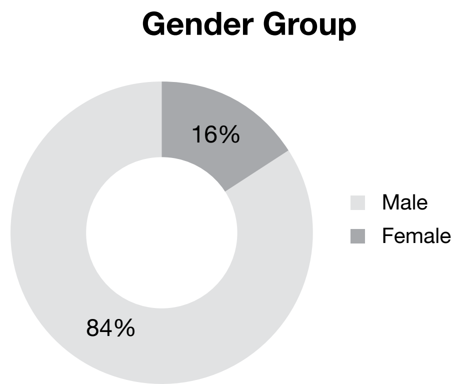
EQUAL OPPORTUNITIES AND HUMAN RIGHTS

GCB strongly believes in equal opportunity at work embraces diversity and is against any and all forms of discrimination. In order to achieve this goal, GCB promotes the right to work and advancement on the basis of merit, ability, potential, and experience that is free from prejudice.

GCB is strongly against discrimination on the basis of race, color, sex, language, religion, political or other opinion, caste, national or social origin, poverty, birth, union affiliation, sexual orientation, health status, family responsibilities, age, and disability or other distinguishing characteristics. Hiring, remuneration, benefits, training, advancement, promotion, discipline, termination, retirement or any other employment-related decisions shall be based on relevant and objective criteria.

Mindful that a diverse and dynamic workforce is vital for business growth and sustainability, we nurture an environment and culture of equal opportunity with a rich mix of gender and age.





ETHICAL BUSINESS AND TRANSPARENCY

Ethics, integrity and transparency have increasingly become mainstream business issues in today's business environment. GCB is committed to ensuring that business is conducted without bribery, corruption or any similar kind of unethical act. GCB has published the Code of Conduct to all stakeholders (e.g. employees, agents, customers and suppliers) in conducting business ethically and sustainably. Besides, Whistle-Blowing and relevant procedures have been established, providing an avenue for employees and the public to lodge complaints of corrupt practices or wrong-doings in confidence.

Additionally, in line with Section 17A under the MACC Act 2009, we will be publishing a policy specifically on Anti-Bribery & Corruption ("ABC") to all stakeholders in 2020. Apart from requesting our stakeholders to embrace good practices in our code of conduct, we will also work collaboratively with our stakeholders to ensure that ABC policy is strictly adhered to. As part of continuing effort to educate on code of conducts and ABC, trainings have been organized for new recruits as well as for existing employees.

With the intention to ensure compliance of ethical business practices, we will engage independent party to conduct relevant internal audits.

SUSTAINABILITY STATEMENT (CONT'D)

COMMUNITY SERVICES

In addition to MATERIAL SUSTAINABILITY ISSUES, our team has also engaged with various community services in 2019. The following are some of the programs conducted in 2019:

<u>Malaysia</u>

Blood Donation

Charity Run

SUSTAINABILITY **STATEMENT** (CONT'D)

<u>**Indonesia**</u>

Repairing Public Facilities





Repairing Sports Facilities




CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors of the Company ("the Board") recognizes the importance of good corporate governance in ensuring that the interest of the Company, shareholders and other stakeholders are protected. The Board is committed to the establishment and implementation of a proper framework for governance and controls that are consistent with the principles recommended in the Malaysian Code on Corporate Governance ("MCCG") and other applicable laws, regulations, directives and guidelines.

This corporate governance overview statement ("Statement") sets out the adoption and practices of the principles as set out in the MCCG and the relevant chapters of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") on corporate governance.

The manner in and the extent in which the corporate governance framework is applied throughout the financial year ended 31 December 2019 is summarised as follows:

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Principal Responsibilities of the Board of Directors

The Board directs the risk assessment, strategic planning, succession planning and financial and operational management of the Company and each of its subsidiaries (collectively referred to as "the Group" or "GCB Group") to ensure that obligations to shareholders and other stakeholders are understood and met. The Board provides the leadership necessary to enable the Group's business objectives to be met within the framework of internal controls described in this Statement.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to which it has delegated certain responsibilities. The Board Committees have their roles and functions, written terms of reference, operating procedures and authority to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. All deliberations and decisions taken by the Board Committees are documented and approved by the respective Chairman of the Board Committees prior to submission as agenda items for deliberation at the meeting of the Board. The ultimate responsibility for decision making, however, still lies with the Board. The Board reviews the Board Committees' authority and terms of reference from time to time to ensure their relevance.

Clear roles and responsibilities

The Board has a collective responsibility for the management of the Group. The Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management.

The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group to ensure that they are capable of exercising judgment objectively and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders. To enhance accountability, the Board has specific functions reserved for the Board and those delegated to the Management. There is a schedule of key matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Group are in its hands.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT (CONT'D)**

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

I. Board Responsibilities (Cont'd)

Clear roles and responsibilities (Cont'd)

Key matters reserved to the Board for decision comprise the following:

- acquisition and disposal or closure of a business;
- declaration of dividends and approval of financial statements, including accounting policies of the Group;
- establishment of new businesses;
- annual strategic plan;
- capital investment and disposal of tangible assets from existing business to third party;
- increase or reduction by a subsidiary of its issued capital;
- financing on the Group's activities;
- any corporate restructuring not covered by the above-mentioned paragraphs; and
- the change of name of any company in the Group and establishment of any new company.

Access to Information and Advice

The Board and the Board Committees receive timely and up-to-date information and the Company Secretary, under the direction of the Chairman, to ensure a balanced flow of information is disseminated for decisions to be made on an informed basis and for the effective discharge of the Board's responsibilities. The Board firmly believes that effective deliberation and its decision making process is highly dependent on the quality of information furnished by Management.

Board Meetings

The Board ordinarily schedules five (5) meetings in a year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings.

A total of five (5) Board Meetings were held for the financial year ended 31 December 2019. The details of attendance of each Board Member are as follows:

Name of Directors	Attendance
YBhg Dato Dr. Mohamad Musa bin Md. Jamil	5/5
Tay Hoe Lian	5/5
Tay How Sik @ Tay How Sick	5/5
Hia Cheng	5/5
Tan Ah Lai	5/5
YBhg Datuk Tay Puay Chuan	5/5

Time Commitment

Where any direction or decisions are required expeditiously or urgently for the Board between the regular meetings, special meetings of the Board are convened by the Company Secretary, after consultation with the Chairman. The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Chairman and the Managing Director/Chief Executive Officer.

Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings.

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

I. Board Responsibilities (Cont'd)

Time Commitment (Cont'd)

The agenda, the relevant reports and Board papers are furnished to Directors in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. The Board has a regular schedule of matters which are typically on the agenda and reviewed during the course of the year, namely, presentation on quarterly reports; the quarterly unaudited consolidated results; recommendations of the various Board Committees; announcements to Bursa Securities; the Company's audited financial statements; the Company's annual report which includes Sustainability Statement, this Statement, Statement of Risk Management and Internal Control, Audit Committee Report and Statement of Directors' responsibilities. Members of the Management Team or external advisors are invited, as and when required, to attend the Board and/or Board Committees meetings to advise and furnish the members of the Board and/or Board Committees with information and clarification relating to the items on the agenda for effective discussion and decision making.

It is the policy of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment.

II. Board Composition

The Composition of the Board

The Board consists of six (6) members, comprising one (1) Non-Independent Non-Executive Chairman, three (3) Executive Directors including the Managing Director/Chief Executive Officer and two (2) Independent Non-Executive Directors. The Board members provide an effective Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience. Furthermore, there is effective check and balance on the Board, with one third (1/3) of the Board members being Independent Non-Executive Directors.

The Board has identified YBhg Datuk Tay Puay Chuan as the Senior Independent Non-Executive Director of the Company to whom concerns may be conveyed. A brief description of the background of each Director is presented in the Directors' Profile on page 9 to 11 of this Annual Report.

Independence of the Board

The Independent Directors provide the necessary independent perspective and rigour in the formulation of strategies, deliberation of issues and implementation of major undertakings to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented. The Board, through the Nomination Committee reviewed and was satisfied that all such Directors had satisfied the criteria for an Independent Director as prescribed in the Listing Requirements and Practice Note 13. This mixture of experience and expertise is deemed necessary in light of the increasing challenging economic and operating environment in which the Group operates.

The MCCG provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board should seek annual shareholders' approval through a two-tier voting process. In justifying the decision, the Nomination Committee is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements on independence and recommend to the Board for its consideration.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT (CONT'D)**

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

II. Board Composition (Cont'd)

Nomination Committee

The Nomination Committee was established on 26 April 2005 and is primarily responsible for the identification of the desired mix of expertise, competencies and experiences for an effective Board and the assessment of the performance of the members of the Board. As and when the need arises, the Nomination Committee shall also identify and recommend candidates with the necessary qualities to strengthen the Board.

On appointment of new Directors, the Management would facilitate the Directors' induction by providing the Directors with relevant information about the Group and encouraging them to visit the sites of the Group's operating units and meet with key senior executives. The Nomination Committee will also ensure that orientation programme is provided for new members of the Board and is also tasked to review the Directors' continuing education programmes.

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Constitution also provides that at least one third (1/3) of the remaining Directors be subject to re-election by rotation at each Annual General Meeting ("AGM") provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

The Nomination Committee has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions. Directors seeking re-election and re-appointment abstain from all deliberations regarding his/her re-election and re-appointment to the Board and/or Board Committees. The Nomination Committee shall meet at least once in a financial year or more frequent if needed.

The activities carried out by the Nomination Committee during the financial year under review were as follows:

- Assessed and reviewed the boardroom diversity in respect of the desired mix of skills, competencies and experience of the Board, including the core competencies which non-executive directors should bring to the Board as well as the gender diversity policy as encouraged by Bursa Securities;
- Assessed the effectiveness and performance of the Board and the Board Committees;
- Reviewed the succession plan; and
- Review the Directors' continuing education programmes.

Directors' Training

Under the Listing Requirements, the Nomination Committee has assumed the onus of determining or overseeing the training needs of the Directors. All the Directors have attended the Mandatory Accreditation Programme.

During the financial year ended 31 December 2019, all Directors have attended relevant courses and training programmes to enhance their knowledge to effectively discharge their duties and obligations.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT (CONT'D)**

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

II. Board Composition (Cont'd)

Directors' Training (Cont'd)

The courses and training programmes attended by the Directors are as follows:

Name of Director	Courses/Training Programmes Attended
YBhg Dato Dr. Mohamad Musa bin Md. Jamil	Corporate Governance Reporting Compliance
Tay Hoe Lian	Sales Intelligence Strategies for the Modern Company & Salesperson
	The Second Digital Revolution – The Three Axis Model
	CEO's Current & Future Global Challenges
Tay How Sik @ Tay How Sick	Companies Act 2016 – New and revised practices and procedures, case studies in corporate compliance requirement
Hia Cheng	Malaysia Financial Reporting Standard 16 Workshop
Tan Ah Lai	National Tax Conference 2019
	2020 Budget Seminar
	Corporate Governance Reporting Compliance
YBhg Datuk Tay Puay Chuan	Data Backup and Disaster Recovery Training
	Malaysia Financial Reporting Standard 9 & 15 Workshop

The Directors are mindful that they shall continue to undergo the relevant training programmes in order to stay abreast with the latest developments in the industry and to better enable them to fulfill their responsibilities.

The Company Secretary and external auditors have also regularly updated the Directors on the latest relevant regulatory requirements and accounting standards to enable them to keep abreast with such developments and amendments.

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

III. Remuneration

Directors' Remuneration

The details of Directors' remuneration payable to the Directors of the Company for the financial year ended 31 December 2019 are as follows:

	Group (RM'000)						Company (RM'000)				
	Fees	Salaries & Allowances	Bonuses	Performance Incentive	EPF, EIS & SOCSO	Benefits-in-kind	Fees	Salaries & Allowances	Bonuses	EPF, EIS & SOCSO	Benefits-in-kind
Executive Directors											
Tay Hoe Lian	180	1,816	3,774	3,061	309	28	–	–	–	–	–
Tay How Sik @ Tay How Sick	180	995	2,067	–	135	17	–	–	–	–	–
Hia Cheng	180	1,878	3,025	2,450	186	76	–	–	–	–	–
Non-Executive Directors											
YBhg Dato Dr. Mohamd Musa bin Md Jamil	–	–	–	–	–	–	75	2	–	–	–
YBhg Datuk Tay Puay Chuan	–	–	–	–	–	–	51	4	–	–	–
Tan Ah Lai	–	–	–	–	–	–	63	5	–	–	–

Key Senior Management's Remuneration

The details of Key Senior Management's remuneration in successive band of RM50,000 for the financial year ended 31 December 2019 are as follows:

Band	Number of Key Senior Management
RM450,001 – RM500,000	1
RM800,001 – RM850,000	1
RM2,750,001 – RM2,800,000	1
RM3,250,001 – RM3,300,000	1

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

Uphold Integrity in Financial Reporting by Company

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders, as well as the interview with the Managing Director/Chief Executive Officer and review of the Group's operations in this Annual Report.

The Board, with the assistance of Audit Committee, is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended. In preparing the financial statements, the Directors ensure that accounting standards approved by the Malaysian Accounting Standards Board in Malaysia and the provisions of the Companies Act 2016 are complied with and reasonable and prudent judgments and estimates have been made. The Directors' overall responsibilities also include taking such steps as are reasonably open to them to safeguard the assets of the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention of fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Group's position and prospects in the Directors' Report and the Financial Statements set out in this Annual Report.

II. Risk Management and Internal Control Framework

Recognise and Manage Risk of the Group

The Board recognises its responsibility over the principal risks of various aspects in the Group's business.

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.

The responsibilities of identifying and managing risks are delegated to the respective Head of each business units. The Board and the Audit Committee are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The key features of the risk management and internal controls are set out in the Statement on Risk Management and Internal Control as stated on pages 39 to 43 of this Annual Report.

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

I. Communication with Stakeholders

Ensure Timely and High Quality Disclosure

An essential aspect of an active and constructive communication policy is the promptness in disseminating information to shareholders and investors. The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures pertaining to the Group to the regulators, shareholders and stakeholders of the Company.

The Company acknowledges the need for investors to be informed of all material business and corporate developments affecting the Group.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT (CONT'D)**

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

I. Communication with Stakeholders (Cont'd)

Ensure Timely and High Quality Disclosure (Cont'd)

The timely release of quarterly results of the Group and the issue of the Company's Annual Reports provide regular information on the state of affairs of the Group. These, together with the announcements to Bursa Securities, circulars to shareholders and, where appropriate, ad-hoc press statements and interviews are the principal channels for dissemination of information by the Company to its investors, stakeholders and the public generally. This information is also accessible by the public through the Bursa Securities' website at www.bursamalaysia.com.

In addition, the Company's website at www.gcbcocoa.com provides information on the Group's business, corporate development and announcements to Bursa Securities. Other information relevant to shareholders and investors such as Annual Reports, circulars to shareholders and quarterly reports are available for download at the Company's website.

Promoting Sustainability

The Company manages its business responsibly by managing the economic, social and environmental aspects of its operations. The Company produces the annual report, which highlights the financial aspects of the business and provides a clear, comprehensive and transparent representation of the Company's performance annually.

II. Conduct of General Meetings

Annual Report and General Meetings

The Company recognizes the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including minority shareholders, are protected. The Board provides its shareholders and investors with information on its business, financials and other key activities in this Annual Report and the contents of which are continuously enhanced to take into account the developments, amongst others, in corporate governance.

In terms of conduct of meeting, the Board is cognisant of the advantages of poll voting at general meetings to ensure accurate, transparency and efficiency of the voting process and outcomes at general meetings. All the resolutions tabled at the Annual General Meeting are voted by poll.

COMPLIANCE STATEMENT

The Board is pleased to report that this Statement together with the Corporate Governance Report ("CG Report") which is available on the Company's website at www.gcbcocoa.com provides the corporate governance practices of the Company with reference to the MCCG. The Board considers and is satisfied that the Company has fulfilled its obligations under the broad Principles as set out in the MCCG. However, the Board has reserved several of the Practices and has rationalized and provided justifications for the deviations in the CG Report. Nevertheless, the Company will continue to strengthen its governance practices to safeguard the best interests of its shareholders and other stakeholders.

