Annual Report **2017** | GUAN CHONG BERHAD (646226-K)

14 FOURTEENTH ANNUAL GENERAL MEETING

Place : Sri Ledang, 2nd Floor, Mutiara Hotel,
Jalan Dato Sulaiman, Taman Century,
KB No. 779, 80990 Johor Bahru,
Johor Darul Takzim.

Time : Monday
28 May 2018
11.00am

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BOARD OF DIRECTORS

YBhg Dato Dr Mohamad Musa bin Md Jamil
(Non-Independent Non-Executive Chairman)

Tay Hoe Lian
(Managing Director/ Chief Executive Officer)

Tay How Sik @ Tay How Sick
(Executive Director/ Chief Operating Officer)

Hia Cheng
(Executive Director/ Chief Financial Officer)

Tan Ah Lai
(Independent Non-Executive Director)

YBhg Datuk Tay Puay Chuan
(Independent Non-Executive Director)

AUDIT COMMITTEE

Tan Ah Lai
(Chairman, Independent Non-Executive Director)

YBhg Dato Dr Mohamad Musa bin Md Jamil
(Member, Non-Independent Non-Executive Director)

YBhg Datuk Tay Puay Chuan
(Member, Independent Non-Executive Director)

NOMINATION COMMITTEE

YBhg Datuk Tay Puay Chuan
(Chairman, Independent Non-Executive Director)

YBhg Dato Dr Mohamad Musa bin Md Jamil
(Member, Non-Independent Non-Executive Director)

Tan Ah Lai
(Member, Independent Non-Executive Director)

REMUNERATION COMMITTEE

YBhg Dato Dr Mohamad Musa bin Md Jamil
(Chairman, Non-Independent Non-Executive Director)

Tan Ah Lai
(Member, Independent Non-Executive Director)

YBhg Datuk Tay Puay Chuan
(Member, Independent Non-Executive Director)

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

YBhg Datuk Tay Puay Chuan

SECRETARY

Pang Kah Man (MIA 18831)

REGISTERED OFFICE

No. 7 (1st Floor) Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri
84000 Muar Johor

Tel : 06-9541-705
Fax : 06-9541-707

PRINCIPAL PLACE OF BUSINESS

PLO 273, Jalan Timah 2
Kawasan Perindustrian
Pasir Gudang
81700 Pasir Gudang Johor

Tel : 07-254-8888
Fax : 07-251-1711
Website : www.favorich.com

SHARE REGISTRARS

Symphony Share Registrars
Sdn Bhd (378993-D)
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-7841-8000
Fax : 03-7841-8008

AUDITORS

BDO (AF 0206)
Chartered Accountants
Suite 18-04 Level 18 Menara Zurich
15 Jalan Dato' Abdullah Tahir
80300 Johor Bahru Johor

PRINCIPAL BANKERS

AmBank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
CIMB Bank Berhad
Bangkok Bank Berhad
HL Bank Singapore
Oversea-Chinese Banking Corporation Limited
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
DBS Bank Limited
United Overseas Bank (Malaysia) Berhad

SOLICITORS

Chee Siah Le Kee & Partners

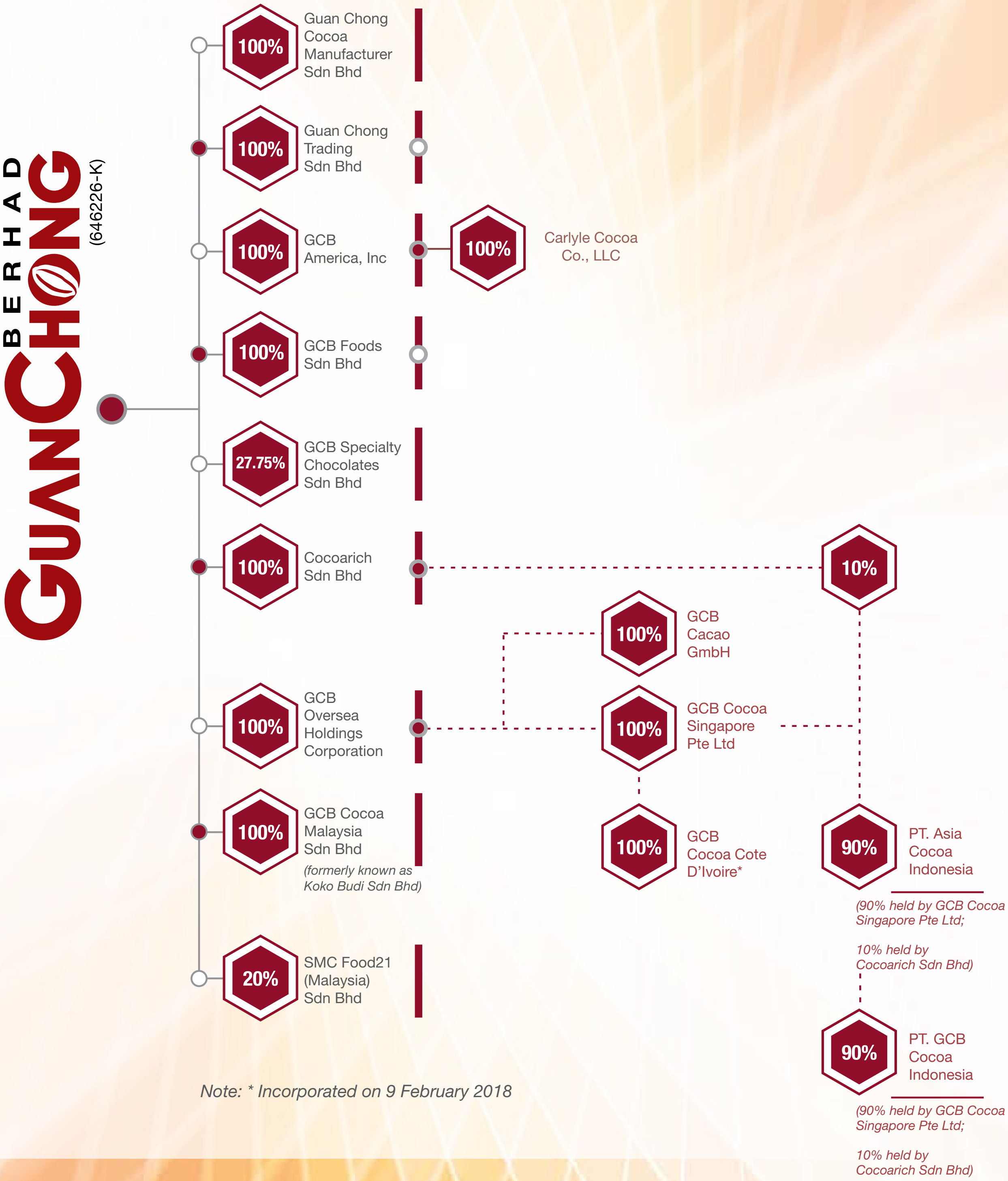
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : GCB
Stock Code : 5102

DATE OF LISTING

8 April 2005

CORPORATE STRUCTURE



*Note: * Incorporated on 9 February 2018*

FINANCIAL HIGHLIGHTS

Summarised Group Income Statement For The Financial Year Ended 31 December (RM'000)	2013	2014	2015	2016	2017
Revenue	1,362,713	1,818,871	2,380,669	2,315,866	**2,147,914**
EBITDA	39,191	20,854	79,902	96,523	**162,774**
Profit/(Loss) Before Taxation	7,871	(18,481)	36,373	52,208	**113,440**
Net Profit/(Loss) Attributable to Equity Holders	3,414	(17,558)	22,757	42,575	**91,045**

Summarised Group Statement of Financial Position As At 31 December (RM'000)	2013	2014	2015	2016	2017
Total Non-Current Assets	430,845	440,249	495,756	431,592	**427,513**
Total Current Assets	1,092,583	1,017,694	1,122,683	1,061,694	**1,152,655**
Total Assets	1,523,428	1,457,943	1,618,439	1,493,286	**1,580,168**
Share Capital	119,629	119,629	119,629	120,040	**121,832**
Share Premium	–	–	–	1,792	**–**
Reserves	214,332	205,979	261,996	307,597	**362,956**
Treasury Shares	(5,195)	(5,195)	(5,195)	(5,195)	**(5,195)**
Shareholders' Equity	328,766	320,413	376,430	424,234	**479,593**
Minority Interests	4,908	3,958	431	–	**–**
	333,674	324,371	376,861	424,234	**479,593**
Total Non-Current Liabilities	137,381	172,904	147,671	76,359	**51,217**
Total Current Liabilities	1,052,374	960,669	1,093,907	992,693	**1,049,358**
Total Equity and Liabilities	1,523,429	1,457,944	1,618,439	1,493,286	**1,580,168**

Financial Highlights (cont'd)

Summarised Group Cash Flows
For the Financial Year Ended 31 Dec (RM'000)

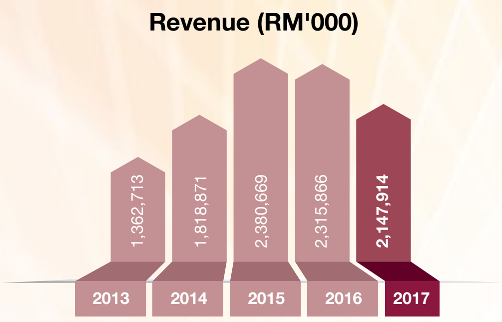
	2013	2014	2015	2016	2017
Operating Profit Before Working Capital Changes	87,443	55,692	90,937	133,782	**154,009**
Net Cash Flows (Used in)/From Operating Activities	(200,308)	136,613	93,374	128,173	**(69,409)**
Net Cash Flows (Used in)/ From Investing Activities	(101,092)	(22,775)	(26,304)	15,711	**(66,224)**
Net Cash Flows From/ (Used in) Financing Activities	281,081	(93,780)	(62,295)	(124,369)	**116,332**
Net (Decrease)/ Increase in Cash and Cash Equivalents	(25,912)	13,981	(12,505)	21,703	**(21,496)**
Cash and Cash Equivalents at Beginning of Year	51,167	25,255	39,236	26,731	**48,434**
Cash and Cash Equivalents at End of Year*	25,255	39,236	26,731	48,434	**26,938**

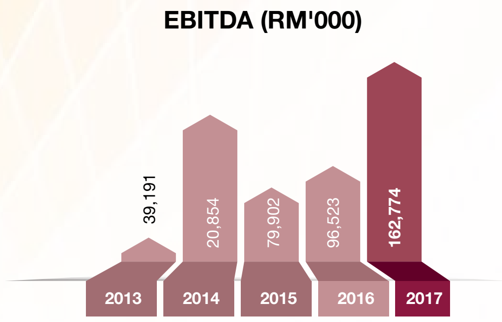
* including effect on exchange rate difference

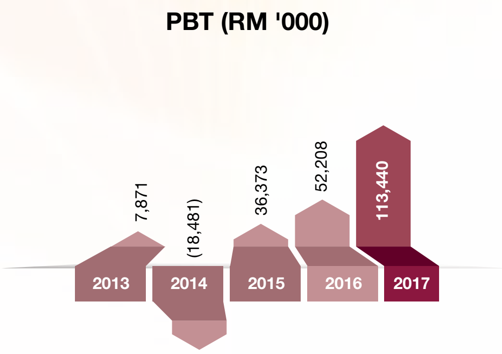
Financial Analysis

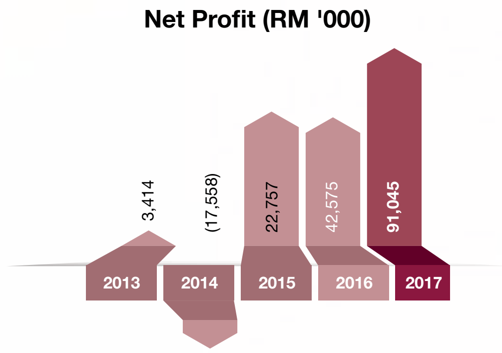
	2013	2014	2015	2016	2017
EBITDA Margin	2.88%	1.15%	3.36%	4.17%	**7.58%**
Profit/(Loss) Before Tax Margin	0.58%	-1.02%	1.53%	2.25%	**5.28%**
Net Profit/(Loss) Margin	0.25%	-0.97%	0.96%	1.84%	**4.24%**
Free Cash Flow (RM'000)	(301,251)	113,962	67,194	133,423	**(128,392)**
Returns on Equity (ROE)	1.3%	-5.4%	5.9%	10.1%	**19.0%**
Returns on Assets (ROA)	0.3%	-1.2%	1.4%	2.9%	**5.8%**
Earnings Per Share (sen)	0.72	-3.69	4.78	8.91	**19.05**
Net Dividends Per Share (sen)	3.00	0.00	0.00	1.50	**2.50**
Payout Ratio	418.5%	0.0%	0.0%	16.8%	**13.1%**
Cash and Bank Balances (RM'000)	27,442	41,317	28,610	62,646	**39,924**
Total Borrowings (RM'000)	942,101	865,814	829,625	710,281	**787,306**
Gearing (net of cash)	2.78	2.57	2.13	1.53	**1.56**

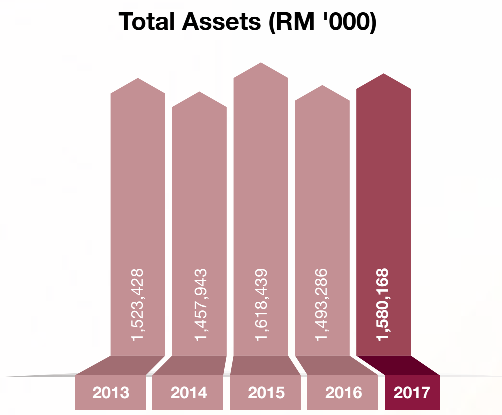
Financial Highlights (cont'd)

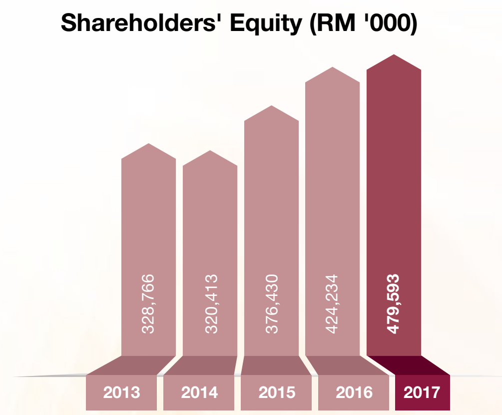


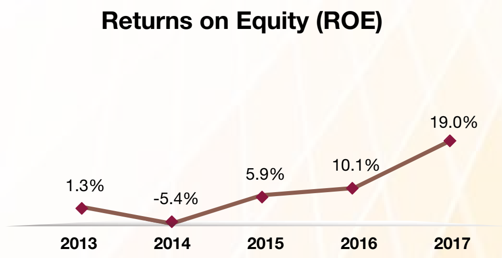


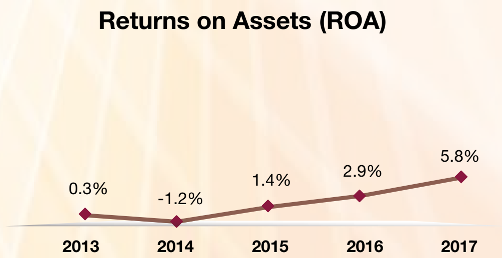






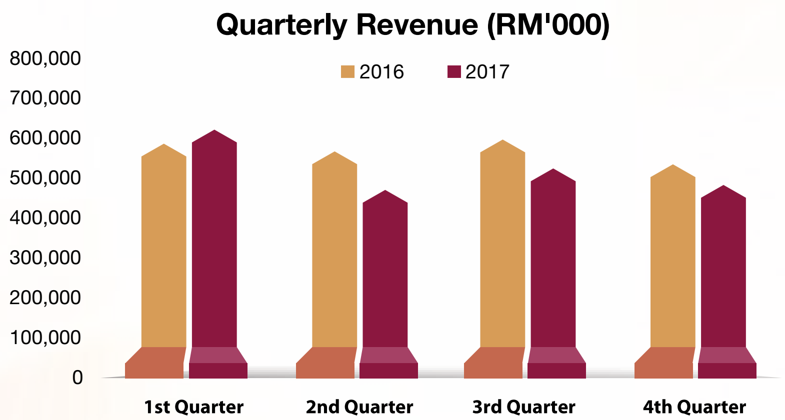


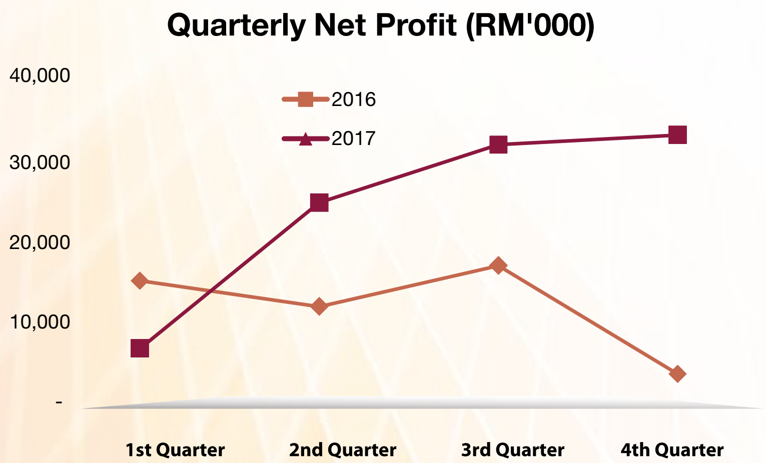




Financial Highlights (cont'd)

Quarterly Analysis Year Ended 31 Dec (RM'000)	2016	2017	% Chg
Turnover			
1st Quarter	591,391	631,314	6.8%
2nd Quarter	583,386	482,302	-17.3%
3rd Quarter	597,512	542,860	-9.1%
4th Quarter	543,577	491,438	-9.6%
	2,315,866	2,147,914	-7.3%
Net Profit			
1st Quarter	13,693	5,753	-58.0%
2nd Quarter	10,662	22,883	114.6%
3rd Quarter	15,484	29,696	91.8%
4th Quarter	2,922	32,713	1019.5%
	42,761	91,045	112.9%





DIRECTORS' PROFILE

YBHG DATO DR MOHAMAD MUSA BIN MD JAMIL

Malaysian / Aged 72 / Male

YBhg Dato Dr Mohamad Musa Bin Md Jamil was appointed as the Executive Chairman of Guan Chong Berhad on 8 January 2005. He was re-designated as Non-Independent Non-Executive Chairman on 1 April 2013. He is responsible for the overall strategic business planning and advises on the product development activities of the Group. He graduated with a Bachelor of Science Degree in Biology from University of Malaya in 1972. Upon his graduation, he joined Malaysian Agricultural Research & Development Institute (MARDI) (Crop Protection Division), as a research assistant and later promoted to the research officer. In 1979, he obtained a PhD in Mycology and Plant Pathology from Queen's University, Belfast, Northern Ireland. In 1980, he held the position of research officer of MARDI (Cocoa and Coconut Research Division) and promoted to the position of Deputy Director in 1984. Later in 1985, he became the Director of the Cocoa and Coconut Research Division. As a Director, he was responsible for planning, managing and overseeing all research programmes under this division. In addition, he was also involved in the implementation and development programmes for cocoa smallholders. In 1990, he joined MCB as the Deputy Director General (Market Development and Regulatory). He was in charge of marketing, promoting, licensing and grading of cocoa beans and cocoa products. He also represented Malaysia in various meetings and trade negotiations held by International Cocoa Organisation (ICCO). In 1996, he was promoted to the post of Director General of MCB. As the Director General, he was responsible for planning, developing and managing all research programmes which involved improvement of cocoa yield and quality as well as development of cocoa products and related downstream activities. In addition, he oversaw the implementation and enforcement of regulations on quality of cocoa beans and cocoa products. He held this position until he retired in 2001. Through the years, he has published more than 30 papers, mostly on cocoa. Currently, he is a member of Malaysian Plant Protection Society and Incorporated Society of Planters (ISP).

