



# 12

## TWELFTH ANNUAL GENERAL MEETING



### **Place**

*Sri Ledang, 1st Hall, 2nd Floor,  
Mutiara Hotel, Jalan Dato Sulaiman,  
Taman Century, KB No. 779,  
80990 Johor Bahru,  
Johor Darul Takzim.*

### **Time**

*Monday  
30 May 2016  
11.00am*

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# Corporate Information

## 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

PL0 273, Jalan Timah 2  
Kawasan Perindustrian Pasir Gudang  
81700 Pasir Gudang Johor

Tel : 07-251-1588

Fax : 07-251-1711

Website : [www.favorich.com](http://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

Crowe Horwath (AF 1018)  
Chartered Accountants  
No. 8 Jalan Pesta 1/1  
Taman Tun Dr. Ismail 1  
Jalan Bakri  
84000 Muar 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  
Public Bank Berhad  
RHB Bank Berhad  
Standard Chartered Bank Malaysia Berhad

## SOLICITORS

Chee Siah Le Kee & Partners

## STOCK EXCHANGE LISTING

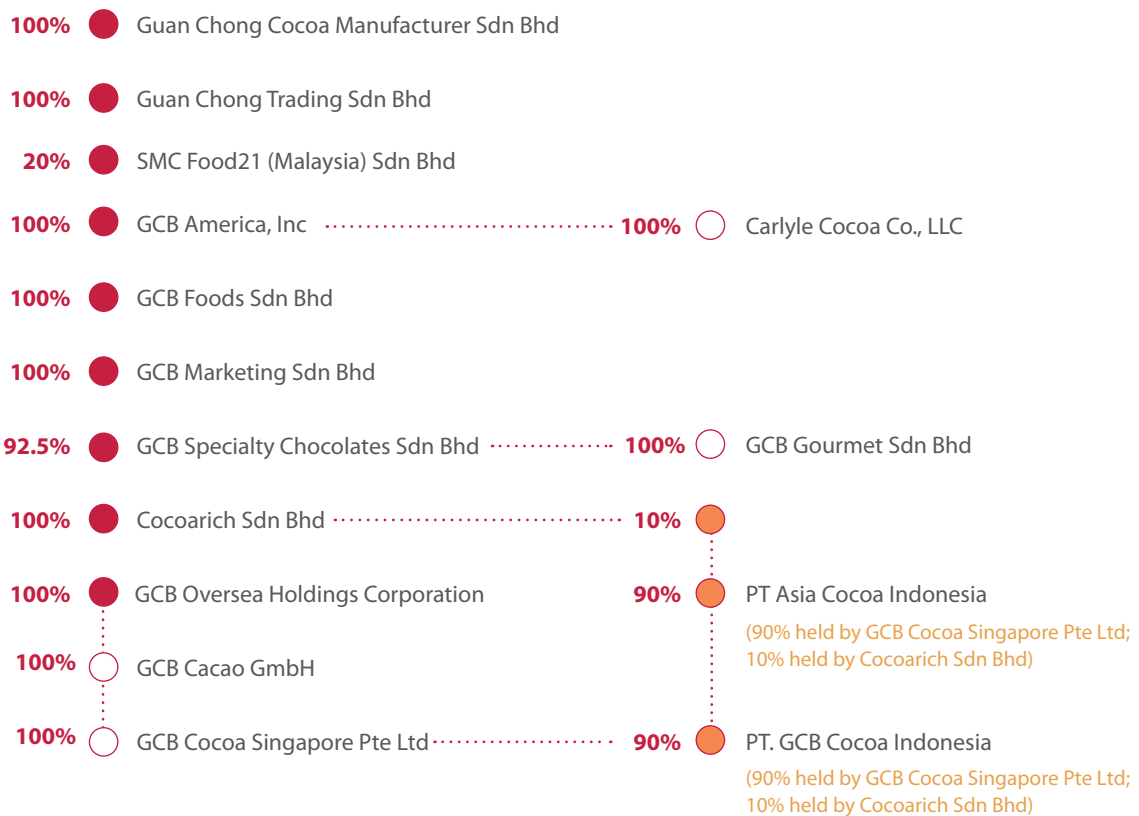
Main Market of Bursa Malaysia Securities Berhad  
Stock Name : GCB  
Stock Code : 5102

## DATE OF LISTING

8 April 2005

# Corporate Structure

## GUAN CHONG BERHAD (646226-K)





# Chairman's Statement

## Dear Shareholders,

On behalf of the Board of Directors, I hereby present to you the Annual Report and financial statements of Guan Chong Berhad (GCB or the Group) for the financial year ended 31 December 2015 (FY2015).

The demand for chocolate has shown strong and continued growth of 6% in 2015. The main contributing factor was the increase of chocolate consumption in the emerging market like China and India. On the other hand, the cocoa production was reduced by 3.9% due to the decline of lower crop in Ghana, the 2nd largest cocoa growing country. With the higher market demand and lower cocoa production, the whole cocoa bean market was in an undersupplied situation and drove the cocoa bean price up by 14%.

The processing margin continued to remain relatively low since year 2013 till first half of 2015 due to higher bean price. As a result of low cocoa processing margin, the processing industry was forced to cut down the processing capacity starting end of 2014. With reduced capacity leading to lower supply in the market, it actually ease the oversupply situation for cocoa solid as demand for chocolate has been increasing during this period. Consequently, the price of cocoa solid especially for cocoa powder began to pick up and cocoa processing players were able to recover their margin and profitability.

During the year of 2015, US Dollar continued to appreciate against all currencies in Asia. US Dollar has strengthened against Ringgit Malaysia by 23% for the year, from RM 3.50 as at beginning of the year to RM 4.29 as at end of FY2015. As our operation is mainly situated in Malaysia and Indonesia, strong US Dollar enable us to reduce our processing costs in US Dollar term, as our business are export orientated. On the other hand, there is negative impact of having the Group's cocoa bean processing operation in Malaysia, as Ringgit Malaysia is used as

functional currency while trade financing is denominated in US Dollar. As a result, our profitability was significantly affected by the unfavourable impact on mark to market of the currency, this is because there is always timing difference in the recovery process even though we are able to recover back in the future from the sales of cocoa ingredients.

Despite the volatility in cocoa price and currency movement, the Group remain optimistic that we will stay fundamentally strong as we continue to see strong support from our loyal customer base, raw material suppliers and dedication from our experienced and established management team. In addition, we are also confident that we are able to increase and extend our sales to both existing and new customers in coming year, contribute to continuing growth in our business.

### FY2015 FINANCIAL HIGHLIGHTS

In light of the improved market situation, the Group managed to achieve new breakthrough in our topline, which is over RM 2 billion during the year. GCB posted a 30.8% increase in revenue in FY2015, from RM 1.82 billion last year to RM 2.38 billion current year. The Group's higher topline was due to increased sales tonnage during the year, especially cocoa solid i.e. cocoa powder and cocoa cake. The increase in sales tonnage is the evidence of the Group's ability to sustain its market share and our management team efforts in fulfilling customers' necessity.

# Chairman's Statement

GCB managed to turnaround during FY2015, reporting a profit after taxation of RM 22.4 million, as compared to loss after taxation of RM 17.3 million in preceding financial year. This was mainly due to improved processing margin in second half of the year as a result of reduced oversupply situation for cocoa solids.

In terms of the Group's balance sheet, we continued to seek ways to reduce our gearing during the year.

As at end of FY2015, our total borrowings after netting off cash and cash equivalents stood at RM 801.0 million, versus RM 824.5 million previously. The improvement was in tandem with our strategy of focusing in reducing finished goods inventory especially cocoa solids during the year, which improves our cash turnover. Our efforts also resulted in improvement in the Group's gearing by 17.1%, from 2.57 time in prior financial year, to 2.13 time.

## DIVIDEND

As the Group's financial performance started to pick up only during second half of the year, management decided that no dividend will be declared for the year due to prudence cash flow management.

We hope to resume the practice when our performance is more stable in near future.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

In addition to generating values for shareholders, GCB also recognises its roles in corporate social responsibility - acting responsibly, operating sustainably, and contributing to the communities in which we work in. It was undeniable that CSR has favourable impact on the wellbeing of our employees, the environment, and our business operations. Thus, we believe that the implementation of CSR initiatives is vital for the benefits of shareholders and to the Group.

The Group's CSR initiatives are highlighted in the Statement on Corporate Social Responsibility of the Annual Report.

## CORPORATE GOVERNANCE

The Board is committed in ensuring that the highest standards of corporate governance and best practices should be adhered to throughout the Groups fundamental principle in order to protect and enhances shareholders' value and the financial performance of the Group.

The implementation methods are highlighted in the Corporate Governance Statement of the Annual Report.

## APPRECIATION

At this juncture, and on behalf of the Board, I would like to extend my utmost appreciation to our dedicated and committed key management team and entire workforce of GCB, who have helped to pull through this challenging year. I would also like to thank our loyal customers, suppliers, business associates, and the various regulatory authorities for the continued support and trust in the Group.

Finally, I would like to express my warmest appreciation to my fellow Board members and our faithful shareholders for the unfailing cooperation and guidance throughout these years.

Thank you.

**Dato Dr Mohamad Musa bin Md Jamil**  
Chairman



# Financial Highlights

## Summarized Group Income Statement For The Financial Year Ended 31 December (RM'000)

	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	694,335	642,650	1,160,058	1,381,282	1,453,259	1,362,713	1,818,871	2,380,669
EBITDA	23,716	32,510	122,171	161,325	175,163	39,191	20,854	79,901
Profit/(Loss) Before Taxation	9,531	20,741	111,089	145,842	150,279	7,871	(18,481)	36,373
Net Profit/(Loss) Attributable to Equity Holders	6,778	14,265	100,788	121,652	118,982	3,414	(17,558)	22,757

## Summarized Group Statement of Financial Position As At 31 December (RM'000)

	2008	2009	2010	2011	2012	2013	2014	2015
Total Non-Current Assets	115,852	112,007	154,498	250,768	339,292	430,845	440,249	495,783
Total Current Assets	216,906	299,083	329,996	660,416	805,009	1,092,583	1,017,694	1,122,733
Total Assets	332,758	411,090	484,494	911,184	1,144,301	1,523,428	1,457,943	1,618,516
Share Capital	60,000	60,000	60,000	79,936	119,629	119,629	119,629	119,629
Reserves	37,581	45,282	122,673	187,204	225,985	214,332	205,979	261,996
Treasury Shares	-	-	(20)	(5,195)	(5,195)	(5,195)	(5,195)	(5,195)
Shareholders' Equity	97,581	105,282	182,653	261,945	340,419	328,766	320,413	376,430
Minority Interests	1,763	2,031	4,722	6,348	3,905	4,908	3,958	431
Total Non-Current Liabilities	25,777	33,743	26,804	22,056	128,583	137,381	172,904	147,698
Total Current Liabilities	207,637	270,034	270,315	620,835	671,393	1,052,374	960,669	1,093,957
	332,758	411,090	484,494	911,184	1,144,301	1,523,429	1,457,944	1,618,516