This Statement was presented and approved at the meeting of the Board on 8 May 2020.

AUDIT COMMITTEE REPORT

MEMBERSHIP

Chairman:	Tan Ah Lai (Independent Non-Executive Director)
Members:	YBhg Dato Dr. Mohamad Musa bin Md Jamil (Non-Independent Non-Executive Director) YBhg Datuk Tay Puay Chuan (Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference of the Audit Committee is available for download on the Company's website at www.gcbcocoa.com.

SUMMARY OF WORK

A total of five (5) Audit Committee meetings were held for the financial year ended 31 December 2019. The details of attendance of each Audit Committee member are as follows:

Name of members	Attendance
Tan Ah Lai	5/5
YBhg Dato Dr. Mohamad Musa bin Md Jamil	5/5
YBhg Datuk Tay Puay Chuan	5/5

During the financial year under review, the Audit Committee discharged its functions and duties in accordance with its existing Terms of Reference.

The main work undertaken by the Audit Committee during the financial year included the following:

- reviewed the external auditors' scope of work and audit plans and strategy for the year prior to the audit;
- reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- reviewed and evaluated factors relating to the independence of the external auditors. The Audit Committee worked closely with the external auditors in establishing procedures in assessing the suitability and independence of the external auditors, in confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Ethics Standards Board for Accountants and Malaysian Institute of Accountants;
- considered the audit fees payable to the external auditors for recommendation to the Board for approval;
- considered the nomination of external auditors for recommendation to the Board for re-appointment;
- reviewed the internal auditors' programmes and plans for the financial year under review and the assessment of the effectiveness of internal audit activities;
- reviewed the internal audit plans, reports, recommendations and management's response;
- reviewed quarterly unaudited financial statements of the Company prior to submission to the Board for their consideration and approval;
- reviewed the audited financial statements for the financial year ended 31 December 2019;
- ensured that the Group is in compliance with the regulations of Companies Act 2016, the applicable approved accounting standards as per Malaysian Accounting Standards Board, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other legislative and reporting requirements;
- reviewed the recurrent related party transactions of a revenue or trading nature and control procedures for those transactions in the shareholders' mandate;
- reviewed the whistle-blowing policy and recommended the amendment and/or modification, if any to the Board;

AUDIT COMMITTEE **REPORT**
(CONT'D)

SUMMARY OF WORK (CONT'D)

The main work undertaken by the Audit Committee during the financial year included the following (Cont'd):

- reviewed the Corporate Governance Overview Statement, Corporate Governance Report, Audit Committee Report and the Statement on Risk Management and Internal Control and recommended their adoption to the Board, deliberated the disclosure requirements for sustainability statement and noted the management action plan; and
- reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance.

INTERNAL AUDIT FUNCTION

The Board acknowledges that it is responsible for maintaining a sound system of internal controls which provide reasonable assessment of effective operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines.

The Company has engaged an external independent consultant to carry out the internal audit function to assist the Audit Committee in maintaining a sound system of internal control. The internal audits were undertaken to provide independent assessments on the accuracy, efficiency and effectiveness of the Group's internal control systems.

An overview of the Group's approach in maintaining a sound system of internal control is set out in the Statement on Risk Management and Internal Control on pages 39 to 43 of this Annual Report.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the Listing Requirements requires the Board of Directors (the "Board") of any given Listed Issuer to include in its annual report a Statement on Risk Management and Internal Control. The Board is pleased to provide the following statement that is prepared in accordance with the Statement on *Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* (the "Guidelines") endorsed by Bursa Malaysia which outlines the nature and scope of the risk management and internal controls of the Group during the financial year under review until the date of approval.

BOARD'S RESPONSIBILITY

The Board is committed to the continuous improvement of internal controls and risk management practices within the Group to meet its business objectives. The Board affirms its overall responsibility to maintain a sound system of internal controls and effective risk management, and for reviewing the adequacy, integrity and effectiveness of these systems to safeguard shareholders' investment and the Group's assets. It covers not only financial controls but operational and compliance controls, and risk management.

However, such systems, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement, losses or fraud. These systems were designed to manage, rather than eliminate, the risk of failure to achieve business objectives of the Group.

RISK MANAGEMENT FRAMEWORK

In dealing with its stewardship responsibilities, the Board recognises that an effective risk management is part of good business management practice. The Board acknowledges that all areas of the Group's activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which will allow the Group to be able to identify, evaluate, monitor and manage risks continuously that affect the achievement of the Group's business objectives.

This process is regularly reviewed by the Board. It is intended that any key risk or significant control failings or weaknesses shall be identified and discussed in these reports including the impact they have had or may have on the Group and the actions to rectify them.

The key elements of the Group's Risk Management Framework are described below:

- **Structure**

  The Group adopts a decentralised approach to risk management which comprises strategic and operational risks (including financial and compliance risks).

Type of Risks	Accountability
➢ Strategic risk	The Board, Group Chief Executive Officer ("CEO"), Group Chief Financial Officer ("CFO") and Group Chief Operating Officer ("COO")
➢ Operational risk (including financial and compliance risks)	Senior Management and Head of Department

  ➢ **Strategic risks** are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board, Group CEO and Group CFO. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

RISK MANAGEMENT FRAMEWORK (CONT'D)

- **Structure (Cont'd)**

    - **Operational risks, including financial and compliance risks** are inherent in the ongoing activities within the different subsidiaries of the Group. Typically, some of the risks cover foreign exchange, credit, competency, technology, etc. Senior management needs ongoing assurance that these operational risks are identified and managed. Accountability for managing operational risks rests specifically with the respective Heads of Department.

- **Risk Awareness Culture**

    Risk awareness culture is reflected by the emphasis on strong corporate governance, organisational structure with clearly defined roles and responsibilities, effective communication and training, commitment to compliance with laws, regulations and internal controls, integrity in fiduciary responsibilities and clear policies, procedures and guidelines.

- **Risk Assessment**

    Senior Management identifies and assesses risks from time-to-time based on business nature and objective. Senior Management reports regularly to the Board for any significant risk identified or control failure.

- **Risk Appetite**

    The Group's risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits set to govern, manage and control the Group's risk taking activities.

    A clear Limit of Authority has been formalised to approve transactions to ensure that they are within the risk appetite of the Group.

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are described below:

- **Control Environment**

    The importance of a proper control environment is emphasised throughout the organisation. Focus is directed towards the quality and abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Such training also includes internal briefings and external seminars for selected employees to enhance the level of awareness and knowledge on matters relating to risk management and internal controls.

- **Code of Conduct**

    Code of Conduct is the cornerstone of setting the proper tone at the top for the business's culture. The Board and management have formalised it as the standard of expected ethical behaviour for the all employees. It spells out about workplace safety and health, bribery, equal opportunities, workplace environment, etc.

- **Organisational Structure**

    The Group operates on a hierarchical organisation structure that defines the authority limits, lines of responsibility and reporting mechanism. All Subsidiaries have clear accountabilities to ensure appropriate control procedures are in place.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

INTERNAL CONTROL SYSTEM (CONT'D)

- **Organisational Structure (Cont'd)**

  The key elements of the Group's organisational structure are as follows:

  ➢ **Management**

  - **Policy and Procedures**: Management has implemented series of documented Policy and Procedures to govern the Group's key business processes. These policies and procedures deal with, amongst others, control issues for procurement, credit control, warehousing, information technology, health and safety, etc. These procedures are reviewed annually by senior management to ensure its relevancy.

  - **Human Capital**: There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff and annual performance appraisals to enhance the level of staff competency in carrying out their duties and responsibilities.

  - **Safeguarding of Assets**: Adequate insurance and physical safeguarding of major assets are in place to ensure that they are sufficiently covered against any mishap that may result in material losses to the Group.

  - **Related Party Transactions**: Internal control procedures are established to ensure that related party transactions are undertaken in compliance with the Group's practices, the Listing Requirements, and to ensure that these transactions are carried out on an arm's length basis and on normal commercial terms, which are in the best interest of the Group's stakeholders.

  - **Communication**: Information is communicated through circulars, emails, meetings and internal memos.

  - **Site Visit**: Regular visits by the head office personnel to business units in remote location to ascertain compliance with the established Policy and Procedures of the Group by local management.

  - **Management Meetings**: Regular meetings with the Heads of Departments provide a sound platform for the information communicate with, and provide feedback to and from, Management.

  ➢ **Internal Audit**

  The Group has outsourced its internal audit function to an independent professional service provider (the "Internal Auditors") which carries out its functions independently with risk-based approach and provides the Audit Committee and the Board with the assurance on the adequacy and effectiveness of the system of internal controls. The cost of internal audit function for the financial year ended 31 December 2019 was about RM50,000.

  For any significant control lapses and/or deficiencies noted from the reviews will be documented and communicated to management for review and corrective actions. The Internal Auditors report to the Audit Committee all significant non-compliance, internal control weaknesses and actions taken by management to resolve the audit issues identified.

  The Internal Auditors are solely responsible for planning, implementing and reporting the audits for the Group. The Internal Auditors:

  - Prepare a detailed Internal Audit Plan in consultation with the senior management for submission to the Audit Committee for approval;

  - Carry out all activities to conduct the audits in an effective, professional and timely manner;

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

INTERNAL CONTROL SYSTEM (CONT'D)

- **Organisational Structure (Cont'd)**

  The key elements of the Group's organisational structure are as follows (Cont'd):

  ➢ **Internal Audit (Cont'd)**

  o Discuss with the audit committee upon completion of each audit for any significant control lapses and/or deficiencies noted from the reviews for their review and corrective actions; and

  o Submit quarterly report to the Audit Committee for all significant non-compliance, internal control weaknesses and actions taken by management to resolve the audit issues identified.

  ➢ **Audit Committee**

  The Audit Committee reviews, monitors and evaluates the effectiveness and adequacy of the Group's internal controls and financial and risk management issues raised by the External and Internal Auditors, regulatory authorities and management. The review includes reviewing written reports from the Internal and External Auditors, to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management.

  The Audit Committee also convenes meeting with External Auditors without the presence of management. In addition, the Audit Committee reviews the adequacy of the scope, functions and competency of the Internal and External Auditors. The Audit Committee also reviews and evaluates the procedures established to ensure compliance with applicable legislation, the Listing Requirements and the Group practices.

  The Audit Committee Report set out on pages 37 to 38 of this Annual Report contains further details on the activities undertaken by the Audit Committee in 2019.

  ➢ **Board**

  The Board holds regular discussions with the Audit Committee and management and considers their reports on matters relating to internal controls and deliberates on their recommendations for implementation.

  o **Business Direction**: The Group's vision, mission, corporate philosophy and strategic direction have been formalised and communicated to employees at all levels. The Board retains control over the Group with appropriate management reporting mechanisms which enable the Board to review the Group's progress.

  o **Reporting and Information**: Senior management reports to the Board for the strategic plans and business units' performances on a quarterly basis. The monitoring of individual business units' performances are conducted monthly, with major variances followed up and management action taken, where necessary.

  Regular and comprehensive information are provided to management, covering financial performance and key business indicators, key business risks, legal, environmental and regulatory matters. Regular meetings attended by management, led by the Group CEO, are held to discuss the various aspects of the business, financial and operational performance of the Group. Key matters affecting the Group are brought to the attention of the Audit Committee and are reported to the Board on a regular basis. Management also ensures that it has the knowledge of key market information in respect of the Group's products/performance and takes pro-active measures, as appropriate, in the best interests of the Group.

  o **Monitoring and Review**: There are processes for monitoring the system of internal controls and reporting any significant weaknesses together with details of corrective action. The system is reviewed on an ongoing basis by the Board (through the Audit Committee), management and Internal Auditors. Heads of Department are also actively involved in continually improving the control processes within their respective departments.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

ASSURANCE PROVIDED BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Group CEO and Group CFO have provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2019. Their review was performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control for the Group.

AAPG3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group. Based on the procedures performed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material respects, in accordance with the disclosure required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

CONCLUSION

The Board has taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report save for those mentioned above. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

This Statement was approved by the Board on 8 May 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements for each financial year. They are responsible for ensuring that these financial statements are properly drawn up in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company and the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have adopted suitable accounting policies and applied them consistently, and made estimates and judgements which are reasonable and prudent. The financial statements have been prepared on a going-concern basis. It is the duty of the Directors to review the appropriateness of the basis before adopting the financial statements and present them before the Annual General Meeting together with their Report and the Auditors' Report thereon.

The Directors are responsible for ensuring that proper accounting and other records are kept to sufficiently explain the transactions recorded. In preparing the financial statements, the Directors are required to exercise judgement to make certain estimates that are reasonable, prudent and relevant to be incorporated in the financial statements. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in business of investment holding and provision of management services to subsidiaries. The principal activities and details of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	217,948,272	32,643,840
Profit attributable to owners of the parent	217,948,272	32,643,840

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	RM
In respect of financial year ended 31 December 2018:	
Special single tier dividend of 2.0 sen per ordinary share, paid on 29 March 2019	9,556,095
In respect of financial year ended 31 December 2019:	
First interim single tier dividend of 1.5 sen per ordinary share, paid on 5 July 2019	7,167,073
Second interim single tier dividend of 1.5 sen per ordinary share, paid on 27 September 2019	7,167,073
Third interim single tier dividend of 1.0 sen per ordinary share, paid on 3 January 2020	10,081,411
	33,971,652

The Directors recommend a final single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019, which is subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT
(CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 480,158,452 ordinary shares to 1,008,350,870 ordinary shares by way of issuance of 528,192,418 new ordinary shares pursuant to the following:

(i) 24,008,000 ordinary shares by way of private placement at an exercise price of RM3.85 each for cash;

(ii) 504,166,452 ordinary shares by way of bonus issue on the basis of one (1) new ordinary share for every one (1) existing ordinary share held; and

(iii) 17,966 warrants exercised at an exercise price of RM1.65 each for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

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

TREASURY SHARES

As at 31 December 2019, the Company held 195,200 (2018: 2,353,700) of its issued ordinary shares as treasury shares out of its total 1,008,350,870 (2018: 480,158,452) ordinary shares. Such treasury shares are held at a carrying amount of RM225,702 (2018: RM5,347,049) and further details are disclosed in Note 19 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

WARRANTS 2019/2022

On 12 November 2019, the Company issued 168,022,058 free warrants on the basis of one (1) warrant for every three (3) existing ordinary shares.

The warrants were constituted under the Deed Poll dated 14 October 2019. 17,966 warrants are exercised during the financial year and the total number of warrants that remain unexercised is 168,004,092.

The salient terms of the Warrants are disclosed in Note 20 to the financial statements.

DIRECTORS

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

<u>Guan Chong Berhad</u>

Tay Hoe Lian*
Tay How Sik @ Tay How Sick*
Hia Cheng*
Dato Dr. Mohamad Musa Bin Md. Jamil
Datuk Tay Puay Chuan
Tan Ah Lai

*These Directors of the Company are also the Directors of subsidiaries of the Company.