He is the Chairman of the Remuneration Committee and Member of the Audit Committee and Nomination Committee of the Company. He is not a director of any other public company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years.

He has attended all the five board meetings held in the financial year ended 31 December 2017.

TAY HOE LIAN

Malaysian / Aged 53 / Male

Tay Hoe Lian was appointed as the Managing Director and Chief Executive Officer of Guan Chong Berhad on 8 January 2005. He graduated with a degree in Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA in 1993. Upon his graduation, he was appointed as the Manager of JB Cocoa Group Sdn Bhd's Transport Division and overseeing the operation of the division. In 1997, he joined Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") as the Marketing Manager and has successfully marketed cocoa powder to the European, Middle East and South American markets. In 1999, he was appointed as a Director of GCC and promoted to the position of General Manager in 2002 and Managing Director in 2003. With his contribution, GCC has successfully expanded its production capacity to become one of the leading players in the regional cocoa bean processing industry in terms of processing capacity and market share.

He was elected as a member of Malaysian Cocoa Board by Ministry of Plantation Industries and Commodities from 1 February 2013 to 31 January 2015.

He is not a director of any other public company. He is the cousin of Tay How Sik @ Tay How Sick, an Executive Director and shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 5 years.

He has attended all the five board meetings held in the financial year ended 31 December 2017.

TAY HOW SIK @ TAY HOW SICK

Malaysian I Aged 58 I Male

Tay How Sik @ Tay How Sick was appointed as the Executive Director and Chief Operating Officer of Guan Chong Berhad on 8 January 2005. He has been a Director and Factory Manager of Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") since 1989 and is currently in charge of the factory operations of GCC. As a Director of JB Cocoa Group Sdn Bhd from 1987 to 2003, he was involved in the initial setting up of the cocoa beans processing plant including the building of factory, setting up the production line and machinery installation. Over the years, he has gained extensive knowledge and experience in the production of cocoa-derived food ingredients as well as maintenance and modification of machines to enhance production efficiency and improve the quality of cocoa-derived food ingredients.

He is not a director of any other public company. He is the cousin of Tay Hoe Lian, the Managing Director and major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 5 years.

He has attended all the five board meetings held in the financial year ended 31 December 2017.

HIA CHENG

Malaysian I Aged 53 I Male

Hia Cheng was appointed as the Executive Director and Chief Financial Officer of Guan Chong Berhad ("GCB") on 8 January 2005. He obtained professional accounting qualification from The Chartered Association of Certified Accountants ("ACCA") in 1991 and became a fellow member of ACCA in 2001. He was with TH Liew & Gan, a local audit firm from 1986 to 1990. He joined Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") in 1991 as the Accounts Supervisor. In 1996, he was promoted as Finance and Trading Manager of GCC.

Since then, he has been heading the finance and trading department as well as sourcing cocoa beans and marketing of cocoa butter, cocoa liquor and cocoa cake. He has been actively involved in the corporate strategy planning as well as in charge of the financial management and foreign currency management of GCB. In addition, he also carries out feasibility studies and investment appraisal for all of GCB's expansion projects. He has successfully strengthened GCB's relationships with its customers include international trading companies.

He is not a director of any other public company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years.

He has attended all the five board meetings held in the financial year ended 31 December 2017.

Directors' Profile (cont'd)

TAN AH LAI

Malaysian / Aged 49 / Male

Tan Ah Lai was appointed as an Independent Non-Executive Director of Guan Chong Berhad on 26 October 2007. He is a fellow member of the Association of Chartered Certified Accountants, UK and a Chartered Accountant of the Malaysian Institute of Accountants. He started his career as an Audit Assistant in a public accounting firm in year 1994. In 2011, he incorporated his own consulting and accounting firm which provides accounting, tax and consultation services. He has extensive experience in financial and tax related work. Currently, he is an independent non-executive director of Crescendo Corporation Berhad.

He is the Chairman of the Audit Committee and a Member of the Remuneration Committee and Nomination Committee of the Company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years.

He has attended all the five board meetings held in the financial year ended 31 December 2017.

YBHG DATUK TAY PUAY CHUAN

Malaysian / Aged 54 / Male

Ybhg Datuk Tay Puay Chuan was appointed as an Independent Non-Executive Director of Guan Chong Berhad on 8 January 2005. He started his career with the Polis DiRaja Malaysia, Bukit Aman in 1987 and later left the police force as a Police Inspector in 1992. He joined Fajar Sawmill Sdn Bhd as a Factory Manager from 1992 to 1997. In 1997, he obtained a Bachelor of Law (Honours) degree from University of London, UK. He was called to the Bar and admitted as an advocate and solicitor in 1998. He was the partner in Fazilah, Ong Chee Seong & Associates from 1998 to 2003 until he set up his own legal practice, Tay Puay Chuan & Co in Muar, Johor Darul Takzim in 2003. Currently, he is the Independent Non-Executive Director of Sern Kou Resources Berhad and Homeritz Corporation Berhad.

He is a Member of the Audit Committee and Remuneration Committee and the Chairman of Nomination Committee of the Company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years.

He has attended all the five board meetings held in the financial year ended 31 December 2017.

SENIOR MANAGEMENT

TAY HOW YEH

Malaysian I Aged 52 I Male

Tay How Yeh was appointed as the Director of Supply Chain of GCB Specialty Chocolates Sdn Bhd on 1st August 2016. He graduated with a degree in Bachelor of Business Administration from University of Toledo USA in 1989. From 1990 to 1995, he was the manager of Guan Chong Trading where he was assigned with the task of sourcing cocoa bean in Tawau, Sabah. Over the years, he has gained considerable experience in logistic and cocoa beans quality assessment. Since joining Guan Chong Cocoa Manufacturer Sdn Bhd in 1995 as Production manager, he has been in charge of the production department and assisted in expanding production capacity, production planning and quality control. In 2008, he was appointed the Production and Operation Manager of GCB Foods Sdn Bhd, responsible for managing production planning, raw material procurement, inventory control and quality control. In 2010, he was appointed the Managing Director of GCB Specialty Chocolates Sdn Bhd, in charge for monitoring overall of company performance. Subsequently on August 2016 upon joint venture with Fuji Oil Asia Pte Ltd, he is appointed as the Director of Supply Chain of GCB Specialty Chocolates Sdn Bhd.

He is not a director of any other public company. He is the cousin of Tay Hoe Lian, the Managing Director and major shareholder of the company and brother of Tay How Sik @ Tay How Sick, an Executive Director and shareholder of company. He does not have any conflict of interest with the company and has not been convicted for any offences within the past 5 years.

TAY SEE MIN

Malaysian I Aged 46 I Female

Tay See Min was appointed as the Commercial Director of GCB Cocoa Singapore Pte Ltd on 10 December 2010. She graduated with a degree in Bachelor of Information System from Monash University, Australia in 1993. She has been working as an IT profession upon graduation, and was last an IT Manager in American International Assurance (AIA) before joining Guan Chong. Since joined, she is actively involved in cocoa bean trading, sales and marketing of cocoa product. She also managed to get our Singapore subsidiary to become a member of Global Trading Programme under IE Singapore. In 2012, she was appointed to be in charge of Indonesia Market and had successfully set up a trading company in Jakarta. She has been managing the Jakarta company and successfully expand the market shares by increasing the customer base in Indonesia

In 2014, she was appointed to be in charge of Japanese Market for expanding market shares in Japan. She has been actively working and has built up stronger relationship with Japanese Trading companies and MNC customers. She is also constantly involved in corporate strategic planning and managing strategic projects. Besides that, she has also been working with potential investors or partners for any expansion and Investment opportunity.

She is not a director of any other public company. She is the sister of Tay Hoe Lian, the Managing Director and major shareholder of the Company. She does not have any conflict of interest with the Company and has not been convicted for any offences within the past 5 years.

Profile of Key Senior Management (cont'd)

YAU TEE WAN

Malaysian / Aged 45 / Male

Yau Tee Wan was appointed as the Senior Operation Manager of Guan Chong Cocoa Manufacturer Sdn Bhd on 01 January 2012. He graduated with a degree in Bachelor of Physics from University of Malaya, Malaysia in 1997. Upon graduation, he joined Dunham Bush Sdn Bhd as a Research & Development Engineer, responsible for R&D of air conditioning equipment. Subsequently, he worked with Mewaholeo Industries Sdn Bhd as a senior production executive, specializing in overall production of specialty fats including frying oil, margarine and shortening before he left the job for the position of Maintenance Manager in Guan Chong Cocoa Manufacturer Sdn Bhd in 18 March 2002. He has been managing the overall plant maintenance, technical parts and machineries procurement, inventory control and project management. He was promoted to the position of Operation Manager in 2005 and Group Operating Manager in 2010, overseeing the production of Guan Chong Cocoa Manufacturer Sdn Bhd, GCB Foods Sdn Bhd and PT Asia Cocoa Indonesia. Besides that, he is also the General Manager of PT Asia Cocoa Indonesia and successfully achieved maximum efficiency in overall production by maintaining high production yield and low processing cost.

He is not a director of any other public company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years.

POW CHUN CHUNG

Malaysian / Aged 45 / Male

Pow Chun Chung was appointed as the Senior Quality Manager of Guan Chong Cocoa Manufacturer Sdn Bhd on 01 January 2012. He obtained a Bachelor of Engineering (Chemical) from University of Malaya in 1998. He started his career with Mewaholeo Industries Sdn Bhd as Production Engineer, responsible for palm oil fractionation plant production. Subsequently, he joined Universal Cable Sdn Bhd and Medical Latex II Sdn Bhd in 1998 and 2000 respectively as Quality Engineer. Over the years, he has gained extensive knowledge and experience in quality assurance, quality control as well as ISO9001, British standard product certification and FDA process validation, enabling him to design a stringent and efficient quality assurance process. He joined Guan Chong Cocoa Manufacturer on 01 April 2002 as Quality Manager and has been working on maintaining high quality assurance, quality control and manage food safety and regulatory affair of the company. He was promoted to the position of Senior Quality Manager on 01 January 2012, overseeing the quality control of raw material as well as finished products of GCB Foods Sdn Bhd and PT Asia Cocoa Indonesia.

He is not a director of any other public company. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted for any offences within the past 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

Over the past 30 years, Guan Chong has outgrown its humble beginnings to become one of the leading cocoa producers in the region providing cocoa-derived food ingredients, namely cocoa liquor, cocoa butter, cocoa cake and cocoa powder. To date, our Group has grown to be one of the top five players in the world. Apart from having cocoa processing plants in Johor, Malaysia and Batam, Indonesia, our group also have cake grinding, butter deodorizing and melting facilities in United States, trading subsidiaries in Singapore and Indonesia.

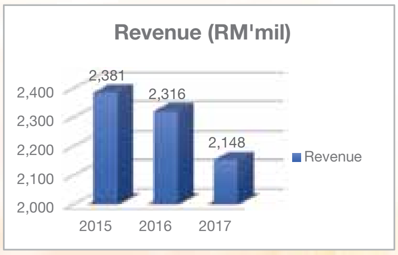
BUSINESS OVERVIEW AND STRATEGIES

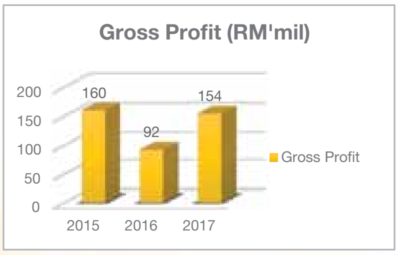
We aim to focus on our core business and strengthen our position in becoming a key cocoa processor, we have worked to streamline our operations and made significant investment to increase our overall grinding capacity.

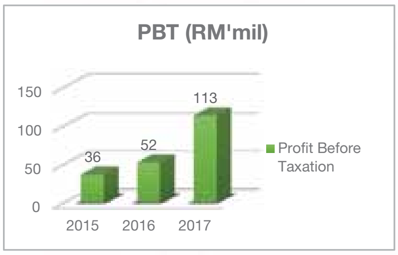
During the year, GCB has acquired the entire stake in GCB Cocoa Malaysia Sdn Bhd (formerly known as Koko Budi Sdn Bhd) as a wholly owned subsidiary. The company is a Johor-based company and principally involved in manufacturing, marketing and promoting of cocoa-related food ingredients. Through this acquisition, the Group is able to achieve organic expansion. Currently, we are expanding the factory's capacity to approximately 50,000MT. We are expecting the expansion to be completed by the first half of 2018. We believe the expansion would enable us to accommodate the needs of our customers and different markets.

We have acquired a cocoa butter deodorising and melting plant through Carlyle Cocoa Co., LLC for approximately RM33.96 millions (USD8.39 millions). Carlyle Cocoa Co., LLC, a wholly owned subsidiary by GCB, is located in the United States. It is currently engaged in cocoa cake grinding and cocoa powder marketing. This acquisition allows Carlyle to expand their value-added services, such as deodorised cocoa butter, cocoa butter and cocoa liquor melting to customers in the United States. With this new acquisition, we aim to establish stronger relationships with our end consumers.

FINANCIAL PERFORMANCE







Revenue:

The Group's revenue has decreased by 7.3% approximately RM168 millions as compared to previous financial year. The decline was mainly due to the lowered selling price of our cocoa product. Selling prices of cocoa products move in tandem with the price of raw material cocoa bean. The world's bean price has experienced a dramatic decrease of 29.8% from FY2016 to FY2017. The current financial year's average selling price for cocoa butter has decreased by 11.8% as compared to FY2016; whereas for cocoa cake and cocoa powder, collectively named as cocoa solids, the current financial year's average selling price has shown a decrease of 9.1% as compared to FY2016.

Despite the declined revenue, the global cocoa processing industry is catalysed by the rising demand for processed cocoa-derived food ingredients, particularly for the production of chocolate. Cocoa butter and powder are considered the key ingredients for manufacturing chocolate. Particularly, cocoa powder is non-substitutable and hence it continues to be an indispensable raw material for the chocolate manufacturing industry. This demand for cocoa-derived food ingredients stimulates the cocoa processing industry across the globe, which has resulted in an overall increase in sales volume for our cocoa powder of 22.5%.

Management Discussion And Analysis (cont'd)

Gross Profit:

GCB has recorded a gross profit of RM154 millions for FY2017, an improvement of 67% as compared to RM92 millions in the previous financial year. The decrease of average cocoa bean cost has contributed significant saving in raw material cost which mitigated the lower average selling price, which has contributed greatly to the increase in our gross profit.

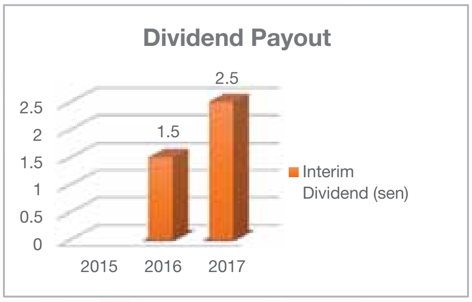
Although we have achieved higher in our gross profit, the increase was slightly deflated due to the weakening of US Dollar against Ringgit Malaysia by RM0.4385, in which the exchange rate between Ringgit Malaysia and US Dollar was RM4.0475 on 29 December 2017 as compared to RM4.486 on 31 December 2016. Due to the strengthening of Ringgit Malaysia, we have recorded a lower revenue during the year as most of our sales were denominated in US Dollar.

Overall, the Group has achieved a 3.7% growth in Sales Volume as compared to the previous financial year, primarily from cocoa butter and cocoa powder.

Profit Before Tax (PBT):

The Group's Profit Before Tax has improved tremendously from RM52 millions in FY2016 to RM113 millions in current financial year, representing an increase of 117.3%. The higher gross profit achievement along with an approximate RM35 millions gain from foreign exchange and commodity has contributed to this satisfying result.

DIVIDEND



Overall, our performance in financial year 2017 has been satisfying. In appreciation for our shareholders' consistent support and confidence in GCB, we have declared two interim dividends during the year. The first single tier dividend of 1.5 sen per ordinary share amounted to RM7.2 millions on 05 September 2017 and subsequently paid on 13 October 2017. The second interim single-tier dividend of 1.0 sen per ordinary share amounted to approximately RM4.78 millions in respect of the financial year ended 31 December 2017 was declared on 13 November 2017 and subsequently paid on 27 December 2017. However, the Directors did not recommend the payment of a final dividend in respect of the current financial year.