# Financial Highlights

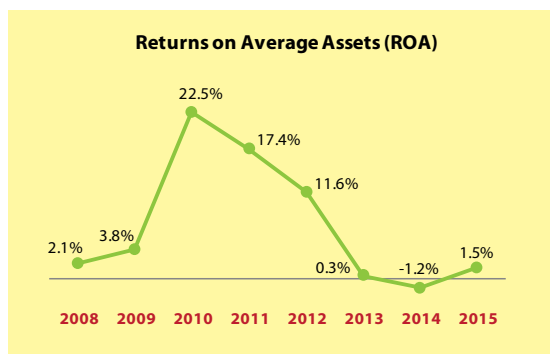
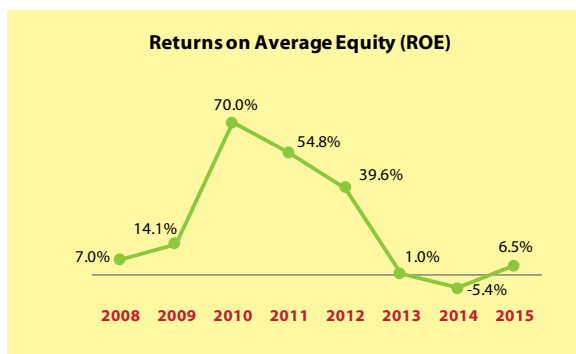
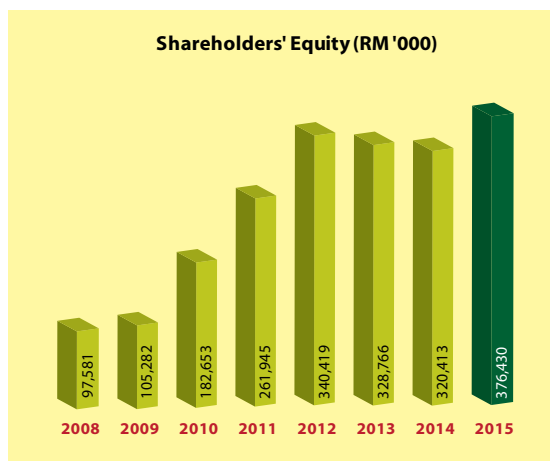
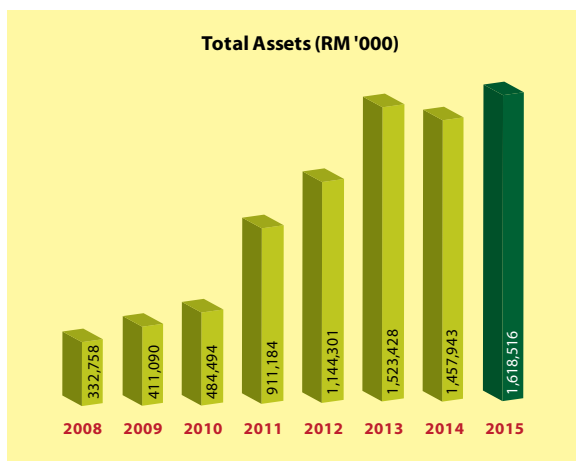
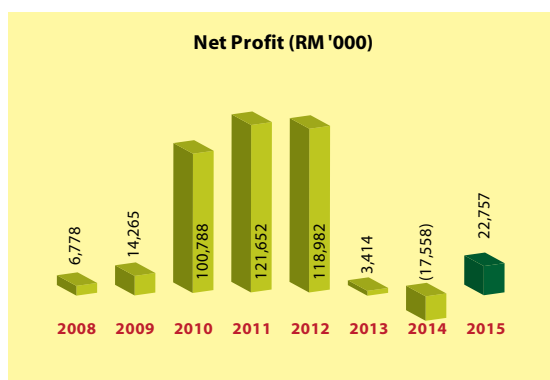
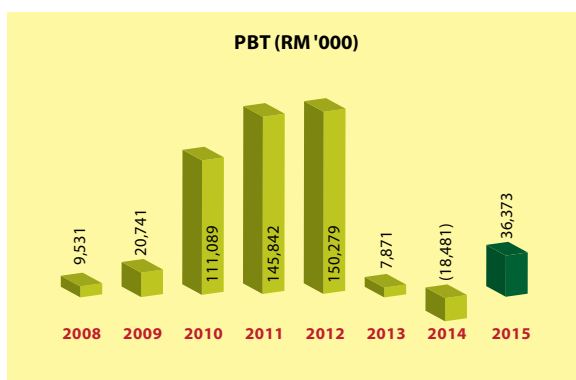
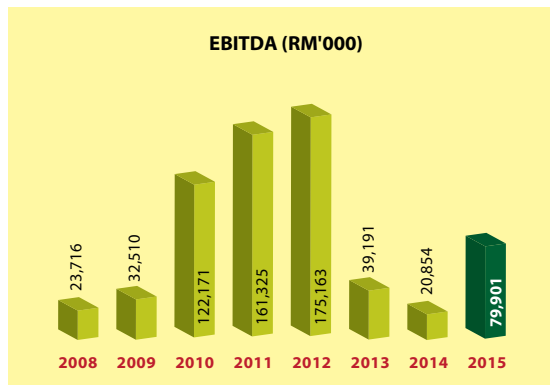
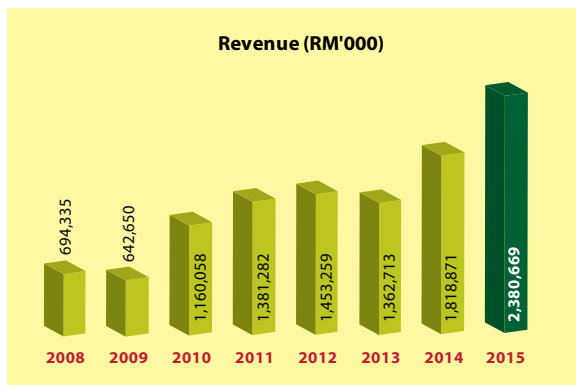
Summarized Group Cash Flows For the Financial Year Ended 31 Dec (RM'000)								
	2008	2009	2010	2011	2012	2013	2014	2015
Operating Profit Before Working Capital Changes	23,729	38,820	120,958	181,058	187,018	87,443	55,692	90,937
Net Cash Flows (Used in)/ From Operating Activities	(33,655)	(21,911)	85,099	(88,937)	14,272	(200,308)	136,613	93,368
Net Cash Flows (Used in)/ From Investing Activities	(7,872)	(4,194)	(44,424)	(107,197)	(112,462)	(101,092)	(22,775)	(26,299)
Net Cash Flows From/ (Used in) Financing Activities	42,587	36,187	(38,568)	196,020	136,788	281,081	(93,780)	(62,295)
Net Increase/ (Decrease) in Cash and Cash Equivalents	1,030	10,156	1,412	1,068	38,685	(25,912)	13,981	(12,505)
Cash and Cash Equivalents at Beginning of Year	(1,184)	(154)	10,002	11,414	12,482	51,167	25,255	39,236
Cash and Cash Equivalents at End of Year*	(154)	10,002	11,414	12,482	51,167	25,255	39,236	26,731

\* including effect on exchange rate difference

Financial Analysis								
	2008	2009	2010	2011	2012	2013	2014	2015
EBITDA Margin	3.42%	5.06%	10.53%	11.68%	12.05%	2.88%	1.15%	3.36%
Profit/(Loss) Before Tax Margin	1.37%	3.23%	9.58%	10.56%	10.34%	0.58%	-1.02%	1.53%
Net Profit/(Loss) Margin	0.98%	2.22%	8.69%	8.81%	8.19%	0.25%	-0.97%	0.94%
Free Cash Flow (RM'000)	(41,498)	(26,193)	44,737	(196,246)	(77,385)	(301,551)	113,339	67,214
ROE (Average Equity)	7.0%	14.1%	70.0%	54.8%	39.6%	1.0%	-5.4%	6.5%
ROA (Average Total Assets)	2.1%	3.8%	22.5%	17.4%	11.6%	0.3%	-1.2%	1.5%
Net Dividends Per Share (sen)*	0.25	1.38	8.71	7.50	8.70	3.00	0.00	0.00
Payout Ratio	17.7%	46.3%	27.6%	29.4%	34.7%	418.5%	0.0%	0.0%
Cash and Bank Balances (RM'000)	3,671	10,002	11,414	13,090	52,231	27,442	41,317	28,610
Total Borrowings (RM'000)	188,459	228,214	205,980	439,772	625,326	942,101	865,814	829,625
Gearing (net of cash)	1.89	2.07	1.07	1.63	1.68	2.78	2.57	2.13

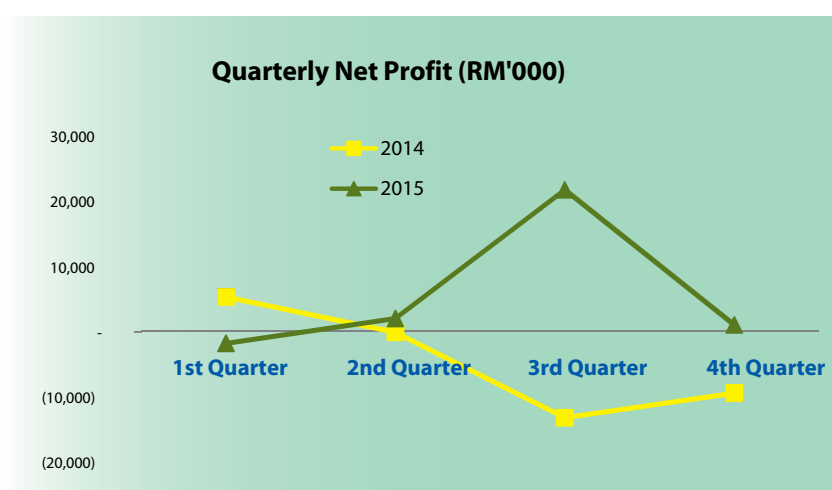
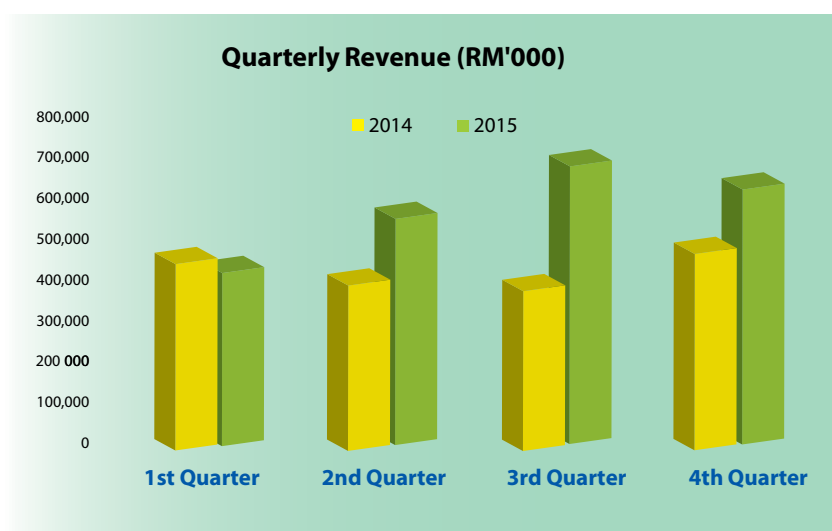
\* Net DPS adjusted for 1-for-3 Bonus Issue in February 2011 and 1-for-2 Bonus Issue in September 2012

# Financial Highlights



# Financial Highlights

Quarterly Analysis			
Year Ended 31 Dec (RM'000)	2014	2015	% Chg
<b>Turnover</b>			
1st Quarter	479,620	441,500	-7.9%
2nd Quarter	423,807	576,564	36.0%
3rd Quarter	411,551	708,831	72.2%
4th Quarter	503,893	653,774	29.7%
	1,818,871	2,380,669	30.9%
<b>Net Profit</b>			
1st Quarter	5,283	(1,855)	-135.1%
2nd Quarter	(150)	1,963	-1408.7%
3rd Quarter	(13,239)	21,686	-263.8%
4th Quarter	(9,452)	963	-110.2%
	(17,558)	22,757	-229.6%



# Directors' Profile'

## **YBHG DATO DR MOHAMAD MUSA BIN MD JAMIL**

Malaysian  
Aged 70

YBhg Dato Dr Mohamad Musa Bin Md Jamil was appointed 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 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 Queens'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 of 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 of the Company. He is also the 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 10 years.