DIRECTORS' REPORT (CONT'D)

DIRECTORS (CONT'D)

Subsidiaries of Guan Chong Berhad

Tay How Yeh
Tay See Min (f)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares				
	Balance as at 1.1.2019	Bought	Bonus issue	Sold	Balance as at 31.12.2019
Shares in the Company					
Direct interests:					
Dato Dr. Mohamad Musa Bin Md. Jamil	105,999	–	105,999	–	211,998
Tay Hoe Lian	12,865,791	–	12,865,791	–	25,731,582
Tay How Sik @ Tay How Sick	6,239,548	–	6,239,548	–	12,479,096
Hia Cheng	8,748,179	–	8,748,179	–	17,496,358
Datuk Tay Puay Chuan	60,000	–	30,000	(30,000)	60,000
Indirect interests:					
Dato Dr. Mohamad Musa Bin Md. Jamil[a]	29,079,999	–	29,079,999	–	58,159,998
Tay Hoe Lian[b]	251,480,469	3,653,000	255,133,469	–	510,266,938
Tay How Sik @ Tay How Sick[c]	60,000	–	60,000	–	120,000
Hia Cheng[d]	9,631,799	1,000,000	10,631,799	–	21,263,598
Shares in the ultimate holding company					
Guan Chong Resources Sdn. Bhd. ("GCR")					
Direct interests:					
Tay Hoe Lian	28,373	–	–	(9,373)	19,000
Tay How Sik @ Tay How Sick	13,934	–	–	–	13,934
Hia Cheng	5,000	–	–	–	5,000
Indirect interests:					
Tay Hoe Lian[e]	2,375	–	–	(2,375)	–

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows (Cont'd):

	< Number of warrants			>
	Balance as at 1.1.2019	**Allotted**	**Bought**	**Exercised**	**Balance as at 31.12.2019**
Warrants in the Company					
Direct interests:					
Dato Dr. Mohamad Musa Bin Md. Jamil	–	35,333	–	–	35,333
Tay Hoe Lian	–	4,288,595	–	–	4,288,595
Tay How Sik @ Tay How Sick	–	2,079,849	–	–	2,079,849
Hia Cheng	–	2,916,059	–	–	2,916,059
Datuk Tay Puay Chuan	–	10,000	–	–	10,000
Indirect interests:					
Dato Dr. Mohamad Musa Bin Md. Jamil[a]	–	9,693,333	–	–	9,693,333
Tay Hoe Lian[b]	–	85,044,489	–	–	85,044,489
Tay How Sik @ Tay How Sick[c]	–	20,000	–	–	20,000
Hia Cheng[d]	–	3,543,932	–	–	3,543,932

[a] Deemed interest by virtue of his shareholding in Misi Galakan Sdn. Bhd..

[b] Deemed interest by virtue of his shareholding in Guan Chong Resources Sdn. Bhd. and his wife, Yap Kim Hong's shareholding in the Company.

[c] Deemed interest by virtue of his daughter, Tay Jing Ye's shareholding in the Company.

[d] Deemed interest by virtue of his wife, Wong Saow Lai's and his daughter, Hia Sin Yee's shareholding in the Company.

[e] Deemed interest by virtue of his wife, Yap Kim Hong's shareholding in Guan Chong Cocoa Resources Sdn. Bhd.

By virtue of his interests in the ordinary shares of the Company and GCR, Tay Hoe Lian is also deemed to be interested in the ordinary shares of all the subsidiaries of the Company and GCR to the extent that the Company and GCR have an interest.

None of the other Director holding office at the end of the financial year held any interest in the ordinary shares and options over ordinary shares in the Company or ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company have received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the following:

(a) remuneration received by certain Directors as Directors of the Company and its subsidiaries as disclosed in Note 36 to the financial statements; and

(b) by virtue of transactions entered into in the ordinary course of business as disclosed in Note 36 to the financial statements.

DIRECTORS' BENEFITS (CONT'D)

There were no arrangements during and at the end of the financial years to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 36 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance amounted to RM17,267 during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

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

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

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of Company misleading or inappropriate.

DIRECTORS' REPORT
(CONT'D)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (CONT'D)

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of the significant events subsequent to the end of financial year are set out in Note 40 to the financial statements.

ULTIMATE HOLDING COMPANY

The Directors regard Guan Chong Resources Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 29 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....	....
Tay Hoe Lian	**Tay How Sik @ Tay How Sick**
Director	Director

Johor Bahru
8 May 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 56 to 143 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

....
Tay Hoe Lian
Director

....
Tay How Sik @ Tay How Sick
Director

Johor Bahru
8 May 2020

STATUTORY DECLARATION

I, Hia Cheng, being the Director primarily responsible for the financial management of Guan Chong Berhad, do solemnly and sincerely declare that the financial statements set out on pages 56 to 143 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Johor Bahru, Johor this)
8 May 2020)

Before me:

INDEPENDENT AUDITORS' REPORT

To The Members Of Guan Chong Berhad

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Guan Chong Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters of the Group

1) Carrying amount of inventories at lower of cost and net realisable value

As at 31 December 2019, the inventories of the Group of RM1,035,115,089 that mainly comprised of cocoa beans and related cocoa products. Details of the inventories have been disclosed in Note 14 to the financial statements.

We focused on the valuation of inventories, in particular write down of finished goods to net realisable values that mainly based on management estimates and subject to price volatility, which may result in valuation of inventories being misstated.

We determined this to be a key audit matter because the carrying amount of inventories may not be stated at the lower of cost and net realisable values.

INDEPENDENT AUDITORS' REPORT
To The Members Of Guan Chong Berhad
(CONT'D)

Key Audit Matters (Cont'd)

Key Audit Matters of the Group (Cont'd)

1) Carrying amount of inventories at lower of cost and net realisable value (Cont'd)

Audit response

Our audit procedures included the following:

(i) Obtained an understanding of the process implemented by management over the determination of lower of cost and net realisable value used in the valuation of inventories;

(ii) Analysed the inventories turnover period by comparing that to the assessment of management on the identification of slow moving and obsolete inventories; and

(iii) Assessed the appropriateness of inventories written down by verifying selling prices subsequent to the end of the reporting period.

2) Recoverability of trade receivables

As at 31 December 2019, the net carrying amount of trade receivables of the Group was RM338,553,018, as disclosed in Note 15 to the financial statements.

The Group has impaired trade receivables of RM2,124,437 during the financial year.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

Audit response

Our procedures included the following:

(i) Recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

(ii) Verified the level of cash received subsequent to the end of the reporting period for its effect in reducing the amounts outstanding as at the end of the reporting period; and

(iii) Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

Key Audit Matters of the Company

We have determined that there are no key audit matters to communicate in our report in respect of audit of the financial statements of the Company.

INDEPENDENT AUDITORS' **REPORT**
To The Members Of Guan Chong Berhad
(CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and of the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' **REPORT**
To The Members Of Guan Chong Berhad
(CONT'D)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (Cont'd):

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Sia Yeak Hong
03413/02/2021 J
Chartered Accountant

Johor Bahru
8 May 2020

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	481,687,228	447,849,722	–	–
Investment properties	9	22,233,622	23,295,751	–	–
Prepaid lease payments	10	10,720,551	10,186,582	–	–
Intangible assets	11	11,955,219	11,956,212	–	–
Investments in subsidiaries	12	–	–	120,992,530	120,992,530
Investments in associates	13	8,120,879	6,778,412	7,283,670	7,283,670
		534,717,499	500,066,679	128,276,200	128,276,200
Current assets					
Inventories	14	1,035,115,089	868,949,042	-	-
Trade and other receivables	15	412,331,514	328,456,482	91,959,358	868,164
Derivative financial assets	16	12,196,263	41,269,733	-	-
Current tax assets		652,804	609,571	6,067	6,529
Cash and bank balances	17	46,790,483	44,798,713	1,047,098	65,067
		1,507,086,153	1,284,083,541	93,012,523	939,760
TOTAL ASSETS		2,041,803,652	1,784,150,220	221,288,723	129,215,960
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	220,406,564	121,831,751	220,406,564	121,831,751
Treasury shares	19	(225,702)	(5,347,049)	(225,702)	(5,347,049)
Reserves	20	729,441,605	550,655,723	526,931	1,854,743
TOTAL EQUITY		949,622,467	667,140,425	220,707,793	118,339,445
LIABILITIES					
Non-current liabilities					
Borrowings	21	45,487,714	43,372,408	–	–
Lease liabilities	8	1,783,421	–	–	–
Deferred tax liabilities	23	44,250,656	35,784,542	–	–
Retirement benefits obligations	24	2,410,961	1,782,938	–	–
		93,932,752	80,939,888	–	–

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019
(CONT'D)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Current liabilities					
Trade and other payables	25	325,176,803	431,391,120	580,930	10,876,515
Derivative financial liabilities	16	9,403,954	33,028,988	–	–
Borrowings	21	637,225,812	558,994,818	–	–
Lease liabilities	8	2,101,698	–	–	–
Current tax liabilities		24,340,166	12,654,981	–	–
		998,248,433	1,036,069,907	580,930	10,876,515
TOTAL LIABILITIES		1,092,181,185	1,117,009,795	580,930	10,876,515
TOTAL EQUITY AND LIABILITIES		2,041,803,652	1,784,150,220	221,288,723	129,215,960

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	28	2,941,630,032	2,273,424,277	35,773,789	42,000
Cost of sales		(2,584,277,881)	(1,992,500,851)	–	–
Gross profit		357,352,151	280,923,426	35,773,789	42,000
Other income		64,634,945	66,357,453	–	1,750,452
Selling and distribution costs		(21,195,364)	(17,186,799)	–	–
Administrative expenses		(57,998,832)	(39,397,772)	(3,129,527)	(938,677)
Other expenses		(43,756,704)	(55,767,526)	(422)	(7,267)
Finance costs		(33,531,516)	(27,261,527)	–	–
Share of profit of associates, net of tax		1,355,943	1,054,438	–	–
Profit before tax	29	266,860,623	208,721,693	32,643,840	846,508
Tax expense	30	(48,912,351)	(18,607,020)	–	–
Profit for the financial year		217,948,272	190,114,673	32,643,840	846,508
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
- foreign currency translation	30(c)	(5,074,523)	9,037,457	–	–
- share of other comprehensive income of associates	30(c)	(13,476)	(1,960,142)	–	–
Items that will not be reclassified subsequently to profit or loss					
- remeasurement of employee benefits liability, net of tax	30(c)	(102,739)	63,552	–	–
Total other comprehensive (loss)/income, net of tax		(5,190,738)	7,140,867	–	–
Total comprehensive income		212,757,534	197,255,540	32,643,840	846,508

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

(CONT'D)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Profit attributable to owners of the parents		217,948,272	190,114,673	32,643,840	846,508
Total comprehensive income attributable to owners of the parent		212,757,534	197,255,540	32,643,840	846,508
Earnings per ordinary share attributable to owners of the parent (sen):					
- Basic	31	22.51	19.89		
- Diluted	31	20.95	19.89		

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

STATEMENTS OF **CHANGES IN EQUITY**

For The Financial Year Ended 31 December 2019

Group	Note	Share capital RM	Treasury shares RM	Foreign exchange translation reserve RM	Retained earnings RM	Total equity RM
		< --------------- Non-Distributable		--------------- >	Distributable	
Balance as at 1 January 2019		121,831,751	(5,347,049)	44,150,775	506,504,948	667,140,425
Profit for the year		–	–	–	217,948,272	217,948,272
Other comprehensive income/(loss) for the year:						
- foreign currency translation differences		–	–	(5,074,523)	–	(5,074,523)
- remeasurement of post-employment benefit obligation, net of tax		–	–	–	(102,739)	(102,739)
- share of other comprehensive loss from associates		–	–	(13,476)	–	(13,476)
Total comprehensive income, net of tax		–	–	(5,087,999)	217,845,533	212,757,534
Transactions with owners						
Disposal of treasury shares	19	6,114,369	5,121,347	–	–	11,235,716
Dividends paid	32	–	–	–	(33,971,652)	(33,971,652)
Issuance of ordinary shares	18	92,460,444	–	–	–	92,460,444
Total transactions with owners		98,574,813	5,121,347	–	(33,971,652)	69,724,508
Balance as at 31 December 2019		220,406,564	(225,702)	39,062,776	690,378,829	949,622,467
Balance as at 1 January 2018		121,831,751	(5,194,748)	37,073,460	325,882,818	479,593,281
Profit for the year		–	–	–	190,114,673	190,114,673
Other comprehensive income/(loss) for the year:						
- foreign currency translation differences		–	–	9,037,457	–	9,037,457
- remeasurement of post-employment benefit obligation, net of tax		–	–	–	63,552	63,552
- share of other comprehensive loss from associates				(1,960,142)	–	(1,960,142)
Total comprehensive income, net of tax		–	–	7,077,315	190,178,225	197,255,540
Transactions with owners						
Dividends paid	32	–	–	–	(9,556,095)	(9,556,095)
Purchase of treasury shares	19	–	(152,301)	–	–	(152,301)
Total transactions with owners		–	(152,301)	–	(9,556,095)	(9,708,396)
Balance as at 31 December 2018		121,831,751	(5,347,049)	44,150,775	506,504,948	667,140,425

STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2019 (CONT'D)

Company	Note	< -------- Non-distributable -------- > Share capital RM	Treasury shares RM	Distributable Retained earnings RM	Total RM
Balance as at 1 January 2018		121,831,751	(5,194,748)	10,564,330	127,201,333
Profit for the financial year		–	–	846,508	846,508
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive profit, net of tax		–	–	846,508	846,508
Transactions with owners					
Dividends paid	32	–	–	(9,556,095)	(9,556,095)
Purchase of treasury shares	19	–	(152,301)	–	(152,301)
Total transactions with owners		–	(152,301)	(9,556,095)	(9,708,396)
Balance as at 31 December 2018/ Balance as at 1 January 2019		121,831,751	(5,347,049)	1,854,743	118,339,445
Profit for the financial year		–	–	32,643,840	32,643,840
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive profit, net of tax		–	–	32,643,840	32,643,840
Transactions with owners					
Disposal of treasury shares	19	6,114,369	5,121,347	–	11,235,716
Dividends paid	32	–	–	(33,971,652)	(33,971,652)
Issuance of ordinary shares	18	92,460,444	–	–	92,460,444
Total transaction with owners		98,574,813	5,121,347	(33,971,652)	69,724,508
Balance as at 31 December 2019		220,406,564	(225,702)	526,931	220,707,793

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

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		266,860,623	208,721,693	32,643,840	846,508
Adjustments for:					
Amortisation of:					
- leasehold land	10	566,530	547,330	–	–
- warehouse	10	52,600	259,191	–	–
- intangible asset	11	887	856	–	–
Bad debts written off		923,998	8,083	–	7,267
Depreciation of:					
- property, plant and equipment	7	31,427,933	25,999,541	–	–
- investment properties	9	1,004,531	996,061	–	–
(Gain)/Loss on disposals of property, plant and equipment		(1,496,641)	96,772	–	–
Impairment loss on:					
- trade receivables	15(h)	2,124,437	14,436,458	–	–
- other receivables	15(h)	12,428	–	–	–
Increase in defined benefit obligation	24(d)	517,396	175,515	–	–
Interest expense		33,531,516	27,261,527	–	–
Interest income		(624,853)	(444,922)	–	–
Inventories written down	14(b)	4,347,995	7,931,810	–	–
Net fair value loss/(gain) on derivatives	16(d)	5,448,436	(21,680,426)	–	–
Property, plant and equipment written off		–	34	–	–
Reversal of impairment loss on:					
- property, plant and equipment	7	(100,054)	–	–	–
- trade receivables	15(h)	(3,160,885)	(82,860)	–	–
- other receivables	15(h)	–	(12,143)	–	–
Share of profit of associates		(1,355,943)	(1,054,438)	–	–
Unrealised (gain)/loss on foreign exchange translations		(10,030,694)	(7,369,779)	127	(1,367,016)
Operating profit/(loss) before changes in working capital		330,050,240	255,790,303	32,643,967	(513,241)
Inventories		(177,117,636)	(7,044,023)	–	–
Trade and other receivables		(92,858,133)	(78,485,312)	(91,552,544)	(5,656,955)
Trade and other payables		(92,693,404)	163,171,497	(10,295,585)	20,213,548
Net cash (used in)/generated from operations		(32,618,933)	333,432,465	(69,204,162)	(14,043,352)

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2019 (CONT'D)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Net cash (used in)/generated from operations carried forward		(32,618,933)	333,432,465	(69,204,162)	(14,043,352)
Interest paid		(33,273,104)	(27,261,527)	–	–
Interest received		624,853	444,922	–	–
Tax paid		(30,550,438)	(8,270,734)	(2,905)	(3,080)
Tax refunded		2,118,392	4,196,813	3,367	6,800
Net cash (used in)/from operating activities		(93,699,230)	302,541,939	(69,203,700)	14,047,072
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances from/(to) ultimate holding company		461,223	(4,300,606)	461,223	(4,300,606)
Payment of sub-leases of warehouses	10	–	(123,738)	–	–
Proceeds from disposals of property, plant and equipment		1,872,188	2,839,139	–	–
Purchase of property, plant and equipment	7(b)	(64,401,666)	(97,588,962)	–	–
Net cash used in investing activities		(62,068,255)	(99,174,167)	461,223	(4,300,606)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	32	(33,971,652)	(9,556,095)	(33,971,652)	(9,556,095)
Net movements in borrowings		90,544,915	(189,549,113)	–	–
Net placement of fixed deposits pledged		(277,374)	(455,092)	–	–
Proceeds from issuance of new shares	18	92,460,444	–	92,460,444	–
Proceeds from disposal of treasury shares	19	11,235,716	–	11,235,716	–
Repayments of lease liabilities	8	(2,366,108)	–	–	–
Share repurchased	19	–	(152,301)	–	(152,301)
Net cash from/(used in) financing activities		157,625,941	(199,712,601)	69,724,508	(9,708,396)
Net increase in cash and cash equivalents		1,858,456	3,655,171	982,031	38,070
Effects of exchange rate changes on cash and cash equivalents		(144,060)	764,556	–	–
Cash and cash equivalents at beginning of financial year		31,358,107	26,938,380	65,067	26,997
Cash and cash equivalents at end of financial year	17(d)	33,072,503	31,358,107	1,047,098	65,067

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2019
(CONT'D)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities Group (Note 8)		Borrowings Group (Note 21)	
	2019 RM	2018 RM	2019 RM	2018 RM
At beginning of year, as previously reported	–	–	602,367,226	787,305,682
Effect of adoption of MFRS 16	5,887,670	–	(881,469)	–
At beginning of year, as restated	5,887,670	–	601,485,757	787,305,682
Cash flows	(2,366,108)	–	90,544,915	(189,549,113)
Non-cash flows:				
- Additions of property, plant and equipment	108,533	–	–	923,000
- Effect of foreign exchange	(3,388)	–	(9,317,146)	3,687,657
- Unwinding of interest	258,412	–	–	–
At end of year	3,885,119	–	682,713,526	602,367,226

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. CORPORATE INFORMATION

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

The registered office of the Company is located at No.7 (1st Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor Darul Takzim.