Competition Risk

The Group is operating in a very competitive industry, where key cocoa producers may have greater financial or other resources, as most of them are more vertically integrated from cocoa bean trading up to chocolate manufacturing. We have attempted to increase our competitiveness by being more cost effective and efficient, while providing products and services to our customers' satisfaction.

On the other hand, as one of the bean origin, the supply in Indonesia has shrunk greatly over the past few years. As a result, we have been replacing the bean used in production with beans from other origins. In an effort to stay competitive, we have been keenly exploring the potential of expansion in other bean origins.

Cocoa Bean Price Volatility Risk

Majority of our raw material cost is the cocoa bean cost, which means any price fluctuation in cocoa bean can have great impact on our performance. The volatility of the cocoa bean price is highly affected by the demand and supply of quality cocoa beans as well as market speculation.

In an attempt to manage the exposure of cocoa bean price fluctuations, the Group hedges its cocoa bean cost to our forward sales contracts of cocoa-derived food ingredients.

Foreign Currency Fluctuation Risk

In FY2017, about 93% of our sales and purchases were denominated in foreign currencies other than Ringgit Malaysia while our Group's functional and reporting currency is Ringgit Malaysia. In addition, most of the Company's financing are also denominated in US Dollar.

To mitigate this exposure, we attempt to match most of our purchases of imported raw materials, which are denominated in foreign currencies, to the same currency for our exported sales. However, the Group reported profit can be affected by the time lag in fluctuations of the foreign currencies between the payment made for import and received from export.

PROSPECT AND PLAN

GCB is comparatively optimistic that the world demand for cocoa ingredient will remain relatively strong for the coming year. To capture the rising demand, we have acquired GCB Cocoa Malaysia Sdn Bhd (formerly known as Koko Budi Sdn Bhd) to strengthen our position as one of the world's key cocoa ingredient providers. Currently we are upgrading the newly acquired factory. This will boost our capacity by 25%, and it will be in production from the second half of 2018. We are relatively confident in selling the additional capacity due to the increasing chocolate demand that will allow us to establish a stronger market presence.

Additionally, we will continue to devote substantial effort to product improvement and production efficiency so we can provide a wide range of cocoa ingredient to serve existing and potential customers.

We are also actively exploring the potential of expanding our processing facilities in origin country to better accommodate the continued growth in world cocoa consumption.

STATEMENT OF
CORPORATE SOCIAL RESPONSIBILITY

Guan Chong Berhad ("GCB" or "the Group") recognised the importance of having well-established standards of corporate governance as well as adopting new policies to be a socially responsible corporate. We strive to safeguard the interest of our shareholders and stakeholders. While commercial success is vital to our business, our policies remain focused on ensuring a safe workplace for employees, reducing the negative impact on environment and contributing to the communities.

GCB has carried out corporate social responsibility ("CSR") activities which follows the Bursa Malaysia Securities Berhad's ("Bursa Securities") CSR framework as stated in the four areas below.

THE WORKPLACE

The Group puts a strong emphasis on human capital as we consider the employees as our greatest asset. Therefore we continuously review our safety standards to ensure our employees are well protected. We trained our employees annually on Good Manufacturing Practice – take breaks at designated safe areas, be cautious in hazardous areas, follow the cleaning and hygiene process to prevent unnecessary injuries. We ensure that our employees are aware of the fire drill and evacuation procedures by regularly holding practices.

The Group is committed to provide a fair and non-discriminative workplace to allow personal and professional growth. The Human Resource Department constantly organise training and technical skills programs to improve employees' performance and help employees advance in their career.

We believe that a balance in work and personal life will allow our employees to perform quality work and achieve personal satisfaction. Our group promotes healthy lifestyle amongst staffs. The Social Recreation and Welfare Club actively plans sporting events such as badminton tournament and charity run sponsored by GCB, which a selected number of volunteered employees had participated to promote physical well-being and build stronger team spirit. Through these events, employees can develop a deeper understanding and rapport team between each other.

THE MARKETPLACE

The Group recognised the importance and need to have the effective and transparent channels of communication in daily operation in order to build and maintain a long-term and sustainable relationship with the market.

Over the years, we have adopted and maintained best practices and applied various strategies to ensure we could deliver quality products to our customers and end consumers.

We regularly update our stakeholders on the Group's latest performance and development through Bursa Securities announcements, company websites and press releases.

THE ENVIRONMENT

We have been promoting an environmentally friendly workplace practice to reduce pollution. To achieve that, we encourage employees to recycle and manage waste effectively.

We monitor the use of energy and water for productions meticulously to reduce negative environmental impact and seek improvement in operational efficiency to achieve maximum production and minimum waste. We also attempt to reduce wastage by using energy-efficient lighting system and waste water treatment plant.

THE COMMUNITY

GCB endeavours to be a responsible corporate remains our priority. The Group has been supportive of various noble causes and had contributed directly and indirectly to various community project and charitable institutions.

As an example, we have enlighten the surrounding communities through blood drive. Employees who were physically fit were encouraged to participate in the event and we received an overwhelming response from our employees and business associates.

SUSTAINABILITY STATEMENT

1.0 OUR APPROACH

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 drive a responsible and sustainable business practises throughout our organisation. We instilled 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 *prioritised* the *material sustainability matters*.
- **Managing Sustainability Matters:** The Group's *practises* and *performance* in managing the *material sustainability matters*

The scope of this sustainability statement for Year 2017 covers two main subsidiary companies, namely Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") and PT Asia Cocoa Indonesia ("ACI"), which through its cocoa bean processing activities, collectively contributed 93% of total group revenue for the financial year ended 31 December 2017.

2.0 SUSTAINABILITY GOVERNANCE STRUCTURE

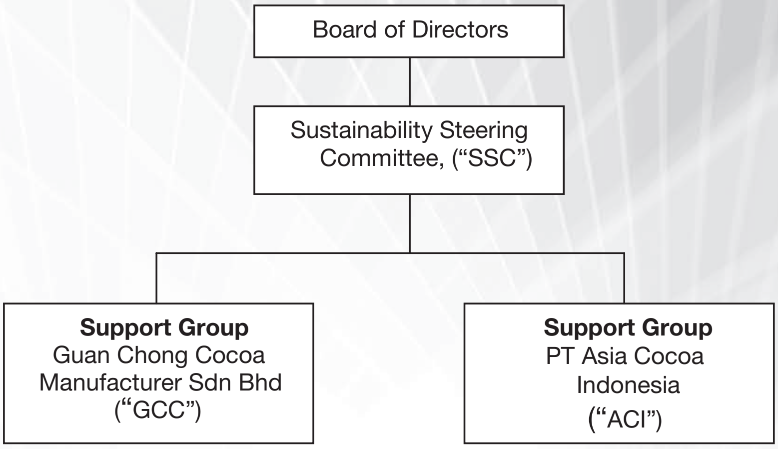
The responsibility to promote and embed sustainability in GCB's business strategy lies with the Board of Directors. A Sustainability Steering Committee ("SSC") was set up to oversee the incorporation of sustainability in the Group's businesses, as well as to prepare the Group for its sustainability disclosure. 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 comprised General Manager and Senior Manager of the respective functional units and also support groups from GCC and ACI.

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 and Toolkits. Our Materiality assessment processes are as follows:

This process employs a prioritisation approach, taking into consideration of important sustainability issues from both perspectives of GCB and that of Stakeholders. GCB has therefore engaged with related 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

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 • Human capital development and labour practices • Equal opportunities and human rights
Customers	• Sustainability forum and seminar • Customer visit/meeting • Marketing materials and events • Corporate announcement and publication	• Financial Sustainability • Combating forced labour and Child labour • Energy Consumption • Equal opportunities and human rights • Ethical business and transparency • Minimising Water Use
Suppliers	• Meeting and discussions • Sustainability forum and seminar • Corporate announcement and publication • Exhibition and events	• Financial Sustainability • Combating forced labour and Child labour • Ethical business and transparency
Regulatory authorities and government	• Regular consultation and meeting • Reporting • Government agency - industrial dialogue	• Human capital development and labour practices • Waste management
Local Communities	• Meeting and discussions	• Human capital development and labour practices • 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 industry players 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. Prioritisation. 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.

Four most material issues were identified arising from this exercise.

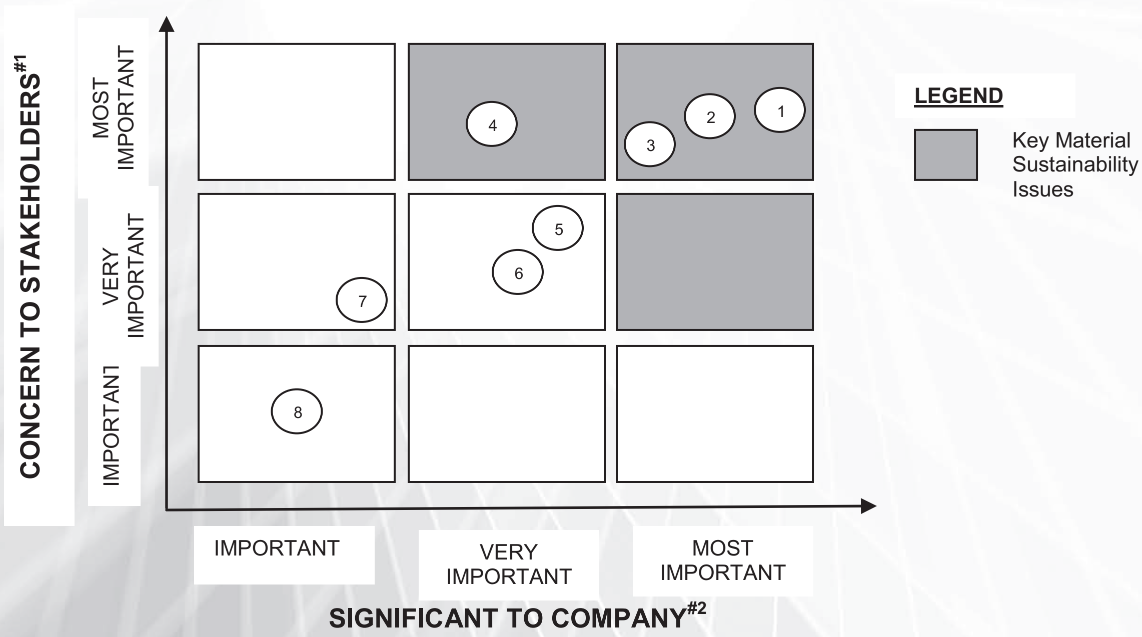
They are financial sustainability, energy consumption, combating forced labour and child labour, and equal opportunities and human rights.

4. Validation. We finalised the prioritised 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.

   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	Combating forced labour and Child labour
4	Equal opportunities and human rights
5	Ethical business and transparency
6	Human capital development and labour practices
7	Minimising Water Use
8	Waste management

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 stakeholders.
#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 Minimising environmental impact	Energy Consumption
	Waste management
	Minimising Water Use
Social Social Responsibility	Combating forced labour and Child labour
	Equal opportunities and human rights
	Human capital development and labour practices

**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 challenging market environment, 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 company in Asia.

Financial sustainability is a key focus of our business. The main contributor to GCB performance is our core business: cocoa bean processing. Our key considerations to ensure sustainability in this respect are to ensure high utilisation of cocoa grinding capacity, persistent drives on cost efficiency, agile response towards changes in cocoa market and forward planning. We endeavour to enhance our financial performance to deliver value to all our stakeholders on a continuous basis.

For financial year ended 31 December 2017
we achieved revenue of
RM2,148 millions

and profit before tax of
RM113 million ↑ 117% y-o-y

ETHICAL BUSINESS AND TRANSPARENCY

Ethics, integrity and transparency have increasingly become mainstream business issues in today's business environment. GCB has issued the Code of Conduct to all employees in conducting business ethically and sustainably. Additionally, a Whistle-Blowing Procedures and the relevant procedures have been established, providing an avenue for employees and the public to lodge complaints of corrupt practices or wrong-doings in confidence. As part of a continuing effort to educate on corruption and code of conducts, trainings have been organised for new recruits as well as for existing employees.

In managing our supply chain, we work collaboratively with our vendors and suppliers to conduct our businesses ethically in line with our corporate core values. We have shared our code of conduct with all our vendors and suppliers, and request them to embrace good practices in the code of conduct.

In order to ensure compliance of ethical business practices and code of conducts, we engage the independent certification body to conduct ethical audit at both of our cocoa processing companies. Sedex Members Ethical Trade Audit (SMETA) is one of the recognised ethical audit scheme in cocoa industry. With much efforts from the team, both Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") and PT Asia Cocoa Indonesia ("ACI") have passed SMETA Ethical Audit in 2017.

2017	Sedex SMETA Audit Status
Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC")	PASS
PT Asia Cocoa Indonesia ("ACI")	PASS

ENERGY CONSUMPTION

We consume a considerable amount of energy in processing cocoa bean, mainly in the form of electricity. In 2017, both Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") and PT Asia Cocoa Indonesia ("ACI") have set up energy management and data collection system, helping us manage our energy usage by improving efficiency, reducing emissions and conserving resources. These collected data shall serve as a base line for potential future reduction in energy consumption.

2017	Average monthly kWh/MT cocoa bean processed
Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC")	379 kWh/MT**
PT Asia Cocoa Indonesia ("ACI")	296 kWh/MT

***GCC consume higher electricity than ACI because it has more cocoa powder grinding activities that consume high electricity.*

WASTE MANAGEMENT

As cocoa bean processing company, we generate scheduled and non-scheduled waste such as solid waste, cocoa waste/biomass waste, environmental waste as well as domestic waste. We have incorporated a range of initiatives into our operations to reduce our waste.

For example, cocoa waste is sent to biomass boiler to burn off and generate steam energy for factory use. Wooden waste from damaged wooden pallet was greatly reduced by replacing wooden pallet with stronger metal pallet.

In 2017, both Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") and PT Asia Cocoa Indonesia ("ACI") have set up waste management and data collection system, helping us manage our waste by monitoring waste generation relentlessly. Every department head responsible to review and feedback to the weight of waste generated in monthly management meeting. These collected data can serve as a benchmark base line for potential future waste reduction.

2017	Average monthly waste generated, MT
Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC")	4.2MT/ month
PT Asia Cocoa Indonesia ("ACI")	5.6MT/ month

MINIMISING WATER USE

Water scarcity is one of the hot sustainability topics in chocolate or cocoa industry. As part of the supply chain actor in providing cocoa ingredients to the world market, GCB has prioritised this concern after stakeholder engagement from customer sustainability seminar.

In 2017, both Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC") and PT Asia Cocoa Indonesia ("ACI") have set up water management and data collection system, helping us manage our water usage more effectively. The collected data will serve as benchmark base line for potential future water usage reduction.

2017	Water Usage : Average monthly m3/MT cocoa bean processed
Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC")	1.09 m3/MT
PT Asia Cocoa Indonesia ("ACI")	0.88 m3/MT

COMBATING FORCED LABOUR AND CHILD LABOUR

Forced labour and child labour is one of the most important sustainability topics in chocolate/cocoa industry. GCB is committed to combat forced labour and child labour with our best efforts. We prohibit use of forced labour and child labour in any form within our organisation and demand all our vendors and suppliers to commit the same, i.e. zero tolerance of the use of forced labour / child labour.

During vendor/supplier audit, our auditors are mandated to check and confirm that the audited suppliers conform to the forced labour and child labour requirement. We are glad that there is ZERO case, e.g. no finding of forced labour and child labour case in 2017.

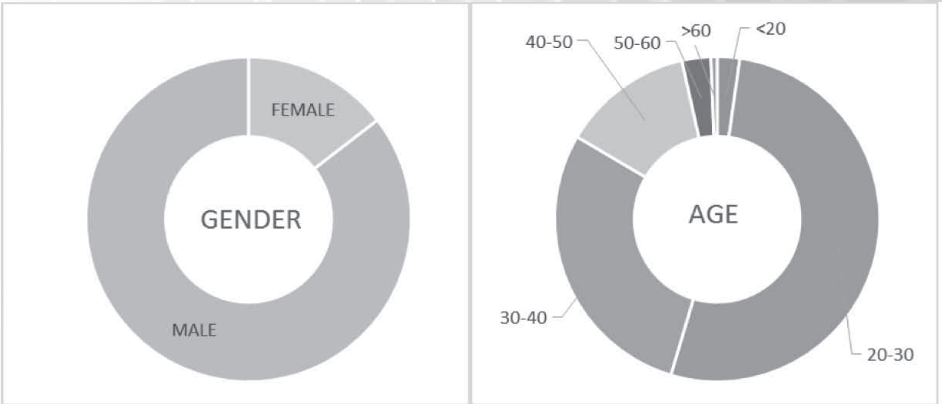
EQUAL OPPORTUNITIES AND HUMAN RIGHTS

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 strongly against discrimination on the basis of race, colour, sex, language, religion, political or other opinion, caste, national or social origin, property, 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.

GCB treat all personnel with dignity and respect. Physical abuse or the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation is strictly prohibited in GCB. We have established a formal grievance mechanism so that complaints of mistreatment and abuse can be reported. The mechanism covers complaints on unfair practices and human rights, and also comes with a remediation process. We are glad to report that there is ZERO case, of grievance case related to human rights abuse in 2017.

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.



HUMAN CAPITAL DEVELOPMENT AND LABOUR PRACTICES

Employees are a vital component of a company's business. Their performance, commitment and loyalty to the job are critical not only in achieving the company's goals and objectives but most important for its long-term survival and sustainability. To accomplish this undertaking, GCB envisages to invest resources to ensure that employees have the knowledge, skills, and competencies they need to work effectively in a rapidly changing and complex environment. Human capital development, therefore, becomes a part of an overall effort and strategy to achieve cost effectiveness and performance.

The team in both Malaysia factory and Indonesia factory are aiming to provide yearly training to every employee. We are pleased to report that both factories achieve this target.

2017	Percentage of employee receive training
Guan Chong Cocoa Manufacturer Sdn Bhd ("GCC")	100%
PT Asia Cocoa Indonesia ("ACI")	100%

As for labour practices concerns, with the help from independent SMETA audit, both Malaysia factory and Indonesia factory team had been verified in SMETA audit that our system and labour practices are comply with the local labour regulation.

OVERVIEW STATEMENT

The Board of Directors of the Company ("the Board") recognises 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 2017 ("MCCG 2017") 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 2017 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 2017 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.