He has attended all the five board meetings which were held in the financial year ended 31 December 2015.

## **TAY HOE LIAN**

Malaysian  
Aged 51

**Tay Hoe Lian** was appointed 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 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 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 10 years.

He has attended all the five board meetings which were held in the financial year ended 31 December 2015.

## **TAY HOW SIK @ TAY HOW SICK**

Malaysian  
Aged 56

**Tay How Sik @ Tay How Sick** was appointed 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 10 years.

He has attended four of five board meetings which were held in the financial year ended 31 December 2015.



# Directors' Profile

## **HIA CHENG**

Malaysian  
Aged 51

**Hia Cheng** was appointed the Executive Director and Chief Financial Officer of Guan Chong Berhad 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 and has been actively involved in the administration, financial management and foreign currency management of GCC. In addition, he also carries out feasibility studies and investment appraisal for all of GCC's expansion projects. In 1996, he was promoted to his current position 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 successfully strengthened GCC's relationships with its customers which 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 10 years.

He has attended all the five board meetings which were held in the financial year ended 31 December 2015.

## **TAN AH LAI**

Malaysian  
Aged 47

**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 of the Company. He is also 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 10 years.

He has attended all the five board meetings which were held in the financial year ended 31 December 2015.

## **YBHG DATUK TAY PUAY CHUAN**

Malaysian  
Aged 52

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 10 years.

He has attended all the five board meetings which were held in the financial year ended 31 December 2015.

# Statement on Corporate Social Responsibility

Guan Chong Berhad (“GCB” or “the Group”) believes in the importance of fulfilling social responsibility, fair treatment of our associates in our environmental conscience and in giving back to our communities while achieving commercial success.

As such, in accordance with Bursa Malaysia Securities Berhad’s (“Bursa Securities”) CSR framework, GCB’s corporate social responsibility (“CSR”) activities mainly focus on four key areas below.

## The Workplace

The Group acknowledges employees as the greatest asset and hence emphasis on the well-being, personal skills and development of human capital. Conducive working environment is being uphold to ensure work satisfaction and in view of maintaining quality of work.

As part of appreciation for employees’ effort during the year, GCB organized a durian feast and buffet dinner during fasting month, enable employees to break-fast together regardless of race and religion. This provides opportunity for all employees to socialize outside workplace which enhance interactions among each other and working relationships.

To encourage continuous learning and technical skills improvement, Human Resource Department regularly plan and arrange training programs for our staffs, which improves not only employees’ competencies in daily cocoa manufacturing operations but also enable self-development which benefits their career advancement.

Besides that, in order to promote healthy lifestyle among our staff, the Group has been organizing several sporting events such as annual badminton tournament. Employees are able to know each other better and also cultivate better team spirit.

## The Marketplace

We recognize the need for transparent, effective channels of communication in day-to-day operation as important strategies to build long term and sustainable relationship. Hence, regular meetings were hosted among our Board members and management team, in order to update our stakeholders of our latest performance and plan.

Other than physical face-to-face meeting, interactions with stakeholders is also done through various media such as press release, Bursa announcement, company website etc As such, public is always being kept well-informed of our operations and achievements.

We continue to source cocoa beans from UTZ certified suppliers, ensuring the supplies of raw materials adhere to high ethical standard as we are. This enables our line of production to comply to human rights, labour and environment law practiced across the globe, promising utmost quality of products to our customers and end consumers.

## The Environment

The Group view environment sustainability for a greener earth as our core value. This includes protection of biodiversity, a recycling-oriented society and emphasising on global environmental issues. We has always been keen to ensure our factories remained environmentally-friendly especially by minimising carbon emissions and manage wastes effectively.

Hence, our employees are being continuously reminded on the importance of recycling by allocating recycling bins throughout our plants. Besides that, the usage of water treatment plant encourages saving of water and reduces carbon footprint.

## The Community

GCB has been upholding its tradition of contributing to society and the nation, playing the role as a responsible citizen. For the past few years, the Group has been supportive of various noble causes and had contributed directly and indirectly to various community project and charitable institutions. We believe in returning benefits back to the society as a way of appreciation for profitability gained.

In FY2015, we continues to enlighten the surrounding community through organisation of Blood Donation drive. Employees who were physically fit were encouraged to participate and we were glad to receive overwhelming response not only from employees but also external parties such as sub-contractors.

# Statement of Corporate Governance

The Board of Directors of the Company (“the Board”) recognizes the importance of good corporate governance in ensuring that the interest of the Company, shareholders and other stakeholders are protected. The Board having duly considered the rationale for the said exception as explained in this Annual Report 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 2012 (“MCCG 2012”) and other applicable laws, regulations, directives and guidelines.

This corporate governance statement (“Statement”) sets out the adoption and practices of the principles and recommendations as set out in the MCCG 2012 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 2015 is summarized as follows:

## **PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT**

### **Principle 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.

Broadly, the Board assumes the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing and adopting a strategic plan for the Group, including giving inputs to address the sustainability of the Group’s business;
- overseeing the conduct of the Group’s business, including the Group’s and Management Team’s performance, and evaluating whether or not its businesses are being properly managed;
- identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient caliber, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- giving inputs to the development and implementation of an investor relations programme and stakeholder communications policy; and
- reviewing the adequacy and integrity of the Group’s internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

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.

# Statement of Corporate Governance

## **PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (CONT'D)**

### **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.

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 authorized 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.

### **Code of Ethics for Directors and Code of Conduct**

#### **Board Conduct**

The Board recognizes the importance of establishing a single source of reference for Board activities through a Board Charter as recommended by the MCG 2012. As such, the Board has adopted a Board Charter to clearly delineate the roles of the Board, Board Committees and Management in order to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Committees and Management, including the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities. The salient features of the Board Charter are also accessible by the public through the Company website [www.guanchong.com](http://www.guanchong.com).

#### **Conflict of Interest and Related Party Transactions**

To assure accountability and prevent conflict of interest in relation to issues that come before the Board, Directors are reminded by the Company Secretary of their statutory duties and responsibilities and are provided with updates on any changes thereon.

The Directors further acknowledge that they are also required to abstain from deliberation and voting on relevant resolutions in which they have an interest at the Board or any general meeting convened. In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.



# Statement of Corporate Governance

## **PRINCIPAL 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT (CONT'D)**

### **Code of Ethics for Directors and Code of Conduct (Cont'd)**

#### **Trading on Insider Information**

The Directors and employees of the Group are prohibited from trading in securities or any other kind of property based on price sensitive information and knowledge which has not been publicly announced.

Directors are also prompted not to deal in the Company's shares at any point when price sensitive information is shared with them, occasionally in the form of Board papers.

#### **Code of Ethics and Code of Conduct**

Apart from the above, the Board recognizes the importance of establishing a Code of Ethics and Code of Conduct (collectively referred to as the "Code") as recommended by the MCCG 2012. As such, the Board has formalized such Code which aims to instill, internalize and uphold the value of 'uncompromising integrity' in the behavior and conduct of the Board of Directors, Management, employees and all stakeholders of the Company.

#### **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.

#### **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. Prior to the Board and the Board Committees meetings, a formal and structured agenda, together with a set of Board and Board Committees papers, are forwarded to all Directors at least seven (7) days prior to the Board and Board Committees meetings, to enable the Board to make decisions and for Directors to be prepared to deal with matters arising from such meetings. The Board firmly believes that effective deliberation and its decision making process is highly dependent on the quality of information furnished by Management.

Presentations to the Board and the Board Committees are prepared and delivered in a manner that ensures a clear and adequate understanding of the subject matter. In addition, reading materials on the subject matter are prepared and circulated prior to each meeting to assist Directors in having an understanding of the subject matter. The Management Team and external advisers are invited to attend Board and Board Committees meetings, as the case may be, to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.

The Company Secretary of the Company is competent and qualified to act as company secretary under Section 139A of the Companies Act, 1965. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her functions. All Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and their impact and implication to the Company and Directors in carrying out their fiduciary duties and responsibilities.

The Company Secretary organizes and attends all Board and Board Committees meetings and ensures meetings are properly convened; accurate and proper records are maintained accordingly at the Registered Office of the Company, and produced for inspection, if required. The removal of the Company Secretary is a matter for the Board, as a whole to decide.

# Statement of Corporate Governance

## **PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD**

### **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 [ ] of this Annual Report.

### **Nomination Committee – Selection and Assessment of Directors**

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 chaired by the Senior Independent Non-Executive Director, comprises wholly of Non-Executive Directors, with a majority of whom are independent. The members of the Nomination Committee are:

- (i) YBhg Datuk Tay Puay Chuan  
(Chairman, Independent Non-Executive Director)
- (ii) YBhg Dato Dr. Mohamad Musa bin Md. Jamil  
(Member, Non-Independent Non-Executive Director)
- (iii) Tan Ah Lai  
(Member, Independent Non-Executive Director)

The Nomination Committee operates under its terms of reference and had one (1) meeting during the financial year ended 31 December 2015. This meeting was attended by all members.

The Board through the Nomination Committee's annual appraisal, believes that the current composition of the Board brings the requisite mix of skills and core competencies required for the Board to discharge its duties effectively. Furthermore, the Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

The Board appoints its members through a formal selection process. This process has been reviewed, approved and adopted by the Board. New candidates will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained, as well as legal and regulatory obligation are met.

In accordance with the Company's 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 Articles also provide 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.

# Statement of Corporate Governance

## **PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)**

### **Nomination Committee – Selection and Assessment of Directors (Cont'd)**

The Nomination Committee is tasked to review succession plans and boardroom diversity and to develop criteria for the assessment of the Board, Board Committees and individual Directors, including where appropriate, criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors and to assess the contribution and performance of members of the Board. The Board recognises that gender diversity as encouraged by Bursa Securities, is critical to a well-functioning Board and an essential measure of good governance. However, the appointment of a new Board member shall not be guided solely by gender but rather the skills-set, experience and knowledge of the candidate. Currently, the Company does not have a female member of the Board and will evaluate and assess the possibility of appointing any female member to the Board.

In respect of the assessment for the financial year ended 31 December 2015, the Board, through the Nomination Committee assessed and was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, the balance between Executive Directors, Non-Executive and Independent Directors and mix of skills was adequate.

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.

The Nomination Committee has accessed 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.

### **Remuneration Committee – Directors' Remuneration**

The Remuneration Committee was established on 26 April 2005 and is primarily responsible for the development and review of the remuneration policy and packages for the Board members. The Remuneration Committee comprises wholly of Non-Executive Directors. The members of the Remuneration Committee are as follows:

- (i) YBhg Dato Dr. Mohamad Musa bin Md. Jamil  
(Chairman, Non-Independent Non-Executive Director)
- (ii) Tan Ah Lai  
(Member, Independent Non-Executive Director)
- (iii) YBhg Datuk Tay Puay Chuan  
(Member, Independent Non-Executive Director)

The Remuneration Committee had one (1) meeting during the financial year ended 31 December 2015. This meeting was attended by all members.