The principal place of business is located at PLO 273, Jalan Timah 2, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim.

The ultimate holding company of the Company is Guan Chong Resources Sdn. Bhd., which is incorporated in Malaysia.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries and interests of the Group in associates. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the Company's functional currency.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 8 May 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services to subsidiaries. The principal activities and details of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 56 to 143 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 5 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates are eliminated to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(a) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in associate or jointly venture.

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Other contingent consideration that:

 (i) is within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9.

 (ii) is not within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profits or loss.

Components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value, or at the present ownership instruments' proportionate share in the recognised amounts of the acquire identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Business combinations (Cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. The accounting policy for goodwill is set out in Note 4.8 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the item and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and rates are as follows:

Factory buildings and renovation	5 years to 50 years
Plant, machineries, tools and equipment	5% - 12.5%
Motor vehicles	16% - 20%
Furniture, fittings and office equipment	5% - 14%

Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress represents machineries and software systems under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Leases

Current financial year - Accounting policies applied from 1 January 2019

The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

Factory buildings and renovation	2-3 years
Leasehold land	43-60 years
Motor vehicles	3-5 years
Prepaid lease payments	25-34 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Leases (Cont'd)

Current financial year - Accounting policies applied from 1 January 2019 (Cont'd)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest in the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group as a lessor

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

Previous financial year - Accounting policies applied until 31 December 2018

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit and loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Leases (Cont'd)

Previous financial year - Accounting policies applied until 31 December 2018 (Cont'd)

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair value of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.6 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the investment properties are acquired, if applicable.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investments properties ranges between thirteen (13) and forty-three (43) years.

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an item of the investment properties is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Investment properties (Cont'd)

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

4.7 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment loss, if any. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the separate financial statements of the Company, an investment in associate is stated at cost less any impairment losses.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investments of the Group.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the net investment in the associate of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Investments (Cont'd)

(b) Associates (Cont'd)

The share of the profit or loss of the associate by the Group during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the proportionate interest of the Group in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The share of those changes by the Group is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the interest of the Group in the associate to the extent that there is no impairment.

When the share of losses of the Group in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.8 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Intangible assets (Cont'd)

(a) Goodwill (Cont'd)

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the share of the net fair value of net assets of the associates' identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associate's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Intangible assets (Cont'd)

(b) Other intangible assets (Cont'd)

Trademark

Acquired trademark have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademark over its estimated useful lives of fifteen (15) years.

4.9 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and associates) and inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that has an indefinite useful life is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. The cost of raw materials comprises all cost of purchase plus other costs incurred in bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

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

4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is recognised separately from the host contract where the host contact is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contact is not measured at fair value through profit or loss. The host contact, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contact.

(a) Financial assets

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss (FVTPL), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of any impairment losses if any.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income (FVTOCI), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequently to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less and are used by the Group in the management of its short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (Cont'd)

(b) Financial liabilities

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivatives liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss except for the Group's own credit risk increase or decrease which is recognised in other comprehensive income. Net gain or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these insurance contracts as recognised insurance liabilities 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

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

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statements of financial position.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.12 Impairment of financial assets

The Group and the Company applies the simplified approach to measure expected credit loss ("ECL"). This entails recognising a lifetime expected loss allowance for all trade receivables.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

The Group considers credit loss experience and observable data such as current changes and futures forecasts in economic conditions of the Group's industry to the financial statements to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

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 statements 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Income taxess (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 each 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.

NOTES TO THE FINANCIAL STATEMENTS
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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 a contingent liability but discloses its 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Employee benefits (Cont'd)

(c) Defined benefit plans (Cont'd)

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 oblgation.

(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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Employee benefits (Cont'd)

(c) Defined benefit plans (Cont'd)

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.

4.18 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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) Dividend income

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

(b) Rental income

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

(c) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS
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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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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
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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, under which the Group has chosen to measure the right-of-use asset equals to the lease liability at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The range of incremental borrowing rates of the Group applied to the lease liabilities on 1 January 2019 were between 4.39% to 7.43%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

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

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

MFRS 16 *Leases* (Cont'd)

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;

(c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;

(d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact on transition to MFRS 16 of the Group is summarised below:

Group	Note	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment		447,849,722	(990,594)	446,859,128
Right-of-use assets				
- Factory buildings and renovations		–	3,759,602	3,759,602
- Motor vehicles		–	990,594	990,594
Property, plant and equipment		447,849,722	3,759,602	451,609,324
Prepaid lease payment		10,186,582	1,246,599	11,433,181
Borrowings		(602,367,226)	881,469	(601,485,757)
Lease liabilities	(a)	–	(5,887,670)	(5,887,670)

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

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

MFRS 16 *Leases* (Cont'd)

(a) Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117 (Note 26(a))	5,850,628
Sub-lease rental commitments at 31 December 2018 as disclosed under MFRS 117 (Note 26(b))	494,952
	6,345,580
Weighted average incremental borrowing rate as at 1 January 2019	5.53%
Discounted operating lease commitments as at 1 January 2019	6,147,360
Finance lease liabilities recognised as at 31 December 2018	881,469
Recognition exemption for leases with less than 12 months of lease term at transition	(2,704,142)
Extension options reasonably certain to be exercised	1,562,983
Lease liabilities recognised at 1 January 2019 (Note 8)	5,887,670

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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
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
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	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

We focused on the valuation of inventories, in particular write down of finished goods to net realisable values that mainly based on management estimates and subject to price volatility, which may result in 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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7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Leasehold land RM	Factory buildings and renovation: Owned RM	Factory buildings and renovation: Right-of-use assets RM	Plant, machineries, tools and equipment RM	Motor vehicles: Owned RM	Motor vehicles: Right-of-use assets RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
Group										
Cost										
Balance as at 1 January 2019	19,279,165	4,929,279	173,738,306	–	421,142,788	12,792,678	–	14,475,579	52,981,715	699,339,510
Effect of adoption of MFRS 16	–	–	–	3,759,602	–	(1,032,039)	1,032,039	–	–	3,759,602
Additions	21,068,529	5,698,658	1,132,806	38,548	16,364,200	1,612,036	96,343	2,200,693	16,298,386	64,510,199
Disposals	–	–	–	–	(306,500)	(380,265)	–	(67,798)	–	(754,563)
Reclassification	–	–	2,884,335	–	59,428,452	–	–	323,700	(62,636,487)	–
Translation differences	(227,224)	(25,099)	(1,291,632)	(5,488)	(2,379,936)	(71,438)	(1,153)	(89,041)	(4,153)	(4,095,164)
Balance as at 31 December 2019	40,120,470	10,602,838	176,463,815	3,792,662	494,249,004	12,920,972	1,127,229	16,843,133	6,639,461	762,759,584
Accumulated depreciation										
Balance as at 1 January 2019	–	(1,325,204)	(34,575,240)	–	(195,987,613)	(10,308,267)	–	(6,981,055)	–	(249,177,379)
Effect of adoption of MFRS 16	–	–	–	–	–	41,445	(41,445)	–	–	–
Charge for the financial year	–	(305,558)	(4,806,870)	(1,923,933)	(22,795,232)	(569,373)	(169,944)	(857,023)	–	(31,427,933)
Disposals	–	–	–	–	77,255	243,265	–	58,496	–	379,016
Translation differences	–	209	283,017	2,299	979,391	68,961	58	32,360	–	1,366,295
Balance as at 31 December 2019	–	(1,630,553)	(39,099,093)	(1,921,634)	(217,726,199)	(10,523,969)	(211,331)	(7,747,222)	–	(278,860,001)
Accumulated impairment losses										
Balance as at 1 January 2019	–	–	–	–	(2,312,409)	–	–	–	–	(2,312,409)
Reversal	–	–	–	–	100,054	–	–	–	–	100,054
Balance as at 31 December 2019	–	–	–	–	(2,212,355)	–	–	–	–	(2,212,355)
Net carrying amount										
Balance as at 31 December 2019	40,120,470	8,972,285	137,364,722	1,871,028	274,310,450	2,397,003	915,898	9,095,911	6,639,461	481,687,228

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

	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
Group								
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

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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:

	2019 RM	2018 RM
Motor vehicles	–	990,594

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

	Group	
	2019 RM	2018 RM
Additions of property, plant and equipment	64,510,199	98,511,962
Financed under lease/hire purchase arrangements	(108,533)	(923,000)
Cash outflow for acquisition of property, plant and equipment	64,401,666	97,588,962

(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 21 to the financial statements at the end of the reporting period are as follows:

	Group	
	2019 RM	2018 RM
Certain freehold land, leasehold land, factory buildings and renovation, and plant and machinery	124,626,309	133,484,528

8. LEASES

The Group as lessee

Right-of-use assets

Rights-of-use assets related to leased properties, motor vehicles and plant, machinery and equipment that do not meet the definition of investment property are presented as property, plant and equipment and prepaid lease payments.

Right-of-use assets are analysed as follows:

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 5) RM	Additions RM	Depreciation RM	Translation difference RM	Balance as at 31.12.2019 RM
Leasehold land (Note 7)	3,604,075	–	5,698,658	(305,558)	(24,890)	8,972,285
Factory buildings and renovation (Note 7)	–	3,759,602	38,548	(1,923,933)	(3,189)	1,871,028
Motor vehicles (Note 7)	–	990,594	96,343	(169,944)	(1,095)	915,898
Prepaid lease payments (Note 10)	10,186,582	1,246,599	–	(619,130)	(93,500)	10,720,551
	13,790,657	5,996,795	5,833,549	(3,018,565)	(122,674)	22,479,762

Lease liabilities

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 5) RM	Additions RM	Lease payments RM	Interest expense RM	Translation difference RM	Balance as at 31.12.2019 RM
Factory buildings and renovation	–	3,759,602	38,548	(2,034,289)	159,289	(2,662)	1,920,488
Motor vehicles	–	881,469	69,985	(208,081)	35,986	(726)	778,633
Prepaid lease payments	–	1,246,599	–	(123,738)	63,137	–	1,185,998
	–	5,887,670	108,533	(2,366,108)	258,412	(3,388)	3,885,119

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8. LEASES (CONT'D)

The Group as lessee (Cont'd)

Lease liabilities (Cont'd)

	2019 RM
Represented by:	
Current liabilities	2,101,698
Non-current liabilities	1,783,421
	3,885,119
Lease liabilities owing to financial institutions	778,633
Lease liabilities owing to non-financial institutions	3,106,486
	3,885,119

(a) The Group has certain leases of hostel and machineries with lease term of 12 months or less. The Group applies the "short-term lease" exemption for these leases.

(b) The following are the amounts recognised in profit or loss:

	Group 2019 RM
Depreciation charge of right-of-use assets	3,018,565
Interest expense on lease liabilities	258,412
Expense relating to short-term leases (included in cost of sales and administration expenses)	4,673,139
	7,950,116

(c) The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

8. LEASES (CONT'D)

The Group as lessee (Cont'd)

(d) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

Group	Weighted average incremental borrowing rate per annum %	Within 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM	Total RM
31 December 2019						
Lease liabilities						
Fixed rates	4.65	199,770	232,433	346,430	–	778,633
Floating rates	5.53	1,901,928	150,176	113,541	940,841	3,106,486
		2,101,698	382,609	459,971	940,841	3,885,119

(e) The table below summarises the maturity profile of the lease liabilities of the Group at the end of each reporting period based on contractual undiscounted repayment obligations:

As at 31 December 2019	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Lease liabilities	2,309,660	1,082,846	1,817,340	5,209,846

The Group as lessor

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 2019 RM	Group 2018 RM
Not later than one (1) year	2,600,762	1,339,178
Later than one (1) year and not later than five (5) years	3,575,746	164,033
Later than five (5) years	249,938	–
	6,426,446	1,503,211

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9. INVESTMENT PROPERTIES

	Group 2019 RM	Group 2018 RM
Cost		
Balance as at 1 January	27,446,483	27,279,774
Translation differences	(81,000)	166,709
Balance as at 31 December	27,365,483	27,446,483
Accumulated depreciation		
Balance as at 1 January	(4,150,732)	(3,110,167)
Charge for the financial year	(1,004,531)	(996,061)
Translation differences	23,402	(44,504)
Balance as at 31 December	(5,131,861)	(4,150,732)
Net carrying amount		
Balance as at 31 December	22,233,622	23,295,751

(a) The investment properties consist of the following:

	Group 2019 RM	Group 2018 RM
Freehold land and buildings	3,926,246	4,147,071
Leasehold office	1,596,631	1,701,762
Leasehold land and buildings	16,710,745	17,446,918
	22,233,622	23,295,751

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

	Group 2019 RM	Group 2018 RM
Quit rent and assessment		
- generating rental income	76,458	64,833
Insurance		
- generating rental income	39,035	39,006

(c) The fair value of the investment properties of approximately RM24,500,000 (2018: RM25,760,278) 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.