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 authorised or 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 four (4) 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 2017. 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 pages 8 to 10 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 2017 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.

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 (formerly known as Memorandum and Articles of Association), 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 2017, all Directors have attended relevant courses and training programmes to enhance their knowledge to effectively discharge their duties and obligations.

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	What Directors Need to Know on Reporting & Disclosure Obligations to Prevent Public & Fines by the Regulators
Tay Hoe Lian	Amendments to the Companies Act 2016 with effect from 31.1.2017 Update on One Belt One Road Initiatives Human Capital Performance Transformation
Tay How Sik @ Tay How Sick	Highlights of the Companies Act 2016 – Changes & Implications
Hia Cheng	CMAA International Cocoa Conference
Tan Ah Lai	National Tax Conference 2017 2018 Budget Seminar
YBhg Datuk Tay Puay Chuan	Auto CAD Essential

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 has 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 2017 are as follows:

	Group (RM)						Company (RM)				
	Fees	Salaries & Allowances	Bonuses	Performance Incentives	EPF & SOCSO	Benefits-in-kind	Fees	Salaries & Allowances	Bonuses	EPF & SOCSO	Benefits-in-kind
Executive Directors											
Tay Hoe Lian	150,000	896,634	1,177,200	1,086,647	142,093	28,000	–	–	–	–	–
Tay How Sik @ Tay How Sick	150,000	831,934	826,257	–	62,413	13,325	–	–	–	–	–
Hia Cheng	150,000	1,309,477	2,760,449	2,548,107	159,373	13,325	–	–	–	–	–
Non-Executive Directors											
YBhg Dato Dr Mohamd Musa bin Md Jamil	–	–	–	–	–	–	58,500	1,500	–	–	–
YBhg Datuk Tay Puay Chuan	–	–	–	–	–	–	39,000	3,500	–	–	–
Tan Ah Lai	–	–	–	–	–	–	48,750	4,000	–	–	–

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 2017 are as follows:

Band	Number of Key Senior Management
RM550,001 – RM600,000	2
RM950,001 – RM1,000,000	1
RM1,700,001 – RM1,750,000	1
RM1,950,001 – RM2,000,000	–

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 37 to 42 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.

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.guanchong.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 recognises 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.guanchong.com provides the corporate governance practices of the Company with reference to the MCCG 2017. The Board considers and is satisfied that the Company has fulfilled its obligations under the broad Principles as set out in the MCCG 2017. However, the Board has reserved several of the Practices and has rationalised 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 26 March 2018.

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.guanchong.com.

SUMMARY OF WORK

A total of five (5) Audit Committee meetings were held for the financial year ended 31 December 2017. 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 Federation of 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 2017;
- 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;

SUMMARY OF WORK (CONT'D)

- reviewed the whistle-blowing policy and recommended the amendment and/or modification, if any to the Board;
- 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 2017.

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 37 to 42 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

RISK MANAGEMENT FRAMEWORK (CONT'D)

- **Structure (Cont'd)**

  - **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.

  - **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.

INTERNAL CONTROL SYSTEM (CONT'D)

- **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.

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

  ➢ **Management**

    o 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.

    o 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.

    o 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.

    o 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.

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

    o 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.

    o 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 2017 was about RM48,000.

    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.

INTERNAL CONTROL SYSTEM (CONT'D)

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

  ➢ **Internal Audit (Cont'd)**

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

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

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

  o Discuss with the auditee 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 35 to 36 of this Annual Report contains further details on the activities undertaken by the Audit Committee in 2017.

  ➢ **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.

INTERNAL CONTROL SYSTEM (CONT'D)

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

  ➢ **Board (Cont'd)**

  - **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.

  - **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.

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 2017. 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.

AAPG 3 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 26 March 2018.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the 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 going-concern basis of accounting 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 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in business of investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are set out in Note 11 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/(Loss) for the financial year	91,045,201	(11,435,480)
Profit/(Loss) attributable to owners of the parent	91,045,201	(11,435,480)

DIVIDENDS

The dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	RM
In respect of financial year ended 31 December 2017:	
First interim single tier dividend of 1.5 sen per ordinary share, paid on 13 October 2017	7,168,769
Second interim single tier dividend of 1.0 sen per ordinary share, paid on 27 December 2017	4,779,177
	11,947,946

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act 2016 as disclosed in Note 17 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As at 31 December 2017, the Company held 2,240,700 of its issued ordinary shares as treasury shares out of its total 480,158,452 ordinary shares. Such treasury shares are held at a carrying amount of RM5,194,748 and further details are disclosed in Note 18 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.

DIRECTORS

The Directors who have held for office since the date of the last 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.

<u>Subsidiaries of Guan Chong Berhad</u>

Tay How Yeh	
Tay See Min (f)	
Soh Chee Siong	(resigned on 18 September 2017)
Soh Chee Hoon	(resigned on 18 September 2017)
Soh Pick Har (f)	(resigned on 18 September 2017)
Soh Chee Hong	(resigned on 18 September 2017)

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 2017 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 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in the Company				
<u>Direct interests:</u>				
Dato Dr. Mohamad Musa Bin Md. Jamil	105,999	–	–	105,999
Tay Hoe Lian	12,865,791	–	–	12,865,791
Tay How Sik @ Tay How Sick	6,239,548	–	–	6,239,548
Hia Cheng	8,748,179	–	–	8,748,179
Datuk Tay Puay Chuan	60,000	–	–	60,000
<u>Indirect interests:</u>				
Dato Dr. Mohamad Musa Bin Md. Jamil[a]	29,079,999	–	–	29,079,999
Tay Hoe Lian[b]	251,480,469	–	–	251,480,469
Tay How Sik @ Tay How Sick[c]	60,000	–	–	60,000
Hia Cheng[d]	9,631,799	–	–	9,631,799

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares			
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in the ultimate holding company				
Guan Chong Resources Sdn. Bhd. ("GCR")				
<u>Direct interests:</u>				
Tay Hoe Lian	28,373	–	–	28,373
Tay How Sik @ Tay How Sick	13,934	–	–	13,934
Hia Cheng	5,000	–	–	5,000
<u>Indirect interests:</u>				
Tay Hoe Lian[e]	2,375	–	–	2,375

[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 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 GCR, Tay Hoe Lian is also deemed to be interested in the ordinary shares of all the subsidiaries of GCR to the extent that the GCR has 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 (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the following:

(a) remuneration received by certain Directors as Directors of the Company and its subsidiaries as disclosed in Note 31 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.

There were no arrangement during and at the end of the financial year 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.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The Group and the Company effected Directors' liability insurance amounted to RM18,022 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 allowance 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 amounts of the allowance 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.

(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.

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

(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.

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, 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 2017 are disclosed in Note 26 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
26 March 2018

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 54 to 136 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 2017 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
26 March 2018

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 54 to 136 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)
26 March 2018)

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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, including a summary of significant accounting policies, as set out on pages 54 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

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

As at 31 December 2017, inventories of the Group of RM862,189,735 comprised mainly cocoa beans and related cocoa products. Details of the inventories have been disclosed in Note 13 to the financial statements.

We have focused on the audit risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable values.

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

Key Audit Matters (continued)

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 2017, trade receivables that had been past due but not impaired was RM78,335,207. The details of trade receivables have been disclosed in Note 14 to the financial statements.

Management recognises impairment losses on trade receivables based on specific known facts or circumstances or management judgement on customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement.

Audit response

Our procedures included the following:

(i) Inquired from management regarding the action plans to recover overdue amounts; and

(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.

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 MFRSs, IFRSs 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 ability of the Group and of the Company 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional skepticism 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.

(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 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 11 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
AF : 0206
Chartered Accountants

Lee Ken Wai
03185/07/2019 (J)
Chartered Accountant

Johor Bahru
26 March 2018

STATEMENTS OF

FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	373,033,322	374,337,909	–	–
Investment properties	8	24,169,607	25,845,679	–	–
Prepaid lease payments	9	10,669,193	12,500,663	–	–
Intangible assets	10	11,956,838	11,944,983	–	–
Investments in subsidiaries	11	–	–	68,718,113	52,051,203
Investments in associate	12	7,684,116	6,962,200	7,283,670	7,283,670
Trade and other receivables	14	–	–	51,553,865	92,385,287
		427,513,076	431,591,434	127,555,648	151,720,160
Current assets					
Inventories	13	862,189,735	713,323,810	–	–
Trade and other receivables	14	238,221,280	274,281,760	3,238,069	40,114,822
Derivative financial assets	15	6,603,285	11,200,141	–	–
Current tax assets		5,717,358	242,495	10,249	6,882
Cash and bank balances	16	39,923,894	62,645,883	26,997	1,125,903
		1,152,655,552	1,061,694,089	3,275,315	41,247,607
TOTAL ASSETS		1,580,168,628	1,493,285,523	130,830,963	192,967,767
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	121,831,751	120,039,613	121,831,751	120,039,613
Share premium	19	–	1,792,138	–	1,792,138
Treasury shares	18	(5,194,748)	(5,194,748)	(5,194,748)	(5,194,748)
Reserves	19	362,956,278	307,596,730	10,564,330	33,947,756
TOTAL EQUITY		479,593,281	424,233,733	127,201,333	150,584,759

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
LIABILITIES					
Non-current liabilities					
Borrowings	20	17,463,368	54,562,976	–	–
Deferred tax liabilities	22	32,100,625	20,337,410	–	–
Retirement benefits obligations	23	1,652,975	1,458,892	–	–
		51,216,968	76,359,278	–	–
Current liabilities					
Trade and other payables	24	253,320,676	301,421,436	3,629,630	42,383,008
Derivative financial liabilities	15	20,042,966	35,552,609	–	–
Borrowings	20	769,842,314	655,718,467	–	–
Current tax liabilities		6,152,423	–	–	–
		1,049,358,379	992,692,512	3,629,630	42,383,008
TOTAL LIABILITIES		1,100,575,347	1,069,051,790	3,629,630	42,383,008
TOTAL EQUITY AND LIABILITIES		1,580,168,628	1,493,285,523	130,830,963	192,967,767

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

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	25	2,147,914,289	2,315,865,809	–	–
Cost of sales		(1,993,609,055)	(2,223,957,823)	–	–
Gross profit		154,305,234	91,907,986	–	–
Other income		71,492,579	60,844,705	–	7,062,885
Selling and distribution costs		(15,302,582)	(17,511,221)	–	–
Administrative expenses		(43,702,668)	(29,020,739)	(785,244)	(577,729)
Other expenses		(29,461,133)	(35,141,392)	(10,650,236)	(4,217,080)
Finance costs		(23,151,839)	(18,553,719)	–	–
Share of loss of associates		(739,161)	(317,494)	–	–
Profit/(Loss) before tax	26	113,440,430	52,208,126	(11,435,480)	2,268,076
Tax expense	27	(22,395,229)	(9,446,835)	–	–
Profit/(Loss) for the financial year		91,045,201	42,761,291	(11,435,480)	2,268,076
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
- foreign currency translation	27(c)	(25,140,087)	10,442,982	–	–
- share of other comprehensive income of associates	27(c)	1,461,077	–	–	–
Items that will not be reclassified subsequently to profit or loss					
- remeasurement of employee benefits liability, net of tax	27(c)	(58,697)	(248,696)	–	–
Total other comprehensive (loss)/income, net of tax		(23,737,707)	10,194,286	–	–
Total comprehensive income/(loss)		67,307,494	52,955,577	(11,435,480)	2,268,076

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) attributable to:					
- owners of the company		91,045,201	42,575,246	(11,435,480)	2,268,076
- non-controlling interests		–	186,045	–	–
		91,045,201	42,761,291	(11,435,480)	2,268,076
Total comprehensive income /(loss) attributable to :					
- owners of the company		67,307,494	52,769,532	(11,435,480)	2,268,076
- non-controlling interests		–	186,045	–	–
		67,307,494	52,955,577	(11,435,480)	2,268,076
Earnings per ordinary share attributable to owners of the parent (sen):					
- Basic	28	19.05	8.91		
- Diluted	28	19.05	8.91		

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

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the Financial Year Ended 31 December 2017

Group	Note	Share capital RM	Share premium RM	Treasury shares RM	Foreign exchange translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		← Non-distributable			→	Distributable			
Balance as at 1 January 2016		119,628,572	–	(5,194,748)	50,309,488	211,686,479	376,429,791	430,851	376,860,642
Profit for the year		–	–	–	–	42,575,246	42,575,246	186,045	42,761,291
Other comprehensive income/(loss) for the year:									
- foreign currency translation differences		–	–	–	10,442,982	–	10,442,982	–	10,442,982
- remeasurement of post-employment benefit obligation, net of tax		–	–	–	–	(248,696)	(248,696)	–	(248,696)
Total comprehensive income, net of tax		–	–	–	10,442,982	42,326,550	52,769,532	186,045	52,955,577
Transactions with owners									
Issuance of ordinary shares pursuant to exercise of warrants	17	411,041	1,792,138	–	–	–	2,203,179	–	2,203,179
Disposals of subsidiary	35(a)	–	–	–	–	–	–	(616,896)	(616,896)
Dividend paid	29	–	–	–	–	(7,168,769)	(7,168,769)	–	(7,168,769)
Total transactions with owners		411,041	1,792,138	–	–	(7,168,769)	(4,965,590)	(616,896)	(5,582,486)
Balance as at 31 December 2016		120,039,613	1,792,138	(5,194,748)	60,752,470	246,844,260	424,233,733	–	424,233,733

Group	Note	Share capital RM	Share premium RM	Treasury shares RM	Foreign exchange translation reserve RM	Retained earnings RM	Total equity RM
		Non-distributable				Distributable	
Balance as at 1 January 2017		120,039,613	1,792,138	(5,194,748)	60,752,470	246,844,260	424,233,733
Profit for the financial year		–	–	–	–	91,045,201	91,045,201
Other comprehensive (loss)/income for the year:							
- foreign currency translation differences		–	–	–	(25,140,087)	–	(25,140,087)
- remeasurement of post-employment benefit obligation, net of tax		–	–	–	–	(58,697)	(58,697)
- share of other comprehensive income of associates		–	–	–	1,461,077	–	1,461,077
Total comprehensive (loss)/income, net of tax		–	–	–	(23,679,010)	90,986,504	67,307,494
Transactions with owners							
Dividends paid	29	–	–	–	–	(11,947,946)	(11,947,946)
Transfer pursuant to Companies Act 2016*		1,792,138	(1,792,138)	–	–	–	–
Balance as at 31 December 2017		121,831,751	–	(5,194,748)	37,073,460	325,882,818	479,593,281

** Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.*

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

STATEMENT OF
CHANGES IN EQUITY
For the Financial Year Ended 31 December 2017

Company	Note	<-------Non-distributable------> Share capital RM	Share premium RM	Treasury shares RM	Distributable Retained earnings RM	Total RM
Balance as at 1 January 2016		119,628,572	–	(5,194,748)	38,848,449	153,282,273
Profit for the financial year		–	–	–	2,268,076	2,268,076
Other comprehensive income, net of tax		–	–	–	–	–
Total comprehensive income, net of tax		–	–	–	2,268,076	2,268,076
Transactions with owners						
Issuance of ordinary shares pursuant to exercise of warrants	17	411,041	1,792,138	–	–	2,203,179
Dividend paid	29	–	–	–	(7,168,769)	(7,168,769)
Total transactions with owners		411,041	1,792,138	–	(7,168,769)	(4,965,590)
Balance as at 31 December 2016/ Balance as at 1 January 2017		120,039,613	1,792,138	(5,194,748)	33,947,756	150,584,759
Loss for the financial year		–	–	–	(11,435,480)	(11,435,480)
Other comprehensive income, net of tax		–	–	–	–	–
Total comprehensive loss, net of tax		–	–	–	(11,435,480)	(11,435,480)
Transactions with owners						
Dividends paid	29	–	–	–	(11,947,946)	(11,947,946)
Transfer pursuant to Companies Act 2016*	17	1,792,138	(1,792,138)	–	–	–
Balance as at 31 December 2017		121,831,751	–	(5,194,748)	10,564,330	127,201,333

** Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.*

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

STATEMENTS OF
CASH FLOWS
For The Financial Year Ended 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		113,440,430	52,208,126	(11,435,480)	2,268,076
Adjustments for:					
Amortisation of:					
- leasehold land	9	588,040	667,627	–	–
- warehouse	9	259,191	259,191	–	–
- intangible asset	10	1,230	–	–	–
Bad debts written off		58,169	26,375	–	–
Depreciation of:					
- property, plant and equipment	7	24,901,405	25,059,731	–	–
- investment properties	8	1,015,411	1,005,285	–	–
Impairment loss on:					
- trade receivables	14(g)	4,819,888	9,225,002	–	–
- other receivables	14(g)	3,712,173	–	–	–
(Gain)/Loss on disposals of:					
- subsidiaries		–	(7,013,836)	–	950,750
- property, plant and equipment		(424,900)	36,391	–	–
Loss on re-measurement of remaining stakes in associate		–	–	–	3,266,330
Negative goodwill	11	(256,827)	–	–	–
Net fair value (gain)/loss on derivatives	15(d)	(9,426,665)	22,108,093	–	–
Increase in defined benefit obligation	23(d)	285,013	293,841	–	–
Property, plant and equipment written off		2,166,051	–	–	–
Reversal of:					
- impairment loss on trade receivables		(281,573)	–	–	–
- provision of cargo loss		–	(1,961,171)	–	–
- provision of rework		–	(285,849)	–	–
Share of loss of associates		739,161	317,494	–	–
Unrealised (gain)/loss on foreign exchange translations		(13,084,873)	12,738,479	8,835,333	(7,062,885)
Inventories written down	13(b)	2,929,817	1,774,180	–	–
Interest expense		23,151,839	18,486,312	–	–
Interest income		(583,842)	(1,163,500)	–	–
Operating profit/(loss) before changes in working capital		154,009,138	133,781,771	(2,600,147)	(577,729)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Operating profit/(loss) before changes in working capital carried forward		154,009,138	133,781,771	(2,600,147)	(577,729)
Inventories		(173,952,684)	58,723,455	–	–
Trade and other receivables		(48,436,044)	24,104,734	32,972,965	(15,119,001)
Trade and other payables		29,563,875	(71,146,478)	4,250,322	9,754,080
Net cash (used in)/generated from operations		(38,815,715)	145,463,482	34,623,140	(5,942,650)
Interest paid		(23,151,839)	(18,486,312)	–	–
Interest received		583,842	1,163,500	–	–
Tax paid		(8,047,836)	(2,899,140)	(3,367)	(6,800)
Tax refunded		28,122	2,934,017	–	12,000
Contributions paid for defined benefit obligations	23(d)	(5,598)	(2,441)	–	–
Net cash (used in)/from operating activities		(69,409,024)	128,173,106	34,619,773	(5,937,450)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiary	11	–	–	(16,666,910)	–
Net cash out flow from the acquisition of subsidiary	11	(13,122,626)	–	–	–
Proceeds from disposals of:					
- subsidiaries	35	–	10,100,460	–	11,999,250
- property, plant and equipment		3,502,835	206,708	–	–
Purchase of:					
- property, plant and equipment	7(b)	(49,363,151)	(5,056,965)	–	–
- intangible asset	10	(13,824)	–	–	–
Payment of sub–leases of warehouses	9	(123,738)	(123,738)	–	–
(Advances to)/repayments from holding company		(7,103,823)	10,584,765	(7,103,823)	–
Net cash (used in)/from investing activities		(66,224,327)	15,711,230	(23,770,733)	11,999,250

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM FINANCING ACTIVITY					
Dividends paid	29	(11,947,946)	(7,168,769)	(11,947,946)	(7,168,769)
Net placement of fixed deposits pledged		(172,745)	(13,186,345)	–	–
Net movements in borrowings		128,453,029	(106,217,208)	–	–
Proceeds from the issuance of ordinary shares pursuant to exercise of warrants		–	2,203,179	–	2,203,179
Net cash from/(used in) financing activities		116,332,338	(124,369,143)	(11,947,946)	(4,965,590)
Net (decrease)/increase in cash and cash equivalents		(19,301,013)	19,515,193	(1,098,906)	1,096,210
Effects of exchange rate changes on cash and cash equivalents		(2,194,371)	2,187,969	–	–
Cash and cash equivalents at beginning of financial year		48,433,764	26,730,602	1,125,903	29,693
Cash and cash equivalents at end of financial year	16(d)	26,938,380	48,433,764	26,997	1,125,903

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings Group RM
At 1 January 2017	710,281,443
Cash flows	128,453,029
Non-cash flows:	
- Acquisition of subsidiary	6,995,000
- Effect of foreign exchange	(58,423,790)
At 31 December 2017 (Note 20)	787,305,682

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

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 2017 comprise the Company and its subsidiaries. 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 26 March 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are set out in Note 11 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 54 to 136 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.