The remuneration policy aims to attract and retain Directors necessary for proper governance and hence success of the Group. The Remuneration Committee is responsible for recommending the remuneration packages of Executive Directors to the Board. None of the Executive Directors participated in any way in determining their individual remuneration. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

The Board as a whole recommends the remuneration of Non- Executive Directors in accordance with the fiduciary duties, experience, level of responsibilities undertaken and time commitments expected of Non-Executive Directors and Board Committee members with individual Directors abstaining from decision in respect of their individual remuneration. The Board, where appropriate, recommends payment of fees to Directors for approval by shareholders at the Company's AGM.

# Statement of Corporate Governance

## PRINCIPLE 2 : STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

### Directors' Remuneration

The details of Directors' remuneration payable to the Directors of the Company for the financial year ended 31 December 2015, by category and in successive bands of RM50,000 are as follows:

	Executive Directors RM	Non-Executive Directors# RM	Total RM
Fees	1,397,313	91,800	1,489,113
Salaries & Allowances	2,586,392	4,500	2,590,892
Bonuses	2,310,936	15,000	2,325,936
EPF & SOCSO	169,331	–	169,331
Share options granted under ESOS	–	–	–
Benefits-in-kind	53,817	–	53,817

	Number of Directors		Total
	Executive Directors	Non-Executive Directors#	
RM1 to RM50,000	–	3	3
RM1,350,000 – 1,400,000	1	–	1
RM2,050,000 – 2,100,000	1	–	1
RM3,050,000 – 3,100,000	1	–	1

In respect of the non-disclosure of detailed remuneration of each director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this Statement.

## PRINCIPLE 3 : REINFORCE INDEPENDENCE OF THE BOARD

### Independence of the Board

The responsibilities of the Chairman and Chief Executive Officer are clearly divided in accordance with the requirements of the MCCG 2012 to ensure that there is a balance of power and authority. The Chairman, a Non-Independent Non-Executive Director is primarily responsible for ensuring the effective conduct of the Board. Executive management led by the Managing Director/Chief Executive Officer who is responsible for the day to day management of the business as well as the implementation of the Board policies, decisions and operational effectiveness.

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.

Having a Non-Independent Chairman, the two Independent Directors have not formed a majority on the Board of Directors. However, the Board continues with the view that although with the representative of major shareholder on the Board, its existing two (2) Independent Non-Executive Directors, with their extensive knowledge and experience would be able to represent the investment of the public and the minority shareholders. They are independent of Management and free from any undue influence from interested parties which could materially interfere with the exercise of their independent judgment. They play a significant role in bringing impartiality and scrutiny to Board deliberations and decision making, and also serve to stimulate and challenge the Management in an objective manner.

# Statement of Corporate Governance

## **PRINCIPLE 3 : REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)**

The MCG 2012 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. 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.

### **Tenure of Independent Director**

YBhg Datuk Tay Puay Chuan was appointed as Independent Director since 8 January 2005 and resumed the role as Senior Independent Director of the Company. Pursuant to Recommendation 3.2 of the MCG 2012, YBhg Datuk Tay Puay Chuan will have served as Independent Director for a period of more than nine (9) years by 30 May 2016, the scheduled date for the 2016 AGM.

Pursuant to Recommendation 3.3 of the MCG 2012 and notwithstanding his long tenure in office; the Board is unanimous in its opinion that YBhg Datuk Tay Puay Chuan's independence has not been compromised or impaired in any way after having noted the following considerations during the review and assessment of his independence:

- He continues to fulfill the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements;
- During his tenure in office, he has not developed, established or maintained any significant relationship which would impair his independence as an Independent Director 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 his duties as Independent Non-Executive Director and Chairman or member of the Board's Committees;
- During his tenure in office, he has never transacted or entered into any transactions with, nor provided any services to the Company and any of its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of Listing Requirements;
- He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Group; and
- During his tenure in office as Independent Non-Executive Director in the Company, he has not been offered or granted any options by the Company. Other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in this Annual Report, no other incentives or benefits of whatsoever nature had been paid to him by the Company.

Accordingly the Board strongly recommends retaining YBhg Datuk Tay Puay Chuan as Independent Non-Executive Director and will be tabling an Ordinary Resolution to shareholders at the 2016 AGM for the said purpose.



# Statement of Corporate Governance

## PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS

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 2015. 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	4/5
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.

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 Statement on Corporate Social Responsibility, 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.

All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings. 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.

# Statement of Corporate Governance

## PRINCIPLE 4 : FOSTER COMMITMENT OF DIRECTORS (CONT'D)

### 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 2015, all Directors have attended relevant courses and training programmes to enhance their knowledge to effectively discharge their duties and obligations.

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	Navigating the Political Economy of Global Business: A Malaysian Insight
Tay Hoe Lian	Information on Telomere Diagnostics Value add through Private Equity Involvement Mastering change for Organizational Excellence II CEO grooming for influence Economic outlook and trends for 2015 & beyond Scenario planning
Tay How Sik @ Tay How Sick	Cooking the Books - The Malaysian Recipe on Financial Fraud
Hia Cheng	International Seminar on Cocoa Futures Markets and Econometric Modelling of the Cocoa Market
Tan Ah Lai	National Tax Conference 2015 2016 Budget Seminar
YBhg Datuk Tay Puay Chuan	Bringing the Best Out of the Boardrooms

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

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

## PRINCIPLE 5 : 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, quarterly and half yearly 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 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, 1965 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.

# Statement of Corporate Governance

## **PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY (CONT'D)**

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.

To assist in the discharge of its duties on financial reporting, the Board has established an Audit Committee on 10 January 2005. The composition of the Audit Committee, including its roles and responsibilities are set out in this Annual Report. One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Board's obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal controls, and maintaining an appropriate relationship with the Group's external auditors is met through the Audit

Committee. The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The Audit Committee ensures that the Management provides timely response on any material queries raised by the external auditors, in respect of the accounting records, financial accounts or system of controls. The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the

independence of the external auditors. The Audit Committee works closely with the external auditors in establishing procedures in assessing the sustainability and independence of the external auditors.

## **PRINCIPLE 6 : RECOGNISE AND MANAGE RISKS OF THE GROUP**

The Board recognizes its responsibility over the principal risks of various aspects in the Group's business. In the absence of the Risk Management Committee, the Board oversees the risk management framework of the Group.

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 Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent consulting service provider to provide an independent appraisal over the system of internal control of the Group to the Audit Committee.

The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business unit of the Group. Scheduled internal audits are carried out by the internal auditors based on the approved internal audit plan. The internal auditors provide quarterly reports to the Audit Committee, reporting on the outcome of the audits conducted which highlight the effectiveness of the system of internal control and significant risks. The Audit Committee reviews and evaluates the key concerns and issues raised by the internal auditors and ensures that appropriate and prompt remedial action is taken by the Management.

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 31 to 35 of this Annual Report.

# Statement of Corporate Governance

## **PRINCIPLE 7 : 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 <http://www.bursamalaysia.com>.

In addition, the Company's website at [www.guanchong.com](http://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.

## **PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHREHOLDERS**

The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders.

### **Annual Report and shareholder participation at general meetings**

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

enhanced to take into account the developments, amongst others, in corporate governance.

The Company's AGM provides a vital platform for both private and institutional shareholders to share viewpoints and acquire information on issues relevant to the Group. Shareholders are encouraged to attend and participate at the AGM by raising questions on the resolutions being proposed or on the Group's business operations in general. The Notice of the AGM and related documents are issued to the shareholders at least twenty-one (21) days before the meeting. Shareholders who are unable to attend are allowed to appoint proxies. Members of the Board, the external auditors and where applicable, other advisers of the Company are present to answer queries at the AGM as well as to discuss

with shareholders and invited attendees and members of the press. Shareholders and the public can convey their concerns and queries to the Company's Senior Independent Non-Executive Director. All the resolutions set out in the Notice of the AGM are put to vote by show of hands. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of votes received, both for and against each separate resolution where appropriate. The Company shall endeavor, whenever possible, to put to vote of substantive resolutions at the AGM by poll. The outcome of the AGM is announced to Bursa Securities on the same meeting day.

# Statement of Corporate Governance

## **PRINCIPLE 8 : STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHREHOLDERS (CONT'D)**

### **Communication and engagement with shareholders**

The Company recognizes the importance of being transparent and accountable to its stakeholders and, as such, maintains an active and constructive communication policy that enables the Board and Management to communicate effectively with investors, financial community and the public generally.

The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the annual and extraordinary general meetings and through the Company's corporate website at [www.guanchong.com](http://www.guanchong.com), from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.

### **COMPLIANCE STATEMENT**

The Board is pleased to report that this Statement provides the corporate governance practices of the Company with reference to the MCCG 2012. The Board considers and is satisfied that the Company has fulfilled its obligations under the broad Principles as set out in the MCCG 2012. However, the Board has reserved several of the Recommendations and their Commentaries and has rationalized and provided justifications for the deviations in this Statement. 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 29 March 2016.



# 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

#### Objectives

The primary objective of the Audit Committee is to assist the Board in fulfilling their responsibilities relating to accounting and reporting practices of the Group. In addition, the Audit Committee will:-

- oversee and appraise the quality of the audit conducted by the Company's external auditors and where applicable, the internal auditors in order to strengthen the confidence of the public in the Group's reported results;
- maintain, by scheduling regular meetings, open lines of communication amongst the Board, the external auditors and where applicable the internal auditors, to exchange view and information as well as to confirm their respective authority and responsibilities;
- provide emphasis on the internal audit function by increasing the objectivity and independence of the internal audit personnel and provide a forum for discussion that is independent of management;
- review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient;
- provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the Company's administrative, operating and accounting controls; and
- act upon the Board's request to investigate and report on any issues or concerns on the management of the Group.

#### Composition

The Audit Committee shall be appointed by the Board from among their members and composed no fewer than three (3) members. All the Audit Committee members must be Non-Executive Directors of which a majority shall be Independent Directors.

At least one (1) Member of the Audit Committee:-

- must be a Member of the Malaysian Institute of Accountants (MIA); or
- if he is not a Member of MIA, he must have at least three (3) years' working experience and :-
  - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - he must be a Member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- he must have
  - a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
  - at least seven (7) years' experience being a chief financial officer of a corporation or having the function primarily responsible for the management of the financial affairs of a corporation.

# Audit Committee Report

## TERMS OF REFERENCE (Cont'd)

### Composition (cont'd)

The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

In the event that if a Member of the Audit Committee vacates office resulting the total number reduced to below three (3), the Board shall, within three (3) months of that event, appoint a new Member to make up the minimum number of three (3).

### Meetings

The Audit Committee will meet at least once a quarter and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting if a request is made by any Committee member, the Company's Managing Director/Chief Executive Officer, the external auditors or the internal auditors where applicable. However, the Audit Committee should meet with the external auditors without the presence of the executive directors, at least twice a year. The Chairman may appoint a secretary responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to Audit Committee members and to other members of the Board.

A quorum for a meeting shall be two (2) members with the majority of the members present shall be Independent Directors. The Board must prepare an Audit Committee Report at the end of the financial year in the Annual Report of the Company which summarises the Audit Committee's activities during the year and the related significant findings noted.

### Authority

The Audit Committee is authorised to investigate any activity of the Company within its Terms and Reference and all employees shall be directed to co-operate with any request made by the Audit Committee. The Audit Committee shall have unrestricted access to any information pertaining to the Company and have direct communication channels with the external and internal auditors, when applicable and to the senior management of the Group. The Audit Committee shall be empowered to retain persons or experts having special competence as necessary to assist the Audit Committee in fulfilling its responsibilities.

### Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be as follows:-

- to consider and recommend the appointment or re-appointment of the external auditors, the audit fees and questions of resignation or dismissal;
- to oversee all matters pertaining to audit including the review of the audit scope and audit plan based on the external auditors' presentation of audit strategy and plan; and audit report with the external auditors;
- to review the financial statements of the Company/Group, and to discuss problems and reservations arising from the interim and final results, and any matters that the external auditors may wish to discuss (in the absence of the management where necessary);
- to review the unaudited financial results announcements before recommending them for Board's approval.
- to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary;
- to develop and review for recommendation to the Board, the Company's policy in relation to the provision of non-audit services by the external auditors and/or its network firms, which takes into consideration:
  - whether the skills and experience of the audit firm make it a suitable service provider for non-audit services;
  - whether there are safeguards to eliminate or reduce to an acceptable level any threat to the objectivity or independence of the external auditors in the conduct of external audit resulting from non-audit services provided by the external auditors; and
  - the nature of the non-audit services and the fee level or threshold permitted in relation to the audit fees payable to the external auditors and/or its network firms for each financial year;

# Audit Committee Report

## TERMS OF REFERENCE (Cont'd)

### Duties and Responsibilities (cont'd)

The duties and responsibilities of the Audit Committee shall be as follows (cont'd):-

- to review the non-audit services provided by the external auditors and/or its network firms to the Group for the financial year, including the nature of the non-audit services, fee level or threshold of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
- in relation to the internal audit function :
  - to review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works;
  - to review the internal audit programme, results of the internal audit process and implementation of the recommendations of the internal audit function through follow up audit reports as to ensure that appropriate action is taken on these recommendations;
  - to suggest on additional improvement opportunities in the areas of internal control, systems and efficiency improvement;
  - to review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal;
  - to review and approve the risk management framework from time to time and any significant proposed changes to risk management policies and strategies; and
  - to review the Statement on Risk Management and Internal Control to be published in this Annual Report;
- to review any related parties transactions that may arise within the Company or the Group;
- to exercise its power and carry out its responsibility as may be required from time to time under the whistle-blowing policy as and when necessary;
- to ensure that the Group is in compliance with the regulations of the Companies Act 1965, Listing Requirements and other legislative and reporting requirements;
- to identify and direct any special project or investigate and to report on any issues or concerns in regards to the management of the Group; and
- to commission such investigations or reviews relevant to its role as it sees fit.

# Audit Committee Report

## SUMMARY OF ACTIVITIES

A total of five (5) Audit Committee meetings were held for the financial year ended 31 December 2015. 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 activities undertaken by the Audit Committee during the financial year included the following:

- reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors, presented their audit strategy and plan;
- 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 MIA;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- 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 2015;
- ensured that the Group is in compliance with the regulations of Companies Act 1965, the applicable approved accounting standards as per MASB, Listing Requirements and other legislative and reporting requirements;
- reviewed the recurrent related party transactions and control procedures for those transactions in the shareholders' mandate;
- reviewed the whistle-blowing policy and recommended the amendment and/or modification, if any to the Board;
- reviewed the Statements of Corporate Governance, Audit Committee Report and the Statement on Risk Management and Internal Control and recommend their adoption to the Board, deliberated the disclosure requirements for corporate social responsibility and noted the management action plan; and
- reviewed the application of corporate governance principles and recommendations and the extent of the Group's compliance with the best practices set out under the MCCG 2012.

## 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 31 to 35 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. However, the associate has not been dealt with as part of the Group for the purposes of applying these Guidelines.

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

- **Structure**

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

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

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

# Statement on Risk Management and Internal Control

## RISK MANAGEMENT FRAMEWORK (Cont'd)

The key elements of the Group's Risk Management Framework are described below: (Cont'd)

- **Risk Awareness Culture**

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

- **Risk Assessment**

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

- **Risk Appetite**

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

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

## INTERNAL CONTROL SYSTEM

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

- **Control Environment**

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

- **Code of Conduct**

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

- **Organisational Structure**

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

# Statement on Risk Management and Internal Control

## INTERNAL CONTROL SYSTEM (Cont'd)

### • Organisational Structure (cont'd)

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

#### > Management

- **Policy and Procedures:** Management has implemented series of documented Policy and Procedures to govern the Group's key business processes. These policies and procedures deal with, amongst others, control issues for procurement, credit control, warehousing, information technology, health and safety, etc. These procedures are reviewed annually by senior management to ensure its relevancy.
- **Human Capital:** There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff and annual performance appraisals to enhance the level of staff competency in carrying out their duties and responsibilities.
- **Safeguarding of Assets:** Adequate insurance and physical safeguarding of major assets are in place to ensure that they are sufficiently covered against any mishap that may result in material losses to the Group.
- **Related Party Transactions:** Internal control procedures are established to ensure that related party transactions are undertaken in compliance with the Group's practices, the Listing Requirements, and to ensure that these transactions are carried out on an arm's length basis and on normal commercial terms, which are in the best interest of the Group's stakeholders.
- **Communication:** Information is communicated through circulars, emails, meetings and internal memos.
- **Site Visit:** Regular visits by the head office personnel to business units in remote location to ascertain compliance with the established Policy and Procedures of the Group by local management.
- **Management Meetings:** Regular meetings with the Heads of Departments provide a sound platform for the information communicate with, and provide feedback to and from, Management.

#### > Internal Audit

The Group has outsourced its internal audit function to an independent professional service provider (the "Internal Auditors") which carries out its functions independently with risk-based approach and provides the Audit Committee and the Board with the assurance on the adequacy and effectiveness of the system of internal controls. The cost of internal audit function for the financial year ended 31 December 2015 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.

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

- Prepare a detailed Internal Audit Plan in consultation with the senior management for submission to the Audit Committee for approval;
- Carry out all activities to conduct the audits in an effective, professional and timely manner;
- 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
- 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.



# Statement on Risk Management and Internal Control

## INTERNAL CONTROL SYSTEM (Cont'd)

### • Organisational Structure (cont'd)

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

#### ➤ 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 27 to 30 of this Annual Report contains further details on the activities undertaken by the Audit Committee in 2015.

#### ➤ Board

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

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

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

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

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

# Statement on Risk Management and Internal Control

## **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 2015. Their review was performed in accordance with the Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants.

The External Auditors have opined to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

RPG 5 does not require the External Auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk management and internal control system.

## **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 29 March 2016.

# 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 Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company and the results and cash flows of the Group and of the Company for the financial year then ended.

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

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

# Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit for the year	22,376,462	22,356,324
<b>Attributable to :</b>		
Owners of the Company	22,757,052	22,356,324
Non-controlling interests	(380,590)	–
	22,376,462	22,356,324

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.

## DIVIDENDS

No dividends paid or declared by the Company since the end of the previous financial year.

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2015.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year save as disclosed in the financial statements.

## ISSUES OF SHARES AND DEBENTURES

During the financial year :

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company ; and
- (b) there were no issues of debentures by the Company.

## TREASURY SHARES

As at 31 December 2015, the Company held 2,240,700 of its issued ordinary shares of RM 0.25 each ("GCB Shares") as treasury shares out of its 478,514,289 GCB Shares. Such treasury shares are held at a carrying amount of RM 5,194,748 and further details are disclosed in Note 21 to the financial statements.

# Directors' Report

## WARRANTS

No warrants were exercised during the financial year. As at 31 December 2015, the total number of warrants that remain unexercised were 89,682,668. However, the warrants have expired on 16 February 2016.

The main features of the Warrants are disclosed in Note 20 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

## HOLDING COMPANY

The Company is a subsidiary of Guan Chong Resources Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

## DIRECTORS

The directors who served since the date of the last report are as follows :

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

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows :

### The Company

		Number of Ordinary Shares of RM 0.25 Each			
		Balance At 01.01.2015	Bought	Sold	Balance At 31.12.2015
Dato Dr. Mohamad Musa	- Direct	105,999	-	-	105,999
Bin Md. Jamil	- Indirect <sup>(1)</sup>	29,079,999	-	-	29,079,999
Tay Hoe Lian	- Direct	12,819,691	46,100	-	12,865,791
	- Indirect <sup>(2)</sup>	249,980,469	-	-	249,980,469
Tay How Sik @ Tay How Sick	- Direct	6,239,548	-	-	6,239,548
	- Indirect <sup>(3)</sup>	60,000	-	-	60,000
Hia Cheng	- Direct	8,748,179	-	-	8,748,179
	- Indirect <sup>(4)</sup>	9,641,799	-	(10,000)	9,631,799
Datuk Tay Puay Chuan		60,000	-	-	60,000

# Directors' Report

## DIRECTORS' INTERESTS (CONT'D)

### The Company

		Balance At 01.01.2015	Number of Warrants		Balance At 31.12.2015
			Bought	Sold	
Dato Dr. Mohamad Musa					
Bin Md. Jamil	- Indirect <sup>(1)</sup>	6,187,500	-	-	6,187,500
Tay Hoe Lian	- Direct	2,234,941	-	(2,234,941)	-
	- Indirect <sup>(2)</sup>	46,815,012	-	-	46,815,012
Tay How Sik @ Tay How Sick	- Direct	982,471	100,000	(1,082,471)	-
	- Indirect <sup>(3)</sup>	11,250	-	-	11,250
Hia Cheng	- Direct	211,908	-	(211,908)	-
	- Indirect <sup>(4)</sup>	1,206,000	-	(1,206,000)	-
Datuk Tay Puay Chuan		11,250	-	(11,250)	-

### Holding Company – Guan Chong Resources Sdn. Bhd. ("GCR")

		Balance At 01.01.2015	Number Of Ordinary Shares of RM 1.00 Each		Balance At 31.12.2015
			Bought	Sold	
Tay Hoe Lian	- Direct	28,373	-	-	28,373
	- Indirect <sup>(5)</sup>	2,375	-	-	2,375
Tay How Sik @ Tay How Sick		13,934	-	-	13,934
Hia Cheng		5,000	-	-	5,000

#### Notes:

- (1) Deemed interest by virtue of his shareholding in Misi Galakan Sdn. Bhd..
- (2) Deemed interest by virtue of his shareholding in GCR and his wife, 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 wife, Wong Saow Lai's shareholding in the Company.
- (5) Deemed interest by virtue of his wife, Yap Kim Hong's shareholding in GCR.

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

Other than as disclosed above, none of the directors in office at the end of the financial year had any other interest in shares of the Company and its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors have received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salaries of full time employees of the Company as disclosed in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest save as disclosed in Note 38 to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Group or the Company was a party, whereby the directors of the Group or the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Group or the Company or any other body corporate.

# Directors' Report

## OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance 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, which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances :
- (i) which would render the amount written off for bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent ; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading ; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate ; or
  - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist :
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person ; or
  - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors :
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due ; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is 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.

# Directors' Report

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 43 to the financial statements.

## **AUDITORS**

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors :

TAY HOE LIAN  
Director

TAY HOW SIK @ TAY HOW SICK  
Director

Muar, Johor Darul Takzim  
Date : 8 April 2016



# Statement By Directors

Pursuant To Section 169(15) Of The Companies Act 1965

We, Tay Hoe Lian and Tay How Sik @ Tay How Sick, being two of the directors of Guan Chong Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 45 to 124 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and their financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out in Note 44, which is not part of the financial statements on page 125, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors :

TAY HOE LIAN  
Director

TAY HOW SIK @ TAY HOW SICK  
Director

Muar, Johor Darul Takzim  
Date : 8 April 2016

# Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act 1965

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 and supplementary information set out on pages 45 to 125 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 HIA CHENG }  
at Muar in the state of Johor Darul Takzim }  
on 8 April 2016 }

HIA CHENG

Before me: LIM PEI LING J 238  
Commissioner for Oaths

# Independent

## Auditors' Report

to the Members of Guan Chong Berhad

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Guan Chong Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 124.

#### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

# Independent Auditors' Report

to the Members of Guan Chong Berhad (Cont'd)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following :

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 on page 125 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **Crowe Horwath**

Firm No.: AF 1018  
Chartered Accountants

### **Ng Kim Hian**

Approval No.: 2506/04/17 (J)  
Chartered Accountant

Muar, Johor Darul Takzim

Date : 8 April 2016

# Statements of Financial Position

At 31 December 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment in subsidiaries	6	–	–	65,551,203	66,107,865
Investment in associate	7	4,996,024	–	5,000,000	–
Property, plant and equipment	8	437,943,439	409,508,857	–	–
Investment properties	9	26,563,468	5,832,627	–	–
Prepaid lease payments	10	14,307,654	12,908,769	–	–
Intangible assets	11	11,944,986	11,944,986	–	–
Amount owing by subsidiaries	15	–	–	57,190,239	447,450,442
Deferred tax assets	24	27,864	53,905	–	–
		495,783,435	440,249,144	127,741,442	513,558,307
<b>Current assets</b>					
Inventories	12	776,334,454	724,648,043	–	–
Trade receivables	13	282,233,076	206,097,996	–	–
Other receivables, prepayments and other assets	14	20,058,113	33,094,233	16,082	726,082
Amount owing by subsidiaries	15	–	–	58,123,984	68,000
Amount owing by affiliated companies	16	660,494	1,221,756	–	–
Amount owing by an associate	17	1,996,643	–	–	–
Derivative assets	18	12,839,635	11,314,562	–	–
Dividend receivable		–	–	–	1,785,000
Deposits with licensed bank	19	2,582,164	1,234,786	–	–
Bank and cash balances		26,027,870	40,082,604	29,693	14,881
		1,122,732,449	1,017,693,980	58,169,759	2,593,963
<b>TOTAL ASSETS</b>		<b>1,618,515,884</b>	<b>1,457,943,124</b>	<b>185,911,201</b>	<b>516,152,270</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital	20	119,628,572	119,628,572	119,628,572	119,628,572
Treasury shares	21	(5,194,748)	(5,194,748)	(5,194,748)	(5,194,748)
Reserves	22	261,995,967	205,978,500	38,848,449	16,492,125
<b>Equity Attributable to Owners of the Company</b>		<b>376,429,791</b>	<b>320,412,324</b>	<b>153,282,273</b>	<b>130,925,949</b>
<b>NON-CONTROLLING INTERESTS</b>	6	430,851	3,957,844	–	–
<b>TOTAL EQUITY</b>		<b>376,860,642</b>	<b>324,370,168</b>	<b>153,282,273</b>	<b>130,925,949</b>

The annexed notes form an integral part of these financial statements.

# Statements of Financial Position

At 31 December 2015 (Cont'd)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-Current Liabilities</b>					
Loans and borrowings	23	128,428,035	145,041,024	–	–
Deferred tax liabilities	24	18,519,644	14,842,037	–	–
Post-employment benefits	25	750,775	700,856	–	–
Amount owing to holding company	26	–	12,320,000	–	12,320,000
		147,698,454	172,903,917	–	12,320,000
<b>Current Liabilities</b>					
Trade payables	27	288,566,661	206,874,767	–	–
Other payables and accruals	28	90,759,096	18,044,850	85,124	81,564
Amount owing to subsidiaries	15	–	–	32,543,804	372,824,757
Amount owing to affiliated company	16	–	23,986	–	–
Amount owing to directors	29	178,684	145,720	–	–
Derivative liabilities	18	13,205,560	12,772,142	–	–
Loans and borrowings	23	701,197,072	720,773,472	–	–
Dividend payable		–	1,715,000	–	–
Tax payable		49,715	319,102	–	–
		1,093,956,788	960,669,039	32,628,928	372,906,321
<b>TOTAL LIABILITIES</b>		1,241,655,242	1,133,572,956	32,628,928	385,226,321
<b>TOTAL EQUITY AND LIABILITIES</b>		1,618,515,884	1,457,943,124	185,911,201	516,152,270

The annexed notes form an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
REVENUE	30	2,380,668,753	1,818,870,990	24,000	1,809,000
COST OF SALES		(2,220,638,987)	(1,738,416,555)	–	–
GROSS PROFIT		160,029,766	80,454,435	24,000	1,809,000
OTHER INCOME		43,852,464	25,200,760	22,872,303	1,937,909
SELLING AND DISTRIBUTION EXPENSES		(14,747,710)	(13,020,717)	–	–
ADMINISTRATIVE EXPENSES		(35,270,736)	(26,321,595)	(539,979)	(569,373)
OTHER EXPENSES		(100,871,518)	(69,858,703)	–	(10,451,143)
PROFIT/(LOSS) FROM OPERATIONS		52,992,266	(3,545,820)	22,356,324	(7,273,607)
FINANCE COSTS		(16,615,726)	(14,935,136)	–	–
SHARE OF (LOSS) OF ASSOCIATE		(3,976)	–	–	–
PROFIT/(LOSS) BEFORE TAX	31	36,372,564	(18,480,956)	22,356,324	(7,273,607)
TAX EXPENSE	34	(13,996,102)	1,188,625	–	–
PROFIT/(LOSS) FOR THE YEAR		22,376,462	(17,292,331)	22,356,324	(7,273,607)
<b>OTHER COMPREHENSIVE INCOME</b>					
<u>Items that may be reclassified</u>					
<u>subsequently to profit or loss</u>					
Foreign currency translation differences		33,079,738	9,203,830	–	–
<u>Items that will not be reclassified</u>					
<u>subsequently to profit or loss</u>					
Remeasurement of employee benefits liability		171,130	–	–	–
OTHER COMPREHENSIVE INCOME		33,250,868	9,203,830	–	–
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		55,627,330	(8,088,501)	22,356,324	(7,273,607)

The annexed notes form an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2015 (Cont'd)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO :</b>					
OWNERS OF THE COMPANY		22,757,052	(17,557,582)	22,356,324	(7,273,607)
NON-CONTROLLING INTERESTS		(380,590)	265,251	-	-
		<u>22,376,462</u>	<u>(17,292,331)</u>	<u>22,356,324</u>	<u>(7,273,607)</u>
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO :</b>					
OWNERS OF THE COMPANY		56,007,920	(8,353,752)	22,356,324	(7,273,607)
NON-CONTROLLING INTERESTS		(380,590)	265,251	-	-
		<u>55,627,330</u>	<u>(8,088,501)</u>	<u>22,356,324</u>	<u>(7,273,607)</u>
<b>EARNINGS/(LOSS) PER ORDINARY SHARE</b>					
	35				
- Basic (Sen)		<u>4.78</u>	<u>(3.69)</u>		
- Diluted (Sen)		<u>4.78</u>	<u>(3.69)</u>		

The annexed notes form an integral part of these financial statements.

# Statements of Changes In Equity

For the Financial Year Ended 31 December 2015

## Group

	Attributable to Owners of The Company						
	Non-distributable			Distributable			
	Share Capital RM	Treasury Shares RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Total Shareholders' Equity RM	Non-controlling Interests RM	Total Equity RM
At 1 January 2014	119,628,572	(5,194,748)	8,025,920	206,306,332	328,766,076	4,907,593	333,673,669
(Loss)/Profit for the year	-	-	-	(17,557,582)	(17,557,582)	265,251	(17,292,331)
Other comprehensive income for the year :							
- Foreign exchange translation differences	-	-	9,203,830	-	9,203,830	-	9,203,830
<b>Total comprehensive expenses for the year</b>	-	-	9,203,830	(17,557,582)	(8,353,752)	265,251	(8,088,501)
Issuance of new shares in subsidiary	-	-	-	-	-	500,000	500,000
Dividend payable by :							
- subsidiary to non-controlling interest	-	-	-	-	-	(1,715,000)	(1,715,000)
<b>Total transactions with owners</b>	-	-	-	-	-	(1,215,000)	(1,215,000)
At 31 December 2014	119,628,572	(5,194,748)	17,229,750	188,748,750	320,412,324	3,957,844	324,370,168
At 1 January 2015	119,628,572	(5,194,748)	17,229,750	188,748,750	320,412,324	3,957,844	324,370,168
Profit/(Loss) for the year	-	-	-	22,757,052	22,757,052	(380,590)	22,376,462
Other comprehensive income for the year :							
- Foreign exchange translation differences	-	-	33,079,738	-	33,079,738	-	33,079,738
- Remeasurement of post-employment benefit obligation, net of tax	-	-	-	171,130	171,130	-	171,130
<b>Total comprehensive income for the year</b>	-	-	33,079,738	22,928,182	56,007,920	(380,590)	55,627,330
Disposal of a subsidiary	-	-	-	-	-	(3,006,356)	(3,006,356)
Changes in a subsidiary's ownership interest that do not result in a loss of control	-	-	-	9,547	9,547	(140,047)	(130,500)
<b>Total transactions with owners</b>	-	-	-	9,547	9,547	(3,146,403)	(3,136,856)
At 31 December 2015	119,628,572	(5,194,748)	50,309,488	211,686,479	376,429,791	430,851	376,860,642

The annexed notes form an integral part of these financial statements.



# Statements of Changes In Equity

For the Financial Year Ended 31 December 2015 (Cont'd)

Company	Attributable to Owners of The Company			Total Equity RM
	Non-distributable		Distributable	
	Share Capital RM	Treasury Shares RM	Retained Profits RM	
At 1 January 2014	119,628,572	(5,194,748)	23,765,732	138,199,556
Total comprehensive expenses for the year	–	–	(7,273,607)	(7,273,607)
At 31 December 2014 / At 1 January 2015	119,628,572	(5,194,748)	16,492,125	130,925,949
Total comprehensive income for the year	–	–	22,356,324	22,356,324
At 31 December 2015	119,628,572	(5,194,748)	38,848,449	153,282,273

The annexed notes form an integral part of these financial statements.

# Statements Of Cash Flows

For the Financial Year Ended 31 December 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax	36,372,564	(18,480,956)	22,356,324	(7,273,607)
Adjustment for :				
Amortisation of intangible assets	-	147,996	-	-
Amortisation of prepaid lease payments	707,241	620,665	-	-
Bad debts recovered	-	(13,730)	-	-
Bad debts written off	27,268	800,273	-	-
Deposit written off	220,364	-	-	-
Depreciation of property, plant and equipment	26,225,622	23,784,816	-	-
Depreciation of investment properties	231,186	208,876	-	-
Dividend income	-	-	-	(1,785,000)
(Gain) on disposal of a subsidiary	(1,857,064)	-	(4,429,466)	-
Impairment loss on intangible assets	-	2,037,260	-	-
Impairment loss on trade and other receivables	301,045	147,433	-	-
Loss/(Gain) on disposal of property, plant and equipment	19,947	(1,300)	-	-
Net fair value (gain)/loss on derivatives	(1,542,440)	1,235,912	-	-
Net employee benefits expenses	171,130	201,750	-	-
Property, plant and equipment loss on theft	-	274,760	-	-
Property, plant and equipment written off	16,228	-	-	-
Provision for cargo loss	1,961,171	-	-	-
Reversal of impairment on amount owing by a subsidiary	-	-	-	(1,937,909)
Reversal of impairment on trade receivables	(113,421)	(859,238)	-	-
Reversal of inventories write-down	(4,199)	(2,383)	-	-
Share of loss of associate	3,976	-	-	-
Sub-lease rental	259,191	259,190	-	-
Sundry receivable written off	1,674,468	-	-	-
Unrealised (gain)/loss on foreign exchange	(3,837,313)	10,660,081	(8,325,257)	10,320,301
Write-down of inventories	13,994,806	19,890,314	-	-
Interest expense	16,615,726	14,935,136	-	-
Interest income	(510,131)	(154,839)	-	-
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>				
	90,937,365	55,692,016	9,601,601	(676,215)
<b>Changes In Working Capital</b>				
Inventories	(65,677,018)	105,423,946	-	-
Trade and other receivables, prepayments and other assets	(58,666,315)	(49,386,895)	343,024,476	(347,320,425)
Trade and other payables	155,576,567	40,864,017	(340,277,393)	353,122,324
<b>CASH GENERATED FROM OPERATIONS</b>				
	122,170,599	152,593,084	12,348,684	5,125,684
<b>CARRIED FORWARD</b>				
	122,170,599	152,593,084	12,348,684	5,125,684

The annexed notes form an integral part of these financial statements.