9. INVESTMENT PROPERTIES (CONT'D)

(d) Investment properties with an aggregate carrying amount of RM3,926,246 (2018: RM4,147,071) are charged to a financial institution for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

10. PREPAID LEASE PAYMENTS

Group Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 5) RM	Amortisation charge for the financial year RM	Translation differences RM	Balance as at 31.12.2019 RM
Sub-leases of warehouse	541,794	1,246,599	(52,600)	–	1,735,793
Leasehold land	9,644,788	–	(566,530)	(93,500)	8,984,758
	10,186,582	1,246,599	(619,130)	(93,500)	10,720,551

	< ------------------ At 31.12.2019		------------------ >
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Sub-leases of warehouse	2,825,157	(1,089,364)	1,735,793
Leasehold land	14,140,963	(5,156,205)	8,984,758
	16,966,120	(6,245,569)	10,720,551

Group Carrying amount	Balance as at 1.1.2018 RM	Amortisation charge for the financial year RM	Payment of sub-lease rental RM	Translation differences RM	Balance as at 31.12.2018 RM
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

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11. INTANGIBLE ASSETS

Group **At 31 December 2019**	**Goodwill** **RM**	**Trademark** **RM**	**Total** **RM**
Cost			
At beginning of financial year	11,944,983	13,297	11,958,280
Translation differences	–	(138)	(138)
At end of financial year	11,944,983	13,159	11,958,142
Accumulated amortisation			
At beginning of financial year	–	(2,068)	(2,068)
Charge for the financial year	–	(887)	(887)
Translation differences	–	32	32
At end of financial year	–	(2,923)	(2,923)
Net carrying amount	11,944,983	10,236	11,955,219

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

(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	
	2019 **RM**	**2018** **RM**
Indonesia	6,521,533	6,521,533
United States	5,423,450	5,423,450
	11,944,983	11,944,983

11. 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	
	2019	**2018**
	%	**%**
Sales growth rates		
Indonesia	1	1
United States	1	1
Pre-tax discount rate	7.4	6.9

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 2019 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.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	**2018**
	RM	**RM**
At cost		
Unquoted equity shares		
At beginning/end of financial year	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	52,274,417
	120,992,530	120,992,530

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12. 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 (2018: RM52,274,417) 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 2019 %	2018 %	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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12. 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 2019 %	Effective interest in equity 2018 %	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	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) In the previous financial year, the Group has acquired 100% equity interest in newly incorporated GCBCCI. Upon incorporation, GCBCCI became a subsidiary of the Group.

13. INVESTMENTS IN ASSOCIATES

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 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	837,209	(505,258)	–	–
	8,120,879	6,778,412	7,283,670	7,283,670

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(CONT'D)

13. INVESTMENTS IN ASSOCIATES (CONT'D)

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

Name of companies	Country of incorporation	Effective interest in equity 2019 %	2018 %	Principal activities
SMC Food21 Malaysia Sdn. Bhd. ("SMC")^	Malaysia	20.00	20.00	Production of blended cocoa-derived food ingredients.
Fuji Global Chocolate (M) Sdn. Bhd. ("FGC") (formerly known as GCB Specialty Chocolates Sdn. Bhd.)^	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 and FGC based on unaudited financial statements as at 31 December 2019. The summarised unaudited financial information for the associate is as follows:

	SMC		FGC	
	2019 RM	2018 RM	2019 RM	2018 RM
Assets and liabilities				
Current assets	57,591,371	77,237,967	33,082,040	28,723,748
Non-current assets	54,842,220	59,549,328	53,951,539	54,886,266
Total assets	112,433,591	136,787,295	87,033,579	83,610,014
Current liabilities	77,947,127	95,753,645	55,594,661	55,375,264
Non-current liabilities	18,390,936	24,473,158	15,957,484	17,926,145
Total liabilities	96,338,063	120,226,803	71,552,145	73,301,409
Results				
Revenue	169,052,673	149,366,506	68,076,030	67,300,830
(Loss)/Profit for the financial year	(397,584)	1,753,545	5,172,830	2,535,959
Other comprehensive loss	(67,381)	(2,524,160)	–	(5,244,361)
	(464,965)	(770,615)	5,172,830	(2,708,402)

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

13. INVESTMENTS IN ASSOCIATES (CONT'D)

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

	SMC		GCBSC	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Share of net assets of the Group	3,219,106	3,312,099	4,296,098	2,860,638
Goodwill	605,675	605,675	–	–
Carrying amount in the statements of financial position	3,824,781	3,917,774	4,296,098	2,860,638
Share of results for the financial year				
Share of (loss)/profit	(79,517)	350,709	1,435,460	703,729
Share of other comprehensive (loss)/ income	(13,476)	(504,832)	–	(1,455,310)
Share of total comprehensive (loss)/ income	(92,993)	(154,123)	1,435,460	(751,581)

14. INVENTORIES

	Group	
	2019 RM	**2018 RM**
At cost		
Raw materials	781,387,659	668,076,585
Work-in-progress	18,434,182	10,078,989
Finished goods	188,683,908	125,404,435
Packaging materials	5,951,509	4,481,903
Stores and supplies	15,343,559	10,696,250
	1,009,800,817	818,738,162
At net realisable value		
Finished goods	25,314,272	50,210,880
	1,035,115,089	868,949,042

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM2,431,648,472 (2018: RM1,875,365,407).

(b) During the financial year, the Group had written down inventories of RM4,347,995 (2018: RM7,931,810) in cost of sales.

(c) Inventories with carrying amounts of RM83,083,692 (2018: RM95,193,419) are held as security by way of floating charge for the Group's banking facilities as disclosed in Note 21 to the financial statements.

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15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Third parties	361,040,407	320,390,377	–	–
Amounts owing by associates	2,475,842	3,969,079	–	–
Amounts owing by a related party	2,326,019	–	–	–
Amounts owing by a subsidiary	–	–	295,072	307,072
	365,842,268	324,359,456	295,072	307,072
Less: Allowance for impairment losses	(27,289,250)	(28,423,003)	(265,072)	(265,072)
	338,553,018	295,936,453	30,000	42,000
Other receivables				
Sundry receivables	23,205,920	15,126,625	–	–
Amount owing by a related party	190,253	790,800	–	–
Amount owing by a subsidiary	–	–	91,566,917	–
Amount owing by ultimate holding company	358,440	819,664	358,441	819,664
	23,754,613	16,737,089	91,925,358	819,664
Less: Allowance for impairment losses	(3,533,638)	(3,558,353)	–	–
	20,220,975	13,178,736	91,925,358	819,664
Subtotal	358,773,993	309,115,189	91,955,358	861,664
Deposits and prepayments				
Deposits	48,068,485	16,165,236	4,000	6,500
Prepayments	5,489,036	3,176,057	–	–
	53,557,521	19,341,293	4,000	6,500
Grand total	412,331,514	328,456,482	91,959,358	868,164

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 30 days to 120 days (2018: 30 days to 120 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

(b) Trade amounts owing by associates are non-interest bearing and the normal trade credit terms is 30 days (2018: 30 days).

(c) Trade amount owing by a related party is non-interest bearing and the normal trade credit terms ranges from 30 days to 60 days (2018: 30 days to 60 days).

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

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

15. 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	
	2019 RM	2018 RM	2019 RM	2018 RM
British Pound	169,650,284	138,175,334	–	–
United States Dollar	150,090,750	142,147,545	12,525	–
Indonesian Rupiah	22,113,624	11,162,663	–	–
Ringgit Malaysia	11,979,289	16,894,173	91,942,833	861,664
Euro	4,741,707	455,298	–	–
Singapore Dollar	198,339	280,176	–	–
	358,773,993	309,115,189	91,955,358	861,664

(g) Lifetime expected loss provision for trade receivables of the Group and of the Company are as follows:

Group **As at 31 December 2019**	**Gross carrying amount** **RM**	**Lifetime ECL** **RM**	**Carrying amount** **RM**
Not past due	216,141,371	(434,400)	215,706,971
Past due:			
1 to 30 days	56,347,435	(351,588)	55,995,847
31 to 60 days	35,912,917	(433,645)	35,479,272
61 to 90 days	6,675,831	(160,830)	6,515,001
Over 90 days	34,671,197	(9,815,270)	24,855,927
	133,607,380	(10,761,333)	122,846,047
Individual assessment	16,093,517	(16,093,517)	–
	365,842,268	(27,289,250)	338,553,018
As at 31 December 2018			
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

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15. TRADE AND OTHER RECEIVABLES (CONT'D)

(g) Lifetime expected loss provision for trade receivables of the Group and of the Company are as follows (Cont'd):

Company **As at 31 December 2019**	**Gross carrying amount** **RM**	**Lifetime ECL** **RM**	**Carrying amount** **RM**
Not past due	30,000	–	30,000
Individual assessment	265,072	(265,072)	–
	295,072	(265,072)	30,000
As at 31 December 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.

(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**	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Trade receivables				
At 1 January	28,423,003	13,937,928	265,072	265,072
Charge for the financial year	2,124,437	14,436,458	–	–
Reversal	(3,160,885)	(82,860)	–	–
Written off	–	(120,465)	–	–
Translation differences(97,305)	251,942	–	–	
At 31 December	27,289,250	28,423,003	265,072	265,072
Other receivables (individually impaired)				
At 1 January	3,558,353	3,494,357	–	7,355,960
Charge for the financial year	12,428	–	–	–
Reversal	–	(12,143)	–	–
Written off	–	–	–	(7,355,960)
Translation differences(37,143)	76,139	–	–	
At 31 December	3,533,638	3,558,353	–	–

15. TRADE AND OTHER RECEIVABLES (CONT'D)

(i) Included in deposits of the Group for the current financial year is an amount of RM14,669,312 paid in respect to the acquisition of a subsidiary as disclosed in Note 40(a) to the financial statements.

(j) Information on financial risks of trade and other receivables is disclosed in Note 39 to the financial statements.

16. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Contract/ Notional amount RM	Assets RM	Liabilities RM
2019			
Group			
Commodity futures contracts	(316,554,204)	10,660,391	(4,504,810)
Commodity option contracts	73,835,661	1,411,974	(636,805)
Foreign currency forward contracts	99,321,722	123,898	(1,275,811)
Foreign currency option contracts	24,558,000	–	(2,986,528)
	(118,838,821)	12,196,263	(9,403,954)
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)

(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 and option contracts

The Group uses forward currency contracts and forward currency option 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 (2018: 1 to 6 months).

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

(c) Interest rate swaps

In the previous financial year, the Group used 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, pays a fixed rate of interest of 4.10% and matures on 1 March 2019.

(d) During the financial year, the Group recognised a total fair value loss of RM5,448,436 (2018: fair value gain of RM21,680,426) 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 38(d) to the financial statements.

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

	Group	
	2019 RM	2018 RM
Derivative financial assets		
British Pound	2,420,166	15,304,269
United States Dollar	9,776,097	25,965,464
	12,196,263	41,269,733
Derivative financial liabilities		
British Pound	(5,965,474)	(9,781,732)
United States Dollar	(3,438,480)	(23,247,256)
	(9,403,954)	(33,028,988)

(f) Information on financial risks of derivative financial assets/liabilities is disclosed in Note 39 to the financial statements.

17. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	33,072,503	31,358,107	1,047,098	65,067
Deposits with licensed banks	13,717,980	13,440,606	–	–
	46,790,483	44,798,713	1,047,098	65,067

(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 (2018: twelve months).

(b) As at the end of reporting period, the deposits placed with licensed banks of the Group amounting to RM13,717,980 (2018: RM13,440,606) has been charged to financial institutions as security for credit facilities granted to the Group as disclosed in Note 21 to the financial statements.

17. CASH AND BANK BALANCES (CONT'D)

(c) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
United States Dollar	33,487,969	30,330,436	–	–
Indonesian Rupiah	5,885,553	4,865,206	–	–
Ringgit Malaysia	3,683,036	4,368,600	1,047,098	65,067
British Pound	1,276,354	2,718,222	–	–
Singapore Dollar	382,923	720,643	–	–
Euro	31,330	1,791,992	–	–
Others	2,043,318	3,614	–	–
	46,790,483	44,798,713	1,047,098	65,067

(d) 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Cash and bank balances	33,072,503	31,358,107	1,047,098	65,067
Deposits with licensed banks	13,717,980	13,440,606	–	–
	46,790,483	44,798,713	1,047,098	65,067
Less: Deposits pledged to licensed banks	(13,717,980)	(13,440,606)	–	–
	33,072,503	31,358,107	1,047,098	65,067

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

(f) Information on financial risks of cash and bank balances is disclosed in Note 39 to the financial statements.

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18. SHARE CAPITAL

	Group and Company			
	2019		2018	
	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	121,831,751
Issuance of ordinary shares pursuant to:				
- Private placement	24,008,000	92,430,800	–	–
- Bonus issue	504,166,452	–	–	–
- Warrant exercised	17,966	29,644	–	–
	528,192,418	92,460,444	–	–
Disposal of treasury shares in open market	–	6,114,369	–	–
At end of financial year	1,008,350,870	220,406,564	480,158,452	121,831,751

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 480,158,452 ordinary shares to 1,008,350,870 ordinary shares by way of issuance of 528,192,418 new ordinary shares pursuant to the following:

(i) 24,008,000 ordinary shares by way of private placement at an exercise price of RM3.85 each for cash;

(ii) 504,166,452 ordinary shares by way of bonus issue on the basis of one (1) new ordinary shares for every one (1) existing ordinary shares held; and

(iii) 17,966 warrants exercised at an exercise price of RM1.65 each for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) 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.

19. TREASURY SHARES

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Ordinary shares				
At beginning of financial year	2,353,700	5,347,049	2,240,700	5,194,748
Disposal in open market	(2,256,100)	(5,121,347)	–	–
Bonus issue	97,600	–	–	–
Purchase of treasury shares	–	–	113,000	152,301
At end of financial year	195,200	225,702	2,353,700	5,347,049

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 resold 2,256,100 shares in the Company in the open market on Bursa Malaysia Securities Berhad at the average price of RM4.98 per ordinary share with total proceeds of RM11,235,716.

In the previous 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.

20. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable				
Foreign currency translation reserve	39,062,776	44,150,775	–	–
Distributable				
Retained earnings	690,378,829	506,504,948	526,931	1,854,743
	729,441,605	550,655,723	526,931	1,854,743

(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. RESERVES (CONT'D)

(c) Warrants

During the financial year, the Company issued 168,022,058 free warrants on the basis of one (1) warrant for every three (3) existing ordinary shares held in the Company. The warrants were listed on the Main Market of Bursa Malaysia Securities on 12 November 2019.

The warrant issued are constituted by a Deed Poll dated 14 October 2019.

The salient features of the warrants are as follows:

(i) Each warrants entitles the registered holder at any time during the exercise period to subscribe for one new ordinary shares in the Company at an exercise price of RM1.65.

(ii) The warrants shall be exercisable at any time within the period commencing from and inclusive the date of issue of the warrants and ending on the date immediately preceding the third (3rd) anniversary of the date of issue, or if such day is not a Market day, then it shall be the Market Day immediately preceding the said non-Market Day.

(iii) All new ordinary shares to be issued pursuant to the exercise of the warrants shall, upon issue and allotment, be of the same class and rank pari passu in all respects with the existing ordinary shares, save and except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and/or other distributions, at the entitlement date of which is prior to the date of the allotment of these new ordinary shares.

(iv) Any warrants not exercised during the exercise period will lapse and cease to be valid.

(v) Movements in the Warrants since the listing and quotation thereof are as follows:

	Number of Warrants
As of 12 November 2019	168,022,058
Exercised in financial year 2019	(17,966)
As of 31 December 2019	168,004,092

21. BORROWINGS

	Group	
	2019 RM	**2018 RM**
Short term borrowings		
Secured:		
Hire purchase creditors (Note 22)	–	169,958
Revolving credits	78,363,101	131,441,532
Term loans	11,435,113	15,309,117
Trade loans	547,427,598	412,074,211
	637,225,812	558,994,818

21. BORROWINGS (CONT'D)

	Group 2019 RM	Group 2018 RM
Long term borrowings		
Secured:		
Hire purchase creditors (Note 22)	–	711,511
Term loans	45,487,714	42,660,897
	45,487,714	43,372,408
Total borrowings		
Hire purchase creditors	–	881,469
Revolving credits	78,363,101	131,441,532
Term loans	56,922,827	57,970,014
Trade loans	547,427,598	412,074,211
	682,713,526	602,367,226

(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 9(d)) of the Group;

(iii) A legal charge over a subsidiary's inventories (Note 14(c));

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

(v) Deposits pledged with licensed banks of the Group (Note 17(b)); and

(vi) Negative pledge by certain subsidiaries.

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

	Group 2019 RM	Group 2018 RM
United States Dollar	629,738,646	553,093,097
Ringgit Malaysia	4,604,631	44,226,201
British Pound	48,370,249	5,047,928
	682,713,526	602,367,226

(c) Movement of borrowings upon adoption of MFRS 16 are as disclosed in Note 5 to the financial statements.

(d) Information on financial risks of borrowings and their remaining maturity is disclosed in Note 39 to the financial statements.