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 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.

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 and joint ventures are eliminated against the investment to the extent of the Group's interest 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.

Non-controlling interests represents the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (Cont'd)

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

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

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

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 139 *Financial Instruments: Recognition and Measurement* 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 re-measured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Business combinations (Cont'd)

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 acquiree 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. 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.

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 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 asset 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 or valuation 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:

Leasehold land and buildings	43 years to 60 years
Factory buildings and renovation	5 years to 60 years
Plant, machineries, tools and equipment	5% - 12.5%
Motor vehicles	16% - 20%
Furniture, fittings and office equipment	5% - 14%

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment and depreciation (Cont'd)

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 and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

4.5 Leases and hire purchase

(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 and hire purchase (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 fourty-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 are 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.

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 Investment

(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 Company's separate financial statements at cost. 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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Investment (Cont'd)

(b) Associates (Cont'd)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Intangible assets (Cont'd)

(a) Goodwill (Cont'd)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 comprises all cost of purchase plus other costs incurred in bringing the inventories to their present location and condition. The 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 statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument 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 separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Financial assets at fair value through profit or loss (Cont'd)

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Cash and cash equivalents consists of cash on hand, balances, 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 and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

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.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

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 expires. 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.

Any 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.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Corporate guarantees provided by the Company for no compensation, in relation to loans or payables of subsidiaries are initially measured at fair value and any resulting differences are recognised as contributions by the Company which form part of the cost of investment in subsidiaries.

(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.

Before 31 January 2017
Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

After 31 January 2017
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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (Cont'd)

(c) Equity (Cont'd)

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 statement 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 assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

<u>Loans and receivables</u>

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Borrowing costs

All borrowing cost is 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 real property gains taxes payable on disposal of properties.

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

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties, if any.

(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 to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Provisions

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

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

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

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

4.16 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Employee benefits (Cont'd)

(b) Defined contribution plans

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

(c) Defined benefit plans

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

The recognition and measurement of the defined benefits plan involve:

(i) Determining the deficit or surplus by:

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Employee benefits (Cont'd)

(c) Defined benefit plans (Cont'd)

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

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

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

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

4.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities 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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Foreign currencies (Cont'd)

(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 the statement of profit or loss and comprehensive income. All resulting translation differences are recognised as a separate component of equity.

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

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

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

4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and services and acceptance by customers.

(b) Other income

(i) Management fee

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

(ii) Rental income

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

(iii) Interest income

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

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 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 assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

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

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

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

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

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

5. ADOPTION OF MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the financial year

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

Title	Effective Date
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017

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

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

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

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

6.2 Critical judgements made in applying accounting policies

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

6.3 Key sources of estimation uncertainty

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

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

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

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

(b) Recoverability of trade receivables

Management recognises impairment losses on trade receivables based on specific known facts or circumstances or management judgement on customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement.

7. PROPERTY, PLANT AND EQUIPMENT

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

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

Group	Freehold land RM	Leasehold land and buildings RM	Factory buildings and renovation RM	Plant, machineries, tools and equipment RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
Cost								
Balance as at 1 January 2016	20,281,491	31,905,332	149,198,055	374,518,039	15,252,442	16,039,489	6,205,855	613,400,703
Additions	–	–	215,484	1,418,858	9,862	113,186	3,396,030	5,153,420
Disposals	–	–	–	(478,600)	(787,430)	(8,070)	–	(1,274,100)
Disposals of subsidiaries (Note 35)	–	(27,976,053)	(646,188)	(26,403,413)	(1,037,986)	(7,299,520)	(1,157,503)	(64,520,663)
Reclassification	–	–	4,897,861	–	–	–	(4,897,861)	–
Translation differences	–	–	5,593,597	9,013,289	306,879	194,068	(13,625)	15,094,208
Balance as at 31 December 2016	20,281,491	3,929,279	159,258,809	358,068,173	13,743,767	9,039,153	3,532,896	567,853,568
Accumulated depreciation								
Balance as at 1 January 2016	–	(2,474,339)	(21,440,331)	(132,853,598)	(9,620,022)	(6,526,336)	–	(172,914,626)
Charge for the financial year	–	(447,587)	(4,271,094)	(17,586,002)	(1,519,153)	(1,235,895)	–	(25,059,731)
Disposals	–	–	–	159,337	637,430	4,005	–	800,772
Disposals of subsidiaries (Note 35)	–	2,192,858	473,135	4,449,452	497,500	2,558,005	–	10,170,950
Translation differences	–	–	(868,761)	(2,943,074)	(289,797)	(98,983)	–	(4,200,615)
Balance as at 31 December 2016	–	(729,068)	(26,107,051)	(148,773,885)	(10,294,042)	(5,299,204)	–	(191,203,250)
Accumulated impairment losses								
Balance as at 1 January 2016	–	–	–	(2,542,638)	–	–	–	(2,542,638)
Disposals	–	–	–	230,229	–	–	–	230,229
Balance as at 31 December 2016	–	–	–	(2,312,409)	–	–	–	(2,312,409)
Net carrying amount								
Balance as at 31 December 2016	20,281,491	3,200,211	133,151,758	206,981,879	3,449,725	3,739,949	3,532,896	374,337,909

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

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

	Group 2017 RM	Group 2016 RM
Motor vehicles	427,348	721,828

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

	Group 2017 RM	Group 2016 RM
Additions of property, plant and equipment	49,243,930	5,153,420
Unpaid balances included in sundry payables	–	(119,221)
Cash paid in respect of acquisitions in previous year	119,221	22,766
Cash outflow for acquisition of property, plant and equipment	49,363,151	5,056,965

(c) During the financial year, the carrying amount of property, plant and equipment of the Group have been charged to financial institutions for credit facilities granted to a subsidiary as disclosed in Note 20 to the financial statements are as follows:

	Group 2017 RM	Group 2016 RM
Property, plant and equipment	186,823,571	217,962,370

8. INVESTMENT PROPERTIES

	Group 2017 RM	Group 2016 RM
Cost		
Balance as at 1 January	28,105,782	27,743,168
Translation differences	(826,008)	362,614
Balance as at 31 December	27,279,774	28,105,782
Accumulated depreciation		
Balance as at 1 January	(2,260,103)	(1,179,700)
Charge for the financial year	(1,015,411)	(1,005,285)
Translation differences	165,347	(75,118)
Balance as at 31 December	(3,110,167)	(2,260,103)
Net carrying amount		
Balance as at 31 December	24,169,607	25,845,679

8. INVESTMENT PROPERTIES (CONT'D)

(a) The investment properties consist of the following:

	Group	
	2017 RM	2016 RM
Freehold land and buildings	4,234,700	4,888,977
Leasehold office	1,751,816	2,037,438
Leasehold land and buildings	18,183,091	18,919,264
	24,169,607	25,845,679

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

	Group	
	2017	2016
Quit rent and assessment		
- generating rental income	66,838	66,730
Insurance		
- generating rental income	41,893	41,362

(c) The fair value of the investment properties of approximately RM25,845,009 (2016: RM26,401,253) at Level 3 was recommended by the Directors as at the end of reporting period based on comparison method that makes reference to recent market value of a similar property in the vicinity on a price per square feet basis. Any changes in the price per square feet will result in a reasonable change in the fair value of the investment property.

(d) Investment properties with an aggregate carrying amount of RM4,234,700 (2016: RM4,888,977) are charged to a financial institution for banking facilities granted to the Group and of the Company as disclosed in Note 20 to the financial statements.

9. PREPAID LEASE PAYMENTS FOR LAND

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

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

	Balance as at 1.1.2016 RM	Amortisation charge for the financial year RM	Disposals of subsidiaries (Note 35) RM	Payment of sub-lease rental RM	Translation difference RM	Balance as at 31.12.2016 RM
Carrying amount						
Sub-leases of warehouse	948,153	(259,191)	–	123,738	–	812,700
Leasehold land	13,359,501	(667,627)	(1,484,983)	–	481,072	11,687,963
	14,307,654	(926,818)	(1,484,983)	123,738	481,072	12,500,663

	At 31.12.2016 Cost RM	Accumulated amortisation RM	Carrying amount RM
Sub-leases of warehouse	1,331,082	(518,382)	812,700
Leasehold land	15,337,611	(3,649,648)	11,687,963
	16,668,693	(4,168,030)	12,500,663

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

10. INTANGIBLE ASSETS

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

At 31 December 2016	Goodwill RM	Technical know-how RM	Clientele list RM	Total RM
Cost				
At beginning of financial year	12,650,288	1,016,000	972,000	14,638,288
Disposals of subsidiaries (Note 35)	(705,305)	(1,016,000)	(972,000)	(2,693,305)
At end of financial year	11,944,983	–	–	11,944,983
Accumulated amortisation				
At beginning of financial year	–	(203,200)	(388,792)	(591,992)
Disposals of subsidiaries (Note 35)	–	203,200	388,792	591,992
At end of financial year	–	–	–	–
Accumulated impairment loss				
At beginning of financial year	(705,304)	(812,799)	(583,207)	(2,101,310)
Disposals of subsidiaries (Note 35)	705,304	812,799	583,207	2,101,310
At end of financial year	–	–	–	–
Net carrying amount	11,944,983	–	–	11,944,983

(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 **2017** RM	 **2016** RM
Indonesia	6,521,533	6,521,533
United States	5,423,450	5,423,450
	11,944,983	11,944,983

10. INTANGIBLE ASSETS (CONT'D)

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

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

	Group	
	2017	**2016**
	%	**%**
Sales growth rates		
Indonesia	1	1
United States	1	1
Pre-tax discount rate	5.7	5.2

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

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

(ii) Pre-tax discount rate
Discount rate reflects the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess the operating performance of the CGUs.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM	**RM**
At cost		
Unquoted equity shares		
As at 1 January	56,921,204	73,396,205
Additional investment in existing subsidiary subscription	–	5,000,000
Disposals of subsidiaries (Note 35)	–	(21,475,001)
Acquisition of subsidiary	16,666,910	–
	73,588,114	56,921,204
Accumulated impairment loss		
Balance as at 1 January	(4,870,001)	(7,845,002)
Disposals of subsidiaries (Note 35)	–	2,975,001
As at 31 December	(4,870,001)	(4,870,001)
Unquoted equity shares, at cost	68,718,113	52,051,203

(a) In previous financial year, the Company increased the investment in subsidiary, GCC, of RM5,000,000 via the contra settlement of the amount owing by subsidiary.

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:

Name of companies	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
Guan Chong Cocoa Manufacturer Sdn. Bhd. ("GCC")#	Malaysia	100	100	Production of cocoa-derived food ingredients.
Guan Chong Trading Sdn. Bhd. ("GCT")#	Malaysia	100	100	Dormant.
GCB Foods Sdn. Bhd. ("GCBF")#	Malaysia	100	100	Manufacture, marketing and promotion of cocoa related products.
GCB Cocoa Malaysia Sdn. Bhd. ("GCBCM") (formerly known as Koko Budi Sdn. Bhd.) #	Malaysia	100	–	Production of cocoa-derived food ingredients.
GCB America, Inc ("GCBA")*	United States of America	100	100	Purchase and distribution of cocoa-derived food ingredients and investment holding.
Cocoarich Sdn. Bhd. ("CSB")#	Malaysia	100	100	Investment holding.
GCB Oversea Holdings Corporation ("GCBOHC")^	Federal Territory of Labuan, Malaysia	100	100	Investment holding.
(a) 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.
(b) Subsidiaries of GCBCSPL				
PT Asia Cocoa Indonesia ("ACI")^	Indonesia	90% (Direct) **10% (Indirect)	90% (Direct) **10% (Indirect)	Manufacture of cocoa butter, cocoa cake and cocoa liquor.
PT GCB Cocoa Indonesia ("PTGCBI")^	Indonesia	90% (Direct) **10% (Indirect)	90% (Direct) **10% (Indirect)	Trading of cocoa products.

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of companies	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
(c) 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.

(b) On 28 June 2017, the Company had acquired 100% of equity interest in GCB Cocoa Malaysia Sdn. Bhd. ("GCBCM") (formerly known as Koko Budi Sdn. Bhd.), representing 3,760,000 ordinary share for a total cash consideration of RM16,666,910. Upon the completion on 28 June 2017, GCBCM became a direct wholly owned subsidiary of the Company.

(c) The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

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

12. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted equity shares, at cost	7,283,670	5,000,000	7,283,670	5,000,000
Addition	–	2,283,670	–	2,283,670
Share of post-acquisition reserves, net of dividends received	400,446	(321,470)	–	–
	7,684,116	6,962,200	7,283,670	7,283,670

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

Name of Company	Country of incorporation	Effective interest in equity 2017 %	Effective interest in equity 2016 %	Principal activities
SMC Food21 Malaysia Sdn. Bhd. ("SMC")^	Malaysia	20.00%	20.00%	Production of blended cocoa-derived food ingredients.
GCB Specialty Chocolates Sdn. Bhd. ("GCBSC")^	Malaysia	27.75%	27.75%	Manufacture, marketing and promotion of cocoa related products.

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

(b) The Group recognised its share of results in SMC based on unaudited financial statements as at 31 December 2017. The summarised unaudited financial information for the associate is as follows:

	SMC	
	2017 RM	2016 RM
Assets and liabilities		
Current assets	84,350,853	170,327,855
Non-current assets	55,928,553	56,744,630
Total assets	140,279,406	227,072,485
Current liabilities	98,433,112	183,899,327
Non-current liabilities	24,515,185	20,264,738
Total liabilities	122,948,297	204,164,065
Results		
Revenue	155,726,794	115,711,542
(Loss)/Profit for the financial year	(6,070,030)	956,675
Other comprehensive income	492,721	–
	(5,577,309)	956,675

12. INVESTMENTS IN ASSOCIATES

(c) The Group recognised its share of results in GCBSC based on audited financial statements as at 31 December 2017. The summarised audited financial information for the associate is as follows:

	GCBSC	
	2017 RM	**2016 RM**
Assets and liabilities		
Current assets	26,535,338	24,118,965
Non-current assets	57,236,299	56,403,930
Total assets	83,771,637	80,522,895
Current liabilities	48,407,703	29,245,159
Non-current liabilities	22,346,927	44,881,911
Total liabilities	70,754,630	74,127,070
Results		
Revenue	70,109,448	51,824,984
Profit for the financial year	1,711,152	2,296,828
Other comprehensive income/(loss)	4,910,030	(1,649,841)
	6,621,182	646,987

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

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

	SMC		GCBSC	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Share of net assets of the Group	3,466,222	4,581,684	3,612,219	1,774,841
Goodwill	605,675	605,675	–	–
Carrying amount in the statements of financial position	4,071,897	5,187,359	3,612,219	1,774,841
Share of results for the financial year				
Share of (loss)/profit	(1,214,006)	191,335	474,845	(508,829)
Share of other comprehensive income	98,544	–	1,362,533	–
Share of total comprehensive (loss)/income	(1,115,462)	191,335	1,837,378	(508,829)

13. INVENTORIES

	Group 2017 RM	Group 2016 RM
At cost		
Raw materials	641,767,825	323,845,823
Work-in-progress	6,098,751	16,638,980
Finished goods	162,594,333	308,225,964
Packaging materials	4,442,292	4,138,435
Stores and supplies	11,189,906	14,019,519
	826,093,107	666,868,721
At net realisable value		
Work-in-progress	5,684,429	5,025,991
Finished goods	30,412,199	41,429,098
	862,189,735	713,323,810

(a) During the financial year, inventories of the Group recognised as cost of sales amounted to RM1,988,844,511 (2016: RM2,088,760,883).

(b) During the financial year, the Group had written down inventories of RM2,929,817 (2016: RM1,774,180) in cost of sales.