# Statements Of Cash Flows

For the Financial Year Ended 31 December 2015 (Cont'd)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>BROUGHT FORWARD</b>		122,170,599	152,593,084	12,348,684	5,125,684
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)</b>					
Interest paid		(16,615,726)	(14,935,136)	-	-
Interest received		510,131	154,839	-	-
Tax paid		(12,783,032)	(8,301,590)	(12,000)	(12,000)
Tax refund		86,485	7,102,074	12,000	12,000
<b>NET CASH FROM OPERATING ACTIVITIES</b>		93,368,457	136,613,271	12,348,684	5,125,684
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from issuance of new shares in subsidiary		-	500,000	-	-
Additional investment in existing subsidiaries		(130,500)	-	-	(17,500,000)
Investment in associate		(13,872)	-	(13,872)	-
Proceeds from disposal of property, plant and equipment		102,953	4,800	-	-
Purchase of investment property		(19,655,437)	-	-	-
Purchase of property, plant and equipment	8(c)	(6,478,060)	(23,155,715)	-	-
Payment of sub-leases of warehouses		(123,738)	(123,738)	-	-
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		(26,298,654)	(22,774,653)	(13,872)	(17,500,000)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
(Repayment)/Advances from holding company		(12,320,000)	12,320,000	(12,320,000)	12,320,000
Net increase in fixed deposit pledged		59,988	105,103	-	-
Net movements in short-term borrowings		(29,038,312)	(129,297,283)	-	-
Repayment of hire purchase payables		(607,511)	(845,998)	-	-
Repayment of term loans		(33,855,163)	(25,056,454)	-	-
Dividends paid		(1,715,000)	-	-	-
Drawdown of term loan		15,180,735	48,994,283	-	-
<b>NET CASH (USED IN)/ FROM FINANCING ACTIVITIES</b>		(62,295,263)	(93,780,349)	(12,320,000)	12,320,000
<b>CARRIED FORWARD</b>		4,774,540	20,058,269	14,812	(54,316)

The annexed notes form an integral part of these financial statements.

# Statements Of Cash Flows

For the Financial Year Ended 31 December 2015 (Cont'd)

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>BROUGHT FORWARD</b>		4,774,540	20,058,269	14,812	(54,316)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		4,774,540	20,058,269	14,812	(54,316)
<b>EFFECT OF FOREIGN EXCHANGE TRANSLATION</b>		(17,280,223)	(6,077,242)	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		39,236,285	25,255,258	14,881	69,197
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	37	26,730,602	39,236,285	29,693	14,881

The annexed notes form an integral part of these financial statements.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015

## 1. GENERAL INFORMATION

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

The registered office and principal place of business are as follows :

Registered office	: No. 7 (1st Floor), Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar Johor Darul Takzim
Principal place of business	: PLO 273, Jalan Timah 2 Kawasan Perindustrian Pasir Gudang 81700 Pasir Gudang Johor Darul Takzim

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 8 April 2016.

## 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

## 3. HOLDING COMPANY

The Company is a subsidiary of Guan Chong Resources Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

## 4. BASIS OF PREPARATION

The financial statements of the Group are prepared under historical cost convention, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

4.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any) :

### **MFRSs and/or IC Interpretations (including the Consequential Amendments)**

Amendments to MFRS 119 : Defined Benefit Plans – Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 4. BASIS OF PREPARATION (CONT'D)

- 4.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year.

<b>MFRSs and/or IC Interpretations (including the Consequential Amendments)</b>	<b>Effective date</b>
MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 : Revenue from Contracts with Customers & Amendments to MFRS 15 : Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 10 : Sale or Contribution of Assets between an and MFRS 128 (2011) Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, : Investment Entities – Applying the Consolidation MFRS 12 and MFRS 128 Exception (2011)	1 January 2016
Amendments to MFRS 101 : Presentation of Financial Statements – Disclosures Initiative	1 January 2016
Amendments to MFRS 116 : Clarification of Acceptable Methods of Depreciation and MFRS 138 and Amortisation	1 January 2016
Amendments to MFRS 116 : Agriculture – Bearer Plants and MFRS 141	1 January 2016
Amendments to MFRS 127 : Equity Method in Separate Financial Statements (2011)	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below :

#### (a) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.1 Critical Accounting Estimates and Judgements (Cont'd)

#### (b) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

#### (c) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

#### (d) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

#### (e) Classification between investment properties and owner-occupied properties

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

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

#### (f) Impairment of trade and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

#### (g) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.1 Critical Accounting Estimates and Judgements (Cont'd)

#### (h) Impairment of intangible asset

Intangible asset is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which intangible asset is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of intangible asset.

#### (i) Fair value estimates for certain financial assets and financial liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

### 5.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

#### (a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.2 Basis of consolidation (Cont'd)

#### (b) Non-controlling interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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.

#### (c) Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

#### (d) Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which 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 in the former subsidiary ; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). 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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 5.3 Functional and Foreign currencies

#### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest RM, unless otherwise stated.

#### (b) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.3 Functional and Foreign currencies (Cont'd)

#### (c) Foreign operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2011) which are treated as assets and liabilities of the Company and are not retranslated.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

### 5.4 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair values through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.4 Financial instruments (Cont'd)

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

#### (a) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

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

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

##### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

##### (iii) Loans and receivables financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.4 Financial instruments (Cont'd)

#### (a) Financial assets (Cont'd)

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss. Interest income calculated for a debt instrument using the effective interest method is recognised in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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

#### (b) Financial liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### (c) Equity instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

##### (i) Ordinary shares

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.4 Financial instruments (Cont'd)

#### (c) Equity instruments (Cont'd)

##### (ii) *Treasury shares*

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are sold, the difference between the sales consideration and the carrying amount of the treasury shares are shown as a movement in equity. When the consideration received is more than the carrying amount, the credit difference arising is taken to the share premium account. Where the consideration received is less than the carrying amount, the debit difference is offset against reserves.

#### (d) Derecognition

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

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

#### (e) Financial guarantee contracts

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.

Financial guarantee contracts are recognised initially as a liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

### 5.5 Investments in subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.6 Investments in associates

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2015. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate into profit or loss when the equity method is discontinued.

### 5.7 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is not depreciated and leased assets are depreciated over the shorter of the lease term and their useful lives. Capital work-in-progress is not depreciated until the asset is ready for its intended use.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are :

Leasehold land and building	43-60 years
Freehold property	30 years
Factory buildings and renovation	5-60 years
Plant, machinery, tools and equipment	5.0-12.5%
Motor vehicles	16.0-20.0%
Furniture, fittings and office equipment	5.0-14.0%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.7 Property, plant and equipment and depreciation (Cont'd)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 will 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

### 5.8 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are within 13 years to 43 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

### 5.9 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to the ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets, or if lower, at the present value of the minimum lease payments. Any initial direct costs are added to the amount capitalised. Lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Leased asset is depreciated over its useful life except when there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. In such case, the asset is depreciated over the shorter of the lease term and its useful life.

Leases that do not transfer substantially all the risks and rewards are classified as operating lease. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.10 Intangible assets

#### (i) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised 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 at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

#### (ii) Technical know-how

Such technical know-how are recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives of up to 20 years.

Technical know-how with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the acquired technical know-how may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Technical know-how with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstance indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such technical know-how are not amortised. The useful life of technical know-how with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

#### (iii) Clientele lists

Clientele lists are recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over their estimated useful lives of up to 10 years.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.11 Impairment

#### (a) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### (b) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 : Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the asset is the higher of the asset's fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

### 5.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, specific identification or weighted average basis, as applicable. Inventories comprise the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.13 Income taxes

Income tax for the reporting period comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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 taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

### 5.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risks of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### 5.15 Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying assets are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

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

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

### 5.17 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

### 5.18 Related parties

A party is related to an entity (referred to as the "reporting entity") if :

- (a) A person or a close member of that person's family is related to a reporting entity if that person :
  - (i) has control or joint control over the reporting entity ;
  - (ii) has significant influence over the reporting entity ; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies :
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.18 Related parties (Cont'd)

- (b) An entity is related to a reporting entity if any of the following conditions applies : (cont'd)
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

### 5.19 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows :

- Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date ;
- Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly ; and
- Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 5.20 Revenue and other income

#### (a) Dividend income

Dividend income from investment is recognised when the rights to receive dividend payment is established.

#### (b) Management fee income

Management fee income from subsidiaries is recognised on accrual basis upon services rendered.

#### (c) Sale of goods

Revenue is recognised at fair value of the consideration received or receivable.

#### (d) Rental income

Rental income is accounted for on a straight-line method over the lease term.

#### (e) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.21 Research and development expenditure

Research and development expenditure is charged to the profit or loss in the reporting period in which it is incurred except insofar as it relates to a clearly defined project which the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of the future benefit and is stated at cost incurred less grants received, if any. Such deferred expenditure shall be amortised through the profit or loss over the period of the project, upon commencement of commercial production.