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22. HIRE PURCHASE CREDITORS

	Group	
	2019 RM	2018 RM
Minimum hire purchase payments:		
- not later than one (1) year	–	205,944
- later than one (1) year and not later than five (5) years	–	771,805
Total minimum hire purchase payments	–	977,749
Less: Future finance charges	–	(96,280)
Present value of hire purchase payments	–	881,469
Repayable as follows:		
Current liabilities (Note 21):		
- not later than one (1) year	–	169,958
Non-current liabilities (Note 21):		
- later than one (1) year and not later than five (5) years	–	711,511
	–	881,469

Information on financial risks of hire purchase creditors and its remaining maturity is disclosed in Note 39 to the financial statements.

23. DEFERRED TAX LIABILITIES

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

	Group	
	2019 RM	2018 RM
Balance as at 1 January	35,784,542	32,100,625
Recognised in profit or loss (Note 30)	8,744,581	3,194,498
Recognised in other comprehensive income	(34,251)	21,179
Translation differences	(244,216)	468,240
Balance as at 31 December	44,250,656	35,784,542

23. DEFERRED TAX LIABILITIES (CONT'D)

(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 2019	37,903,035	(2,118,493)	35,784,542
Recognised in profit or loss	9,541,384	(796,803)	8,744,581
Recognised in other comprehensive income	–	(34,251)	(34,251)
Translation differences	(267,725)	23,509	(244,216)
Balance as at 31 December 2019	47,176,694	(2,926,038)	44,250,656
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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unused tax losses				
- Expires by 31 December 2025	2,648,000	3,240,000	1,366,000	1,571,000

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.

24. 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.

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24. RETIREMENT BENEFITS OBLIGATIONS (CONT'D)

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

Group	2019 RM	2018 RM
Present value of defined benefit obligations	2,410,961	1,782,938
Analysed as follows:		
Non-current liabilities	2,410,961	1,782,938

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

Group	2019 RM	2018 RM
Balance as at 1 January	1,782,938	1,652,975
Current service costs	284,804	172,677
Interest costs	158,121	108,063
Translation differences	74,471	(105,225)
Included in profit or loss	517,396	175,515
Remeasurement:		
Effects of experience adjustment	58,514	61,005
Effects of changes in financial assumptions	78,475	(145,736)
Translation differences	(26,362)	39,179
	110,627	(45,552)
Balance as at 31 December	2,410,961	1,782,938

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

	Group	
	2019 RM	2018 RM
Retirement age	55 years	55 years
Discount rate	8.20%	8.50%
Expected rate of salary increases	8.00%	8.00%

24. 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 2019	
Discount rate	**Increase RM**	**Decrease RM**
Present value of defined benefit obligation	(280,992)	337,472
Current service cost	(12,887)	72,068
Salary increment rate		
Present value of defined benefit obligation	334,762	(283,866)
Current service cost	71,690	(13,277)

	Group 2018	
Discount rate	**Increase RM**	**Decrease 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)

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade payables				
Third parties	248,333,770	365,446,160	–	–
Other payables				
Other payables	28,932,744	32,673,930	–	–
Accruals	46,535,878	32,454,910	494,291	248,379
Deposits received	1,371,132	642,433	–	–
Amount owing to an associate	2,460	–	–	–
Amounts owing to Directors	–	165,499	–	–
Amounts owing to related parties	819	8,188	–	–
Amounts owing to subsidiaries	–	–	86,639	10,628,136
	76,843,033	65,944,960	580,930	10,876,515
	325,176,803	431,391,120	580,930	10,876,515

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25. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 days to 60 days (2018: 30 days to 60 days).

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

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
United States Dollar	169,385,050	227,398,480	86,639	–
British Pound	90,241,864	144,984,024	–	–
Ringgit Malaysia	40,953,559	38,109,392	494,291	10,876,515
Singapore Dollar	15,251,142	10,305,453	–	–
Indonesian Rupiah	5,574,448	7,253,237	–	–
Euro	3,658,238	3,335,474	–	–
Others	112,502	5,060	–	–
	325,176,803	431,391,120	580,930	10,876,515

(d) Information on financial risks of trade and other payables is disclosed in Note 39 to the financial statements.

26. 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	
	2019 RM	**2018 RM**
Not later than one (1) year	–	2,977,691
Later than one (1) year and not later than five (5) years	–	2,872,937
	–	5,850,628

26. OPERATING LEASE COMMITMENTS (CONT'D)

(b) Sub-lease rental commitments

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

	Group	
	2019 **RM**	**2018** **RM**
Not later than one (1) year	–	123,738
Later than one (1) year and not later than five (5) years	–	371,214
	–	494,952

27. CAPITAL COMMITMENTS

	Group	
	2019 **RM**	**2018** **RM**
(i) Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	99,050,000	–
Contracted but not provided for	110,219,000	39,599,000
	209,269,000	39,599,000
(ii) Capital expenditure in respect of acquisition of a subsidiary:		
Contracted but not provided for	133,078,000	–

28. REVENUE

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Revenue from contracts with customers				
- Sale of goods	2,941,416,243	2,273,424,277	–	–
Other revenue				
- Dividend income from subsidiaries	–	–	35,500,000	–
- Interest income	213,789	–	213,789	
- Management fees	–	–	60,000	42,000
	2,941,630,032	2,273,424,277	35,773,789	42,000

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28. 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.

Major product and service line
Sales of goods/Revenue from external customer

	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Total RM
31 December 2019	1,239,767,580	1,512,444,489	123,933,969	65,483,994	2,941,630,032
31 December 2018	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

	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Total RM
31 December 2019	1,239,767,580	1,512,444,489	123,933,969	65,483,994	2,941,630,032
31 December 2018	936,135,368	1,207,540,180	74,544,010	55,204,719	2,273,424,277

29. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
After charging:				
Auditors' remuneration				
- statutory audit fees	369,598	308,511	65,000	61,000
- non-audit fees	5,000	25,000	5,000	25,000
Bad debts written off	923,998	8,083	–	7,267
Interest expense:				
- bank commission	4,535,827	1,994,327	–	–
- bank overdraft	157,074	64,099	–	–
- hire purchases	–	12,879	–	–
- lease liabilities	258,412	–	–	–
- revolving credit	176,606	1,459,296	–	–
- term loans	3,046,685	1,599,856	–	–
- trade loans	25,356,912	22,131,070	–	–
Loss on foreign exchange:				
- realised	3,622,822	20,223,866	295	–
- unrealised	–	–	127	–

29. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
After charging (Cont'd):				
Property, plant and equipment written off	–	34	–	–
Expenditure of:				
- factory	1,262,539	997,697	–	–
- forklift/crane/container	206,307	133,173	–	–
- hostel	4,788	230,399	–	1,000
- warehouse	3,199,505	4,130,497	–	–
And after crediting:				
Fair value realised gain on derivatives	(32,987,190)	(45,108,710)	–	–
Gain on disposal of property, plant and equipment	(1,496,641)	–	–	–
Gain on foreign exchange				
- realised	–	–	–	(383,436)
- unrealised	(10,030,694)	(7,369,779)	–	(1,367,016)
Insurance claim	(1,938,586)	(501,882)	–	–
Interest income	(624,853)	(444,922)	–	–
Warehouse rental income	(4,028,476)	(2,963,872)	–	–

30. TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense				
- Malaysia income tax	29,374,195	4,059,352	–	–
- Foreign income tax	10,659,482	11,165,398	–	–
	40,033,677	15,224,750	–	-
Under/(Over) provision in prior years				
- Malaysia income tax	(671,818)	76,472	–	–
- Foreign income tax	805,911	111,300	–	–
	134,093	187,772	–	–
	40,167,770	15,412,522	–	–

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30. TAX EXPENSE (CONT'D)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Deferred tax (Note 23)				
- Relating to origination and reversal of temporary differences	15,560,121	1,795,517	–	–
- Under/(Over) provision in prior years	(6,815,540)	1,398,981	–	–
	8,744,581	3,194,498	–	–
	48,912,351	18,607,020	–	–

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 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.

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit before tax	266,860,623	208,721,693	32,643,840	846,508
Tax expense at the applicable tax rate of 24% (2018: 24%)	64,046,549	50,093,206	7,834,522	203,162
Tax effects in respect of:				
Different tax rate in foreign subsidiaries	(6,833,062)	(7,083,168)	–	–
Non-taxable income	(2,400,016)	(1,011,964)	(8,520,000)	(420,108)
Non-deductible expenses	7,116,210	1,527,722	734,696	86,052
Tax incentives	(6,193,781)	(7,294,600)	–	–
Deferred tax assets not recognised during the financial year	–	–	–	130,894
Utilisation of deferred tax assets previously not recognised	(142,102)	(19,210,929)	(49,218)	–
	55,593,798	17,020,267	–	–
Under/(Over) provision in prior years				
- income tax	134,093	187,772	–	–
- deferred tax	(6,815,540)	1,398,981	–	–
	48,912,351	18,607,020	–	–

30. TAX EXPENSE (CONT'D)

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

Group 2019	Before tax RM	Tax effect RM	After tax RM
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	(5,074,523)	–	(5,074,523)
Share of other comprehensive income of associates	(13,476)	–	(13,476)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment benefit obligation	(136,990)	34,251	(102,739)
	(5,224,989)	34,251	(5,190,738)

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

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31. 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	
	2019	**2018 (Restated)**
Profit attributable to equity holders of the parent ('RM')	217,948,272	190,114,673
Weighted average number of ordinary shares in issue	968,339,511	955,723,038
Basic earnings per ordinary share (sen)	22.51	19.89

(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.

	Group	
	2019	**2018 (Restated)**
Profit attributable to equity holders of the parent (RM)	217,948,272	190,114,673
Weighted average number of ordinary shares in issue	968,339,511	955,723,038
Effects of dilution due to warrants	72,084,801	–
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	1,040,424,312	955,723,038
Diluted earnings per ordinary share (sen)	20.95	19.89

32. DIVIDENDS

	Group and Company	
	2019	**2018**
	RM	**RM**
In respect of financial year ended 31 December 2019:		
First interim single tier dividend of 1.5 sen per ordinary share, paid on 5 July 2019	7,167,073	–
Second interim single tier dividend of 1.5 sen per ordinary share, paid on 27 September 2019	7,167,073	–
Third interim single tier dividend of 1.0 sen per ordinary share, paid on 3 January 2020	10,081,411	–
In respect of financial year ended 31 December 2018:		
Special single tier dividend of 2.0 sen per ordinary share, paid on 29 March 2019	9,556,095	–
First interim single tier dividend of 2.0 sen per ordinary share, paid on 28 September 2018	–	9,556,095
	33,971,652	9,556,095

The Directors recommend a final single tier dividend of 1.0 sen per ordinary share, in respect of the financial year ended 31 December 2019, which is subject to the approval of members at the forthcoming Annual General Meeting.

33. EMPLOYEE BENEFITS

	Group	
	2019	**2018**
	RM	**RM**
Salaries, wages and bonuses	82,979,948	60,443,065
Defined contribution plan	4,220,822	3,320,326
Social security contribution	639,768	481,992
Defined benefit plan	517,396	175,515
Other benefits	5,773,905	5,641,472
	94,131,839	70,062,370

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM23,742,641 (2018: RM17,660,334).

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34. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors of the Company:				
- Fees	540,000	450,000	–	–
- Other emoluments	19,696,199	14,827,262	–	–
	20,236,199	15,277,262	–	–
Estimated money value of benefits-in-kind	121,087	57,367	–	–
	20,357,286	15,334,629	–	–
Executive Directors of the subsidiaries:	4,046,442	2,833,072	–	–
Estimated money value of benefits-in-kind	18,283	15,658	–	–
	4,064,725	2,848,730	–	–
Total Executive Directors' remuneration	24,422,011	18,183,359	–	–
Non- Executive Directors of the Company:				
- Fees	188,700	165,750	188,700	165,750
- Other emoluments	10,800	9,000	10,800	9,000
	199,500	174,750	199,500	174,750
Total Directors' remuneration including benefits-in-kind	24,621,511	18,358,109	199,500	174,750

35. CONTINGENT LIABILITIES

	Company	
	2019 RM	2018 RM
Corporate guarantees – unsecured		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	1,927,949,445	1,712,046,640
- amount utilised	(674,076,246)	(610,243,577)

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.

36. 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**	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Subsidiary				
- Management fee income	–	–	60,000	42,000
Related parties				
- Sale of goods	(9,635,836)	(2,827,625)	–	–
Associates				
- Sale of goods	(9,699,266)	(16,928,460)	–	–

Material balances of the above related parties are disclosed in Note 15 and Note 25 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.

(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.

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36. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel (Cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short term employee benefits	26,101,970	18,903,916	10,800	9,000
Contribution to defined contribution plan	874,558	748,893	–	–
	26,976,528	19,652,809	10,800	9,000
Fees	728,700	615,750	188,700	165,750
	27,705,228	20,268,559	199,500	174,750
Included in the total key management personnel compensation are:				
Directors' remuneration	23,942,141	17,669,334	10,800	9,000

37. 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.

37. OPERATING SEGMENTS (CONT'D)

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

2019	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
Total external revenue	1,239,767,580	1,512,444,489	123,933,969	65,483,994	–	2,941,630,032
Inter-segment revenue	1,933,588,878	2,821,491,383	1,164,526,105	58,758,000	(5,978,364,366)	–
Total revenue	3,173,356,458	4,333,935,872	1,288,460,074	124,241,994	(5,978,364,366)	2,941,630,032
Segment results	189,668,018	112,215,640	29,834,294	59,773,049	(58,671,234)	332,819,767
Interest income	101,663	426,640	96,550	–	–	624,853
Finance cost	(20,253,814)	(12,165,127)	(66,128)	(1,046,447)	–	(33,531,516)
Depreciation and amortisation	(14,154,480)	(569,368)	(14,815,418)	(3,513,215)	–	(33,052,481)
Segment profit before tax						266,860,623
Tax expense						(48,912,351)
Profit for the financial year						217,948,272
Segment assets	912,931,938	269,065,512	754,250,551	104,902,847	–	2,041,150,848
Current tax assets						652,804
Total assets						2,041,803,652
Segment liabilities	63,276,314	244,672,390	27,342,848	1,700,166	–	336,991,718
Current tax liabilities						24,340,166
Deferred tax liabilities						44,250,656
Borrowings						682,713,526
Lease liabilities						3,885,119
Total liabilities						1,092,181,185
Other information:						
Capital expenditure	36,487,514	–	6,423,252	21,560,885	–	64,471,651
Net fair value loss/(gain) on derivatives	7,487,996	(2,039,560)	–	–	–	5,448,436
Non-cash (income)/expenses (other than depreciation and amortisation)	(5,913,961)	13,112	(996,504)	(1,320,610)	–	(8,217,963)

37. 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)

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 gain on derivatives	(9,867,999)	(11,812,427)	–	–	–	(21,680,426)
Non-cash expenses/(income) (other than depreciation and amortisation)	11,756,382	(137)	2,112,969	260,238	–	14,129,452

37. 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
	2019 RM	**2018 RM**	
Customer A	585,777,735	380,285,818	Malaysia and Singapore
Customer B	–	258,762,170	Singapore

38. 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 and lease liabilities 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	
	2019 RM	**2018 RM**
Borrowings (Note 21)	682,713,526	602,367,226
Lease liabilities owing to financial instituitions (Note 8)	778,633	–
Less: Cash and bank balances (Note 17)	(46,790,483)	(44,798,713)
Net debt	636,701,676	557,568,513
Total equity	949,622,467	667,140,425
Debt-to-equity ratio (time)	0.67	0.84

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38. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial instruments

Categories of financial instruments

Group	2019 RM	2018 RM
Financial assets		
Fair value through profit or loss		
Derivative financial assets	12,196,263	41,269,733
Amortised cost		
Trade and other receivables, excluding deposits and prepayments	358,773,993	309,115,189
Cash and bank balances	46,790,483	44,798,713
	405,564,476	353,913,902
	417,760,739	395,183,635
Financial liabilities		
Fair value through profit or loss		
Derivative financial liabilities	9,403,954	33,028,988
Amortised cost		
Trade and other payables	325,176,803	431,391,120
Borrowings	682,713,526	602,367,226
Lease liabilities	3,885,119	–
	1,011,775,448	1,033,758,346
	1,021,179,402	1,066,787,334
Company		
Financial assets		
Amortised cost		
Trade and other receivables, excluding deposits	91,955,358	861,664
Cash and bank balances	1,047,098	65,067
	93,002,456	926,731
Financial liabilities		
Amortised cost		
Trade and other payables	494,291	10,876,515

38. 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, either 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).