(c) Inventories with carrying amounts of RM350,843,448 (2016: RM62,542,717) are held as security by way of floating charge for certain of the Group's banking facilities facilities as disclosed in Note 20 to the financial statements.

14. TRADE AND OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non- current				
Other receivables				
Amount owing by subsidiaries	–	–	58,909,825	99,741,247
Less: Allowance for impairment	–	–	(7,355,960)	(7,355,960)
Loans and receivables	–	–	51,553,865	92,385,287

14. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade receivables				
Third parties	212,694,037	227,953,250	–	–
Amount owing by associates	1,991,244	3,142,992	–	–
Amount owing by a related party	4,313,783	12,050,948	4,000	4,000
Amount owing by a subsidiary	–	–	265,072	313,072
	218,999,064	243,147,190	269,072	317,072
Less: Allowance for impairment				
- Third parties	(13,937,928)	(9,917,545)	–	–
- Subsidiaries	–	–	(265,072)	(265,072)
	205,061,136	233,229,645	4,000	52,000
Other receivables				
Sundry receivables	19,075,861	39,247,363	–	–
Amount owing by associates	84,519	61,702	–	–
Amount owing by a related party	182,525	190,253	–	–
Amount owing by a subsidiary	–	–	3,230,069	40,058,822
	19,342,905	39,499,318	3,230,069	40,058,822
Less: Allowance for impairment				
Third parties	(3,494,357)	–	–	–
	15,848,548	39,499,318	3,230,069	40,058,822
Loans and receivables	220,909,684	272,728,963	3,234,069	40,110,822
Deposits and prepayments				
Deposits	14,286,515	1,158,409	4,000	4,000
Prepayments	3,025,081	394,388	–	–
	17,311,596	1,552,797	4,000	4,000
	238,221,280	274,281,760	3,238,069	40,114,822
Grand total	238,221,280	274,281,760	54,791,934	132,500,109

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables are non-interest bearing and the normal trade terms granted by the Group range from 30 days to 120 days (2016: 30 days to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amount owing by associates represent trade balances, which are non-interest bearing and subject to normal trade terms of 30 days (2016: 30 days) from the date of invoices.

(c) Amount owing by a related party represent trade balances, which are subject to the normal trade terms ranging 30 days to 60 days. (2016: 30 days to 60 days) from the date of invoices.

(d) Trade amount owing by subsidiaries is unsecured, interest free and payable on demand in cash and cash equivalents.

(e) Non-trade amounts owing by subsidiaries, associates and a related party are unsecured, interest-free and payable on demand in cash and cash equivalents.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
United States Dollar	98,555,228	153,643,951	52,578,015	130,295,980
British Pound	77,871,999	87,500,345	–	–
Ringgit Malaysia	24,911,005	19,377,456	2,148,802	2,196,341
Indonesian Rupiah	19,350,616	11,807,528	–	–
Singapore Dollar	220,836	225,646	–	–
Others	–	174,037	61,117	3,788
	220,909,684	272,728,963	54,787,934	132,496,109

(g) The ageing analysis of the Group's trade receivables is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	126,725,929	194,259,680	–	–
Past due, not impaired				
1 to 30 days	29,964,755	16,826,028	–	–
31 to 60 days	12,034,584	5,706,136	–	–
More than 61 days	36,335,868	16,437,801	4,000	52,000
	78,335,207	38,969,965	4,000	52,000
Past due and impaired	13,937,928	9,917,545	265,072	265,072
	218,999,064	243,147,190	269,072	317,072

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(g) The ageing analysis of the Group's trade receivables is as follows: (Cont'd)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Group. Based on past experience, the Board believes that no allowance for impairment is necessary in respect of those balances.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired relate to customers for whom there is no objective evidence that the receivables are not fully recoverable. No impairment has been made on these amounts as the Group is closely monitoring these receivables and is confident of their eventually recovery.

Receivables that are past due and impaired

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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Trade receivables				
At 1 January	9,917,545	1,161,141	265,072	265,072
Charge for the year	4,819,888	9,225,002	–	–
Disposals of subsidiaries	–	(468,598)	–	–
Reversal	(281,573)	–	–	–
Written off	(207,645)	–	–	–
Translation differences	(310,287)	–	–	–
At 31 December	13,937,928	9,917,545	265,072	265,072
Other receivables				
As at 1 January	–	–	7,355,960	7,987,116
Charge for the year	3,712,173	–	–	–
Disposals of subsidiaries	–	–	–	(631,156)
Translation differences	(217,816)	–	–	–
As at 31 December	3,494,357	–	7,355,960	7,355,960

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional amount RM	Assets RM	Liabilities RM
2017			
Group			
Commodity futures contracts	15,746,985	4,314,404	(4,403,563)
Commodity option contracts	(348,869,001)	916,484	(7,750,768)
Foreign currency forward contracts	62,649,410	1,320,739	(7,888,635)
Interest rate swap	–	51,658	–
	(270,472,606)	6,603,285	(20,042,966)
2016			
Group			
Commodity futures contracts	107,754,577	8,017,572	(31,802,425)
Commodity option contracts	1,804,121	2,059,007	(3,729,562)
Foreign currency forward contracts	25,937,399	1,111,688	–
Foreign currency option contracts	3,306,631	11,874	–
Interest rate swap	–	–	(20,622)
	138,802,728	11,200,141	(35,552,609)

(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.

(c) Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a certain proportion of those borrowings from floating rates to fixed rates. The interest rate swap contract allows the Company to swap floating interest for borrowings equal to 3.0% + LIBOR per annum (2016: 3.0% + LIBOR per annum), pays a fixed rate of interest of 4.05% to 4.10% (2016: 4.05% to 4.10%) and matures on 17 July 2018 and 1 March 2019.

(d) During the financial year, the Group recognised a total fair value gain of RM9,426,665 (2016: fair value loss of RM22,108,093) 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.

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(e) The currency exposure profile of derivative financial instruments is as follows:

	Group	
	2017 RM	2016 RM
Derivative financial assets		
British Pound	1,346,412	3,288,476
United States Dollar	5,256,873	7,911,665
	6,603,285	11,200,141
Derivative financial liabilities		
British Pound	11,092,964	25,890,460
United States Dollar	8,950,002	9,662,149
	20,042,966	35,552,609

16. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	26,210,380	47,307,748	26,997	1,125,903
Deposits with licensed banks	13,713,514	15,338,135	–	–
	39,923,894	62,645,883	26,997	1,125,903

(a) The deposits with licensed banks of the Group have maturity period of ranging from overnight to three months (2016: overnight to three months) except for deposits pledged to licensed banks have maturity period of twelve months (2016: twelve months).

(b) As at the end of reporting period, the deposits placed with licensed banks of the Group amounting to RM12,985,514 (2016: RM14,212,119) has been charged to financial institution as security for credit facilities granted to the Group as disclosed in Note 20 to the financial statements.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
United States Dollar	26,025,193	22,790,921	–	–
Indonesian Rupiah	4,717,847	15,533,179	–	–
Singapore Dollar	688,921	14,861,303	–	–
Ringgit Malaysia	4,770,615	8,793,484	26,997	1,125,903
British Pound	3,706,136	622,790	–	–
Euro	11,446	40,325	–	–
Others	3,736	3,881	–	–
	39,923,894	62,645,883	26,997	1,125,903

16. CASH AND BANK BALANCES (CONT'D)

(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	26,210,380	47,307,748	26,997	1,125,903
Deposits with licensed banks	13,713,514	15,338,135	–	–
	39,923,894	62,645,883	26,997	1,125,903
Less: Deposits pledged to licensed banks	(12,985,514)	(14,212,119)	–	–
	26,938,380	48,433,764	26,997	1,125,903

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

17. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
At beginning of financial year	480,158,452	120,039,613	478,514,289	119,628,572
Issued during the financial year pursuant to exercise of warrant	–	–	1,644,163	411,041
Transfer from share premium account pursuant to the Companies Act 2016	–	1,792,138	–	–
At end of financial year	480,158,452	121,831,751	480,158,452	120,039,613

(a) In previous financial year, the Company increased its issued and paid-up capital ordinary share capital from RM119,682,572 to RM120,039,613 by way of issuance of 1,644,163 ordinary shares pursuant to the exercise of Warrants 2011/2016 at an exercise price of RM1.34 each.

(b) The warrants entitle the registered holders, at any time within a period of 5 years commencing from the date of issue, 17 February 2011 to 16 February 2016 ("Exercised Period"), to subscribe for 1 new ordinary share in the Company at an exercise price of RM 1.34 per ordinary share for every warrant held.

(c) 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.

17. SHARE CAPITAL (CONT'D)

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

18. TREASURY SHARES

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Ordinary shares				
As at 1 January/31 December	2,240,700	5,194,748	2,240,700	5,194,748

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

19. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-distributable				
Foreign currency translation reserve	37,073,460	60,752,470	–	–
Share premium	–	1,792,138	–	1,792,138
	37,073,460	62,544,608	–	1,792,138
Distributable				
Retained earnings	325,882,818	246,844,260	10,564,330	33,947,756
	362,956,278	309,388,868	10,564,330	35,739,894

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

19. RESERVES (CONT'D)

(b) The natures of each category of reserves are as follows:

(i) 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.

(ii) Share premium

With the introduction of the Companies Act 2016 effective 31 January 2017, the balance within the share premium account has been transferred to the share capital account as disclosed in Note 17(d) to the financial statements.

20. BORROWINGS

	Group	
	2017 RM	2016 RM
Short term borrowings		
Secured:		
Hire purchases (Note 21)	131,665	190,790
Revolving credit	54,401,650	45,962,800
Term loans	31,647,360	70,224,633
Trade loans	683,661,639	539,340,244
	769,842,314	655,718,467
Long term borrowings		
Secured:		
Hire purchase (Note 21)	–	131,665
Term loans	17,463,368	54,431,311
	17,463,368	54,562,976
Total borrowings		
Hire purchases (Note 21)	131,665	322,455
Revolving credit	54,401,650	45,962,800
Term loans	49,110,728	124,655,944
Trade loans	683,661,639	539,340,244
	787,305,682	710,281,443

20. BORROWINGS (CONT'D)

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

(i) Corporate guarantee from the Company;

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

(iii) A legal charge over a subsidiary's inventories with a carrying amount of RM350,843,448 (2016: RM62,254,717) as disclosed in the Note 13(c) to the financial statements;

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

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

(vi) Negative pledge by certain subsidiaries.

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

	Group	
	2017 RM	2016 RM
Ringgit Malaysia	2,131,665	2,322,455
United States Dollar	785,174,017	707,958,988
	787,305,682	710,281,443

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

21. HIRE PURCHASES LIABILITIES

	Group	
	2017 RM	2016 RM
Future minimum hire purchase payments:		
- not later than one (1) year	134,138	201,164
- later than one (1) year and not later than five (5) years	–	134,138
Total minimum hire purchase payments	134,138	335,302
Less: Future finance charges	(2,473)	(12,847)
Present value of hire purchase payments	131,665	322,455
Repayable as follows:		
Current liabilities (Note 20):		
- not later than one (1) year	131,665	190,790
Non-current liabilities (Note 20):		
- later than one (1) year but not later than five (5) years	–	131,665
	131,665	322,455

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

22. DEFERRED TAX LIABILITIES

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

	Group	
	2017	**2016**
	RM	**RM**
Balance as at 1 January	20,337,410	18,491,780
Acquisition of subsidiary (Note 11(c))	171,000	–
Disposals of subsidiaries (Note 35)	–	(14,000)
Recognised in profit or loss (Note 27)	13,117,214	1,139,205
Recognised in other comprehensive income	(19,564)	(82,905)
Translation differences	(1,505,435)	803,330
Balance as at 31 December	32,100,625	20,337,410

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

Deferred tax liabilities of the Group

	Property, plant and equipment RM	**Other temporary differences RM**	**Total RM**
Balance as at 1 January 2017	28,889,916	(8,552,506)	20,337,410
Acquisition of subsidiary	171,000	–	171,000
Recognised in profit or loss	4,156,543	8,960,671	13,117,214
Recognised in other comprehensive income	–	(19,564)	(19,564)
Translation differences	(1,902,417)	396,982	(1,505,435)
Balance as at 31 December 2017	31,315,042	785,583	32,100,625
Balance as at 1 January 2016	27,824,475	(9,332,695)	18,491,780
Disposals of subsidiaries	(520,000)	506,000	(14,000)
Recognised in profit or loss	769,741	369,464	1,139,205
Recognised in other comprehensive income	–	(82,905)	(82,905)
Translation differences	815,700	(12,370)	803,330
Balance as at 31 December 2016	28,889,916	(8,552,506)	20,337,410

22. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unused tax losses	3,450,552	15,201,582	1,025,689	722,871
Unabsorbed capital allowances	–	155,106	–	–
	3,450,552	15,356,688	1,025,689	722,871

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 deductible temporary differences do not expire under the current tax legislation.

23. RETIREMENT BENEFITS OBLIGATIONS

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

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

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

Group	2017 RM	2016 RM
Present value of defined benefit obligations	1,652,975	1,458,892
Analysed as follows:		
Non-current liabilities	1,652,975	1,458,892

23. RETIREMENT BENEFITS OBLIGATIONS (CONT'D)

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

Group	2017 RM	2016 RM
Balance as at 1 January	1,458,892	750,775
Current service costs	197,228	204,342
Interest costs	99,339	70,137
Foreign exchange differences	(11,554)	19,362
Included in profit or loss	285,013	293,841
Remeasurement:		
Effects of experience adjustment	8,041	292,882
Effects of changes in financial assumptions	70,220	38,719
Foreign exchange differences	(163,593)	85,116
	(85,332)	416,717
Benefits paid	(5,598)	(2,441)
Balance as at 31 December	1,652,975	1,458,892

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

	Group 2017 RM	Group 2016 RM
Retirement age	55 years	55 years
Discount rate	7.30%	8.48% - 8.50%
Expected rate of salary increases	8.00%	8.00%

(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 2017 Increase RM	Group 2017 Decrease RM
Discount rate		
Present value of defined benefit obligation	(93,478)	103,826
Current service cost	(11,090)	12,317
Salary increment rate		
Present value of defined benefit obligation	95,957	(88,374)
Current service cost	11,390	(10,491)

24. TRADE AND OTHER PAYABLES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade payables				
Third parties	199,525,728	247,135,622	–	–
Amount owing to a related party	2,099,780	10,819,048	–	–
	201,625,508	257,954,670	–	–
Other payables				
Other payables	16,374,232	16,644,952	6,360	–
Accruals	30,066,139	14,902,720	96,250	80,200
Deposits received	1,604,485	1,147,683	–	–
Amount owing to Directors	168,510	186,646	–	–
Amount owing to holding company	3,480,942	10,584,765	3,480,942	10,584,765
Amount owing to related parties	860	–	–	–
Amount owing to subsidiaries	–	–	46,078	31,718,043
	51,695,168	43,466,766	3,629,630	42,383,008
	253,320,676	301,421,436	3,629,630	42,383,008

(a) Trade payables are non-interest bearing and the normal trade terms granted to the Group range from 30 days to 60 days (2016: 30 days to 60 days).

(b) Amounts owing to Directors, holding company, subsidiaries and related parties represent non-trade balances which is unsecured, interest free and repayable on demand in cash and cash equivalents.

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
United States Dollar	163,782,866	182,975,975	–	–
British Pound	68,956,139	81,105,266	46,078	–
Ringgit Malaysia	11,197,157	27,560,478	3,583,552	42,383,008
Singapore Dollar	314,907	4,929,777	–	–
Indonesian Rupiah	6,085,510	4,074,396	–	–
Euro	2,984,097	775,544	–	–
	253,320,676	301,421,436	3,629,630	42,383,008

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

25. REVENUE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Sale of goods	2,147,914,289	2,315,865,809	–	–

26. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit before tax:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax is arrived at after charging:				
Auditors' remuneration:				
- current	296,501	294,663	59,000	52,700
- under provision in prior years	–	85,950	–	–
Bad debts written off	58,169	26,375	–	–
Fair value realised loss on derivatives	4,497,006	–	–	–
Interest expense:				
- bank commission	1,753,741	–	–	–
- bank overdraft	665	58,172	–	–
- bankers' acceptance	104,328	–	–	–
- hire purchases	10,392	23,729	–	–
- term loans	2,905,874	5,742,335	–	–
- trade loans	17,157,258	11,558,156	–	–
- revolving credit	1,219,581	1,103,920	–	–
Loss on disposals of property, plant and equipment	–	36,391	–	–
Loss on foreign exchange:				
- realised	–	–	1,814,903	–
- unrealised	–	12,738,479	8,835,333	–
Property, plant and equipment written off	2,166,051	–	–	–
Rental of:				
- factory	1,080,844	1,041,526	–	–
- forklift/crane/container	62,188	55,373	–	–
- hostel	186,635	163,823	–	–
- warehouse	1,828,538	2,264,720	–	–
And crediting:				
Fair value realised gain on derivatives	–	(24,734,551)	–	–
Gain on disposals of property, plant and equipment	(424,900)	–	–	–
Gain on foreign exchange				
- realised	(22,532,665)	(4,260,952)	–	–
- unrealised	(13,084,873)	–	–	(7,062,885)
Gain on washout of sale and purchase contracts	(378,371)	(19,687,709)	–	–
Insurance claim	(514,925)	(738,919)	–	–
Interest income	(583,842)	(1,163,500)	–	–
Management fee	(105,000)	(21,000)	–	–
Warehouse rental income	(4,340,430)	(4,142,506)	–	–

27. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense				
- Malaysia income tax	667,936	983,006	–	–
- Foreign income tax	7,090,763	5,075,666	–	–
	7,758,699	6,058,672	–	–
(Over)/Under provision in prior year				
- Malaysia income tax	(234,327)	(163)	–	–
- Foreign income tax	1,668,145	2,249,121	–	–
	1,433,818	2,248,958	–	–
	9,192,517	8,307,630	–	–
Deferred tax (Note 22)				
- origination and reversal of temporary differences	13,769,447	(1,819,799)	–	–
- (over)/under provision in prior years	(652,233)	2,959,004	–	–
	13,117,214	1,139,205	–	–
Real property gain tax	85,498	–	–	–
Total tax expenses	22,395,229	9,446,835	–	–

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the fiscal year. Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

27. TAX EXPENSE (CONT'D)

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Profit/(Loss) before tax	113,440,430	52,208,126	(11,435,480)	2,268,076
Tax expense at the applicable tax rate of 24% (2016: 24%)	27,225,703	12,529,950	(2,744,515)	544,338
Tax effects in respect of:				
Different tax rate in foreign subsidiaries	(3,955,573)	(2,195,611)	–	–
Non-taxable income	(1,057,878)	(6,468,956)	–	(1,695,092)
Non-deductible expenses	6,196,254	825,082	2,671,839	68,214
Double deduction relief	(43,521)	(560,632)	–	–
Tax incentives	(3,979,366)	(856,507)	–	–
Deferred tax assets not recognised during the financial year	–	965,547	72,676	1,082,540
Utilisation of deferred tax assets previously not recognised	(2,857,473)	–	–	–
Real property gain tax	85,498	–	–	–
	21,613,644	4,238,873	–	–
Under/(Over) provision in prior years				
- income tax	1,433,818	2,248,958	–	–
- deferred tax	(652,233)	2,959,004	–	–
	22,395,229	9,446,835	–	–

27. TAX EXPENSE (CONT'D)

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

	Group and Company		
2017	**Before tax RM**	**Tax effect RM**	**After tax RM**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	(25,140,087)	–	(25,140,087)
Share of other comprehensive income of associates	1,461,077	–	1,461,077
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment benefit obligation	(78,261)	19,564	(58,697)
	(23,757,271)	19,564	(23,737,707)
2016			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	10,442,982	–	10,442,982
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment benefit obligation	(331,601)	82,905	(248,696)
	10,111,381	82,905	10,194,286

28. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	Group	
	2017	**2016**
Profit attributable to equity holders of the parent ('RM')	91,045,201	42,575,246
Weighted average number of ordinary shares in issue	477,917,752	477,735,571
Basic earnings per ordinary share (sen)	19.05	8.91

(b) Diluted

The diluted earnings per ordinary share for the financial years 2017 and 2016 are the same as the basic earnings per ordinary share since there are no dilutive potential ordinary shares.