38. 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 statements of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
2019 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	10,660,391	–	–	–	–	–	10,660,391	10,660,391
- Commodity option contracts	1,411,974	–	–	–	–	–	1,411,974	1,411,974
- Foreign currency forward contracts	–	123,898	–	–	–	–	123,898	123,898
	12,072,365	123,898	–	–	–	–	12,196,263	12,196,263
Financial liabilities								
Fair value through profit or loss								
Derivative financial liabilities								
- Commodity futures contracts	4,504,810	–	–	–	–	–	4,504,810	4,504,810
- Commodity option contracts	636,805	–	–	–	–	–	636,805	636,805
- Foreign currency forward contracts	–	1,275,811	–	–	–	–	1,275,811	1,275,811
- Foreign currency option contracts	–	2,986,528	–	–	–	–	2,986,528	2,986,528
	5,141,615	4,262,339	–	–	–	–	9,403,954	9,403,954

38. 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 statements of financial position. (Cont'd)

	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

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(CONT'D)

39. 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 of 30 days to 120 days (2018: 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 one (1) customer (2018: two (2) customers) which constituted approximately 17% (2018:16%) of its trade receivables at the end of the reporting period.

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	
	2019 RM	**2018 % of total**	**2019 RM**	**2018 % of total**
By Country				
United States	61,723,891	18.2%	65,628,838	22.2%
Netherlands	58,441,047	17.3%	28,369,966	9.6%
Singapore	50,232,063	14.8%	30,599,600	10.3%
Russia	30,150,324	8.9%	19,850,990	6.7%
Malaysia	27,691,750	8.2%	32,038,777	10.8%
China	23,532,533	7.0%	17,407,995	5.9%
Brazil	16,815,382	5.0%	25,368,810	8.6%
Japan	10,834,928	3.2%	13,762,627	4.7%
Switzerland	10,383,874	3.1%	17,128,179	5.8%
India	6,495,693	1.9%	5,982,293	2.0%
Other countries	42,251,533	12.4%	39,798,378	13.4%
	338,553,018	100.0%	295,936,453	100.0%

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

(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"), British Pound ("GBP"), Indonesian Rupiah ("RUPIAH"), Singapore Dollar ("SGD") 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.

<u>Sensitivity analysis for foreign currency risk</u>

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

		Group	
Profit after tax		**2019 RM**	**2018 RM**
USD/RM	- strengthen by 5% (2018: 5%)	(23,149,900)	(23,001,200)
	- weaken by 5% (2018: 5%)	23,149,900	23,001,200
GBP/RM	- strengthen by 5% (2018: 5%)	1,093,200	(137,400)
	- weaken by 5% (2018: 5%)	(1,093,200)	137,400
RUPIAH/RM	- strengthen by 5% (2018: 5%)	852,100	333,400
	- weaken by 5% (2018: 5%)	(852,100)	(333,400)
SGD/RM	- strengthen by 5% (2018: 5%)	(557,500)	(353,600)
	- weaken by 5% (2018: 5%)	557,500	353,600
EUR/RM	- strengthen by 5% (2018: 5%)	119,800	(41,400)
	- weaken by 5% (2018: 5%)	(119,800)	41,400

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(CONT'D)

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

(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 for 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	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2019						
Fixed rates						
Deposits with licensed banks	17	2.39	13,717,980	–	–	13,717,980
Lease liabilities	8	4.65	(199,770)	(578,863)	–	(778,633)
Floating rates						
Lease liabilities	8	5.53	(1,901,928)	(263,717)	(940,841)	(3,106,486)
Revolving credits	21	2.97	(78,363,101)	–	–	(78,363,101)
Term loans	21	4.67	(11,435,113)	(38,458,923)	(7,028,791)	(56,922,827)
Trade loans	21	2.61	(547,427,598)	–	–	(547,427,598)
As at 31 December 2018						
Fixed rates						
Deposits with licensed banks	17	1.63	13,440,606	–	–	13,440,606
Hire purchase creditors	22	4.39	(169,958)	(711,511)	–	(881,469)
Floating rates						
Revolving credits	21	2.87	(131,441,532)	–	–	(131,441,532)
Term loans	21	3.47	(15,309,117)	(41,968,779)	(692,118)	(57,970,014)
Trade loans	21	3.13	(412,074,211)	–	–	(412,074,211)

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

(iii) Interest rate risk (Cont'd)

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	
	2019	**2018**
	RM	**RM**
Profit after tax		
- Increase by 1% (2018: 1%)	(5,212,000)	(4,571,000)
- Decrease by 1% (2018: 1%)	5,212,000	4,571,000

The Group's exposure to the interest rate risk is higher in 2019 than in 2018 due to the increase in outstanding borrowings 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	
	2019	**2018**
	RM	**RM**
Profit after tax		
- Increase by 1% (2018: 1%)	74,693	210,010
- Decrease by 1% (2018: 1%)	(74,693)	(210,010)

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31 December 2019
(CONT'D)

39. 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 2019	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	325,176,803	–	–	325,176,803
Borrowings	638,853,227	41,237,218	7,373,535	687,463,980
Derivative financial liabilities	9,403,954	–	–	9,403,954
Lease liabilities	2,309,660	1,082,846	1,817,340	5,209,846
	975,743,644	42,320,064	9,190,875	1,027,254,583
Company				
Financial liabilities				
Trade and other payables	494,291	–	–	494,291
As at 31 December 2018				
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

40. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) On 19 December 2019, GCB Cocoa Singapore Pte. Ltd. ("GCBCSPL"), a wholly owned subsidiary of the Company, entered into Sale and Purchase Agreement to acquire 100% equity interest in Schokinag Holding GmbH ("SHG"), incorporated in Germany, for a total purchase consideration of approximately RM137,204,000 (equivalent to EUR29,930,048).

The purchase price of the acquisition will be payable in two tranches:

- First payment tranche of approximately RM14,669,312 (equivalent to EUR3,200,000) in December 2019 as disclosed in Note 15(i) to the financial statements. The first payment tranche includes an amount of approximately RM10,543,568 (equivalent to EUR2,300,000) paid, which in turn shall contribute to SHG's free capital reserve for working capital funding purposes upon completion of the acquisition of SHG.

- Second payment tranche of approximately RM133,078,000 (equivalent to EUR29,030,048) as disclosed in Note 27(ii) will be payable upon the completion of the acquisition of SHG in January 2020.

(b) On 26 February 2020, the Company had disposed whole of its 27.75% equity interest in Fuji Global Chocolate (M) Sdn. Bhd. ("FGCM") (formerly known as GCB Specialty Chocolates Sdn. Bhd.), for a total cash consideration of RM32,000,000. Upon the completion of disposal, FGCM will no longer an associate of the Company.

(c) Subsequent to the financial year, the World Health Organisation had declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

LIST OF PROPERTIES

Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2019
Malaysia						
PLO273 Jalan Timah 2, 81700 Pasir Gudang, Johor	60 years (expiring on 8 May 2043)	7,976	29 years (Main factory and office) 23 years (second factory)	Industrial premises / factory consists of GCC main office, production area for GCC and temporary warehouse	7 December 1989	6,855,374
No. 49 Jalan 10/9, Perjiranan 10, Pasir Gudang, Johor	99 years (expiring on 6 May 2082)	143	36 years	Hostel	28 July 1994	51,863
PLO725, Jalan Keluli 9, 81700 Pasir Gudang, Johor	60 years (expiring on 17 February 2068)	27,523	13 years	Factory / warehouse	9 January 2006	17,950,705
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	9 years	Rental	2 July 2014	16,710,745

LIST OF **PROPERTIES** (CONT'D)

Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2019
PLO81, Jalan Timah 3, 81700 Pasir Gudang, Johor.	60 years (expiring on 21 July 2036)	12,747	N/A	Industrial land	4 January 2019	3,400,000
PLO207, Jalan Tembaga Satu, 81700 Pasir Gudang, Johor	60 years (expiring on 30 September 2045)	8,093.71	2 years (Main office and factory)	Industrial premises / factory consists of GCBCM main office, production area for GCBCM and temporary warehouse	26 December 1990	14,797,251
Singapore						
The Cascadia 943 Bukit Timah Road #05-47 Singapore 589659	Freehold	111	10 years	Residential	17 January 2011	3,926,244
1 Commonwealth Lane #08-04 One Commonwealth Singapore 149544	30 years (expiring on 28 February 2038)	111	12 years	Office	19 January 2011	1,596,633
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	8,551,725
Ivory Coast						
Zone Industrielle de San Pédro Bardot 18, Lot 208 TF No. 1138 Bas-Cavally, Ivory Coast	Leasehold	63,566	N/A	Industrial land	28 January 2019	20,855,466
Indonesia						
Komplek Tunas Industrial Estate Type 7 No. A-F, Batam, Indonesia	30 years (expiring on 24 August 2030)	33,181	10 years	Industrial premises / Factory consists of PT Asia main office, production area for PT Asia	21 June 2010	36,423,701

LIST OF **PROPERTIES**
(CONT'D)

Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2019
Komplek Tunas Industrial Estate Type 6 No. 7-G, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	6,985	14 years	Industrial premises and warehouse	17 March 2011	4,510,474
Komplek Tunas Industrial Estate Type 6 No. 6-D, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	1,257	14 years	Industrial premises and warehouse	17 March 2011	899,597
Komplek Perumahan Diamond Palace Blok B No. 26, Batam, Indonesia	Leasehold (expiring on 13 August 2030)	170	15 years	Hostel	23 September 2011	456,391
Komplek Perumahan Purimas Residence Blok B3 No. 11, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	14 years	Hostel	6 May 2011	163,753
Komplek Perumahan Purimas Residence Blok B3 No. 15, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	14 years	Hostel	6 May 2011	163,753
Komplek Perumahan Purimas Residence Blok B5 No. 23, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	16 years	Hostel	6 May 2011	163,753
Kawasan Industri Kelurahan IV, Batam Centre, Indonesia	Leasehold (expiring on 8 August 2031)	30,000	7 years	Industrial premises / Factory consists of PT Asia main office, production area for PT Asia	10 January 2012	35,573,879
Komplek. Tunas Industrial Estate Type 6 No. 6-C, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	942	14 years	Industrial premises and warehouse	8 June 2012	875,400
Kawasan Daan Mogot Arcadia, G15 No.5, Jl Raya Daan Mogot KM21, Batu Ceper, Jakarta, Indonesia.	Leasehold (expiring on 4 August 2035)	864	7 year	Industrial premises	2 October 2012	2,890,245

LIST OF **PROPERTIES** (CONT'D)

Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2019
Palu warehouse Jalan Trans Sulaiwesi,Taipa, Palu- Sulaiwesi Tengah 94352.	Leasehold (expiring on 21 January 2027)	15,551	13 years	Warehouse	13 December 2013	6,916,720
Makassar Warehouse Jl. Kima 10 Kav A/5-a Makassar 90241	Leasehold (expiring on 29 October 2028)	10,890	21 years	Warehouse	10 December 2013	4,596,193
Komplek Villa Bukit Indah Blok H3 No.1, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	174	4 years	Hostel	29 December 2015	537,578
Komplek Villa Bukit Indah Blok H3 No.2, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.3, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.3A, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.5, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.6, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.9, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.10, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.11, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572

LIST OF PROPERTIES
(CONT'D)

Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2019
Komplek Villa Bukit Indah Blok H3 No.12, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.12A, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	4 years	Hostel	29 December 2015	347,572
Komplek Villa Bukit Indah Blok H3 No.12B, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	174	4 years	Hostel	29 December 2015	537,578
Rukan Daan Mogot Permai Blok G15 No.1 Jalan Raya Daan Mogot KM 21 Batu Ceper, Tangerang 15122, Indonesia	Leasehold (expiring on 21 August 2039)	605	1 year	Warehouse	22 August 2019	2,056,278

OTHER COMPLIANCE **INFORMATION**

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

Save as disclosed below, there were no other proceeds raised from corporate proposal during the financial year ended 31 December 2019.

Private Placement

On 03 October 2019, a Private Placement was completed with the listing and quotation of 24,008,000 placement shares on the Main Market of Bursa Malaysia Securities Berhad. As at 31 December 2019, the status of utilisation of the proceeds raised is as follow:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Unutilised (RM'000)
Working Capital and/or future business projects/ investment	91,186	91,186	–
Estimated expenses for the Proposed Private Placement of Shares	1,245	1,245	–

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 2019 are as follows:

	COMPANY RM	GROUP RM
Audit fees	65,000	369,598
Non audit fees	5,000	5,000

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 17 April 2020

Issued Share Capital	**1,009,078,269 ordinary shares (including treasury shares)** **1,008,798,269 ordinary shares (excluding treasury shares)**
Voting Right	**One vote per ordinary share**
Number of Shareholders	**4,714**

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%* of Shareholders	No. of Shares held *	%* of Issued Share Capital
Less than 100 shares	62	1.32	3,660	Neg
100 to 1,000 shares	1,017	21.57	658,248	0.06
1,001 to 10,000 shares	2,493	52.89	11,515,615	1.15
10,001 to 100,000 shares	892	18.92	26,576,082	2.63
100,001 to less than 5% of issued shares	248	5.26	402,217,728	39.87
5% and above of issued shares	2	0.04	567,826,936	56.29
TOTAL	4,714	100.00	1,008,798,269	100.00

Notes:
Neg – Negligible
* – Excluding 280,0000 shares held as treasury shares

LIST OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares held			
Name	**Direct**	**%***	**Indirect**	**%***
Guan Chong Resources Sdn. Bhd.	509,666,938	50.52	–	–
Misi Galakan Sdn. Bhd.	58,159,998	5.77	–	–
YBhg Dato Dr. Mohamad Musa Bin Md Jamil	211,998	0.02	58,159,998(1)	5.77
Tay Hoe Lian	25,791,598	2.56	510,266,938(2)	50.58

Notes:
* Excluding 280,000 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

DIRECTORS' SHAREHOLDINGS

	No. of Shares held			
Name	**Direct**	**%***	**Indirect**	**%***
YBhg Dato Dr. Mohamad Musa Bin Md Jamil	211,998	0.02	58,159,998(1)	5.77
Tay Hoe Lian	25,791,598	2.56	510,266,938(2)	50.58
Tay How Sik @ Tay How Sick	10,079,096	1.00	2,620,000(3)	0.26
Hia Cheng	17,496,358	1.73	29,163,598(4)	2.89
YBhg Datuk Tay Puay Chuan	60,000	0.01	–	–
Tan Ah Lai	–	–	–	–

ANALYSIS OF **SHAREHOLDINGS**
As at 17 April 2020
(CONT'D)

HOLDING COMPANY – GUAN CHONG RESOURCES SDN. BHD.