29. DIVIDENDS

	Group and Company	
	2017	**2016**
	RM	**RM**
In respect of financial year ended 31 December 2017:		
First interim single tier dividend of 1.5 sen per ordinary share, paid on 13 October 2017	7,168,769	–
Second interim single tier dividend of 1.0 sen per ordinary share, paid on 27 December 2017	4,779,177	–
In respect of financial year ended 31 December 2016:		
First interim single tier dividend of 1.5 sen per ordinary share, paid on 4 January 2017	–	7,168,769
	11,947,946	7,168,769

30. EMPLOYEE BENEFITS

	Group 2017 RM	Group 2016 RM
Salaries, wages and bonuses	50,968,319	37,272,536
Defined contribution plan	2,635,089	1,951,810
Social security contribution	425,985	248,608
Defined benefit plan	285,013	293,841
Other benefits	4,319,475	1,905,974
	58,633,881	41,672,769

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM14,096,497 (2016: RM7,195,050).

31. DIRECTORS' REMUNERATION

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Executive Directors of the Company:				
- Fees	450,000	450,000	–	–
- Other emoluments	11,800,584	5,995,354	–	–
	12,250,584	6,445,354	–	–
Estimated money value of benefits-in-kind	54,650	47,202	–	–
	12,305,234	6,492,556	–	–
Executive Directors of the subsidiaries:	2,295,913	1,199,696	–	–
Estimated money value of benefits-in-kind	28,000	28,000	–	–
	2,323,913	1,227,696	–	–
Total Executive Directors' remuneration	14,629,147	7,720,252	–	–
Non- Executive Directors of the Company:				
- Fees	146,250	117,000	146,250	117,000
- Other emoluments	9,000	28,500	9,000	28,500
	155,250	145,500	155,250	145,500
Total Directors' remuneration including benefits-in-kind	14,784,397	7,865,752	155,250	145,500

32. CAPITAL COMMITMENTS

	Group	
	2017 RM	2016 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	71,220,435	2,056,466

33. CONTINGENT LIABILITIES

	Group and Company	
	2017 RM	2016 RM
Corporate guarantees – unsecured		
Issued to banks for banking facilities granted to subsidiaries		
- limit of guarantee	1,325,785,500	1,485,093,000
- amount utilised	(823,617,878)	(784,496,898)

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.

34. OPERATING LEASE AGREEMENTS

(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 future minimum lease payment payable under the above non-cancellable operating leases and other non-cancellable operating leases of the Group contracted for as at the end of reporting period but recognised as payables, are as follows:

	Group	
	2017 RM	2016 RM
Not later than one (1) year	1,409,743	403,473
Later than one (1) year and not later than five (5) years	1,164,521	300,000
	2,574,264	703,473

34. OPERATING LEASE AGREEMENTS (CONT'D)

(b) The Group as lessors

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

The future minimum lease payment receivable under the above non-cancellable operating leases as at the end of the reporting period but recognised as receivables, are as follows:

	Group	
	2017 RM	**2016 RM**
Not later than one (1) year	3,764,410	3,053,118
Later than one (1) year and not later than five (5) years	3,378,557	3,629,099
Later than five (5) years	826,056	–
	7,969,023	6,682,217

(c) Sub-lease rental commitments

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

	Group	
	2017 RM	**2016 RM**
Not later than one (1) year	123,738	123,738
Later than one (1) year and not later than five (5) years	494,952	494,952
Later than five (5) years	–	123,738
	618,690	742,428

35. DISPOSALS OF SUBSIDIARIES

(a) In previous financial year, the Company had disposed 70% of equity interest in GCB Specialty Chocolates Sdn. Bhd. ("GCBSC"), representing 12,950,000 ordinary shares of RM1.00 each for a total cash consideration of RM11,849,250. Upon the completion on 29 July 2016, GCBSC is no longer a subsidiary of the Company but became an associate of the Company. The financial effects of the disposal the date of disposal are summarised below:

	Group 2016 RM	Company 2016 RM
Investment in subsidiary	–	12,950,000
Property, plant and equipment	54,340,751	–
Prepaid lease payments	1,484,983	–
Intangible assets	3	–
Inventories	9,562,135	–
Trade and other receivables	10,857,501	–
Cash and bank balances	2,007,059	–
Trade and other payables	(32,409,265)	–
Borrowings	(37,227,112)	–
Bank overdraft	(343,607)	–
Deferred tax liabilities	(14,000)	–
Derivative financial liabilities	(29,317)	–
Non-controlling interests	(616,896)	–
Carrying amount of net assets disposed of	7,612,235	12,950,000
Less: Remeasurement of remaining stake in associate	(2,283,670)	–
Less: Gain /(loss) on disposal of subsidiary	6,520,685	(1,100,750)
Consideration received	11,849,250	11,849,250
Less: Cash and bank balances of subsidiary disposed of	(1,663,452)	–
Net cash inflow from disposal of subsidiary	10,185,798	11,849,250

(b) In previous financial year, the Company had disposed 100% of equity interest in GCM Marketing Sdn. Bhd. ("GCBM"), representing 3,000,000 ordinary share of RM1.00 each for a total cash consideration of RM150,000. Upon the completion on 30 June 2016, GCBM is no longer a subsidiary of the Company. The financial effects of the disposal at the date of disposal are summarised below:

	Group 2016 RM	Company 2016 RM
Investment in subsidiary	–	–
Property, plant and equipment	8,962	–
Inventories	98,784	–
Trade and other receivables	46,851	–
Cash and bank balances	235,338	–
Trade and other payables	(733,086)	–
Carrying amount of net assets disposed of	(343,151)	–
Less: Gain on disposal of subsidiary	493,151	150,000
Consideration received	150,000	150,000
Less: Cash and bank balances of subsidiary disposed of	(235,338)	–
Net cash (outflow)/inflow from disposal of subsidiary	(85,338)	150,000

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 parties.

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 parties:

Identifies related parties	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.
JB Foods Limited and its subsidiaries	A related party by virtue of close family member relationship between Tay Hoe Lian, Tay How Sik @ Tay How Sick and Tey Kan Sam @ Tey Hin Ken, a controlling shareholder of JB Foods Limited.

(b) In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Related parties				
- Sale of goods	(10,587,645)	(23,520,376)	–	–
- Purchase of goods	7,108,360	16,932,712	–	–
Associate companies				
- Sale of goods	(18,308,164)	(13,679,313)	–	–
- Management fee income	(105,000)	(25,000)	–	–
- Purchase of goods	31,779	11,914	–	–

Material balances with related parties at the end of reporting period are disclosed in Note 14 and Note 24 to the financial statements. These transactions have been established under negotiated terms between the parties.

36. RELATED PARTY DISCLOSURES

(c) Compensation of key management personnel

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

	Group	
	2017 RM	2016 RM
Short term employee benefits	15,009,234	8,140,873
Contribution to defined contribution plan	608,576	419,887
	15,617,810	8,560,760
Fees	450,000	450,000
	16,067,810	9,010,760
Included in the total key management personnel compensation are:		
Directors' remuneration	14,096,497	7,195,050

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:

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

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: (continued)

2016	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
Total external revenue	922,975,619	1,251,705,658	93,719,770	47,464,762	–	2,315,865,809
Inter-segment revenue	572,887,497	1,889,567,136	795,540,658	–	(3,257,995,291)	–
Total revenue	1,495,863,116	3,141,272,794	889,260,428	47,464,762	(3,257,995,291)	2,315,865,809
Segment results	30,587,849	43,844,081	20,323,456	4,088,198	(2,512,596)	96,330,988
Interest income						1,163,500
Finance cost						(18,553,719)
Depreciation and amortisation						(26,732,643)
Segment profit before tax						52,208,126
Tax expense						(9,446,835)
Profit for the financial year						42,761,291
Segment assets	803,733,964	922,107,763	333,771,808	269,728,466	(836,298,973)	1,493,043,028
Current tax assets						242,495
Total assets						1,493,285,523
Segment liabilities	714,809,803	710,301,742	253,351,946	120,595,420	(1,460,625,974)	338,432,937
Deferred tax liabilities						20,337,410
Borrowings						710,281,443
Total liabilities						1,069,051,790
Other information:						
Capital expenditure	1,621,773	1,978,019	1,553,628	–	–	5,153,420
Depreciation and amortisation	10,926,032	381,851	14,937,110	487,650	–	26,732,643
Net fair value (gain)/loss on derivatives	(824,793)	22,932,886	–	–	–	22,108,093
Non-cash expenses/ (income) (other than depreciation and amortisation	18,613,651	(20,190,252)	464,689	(7,062,885)	–	(8,174,797)

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
	2017 RM	2016 RM	
Customer A	–	227,231,366	Malaysia and Singapore
Customer B	–	375,312,578	Singapore
Customer C	–	283,759,361	Singapore
Customer D	345,001,857	–	Malaysia and 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 from financial institutions less cash and cash equivalents. 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	
	2017 RM	2016 RM
Borrowings (Note 20)	787,305,682	710,281,443
Less: Cash and bank balances (Note 16)	(39,923,894)	(62,645,883)
Net debt	747,381,788	647,635,560
Total equity	479,593,281	424,233,733
Debt-to-equity ratio (time)	1.56	1.53

38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Capital management (Cont'd)

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

(b) Financial instruments

Categories of financial instruments

Group	2017 RM	2016 RM
Financial assets		
Fair value through profit or loss		
Derivative financial asset	6,603,285	11,200,141
Loans and receivables		
Trade and other receivables, excluding deposits and prepayments	220,909,684	272,728,963
Cash and bank balances	39,923,894	62,645,883
	260,833,578	335,374,846
	267,436,863	346,574,987
Financial liabilities		
Fair value through profit or loss		
Derivative financial liabilities	20,042,966	35,552,609
Other financial liabilities		
Trade and other payables	253,320,676	301,421,436
Borrowings	787,305,682	710,281,443
	1,040,626,358	1,011,702,879
	1,060,669,324	1,047,255,488

Company	2017 RM	2016 RM
Financial assets		
Loans and receivables		
Other receivables, excluding deposit	54,787,934	132,496,109
Cash and bank balances	26,997	1,125,903
	54,814,931	133,622,012
Financial liabilities		
Other financial liabilities		
Trade and other payables	3,629,630	42,383,008

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 borrowings, are reasonable approximation of fair value, due to their short-term nature or that they are floating rate instruments that are repriced 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) Hire purchase creditors

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 statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
2017 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	4,314,404	–	–	–	–	–	4,314,404	4,314,404
- Commodity option contracts	916,484	–	–	–	–	–	916,484	916,484
- Foreign currency forward contracts	–	1,320,739	–	–	–	–	1,320,739	1,320,739
- Foreign currency option contracts	–	51,658	–	–	–	–	51,658	51,658
	5,230,888	1,372,397	–	–	–	–	6,603,285	6,603,285
Financial liabilities								
Fair value through profit or loss								
Derivative financial liabilities								
- Commodity futures contracts	4,403,563	–	–	–	–	–	4,403,563	4,403,563
- Commodity option contracts	7,750,768	–	–	–	–	–	7,750,768	7,750,768
- Foreign currency forward contracts	–	7,888,635	–	–	–	–	7,888,635	7,888,635
Other financial liabilities								
Hire purchases	–	–	–	–	131,665	–	131,665	131,665
	12,154,331	7,888,635	–	–	131,665	–	20,174,631	20,174,631

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 statement of financial position. (Cont'd)

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Financial assets								
Fair value through profit or loss								
Derivative financial assets								
- Commodity futures contracts	8,017,572	–	–	–	–	–	8,017,572	8,017,572
– Commodity option contracts	2,059,007	–	–	–	–	–	2,059,007	2,059,007
– Foreign currency forward contracts	–	1,111,688	–	–	–	–	1,111,688	1,111,688
– Foreign currency option contracts	–	11,874	–	–	–	–	11,874	11,874
	10,076,579	1,123,562	–	–	–	–	11,200,141	11,200,141
Financial liabilities								
Fair value through profit or loss								
Derivative financial liabilities								
– Commodity futures contracts	31,802,425	–	–	–	–	–	31,802,425	31,802,425
– Commodity option contracts	3,729,562	–	–	–	–	–	3,729,562	3,729,562
– Interest rate swap	–	20,622	–	–	–	–	20,622	20,622
Other financial liabilities								
Hire purchases	–	–	–	–	322,455	–	322,455	322,455
	35,531,987	20,622	–	–	322,455	-	35,875,064	35,875,064

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 30 days to 120 days (2016: 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 Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

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.

Exposure to credit risk

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed in Note 33 to the financial statements. At the end of the reporting period, there was no indication that any subsidiary would default on repayment.

Information regarding credit exposure for trade and other receivables is disclosed in Note 14 to the financial statements.

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

(i) Credit risk (Cont'd)

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by one (1) customer which constituted approximately 12% 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 amount owing a by 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	
	2017 RM	2017 % of total	2016 RM	2016 % of total
By Country				
Brazil	10,418,946	5.1%	10,906,258	4.7%
China	17,299,911	8.4%	13,536,798	5.8%
Germany	604,359	0.3%	692,307	0.3%
India	7,033,513	3.5%	4,292,958	1.8%
Japan	4,735,606	2.3%	39,154,464	16.8%
Malaysia	32,603,815	15.9%	34,690,548	14.9%
Russia	16,975,947	8.3%	24,008,974	10.3%
Singapore	13,983,818	6.8%	20,906,056	9.0%
Spain	–	0.0%	1,044,341	0.4%
United Kingdom	17,223,844	8.4%	10,989,002	4.7%
United States	11,578,883	5.6%	18,121,160	7.8%
Switzerland	9,038,537	4.4%	–	0.0%
Netherlands	23,852,553	11.6%	–	0.0%
Other countries	39,711,404	19.4%	54,886,779	23.5%
	205,061,136	100.0%	233,229,645	100.0%

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 14 to the financial statements. Bank balances, deposits and derivatives that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default. The Directors believe that the possibility of non-performance by the financial institutions is remote on the basis of its financial strength.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 to the financial statements.

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 Singapore Dollar ("SGD"), United States Dollar ("USD"), Euro ("EUR"), British Pound ("GBP") and Indonesian Rupiah ("RUPIAH"). 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.

Sensitivity analysis for foreign currency risk

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

		Group	
		2017	**2016**
Profit after tax		**RM**	**RM**
SGD/RM	- strengthen by 5% (2016: 5%)	22,800	386,200
	- weaken by 5% (2016: 5%)	(22,800)	(386,200)
USD/RM	- strengthen by 5% (2016: 5%)	(31,466,600)	(27,217,500)
	- weaken by 5% (2016: 5%)	31,466,600	27,217,500
EUR/RM	- strengthen by 5% (2016: 5%)	(113,000)	(21,300)
	- weaken by 5% (2016: 5%)	113,000	21,300
GBP/RM	- strengthen by 5% (2016: 5%)	109,300	(592,200)
	- weaken by 5% (2016: 5%)	(109,300)	592,200
RUPIAH /RM	- strengthen by 5% (2016: 5%)	683,400	884,100
	- weaken by 5% (2016: 5%)	(683,400)	(884,100)

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 Group's financial instruments would fluctuate because of changes in market interest rates. The Group's exposures to market risk of changes in interest rates relates primarily to the Group's interest-earnings deposits placed with licensed banks and interest bearing borrowings on fixed and floating rates.