	No. of ordinary shares			
Name	**Direct**	**%***	**Indirect**	**%***
Tay Hoe Lian	19,000	19.00	–	–
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 280,000 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 children, Tay Jing Ye's, Tay Sing Ye's and Tay Lian Shi's shareholding in the Company
(4) Deemed interest by virtue of his spouse, Wong Saow Lai's and his daughter, Hia Sin Yee's shareholding in the Company

GUAN CHONG BERHAD – ORDINARY SHARES
THIRTY (30) LARGEST SHAREHOLDERS

No.	**Name of Shareholders**	**No. of Shares held**	**%***
1.	Guan Chong Resources Sdn. Bhd.	509,666,938	50.52
2.	Misi Galakan Sdn. Bhd.	58,159,998	5.77
3.	Syarikat PJ Enterprise Sdn. Bhd.	29,049,398	2.88
4.	Tay Hoe Lian	22,191,584	2.20
5.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Amundi)	17,677,000	1.75
6.	Hia Cheng	17,496,358	1.73
7.	Wong Saow Lai	17,283,598	1.71
8.	Tay Hoe Chin	14,000,000	1.39
9.	Tan Hui Yang	11,906,096	1.18
10.	Tay How Yeh	10,557,490	1.05
11.	Tay How Sik @ Tay How Sick	9,379,698	0.93
12.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	9,244,500	0.92
13.	Amanahraya Trustees Berhad PB Growth Fund	8,803,900	0.87
14.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Affin Hwang Select Asia (Ex Japan) Quantum Fund (4579)	8,628,800	0.86
15.	Tan Bak Keng @ Tang Ka Guek	7,488,048	0.74
16.	Wong Saow Lai	7,380,000	0.73
17.	Ngiam Ping-Shin	6,283,798	0.62
18.	Oung Chee Seng	6,024,294	0.60
19.	Tay Lie Siang	5,933,837	0.59
20.	Lembaga Tabung Haji	5,699,400	0.56

ANALYSIS OF SHAREHOLDINGS
As at 17 April 2020
(CONT'D)

GUAN CHONG BERHAD – ORDINARY SHARES
THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares held	%*
21.	Tay Lee Goh	5,632,035	0.56
22.	Tay Lee Shein	5,603,839	0.56
23.	Tay Lee Lin	5,569,537	0.55
24.	Chan Lee Yin	5,242,596	0.52
25.	T & T Family Sdn. Bhd.	5,000,000	0.50
26.	Citigroup Nominees (Asing) Sdn Bhd	4,864,100	0.48
27.	Cartaban Nominees (Tempatan) Sdn. Bhd. TMF Trustees Malaysia Berhad for Affin Hwang Wholesale Equity Fund	4,593,100	0.46
28.	Hia Sin Yee	4,500,000	0.45
29.	Lee Peck Lin	4,429,296	0.44
30.	Gary Tay Li Ming	4,037,500	0.40
	Total	832,326,738	82.52

Note:
* - Excluding 280,000 shares held as treasury shares.

ANALYSIS OF WARRANTHOLDINGS
As at 17 April 2020

Number of Warrant B Issued	**:**	**168,022,058**
Number of Warrant B Exercised	**:**	**745,365**
Number of Warrant Unexercised	**:**	**167,276,693**
Voting Rights	**:**	**The holder of warrants is not entitled to any voting rights**
Exercise Price Per Warrant	**:**	**RM1.65**
Number of Warrant holders	**:**	**2,768**

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants held	% of Warrants
Less than 100 warrants	505	18.24	22,505	0.01
100 to 1,000 warrants	788	28.47	447,499	0.27
1,001 to 10,000 warrants	936	33.82	4,021,445	2.41
10,001 to 100,000 warrants	435	15.72	13,771,916	8.23
100,001 to less than 5% warrants	102	3.68	54,375,506	32.50
5% and above of warrants	2	0.07	94,637,822	56.58
TOTAL	2,768	100.00	167,276,693	100.00

LIST OF SUBSTANTIAL WARRANTHOLDERS

	No. of Warrants held			
Name	**Direct**	**%**	**Indirect**	**%**
Guan Chong Resources Sdn. Bhd.	84,944,489	50.78	–	–
Misi Galakan Sdn. Bhd.	9,693,333	5.79	–	–
YBhg Dato Dr. Mohamad Musa Bin Md Jamil	35,333	0.02	9,693,333[(1)]	5.79
Tay Hoe Lian	4,288,595	2.56	85,044,489[(2)]	50.84

Notes:
(1) Deemed interest by virtue of his substantial warrantholding in Misi Galakan Sdn. Bhd.
(2) Deemed interest by virtue of his substantial warrantholding in Guan Chong Resources Sdn. Bhd. and his spouse, Yap Kim Hong's warrantholding in the Company

DIRECTORS' WARRANTHOLDINGS

	No. of Warrants held			
Name	**Direct**	**%**	**Indirect**	**%**
YBhg Dato Dr. Mohamad Musa Bin Md Jamil	35,333	0.02	9,693,333[(1)]	5.79
Tay Hoe Lian	4,288,595	2.56	85,044,489[(2)]	50.84
Tay How Sik @ Tay How Sick	2,079,849	1.24	20,000[(3)]	0.01
Hia Cheng	2,916,059	1.74	3,533,932[(4)]	2.11
YBhg Datuk Tay Puay Chuan	10,000	0.01	–	–
Tan Ah Lai	–	–	–	–

ANALYSIS OF **WARRANTHOLDINGS**
As at 17 April 2020
(CONT'D)

DIRECTORS' WARRANTHOLDINGS (CONT'D)

Notes:
(1) Deemed interest by virtue of his substantial warrantholding in Misi Galakan Sdn. Bhd.
(2) Deemed interest by virtue of his substantial warrantholding in Guan Chong Resources Sdn. Bhd. and his spouse, Yap Kim Hong's warrantholding in the Company
(3) Deemed interest by virtue of his children, Tay Jing Ye's, Tay Sing Ye's and Tay Lian Shi's warrantholding in the Company
(4) Deemed interest by virtue of his spouse, Wong Saow Lai's and his daughter, Hia Sin Yee's warrantholding in the Company

GUAN CHONG BERHAD – WARRANTS B
THIRTY (30) LARGEST WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants held	%
1.	Guan Chong Resources Sdn. Bhd.	84,944,489	50.78
2.	Misi Galakan Sdn. Bhd.	9,693,333	5.79
3.	Syarikat PJ Enterprise Sdn. Bhd.	4,841,566	2.89
4.	Tay Hoe Lian	3,688,596	2.21
5.	Hia Cheng	2,916,059	1.74
6.	Wong Saow Lai	2,880,599	1.72
7.	Tan Hui Yang	1,984,349	1.19
8.	Tay How Sik @ Tay How Sick	1,963,283	1.17
9.	Tay How Yeh	1,759,581	1.05
10.	Lee Peck Lin	1,623,216	0.97
11.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chang Soke Hun (E-BBB/RLU)	1,400,000	0.84
12.	Ngiam Ping-Shin	1,047,299	0.63
13.	Oung Chee Seng	1,004,049	0.60
14.	Tay Hoe Chin	1,000,000	0.60
15.	Tay Lie Siang	968,972	0.58
16.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Affin Hwang Select Asia (Ex Japan) Quantum Fund (4579)	944,766	0.56
17.	Tay Lee Lin	942,506	0.56
18.	Hilary Fernandez	902,500	0.54
19.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trusteees Malaysia Berhad for Eastspring Investment Small-Cap Fund	897,766	0.54
20.	Goh Jooi Lai	861,200	0.51
21.	Tay Lee Goh	838,672	0.50
22.	Tay Lee Shein	773,973	0.46
23.	Chan Lee Yin	732,099	0.44
24.	Chang Tian Kwang	585,000	0.35
25.	Oon Ai Fen	567,133	0.34
26.	Yeo Soo Jeng	554,300	0.33
27.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chai Hoon @ Chan Ah Keng	550,000	0.33
28.	Chew Teng Huat	541,483	0.32
29.	Lee Kock Hwa	513,000	0.31
30.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Accounts for Ho Mei Chin (100428)	500,000	0.30
	Total	132,419,789	79.15

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of GUAN CHONG BERHAD ("GCB" or "the Company") will be held at Ruby 2, Level 8, Holiday Villa Johor Bahru City Centre, No. 260, Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor on Friday, 26 June 2020 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 2019 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of shortfall of Directors' fees and allowances of RM28,700 for the financial year ended 31 December 2019. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees and allowances up to RM800,000 for the financial year ending 31 December 2020 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **Ordinary Resolution 2**

4. To declare a final single tier dividend of 1.0 sen per share in respect of the financial year ended 31 December 2019. **Ordinary Resolution 3**

5. To re-elect the following Directors who retire in accordance with Regulation 91 of the Company's Constitution:

   i) Tay Hoe Lian **Ordinary Resolution 4**

   ii) YBhg Dato Dr. Mohamad Musa Bin Md Jamil **Ordinary Resolution 5**

6. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorize the Directors to fix their remuneration. **Ordinary Resolution 6**

As Special Business

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

7. **Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016** **Ordinary Resolution 7**

   "THAT subject always to the Companies Act 2016 ("the Act"), the Constitution 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)

8. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT")** **Ordinary Resolution 8**

"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 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 28 May 2020, 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."

9. **Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued share capital** **Ordinary Resolution 9**

"THAT, subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution 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 share 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;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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."

10. **Proposed retention of YBhg Datuk Tay Puay Chuan as Independent Director** **Ordinary Resolution 10**

THAT 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.

11. **Proposed retention of Tan Ah Lai as Independent Director** **Ordinary Resolution 11**

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 twelve (12) years to continue to act as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.

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

NOTICE OF **ANNUAL GENERAL MEETING** (CONT'D)

NOTICE OF ENTITLEMENT DATE AND DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Sixteenth Annual General Meeting, the proposed final single tier dividend of 1.0 sen per share in respect of the financial year ended 31 December 2019, will be paid on 10 July 2020 to depositors registered in the Record of Depositors of the Company at the close of business on 12 June 2020.

A depositor shall qualify for entitlement only in respect of:-

a) Shares transferred into the Depositor's Securities Account before 5.00 p.m. on 12 June 2020 in respect of ordinary transfers; or

b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By order of the Board,

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

Muar, Johor
28 May 2020

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 19 June 2020 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 Sixteenth Annual General Meeting to be put to vote by poll.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 3 of the Agenda – Ordinary Resolution 2**
Approval of Directors' fees and allowances for the financial year ending 31 December 2020

Directors' fees and allowances approved for the financial year ended 31 December 2019 was RM700,000. The Directors' fees and allowances proposed for the financial year ending 31 December 2020 are calculated based on the number of scheduled Board and Committee Meetings for year 2020 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 and allowances on current financial year basis. In the event the Directors' fees and allowances proposed are insufficient (e.g. due to more meetings), approval will be sought at the next annual general meeting for additional fees and allowances to meet the shortfall.

8. **Item 7 of the Agenda – Ordinary Resolution 7**
Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016

(a) The proposed Ordinary Resolution no. 7, 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 share 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 2019 which will expire at the conclusion of the forthcoming AGM.

(c) Pursuant to the previous mandate, the Company had issued and listed a total of 24,008,000 ordinary shares representing less than 10% of the issued share capital of the Company on Bursa Malaysia Securities Berhad via private placement exercise which was completed on 03 October 2019. The proceeds thereof were fully utilised in the following manner:

Purpose	Proposed Utilisation (RM'000)
Working Capital and/or future business projects/investment	91,186
Estimated expenses for the Proposed Private Placement of Shares	1,245

(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 8 of the Agenda – Ordinary Resolution 8**
Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT") ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution no. 8, 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 28 May 2020.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

10. **Item 9 of the Agenda – Ordinary Resolution 9**
Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued share capital ("Proposed Shares Buy-Back Authority")

The proposed Ordinary Resolution no. 9, if passed, will empower the Directors to purchase shares in the Company up to an amount not exceeding ten percent (10%) of the issued 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 28 May 2020.

11. **Items 10 and 11 of the Agenda – Ordinary Resolutions 10 and 11**
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 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 2019 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.gcbcocoa.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 [199601006647 (378993-D)] at fax no. 03-78904670 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 Sixteenth Annual General Meeting of the Company.

ADMINISTRATIVE GUIDE
for the Shareholders of GUAN CHONG BERHAD [200401007722 (646226-K)]

Dear Valued Shareholders,

RE: SIXTEENTH ANNUAL GENERAL MEETING ("AGM") OF GUAN CHONG BERHAD [200401007722 (646226-K)] ("THE COMPANY")

COVID-19 Outbreak Safety Measures

1. In view of the COVID-19 outbreak, your safety remains our utmost priority. This Administrative Guide is necessary to introduce safety measures and control for the well-being of our shareholders as well as to enable the Company to comply with the Government and/or relevant authorities' directives and guidelines on public gatherings or events which may be issued from time to time.

2. As a precautionary measure, the Company reserves the right to limit the number of attendees including invited guests to be physically present at the venue of the Sixteenth AGM.

Public Health Precaution and Preventive Measures

3. In light of the COVID-19 outbreak, we appreciate if all shareholders, proxies and invited guests could take all the necessary precaution and preventive measures as issued by the Ministry of Health when attending the Sixteenth AGM.

4. If you have travelled overseas, especially to the affected countries in the past 14 days from the date of the Sixteenth AGM or have been in contact with a COVID-19 affected person or if you are unwell with sore throat, flu, fever, cough, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath, please quarantine yourself at home. Under such circumstances, your attendance in person at the Sixteenth AGM will be denied. You are hereby strongly advised and encouraged to submit your Proxy Form prior to the Sixteenth AGM.

   <u>Before the AGM:</u>

   i) At the entrance of Holiday Villa Johor Bahru City Centre and before a shareholder, proxy or an invited guest can proceed to the registration counter, he/she will have to go through a compulsory body temperature screening and will be required to provide his/her health declaration, specifically to facilitate the Company in preventing any potential spread of COVID-19.

      Procedures to be observed:

      - You will NOT be allowed to enter Holiday Villa Johor Bahru City Centre if your body temperature is above 37.5°C or if you experience any symptoms of being unwell.

      - You will be required to provide health declaration prior to entering Holiday Villa Johor Bahru City Centre.

   ii) Wearing a face mask in advance and throughout the Sixteenth AGM proceedings is compulsory. Please be informed that the Company will not be providing face masks.

   iii) We strongly advise you to frequently wash your hands and use the hand sanitiser before and after the Sixteenth AGM. Hand sanitiser will be provided by the Company.

Door Gift and Refreshment

5. To ensure social and physical distancing as well as a measure to reduce the number of crowd or attendees at the Sixteenth AGM in accordance with the guidelines issued by the Ministry of Health in relation to the COVID-19 outbreak, there will be no distribution of door gifts and there will be no refreshment provided to shareholders, proxies and invited guests who attend the Sixteenth AGM.

ADMINISTRATIVE Guide
for the Shareholders of GUAN CHONG BERHAD [200401007722 (646226-K)]
(CONT'D)

Proxy

6. If a shareholder is not able to attend the Sixteenth AGM on 26 June 2020, he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form. Please submit your Proxy Form to the Company's Registered Office at No. 7 (1st Floor) Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar Johor no later than Thursday, 25 June 2020 at 11.00 a.m.

Enquiry

7. If you have any enquiry prior to the Sixteenth AGM, please contact us during office hours from 9.00 a.m. to 5.00 p.m. (Monday to Friday):

Guan Chong Berhad	Telephone Number	07-2548888
	Fax Number	07-2511711
	Email address	info@favorich.com

Thank you.

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

Muar, Johor Darul Takzim
28 May 2020

GUANCHONG BERHAD
Company No.: 200401007722 (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 Sixteenth Annual General Meeting of the Company to be held at Ruby 2, Level 8, Holiday Villa Johor Bahru City Centre, No. 260, Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor on Friday, 26 June 2020 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 shortfall of Directors' fees and allowances for the financial year ended 31 December 2019		
2	Approval of Directors' fees and allowances for the financial year ending 31 December 2020		
3	Payment of final single tier dividend of 1.0 sen per share		
4	Re-election of Tay Hoe Lian as Director		
5	Re-election of YBhg Dato Dr. Mohamad Musa Bin Md Jamil		
6	Re-appointment of Messrs BDO PLT as Auditors		
7	Authority for Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016		
8	Proposed Renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature		
9	Proposed Renewal of Shareholders' Mandate to purchase its own shares		
10	Retention of YBhg Datuk Tay Puay Chuan as Independent Director		
11	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 2020

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 19 June 2020 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 Sixteenth 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 Sixteenth Annual General Meeting (including any adjournment thereof).

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
Guan Chong Berhad
Company No.: 200401007722 (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
200401007722 (646226-K)

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

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

www.gcbcocoa.com