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

Group As at 31 December 2017	Note	Weighted average effective interest rate %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
Fixed rates						
Deposits with licensed banks	16	1.68	13,713,514	–	–	13,713,514
Hire purchase creditors	21	4.64	(131,665)	–	–	(131,665)
Floating rates						
Term loans	20	3.16	(31,647,360)	(14,760,690)	(2,702,678)	(49,110,728)
Trade loans	20	3.08	(683,661,639)	–	–	(683,661,639)
Revolving credits	20	2.63	(54,401,650)	–	–	(54,401,650)
As at 31 December 2016						
Fixed rates						
Deposits with licensed banks	16	3.82	15,338,135	–	–	15,338,135
Hire purchase creditors	21	4.62	(190,790)	(131,665)	–	(322,455)
Floating rates						
Term loans	20	2.53	(70,224,633)	(49,191,035)	(5,240,276)	(124,655,944)
Trade loans	20	1.84	(539,340,244)	–	–	(539,340,244)
Revolving credits	20	3.41	(45,962,800)	–	–	(45,962,800)

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	
	2017 RM	2016 RM
Profit after tax		
- Increase by 1% (2016: 1%)	(5,879,000)	(5,282,000)
- Decrease by 1% (2016: 1%)	5,879,000	5,282,000

The Group's exposure to the interest rate risk is higher in 2017 than in 2016 due to the increased 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	
	2017 RM	2016 RM
Profit after tax		
- Increase by 1% (2016: 1%)	(283,463)	(839,739)
- Decrease by 1% (2016: 1%)	283,463	839,739

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 2017	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	253,320,676	–	–	253,320,676
Borrowings	772,179,056	15,734,883	2,761,869	790,675,808
Derivative financial liabilities	20,042,966	–	–	20,042,966
	1,045,542,698	15,734,883	2,761,869	1,064,039,450
Company				
Financial liabilities				
Trade and other payables	3,629,630	–	–	3,629,630
As at 31 December 2016				
Group				
Financial liabilities				
Trade and other payables	301,421,436	–	–	301,421,436
Borrowings	660,555,206	51,256,669	5,395,482	717,207,357
Derivative financial liabilities	35,552,609	–	–	35,552,609
	997,529,251	51,256,669	5,395,482	1,054,181,402
Company				
Financial liabilities				
Trade and other payables	42,383,008	–	–	42,383,008

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2017
Malaysia						
PLO273 Jalan Timah 2, 81700 Pasir Gudang, Johor	60 years (expiring on 8 May 2043)	7,976	27 years (Main factory and office) 21 years (second factory)	14 years (extension to second factory Industrial premises / factory consists of GCC main office, production area for GCC and temporary warehouse	7 December 1989	6,693,687
No. 49 Jalan 10/9, Perjiranan 10, Pasir Gudang, Johor	99 years (expiring on 6 May 2082)	143	34 years	Hostel	28 July 1994	56,164
PLO725, Jalan Keluli 9, 81700 Pasir Gudang, Johor	60 years (expiring on 17 February 2068)	27,523	11 years	Factory / warehouse	9 January 2006	18,582,767
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	7 years	Rental	2 July 2014	18,183,091

List of Properties (cont'd)

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2017
Malaysia						
PLO207, Jalan Tembaga Satu, 81700 Pasir Gudang, Johor	60 years (expiring on 30 September 2045)	87,120	26 years (Main office and factory)	Industrial premises / factory consists of GCBCM main office, production area for GCBCM and temporary warehouse	26 December 1990	1,955,594
Singapore						
The Cascadia 943 Bukit Timah Road #05-47 Singapore 589659	Freehold	111	8 years	Residential	17 January 2011	4,234,700
1 Commonwealth Lane #08-04 One Commonwealth Singapore 149544	30 years (expiring on 28 February 2038)	111	10 years	Office	19 January 2011	1,751,816
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	8,843,921
Indonesia						
Komplek Tunas Industrial Estate Type 7 No. A-F, Batam, Indonesia	30 years (expiring on 24 August 2030)	33.181	8 years	Industrial premises / Factory consists of PT Asia main office, production area for PT Asia	21 June 2010	40,356,065
Komplek Tunas Industrial Estate Type 6 No. 7-G, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	6,985	12 years	Industrial premises and warehouse	17 March 2011	4,986,248
Komplek Tunas Industrial Estate Type 6 No. 6-D, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	1,257	12 years	Industrial premises and warehouse	17 March 2011	932,640

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2017
Indonesia						
Komplek Perumahan Diamond Palace Blok B No. 26, Batam, Indonesia	Leasehold (expiring on 13 August 2030)	170	13 years	Hostel	23 September 2011	472,768
Komplek Perumahan Purimas Residence Blok B3 No. 11, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	12 years	Hostel	6 May 2011	169,813
Komplek Perumahan Purimas Residence Blok B3 No. 15, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	12 years	Hostel	6 May 2011	169,813
Komplek Perumahan Purimas Residence Blok B5 No. 23, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	14 years	Hostel	6 May 2011	169,813
Kawasan Industri Kelurahan IV, Batam Centre, Indonesia	Leasehold (expiring on 8 August 2031)	30,000	5 year	Industrial premises / Factory consists of PT Asia main office, production area for PT Asia	10 January 2012	36,995,063
Komplek. Tunas Industrial Estate Type 6 No. 6-C, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	942	12 years	Industrial premises and warehouse	8 June 2012	906,733
Kawasan Daan Mogot Arcadia, G15 No.5, Jl Raya Daan Mogot KM21, Batu Ceper, Jakarta, Indonesia.	Leasehold (expiring on 4 August 2035)	864	5 year	Industrial premises	2 October 2012	2,868,532
Palu warehouse Jalan Trans Sulaiwesi, Taipa, Palu- Sulaiwesi Tengah 94352.	Leasehold (expiring on 21 January 2027)	15,551	11 years	Warehouse	13 December 2013	6,820,198

List of Properties (cont'd)

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2017
Indonesia						
Makassar Warehouse Jl. Kima 10 Kav A/5-a Makassar 90241	Leasehold (expiring on 29 October 2028)	10,890	19 years	Warehouse	10 December 2013	4,751,693
Komplek Villa Bukit Indah Blok H3 No.1, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	174	2 years	Hostel	29 December 2015	554,706
Komplek Villa Bukit Indah Blok H3 No.2, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.3, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.3A, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.5, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.6, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.9, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.10, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.11, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.12, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2017
Indonesia						
Komplek Villa Bukit Indah Blok H3 No.12A, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	112	2 years	Hostel	29 December 2015	358,646
Komplek Villa Bukit Indah Blok H3 No.12B, Batam, Indonesia	Leasehold (expiring on 03 October 2031)	174	2 years	Hostel	29 December 2015	554,706

OTHER COMPLIANCE
INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

2. AUDIT AND NON-AUDIT FEES

The fees payable to the external auditors in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 31 December 2017 are as follows:

	COMPANY RM	GROUP RM
Audit fees	59,000	296,501
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 2 April 2018

Issued and Fully Paid Up Share Capital	**480,158,452 ordinary shares (including treasury shares)**
	477,897,752 ordinary shares (excluding treasury shares)
Voting Right	**One vote per ordinary share**
Number of Shareholders	**2,418**

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held *	% of Issued Share Capital
Less than 100 shares	93	3.85	5,122	Neg
100 to 1,000 shares	325	13.44	166,703	0.03
1,001 to 10,000 shares	1,286	53.18	6,235,871	1.30
10,001 to 100,000 shares	573	23.70	18,961,373	3.97
100,001 to less than 5% of issued shares	139	5.75	172,268,215	36.05
5% and above of issued shares	2	0.08	280,260,468	58.64
TOTAL	**2,418**	**100.00**	**477,897,752**	**100.00**

Notes:
Neg – Negligible
* – Excluding 2,260,700 shares held as treasury shares

LIST OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares held			
Name	**Direct**	**%***	**Indirect**	**%***
Guan Chong Resources Sdn. Bhd.	251,180,469	52.56	–	–
Misi Galakan Sdn. Bhd.	29,079,999	6.08	–	–

DIRECTORS' SHAREHOLDINGS

	No. of Shares held			
Name	**Direct**	**%***	**Indirect**	**%***
YBhg Dato Dr Mohamad Musa Bin Md Jamil	105,999	0.02	29,079,999(1)	6.08
Tay Hoe Lian	12,865,791	2.69	251,480,469(2)	52.62
Tay How Sik @ Tay How Sick	6,239,548	1.31	60,000(3)	0.01
Hia Cheng	8,748,179	1.83	9,631,799(4)	2.02
YBhg Datuk Tay Puay Chuan	60,000	0.01	–	–
Tan Ah Lai	–	–	–	–

Analysis of Shareholdings
As at 2 April 2018 (cont'd)

HOLDING COMPANY – GUAN CHONG RESOURCES SDN. BHD.

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

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

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

Notes:
* Excluding 2,260,700 shares held as treasury shares.
(1) Deemed interest by virtue of his substantial shareholding in Misi Galakan Sdn. Bhd.
(2) Deemed interest by virtue of his substantial shareholding in Guan Chong Resources Sdn. Bhd. and his spouse, Yap Kim Hong's shareholding in the Company
(3) Deemed interest by virtue of his daughter, Tay Jing Ye's shareholding in the Company
(4) Deemed interest by virtue of his spouse, Wong Saow Lai's shareholding in the Company
(5) Deemed interest by virtue of his spouse, Yap Kim Hong's shareholding in Guan Chong Resources Sdn. Bhd.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares held	%*
1.	Guan Chong Resources Sdn. Bhd.	251,180,469	52.56
2.	Misi Galakan Sdn. Bhd.	29,079,999	6.08
3.	Syarikat PJ Enterprise Sdn. Bhd.	22,941,399	4.80
4.	Tay Hoe Lian	10,565,792	2.21
5.	Hia Cheng	8,748,179	1.83
6.	Wong Saow Lai	8,641,799	1.81
7.	Tay Hoe Chin	7,289,763	1.53
8.	Lee Peck Lin	7,054,648	1.48
9.	Tan Hui Yang	5,953,048	1.25
10.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tay Hock Soon (MY1055)	5,905,800	1.24
11.	Tay How Sik @ Tay How Sick	5,889,849	1.23
12.	Tay How Yeh	5,278,745	1.10
13.	Lim Yock @ Lim Kiak	5,209,838	1.09
14.	T & T Family Sdn. Bhd.	4,347,729	0.91
15.	Tan Bak Keng @ Tang Ka Guek	3,744,024	0.78
16.	Tay How Seng	3,671,537	0.77
17.	RHB Nominees (Tempatan) Sdn. Bhd. OSK Technology Ventures Sdn. Bhd.	3,669,000	0.77
18.	Oung Chee Seng	3,512,898	0.74
19.	Chuah Chai Pore	3,499,249	0.73
20.	Lim Peng Jin	3,456,099	0.72

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares held	%*
21.	Ngiam Ping-Shin	3,141,899	0.66
22.	Chan Lee Yin	2,730,798	0.57
23.	Lim Hwee Chen	2,174,099	0.45
24.	Tay Lee Goh	1,754,458	0.37
25.	Oon Ai Fen	1,701,400	0.36
26.	Tay Lee Lin	1,670,459	0.35
27.	Tay Lie Siang	1,649,459	0.35
28.	Tay Lee Shein	1,609,460	0.34
29.	Chew Teng Huat	1,422,451	0.30
30.	Ong Kim Hoi	1,250,000	0.26

Note:
* - Excluding 2,260,700 shares held as treasury shares.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of GUAN CHONG BERHAD ("GCB" or "the Company") will be held at Sri Ledang, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, K.B. No. 779, 80990 Johor Bahru, Johor on Monday, 28 May 2018 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 2017 together with the Directors' and Auditors' Reports thereon.	
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2017.	**Ordinary Resolution 1**
3.	To approve the payment of Directors' fees up to RM650,000 for the financial year ending 31 December 2018 payable monthly in arrears after each month of completed service of the Directors during the subject financial year.	**Ordinary Resolution 2**
4.	To re-elect the following Directors who retire in accordance with Article 81 of the Company's Articles of Association:	
	i) Tay How Sik @ Tay How Sick	**Ordinary Resolution 3**
	ii) Tan Ah Lai	**Ordinary Resolution 4**
5.	To re-appoint Messrs BDO as Auditors of the Company and to authorize the Directors to fix their remuneration.	**Ordinary Resolution 5**

As Special Business

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

6. **Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016** — **Ordinary Resolution 6**

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

7. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT")** **Ordinary Resolution 7**

"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 30 April 2018, 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."

8. **Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued and paid-up capital** **Ordinary Resolution 8**

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

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

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

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

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

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first;

AND FURTHER THAT the Directors of the Company be authorised to do all such acts and things (including, without limitation executing all such documents as may be required) as they may consider expedient or necessary to give full effect to this mandate."

9. **Proposed retention of YBhg Datuk Tay Puay Chuan as Independent Director** **Ordinary Resolution 9**

   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 2017.

10. **Proposed retention of Tan Ah Lai as Independent Director** **Ordinary Resolution 10**

    THAT subject to passing of ordinary resolution 4, approval be hereby given to Tan Ah Lai who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2017.

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

By order of the Board,

PANG KAH MAN (MIA 18831)
Secretary

Muar, Johor
30 April 2018

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 21 May 2018 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 Fourteenth Annual General Meeting to be put to vote by poll.

Explanatory Notes:

6. **Item 1 of the Agenda**

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

7. **Item 3 of the Agenda – Ordinary Resolution 2**
   Approval of Directors' fees for the financial year ending 31 December 2018

   Directors' fees approved for the financial year ended 31 December 2017 was RM596,250. The Directors' fees proposed for the financial year ending 31 December 2018 are calculated based on the number of scheduled Board and Committee Meetings for 2018 and assuming that all Non-Executive Directors will hold office until the conclusion of the next annual general meeting.

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

8. **Item 6 of the Agenda – Ordinary Resolution 6**
   Authority to Directors to allot and issue shares pursuant to Section 75 of the Companies Act 2016

   (a) The proposed Ordinary Resolution no. 6, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting ("AGM") to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM of the Company.

   (b) The mandate now sought is a renewal from the previous mandate obtained at the last AGM held on 30 May 2017 which will expire at the conclusion of the forthcoming AGM.

   (c) As at the date of this Notice, no new share in the Company was issued pursuant to the mandate granted to the Directors at the last AGM held on 30 May 2017.

   (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 7 of the Agenda – Ordinary Resolution 7**
   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. 7, 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 30 April 2018.

10. **Item 8 of the Agenda – Ordinary Resolution 8**
    Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued and paid-up capital ("Proposed Shares Buy-Back Authority")

    The proposed Ordinary Resolution no. 8, if passed, will empower the Directors to purchase shares in the Company up to an amount not exceeding ten percent (10%) of the issued and paid-up share capital of the Company as they consider would be in the interest of the Company. Further details on the Proposed Shares Buy-Back Authority are provided in the Circular to Shareholders dated 30 April 2018.

11. **Item 9 and 10 of the Agenda – Ordinary Resolution 9 and 10**
    Proposed Retention of YBhg Datuk Tay Puay Chuan and Tan Ah Lai as Independent Directors

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

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

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 Fourteenth Annual General Meeting of the Company.

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

PROXY FORM

No of shares held	

I/We, ...

of ....

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

....

of ....

or failing him/her, ...

of ....

as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Sri Ledang, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, KB No. 779, 80990 Johor Bahru, Johor on Monday, 28 May 2018 at 11:00 a.m and at any adjournment thereof in respect of my/our shareholding in the manner indicated below :-

No.	Ordinary Resolution	For	Against
1	Approval of Directors' Fees for the financial year ended 31 December 2017		
2	Approval of Directors' Fees for the financial year ending 31 December 2018		
3	Re-election of Tay How Sik @ Tay How Sick as Director		
4	Re-election of Tan Ah Lai as Director		
5	Re-appointment of Messrs BDO as Auditors		
6	Authority for Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
7	Proposed Renewal of Shareholders' Mandate		
8	Proposed Renewal of Shares Buy-Back Authority		
9	Retention of YBhg Datuk Tay Puay Chuan as Independent Director		
10	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 2018

Notes:

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

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

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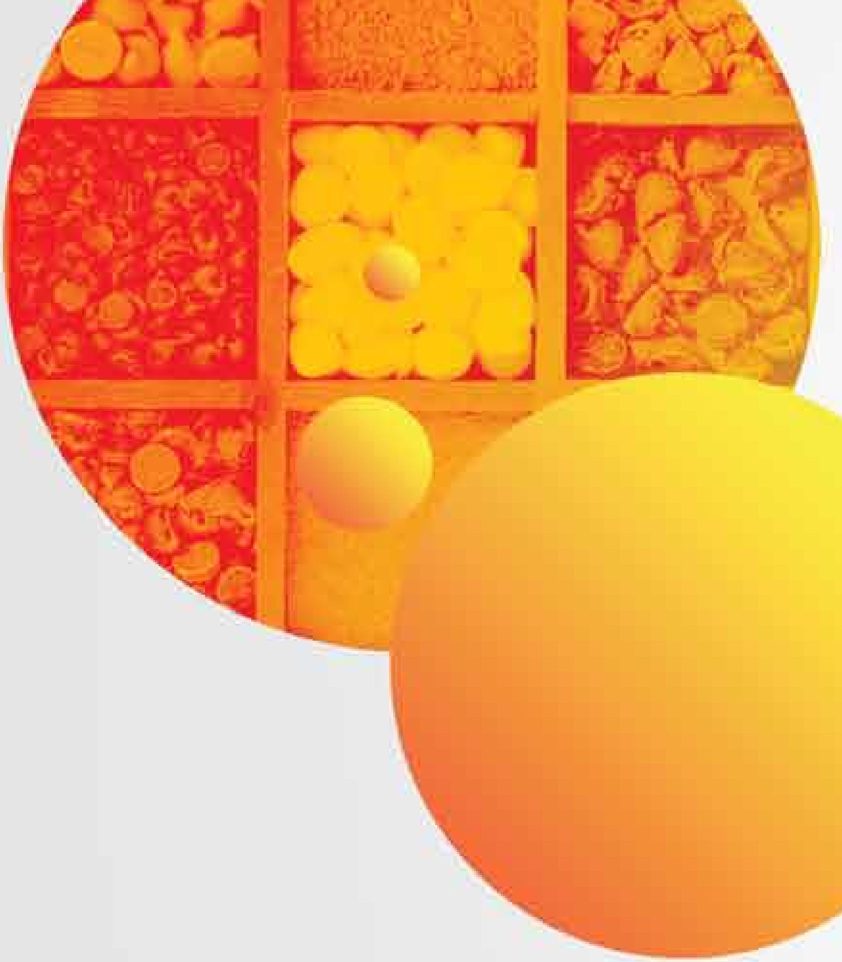

GUAN CHONG BERHAD (646226-K)

PLO 273, Jalan Timah Dua, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor
Tel : 07-251 1588 **Fax :** 07-251 1711 **Email :** info@guanchong.com
www.guanchong.com