### 5.22 Employee benefits

#### (a) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses, social security contributions ("SOCSO") and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

#### (b) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

#### (c) Post-employment benefit plans

As a result of MFRS 119, Employee Benefits, the Group has changed its accounting policy in respect of the basis for determining the income or expense relating to its post employment benefit plans.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Net interest expense and other expenses relating to defined plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.23 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 5.24 Earning per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held. Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

## 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM	2014 RM
<b>At Cost</b>		
Unquoted shares		
At 1 January	73,952,867	56,452,867
Additions	–	17,500,000
Disposal	(556,662)	–
At 31 December	73,396,205	73,952,867
<b>Less : Accumulated Impairment Loss</b>		
At 1 January	7,845,002	7,845,002
Addition	–	–
At 31 December	7,845,002	7,845,002
	65,551,203	66,107,865

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) The details of subsidiaries and the equity interest held by the Company are shown as below :

Name of Subsidiary	Principal Activities	Principal Place of Business	Equity Interest	
			2015	2014
Guan Chong Cocoa Manufacturer Sdn. Bhd. ("GCCM")	Producing cocoa-derived food ingredients.	Malaysia	100%	100%
Guan Chong Trading Sdn. Bhd.	Dormant.	Malaysia	100%	100%
Enrich Mix Sdn. Bhd. ("EM")	Producing blended cocoa-derived food ingredients.	Malaysia	–	51%
GCB Foods Sdn. Bhd.	Manufacturing, marketing and promotion of cocoa related products.	Malaysia	100%	100%
GCB Marketing Sdn. Bhd.	Marketing and promotion activities of chocolate related products and confectionaries.	Malaysia	100%	100%
GCB Specialty Chocolates Sdn. Bhd. ("GCBSC")	Manufacturing, marketing and promotion of cocoa related products.	Malaysia	92.5%	92.5%
GCB America, Inc ("GCBA") #	Purchases and distributes of cocoa-derived food ingredients and investment holding.	United States of America	100%	100%
Cocoarich Sdn. Bhd. ("CSB")	Investment holding.	Malaysia	100%	100%
GCB Oversea Holdings Corporation ("GCB OHC") *	Investment holding.	Federal Territory of Labuan, Malaysia	100%	100%
<b>Subsidiaries Of GCB OHC</b>				
GCB Cacao GmbH #	Dormant.	Germany	100%	100%
GCB Cocoa Singapore Pte. Ltd. ("GCS") ^	Trading of cocoa beans, cocoa-derived food ingredients and cocoa products.	Singapore	100%	100%

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) The details of subsidiaries and the equity interest held by the Company are shown as below : (cont'd)

Name of Subsidiary	Principal Activities	Principal Place of Business	Equity Interest	
			2015	2014
<b>Subsidiary Of GCS</b>				
PT Asia Cocoa Indonesia ("ACI") ^	Manufacture of cocoa butter, cocoa cake and cocoa liquor.	Indonesia	90% (Direct) **10% (Indirect)	90% (Direct) **10% (Indirect)
PT GCB Cocoa Indonesia ("GCB") *	Trading of cocoa products.	Indonesia	90% (Direct) **10% (Indirect)	90% (Direct) **10% (Indirect)
<b>Subsidiary of GCBA</b>				
Carlyle Cocoa Co., LLC ("Carlyle") #	Manufacture of cocoa powders.	United States of America	100%	100%
<b>Subsidiary of GCBSC</b>				
GCB Gourmet Sdn. Bhd. ("GCBG")	Dormant.	Malaysia	100%	55%

^ Audited by Crowe Horwath International member firm outside Malaysia.

\* Audited by firms other than Crowe Horwath.

# Not a legal requirement to be audited and therefore consolidated based on unaudited management accounts.

\*\* The indirect equity interest of 10% is held through a subsidiary of the Company, namely CSB.

(b) The non-controlling interests at the end of the reporting period comprise the following :

	Equity Interest		Group	
	2015 %	2014 %	2015 RM	2014 RM
EM ("Former subsidiary")	–	49	–	2,933,795
GCBSC	7.5	7.5	430,851	877,550
Other individually immaterial subsidiaries			–	146,499
			430,851	3,957,844



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (c) The summarised financial information (before intra-group elimination) for subsidiaries that have non-controlling interests that are individually material to the Group is as follows :

	2015 RM	EM	2014 RM
<b>At 31 December</b>			
Non-current assets	–		1,951,732
Current assets	–		16,614,115
Non-current liabilities	–		(338,382)
Current liabilities	–		(12,240,128)
<b>Net assets</b>	<b>–</b>		<b>5,987,337</b>
<b>Financial Year Ended 31 December</b>			
Revenue	–		63,648,680
Profit for the financial year	–		1,585,272
Total comprehensive income	–		1,585,272
<b>Total comprehensive income attributable to non-controlling interest</b>	<b>–</b>		<b>776,783</b>
Net cash flows from operating activities	–		69,296
Net cash flows (used in) investing activities	–		(55,619)
Net cash flows (used in) financing activities	–		(3,601,492)
<b>GCBSC</b>			
	2015 RM		2014 RM
<b>At 31 December</b>			
Non-current assets	57,163,120		59,609,327
Current assets	17,579,667		19,066,679
Non-current liabilities	(30,457,839)		(36,092,311)
Current liabilities	(38,615,603)		(30,773,034)
<b>Net assets</b>	<b>5,669,345</b>		<b>11,810,661</b>
<b>Financial Year Ended 31 December</b>			
Revenue	38,470,359		33,490,230
(Loss) for the financial year	(6,141,316)		(7,230,546)
Total comprehensive (expenses)	(6,141,316)		(7,230,546)
<b>Total comprehensive (expenses) attributable to non-controlling interest</b>	<b>(460,599)</b>		<b>(542,291)</b>
Net cash flows from/(used in) operating activities	11,361,645		(5,454,501)
Net cash flows (used in) investing activities	(393,620)		(3,374,106)
Net cash flows (used in)/from financing activities	(12,594,031)		11,478,539

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (d) On 26 May 2015, GCBSC, a subsidiary of the Company subscribed 90,000 shares of RM 1.00 each at par in GCBG. The investment represent 45% equity interest in GCBG for a total cash consideration of RM 130,500. Upon completion, GCBSC hold 100% equity interest in GCBG.
- (e) On 9 October 2015, the Company has entered into a share sale agreement with SMC Food 21 Pte. Ltd. ("SMC") and SMC Food21 (Malaysia) Sdn. Bhd. ("SMCM") to dispose of the entire equity interest in EM, representing 510,000 ordinary shares (51%) of RM 1.00 each in EM to SMCM for a consideration of RM 4,986,128 to be satisfied by way of issuance of 4,986,128 new ordinary shares of RM 1.00 each in SMCM. Upon completion on 9 November 2015, EM is no longer a subsidiary of the Company and SMCM becomes an associate of the Company.

## 7. INVESTMENT IN ASSOCIATE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>At Cost</b>				
Unquoted shares				
At 1 January	–	–	–	–
Additions	5,000,000	–	5,000,000	–
Share of post-acquisition loss	(3,976)	–	–	–
At 31 December	4,996,024	–	5,000,000	–

The details of the associate are as follows :

Name of Associate	Principal Activities	Principal Place of Business	Equity Interest	
			2015	2014
SMC Food21 (Malaysia) Sdn. Bhd. ("SMCM")	Producing blended cocoa-derived food ingredients.	Malaysia	20%	–

- (a) The Group recognised its share of results in SMCM based on the unaudited financial statements as at 31 December 2015.
- (b) The summarised unaudited financial information for associate that is material to the Group is as follows :-

	SMCM	
	2015 RM	2014 RM
<b>2 Months Period Ended 31 December 2015</b>		
Revenue	10,522,731	–
Loss for the financial year	(19,879)	–
Total comprehensive expense	(19,879)	–
Group's share of loss for the financial year	(3,976)	–
<b>Reconciliation of Net Assets to Carrying Amount</b>		
Group's share of net assets	4,390,349	–
Goodwill	605,675	–
Carrying amount of the Group's interests in this associate	4,996,024	–

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 8. PROPERTY, PLANT AND EQUIPMENT

Group - 2015	Freehold land RM	Leasehold land and building RM	Factory buildings and renovation RM	Plant, machinery, tools and equipment RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
<b>At Cost</b>								
At 1 January 2015	19,655,890	31,905,332	127,530,883	339,961,510	13,629,512	15,500,475	3,754,155	551,937,757
Additions	625,601	-	272,226	1,545,179	1,065,178	363,288	2,822,768	6,694,240
Disposal of subsidiary	-	-	-	(4,909,695)	(533,476)	(540,095)	-	(5,983,266)
Disposals	-	-	-	-	(141,176)	(40,350)	-	(181,526)
Write-off	-	-	-	-	-	(17,898)	-	(17,898)
Reclassifications	-	-	13,100	1,164,542	-	-	(1,177,642)	-
Foreign exchange differences	-	-	21,381,846	36,756,503	1,232,404	774,069	806,574	60,951,396
At 31 December 2015	20,281,491	31,905,332	149,198,055	374,518,039	15,252,442	16,039,489	6,205,855	613,400,703
<b>Less : Accumulated Depreciation</b>								
At 1 January 2015	-	1,755,665	15,348,632	110,526,359	7,096,282	5,159,324	-	139,886,262
Charge for the year	-	718,674	3,998,572	17,828,970	2,097,507	1,581,899	-	26,225,622
Disposal of subsidiary	-	-	-	(3,286,378)	(317,297)	(427,859)	-	(4,031,534)
Disposals	-	-	-	-	(43,662)	(14,964)	-	(58,626)
Write-off	-	-	-	-	-	(1,670)	-	(1,670)
Reclassifications	-	-	-	-	-	-	-	-
Foreign exchange differences	-	-	2,093,127	7,784,647	787,192	229,606	-	10,894,572
At 31 December 2015	-	2,474,339	21,440,331	132,853,598	9,620,022	6,526,336	-	172,914,626
<b>Less : Impairment Loss</b>								
At 1 January/31 December 2015	-	-	-	2,542,638	-	-	-	2,542,638
<b>Carrying Amount</b>								
At 31 December 2015	20,281,491	29,430,993	127,757,724	239,121,803	5,632,420	9,513,153	6,205,855	437,943,439

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group - 2014	Freehold land RM	Leasehold land and building RM	Freehold property RM	Factory buildings and renovation RM	Plant, machinery, tools and equipment RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in-progress RM	Total RM
<b>At Cost</b>									
At 1 January 2014	-	31,257,072	4,266,499	112,918,957	322,989,909	12,512,700	13,709,785	22,516,671	520,171,593
Additions	-	648,260	-	3,110,762	3,634,478	1,070,712	1,578,249	11,392,479	21,434,940
Disposals	-	-	-	-	(35,000)	(304,238)	-	-	(339,238)
Reclassifications	19,655,890	-	-	7,481,215	3,207,934	-	-	(30,345,039)	-
Transfer to investment properties (Note 9)	-	-	(4,266,499)	(1,903,609)	-	-	-	-	(6,170,108)
Foreign exchange differences	-	-	-	5,923,558	10,164,189	350,338	212,441	190,044	16,840,570
At 31 December 2014	19,655,890	31,905,332	-	127,530,883	339,961,510	13,629,512	15,500,475	3,754,155	551,937,757
<b>Less : Accumulated Depreciation</b>									
At 1 January 2014	-	1,049,092	286,230	11,752,344	92,198,640	5,143,272	3,586,936	-	114,016,514
Charge for the year	-	706,573	-	3,311,316	16,453,936	1,794,375	1,518,616	-	23,784,816
Disposals	-	-	-	-	(31,500)	(29,478)	-	-	(60,978)
Reclassifications	-	-	-	-	-	-	-	-	-
Transfer to investment properties (Note 9)	-	-	(286,230)	(210,893)	-	-	-	-	(497,123)
Foreign exchange differences	-	-	-	495,865	1,905,283	188,113	53,772	-	2,643,033
At 31 December 2014	-	1,755,665	-	15,348,632	110,526,359	7,096,282	5,159,324	-	139,886,262
<b>Less : Impairment Loss</b>									
At 1 January/31 December 2014	-	-	-	-	2,542,638	-	-	-	2,542,638
<b>Carrying Amount</b>									
At 31 December 2014	19,655,890	30,149,667	-	112,182,251	226,892,513	6,533,230	10,341,151	3,754,155	409,508,857

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The carrying amount of property, plant and equipment charged against banking facilities (Note 23) are as follows :

	2015 RM	Group 2014 RM
Leasehold land and building	26,162,715	26,813,321
Plant, machinery, tools and equipment	946,624	1,102,987
	27,109,339	27,916,308

- (b) Motor vehicles of the Group with carrying amount of RM 1,770,894 (2014 : RM 1,637,182) are acquired under finance leases (Note 23).

- (c) Purchases of property, plant and equipment are as follows :

	2015 RM	Group 2014 RM
Aggregate cost of property, plant and equipment	6,694,240	21,434,940
Finance via hire purchase	(586,733)	(601,985)
Unpaid balance included in sundry payables (Note 28)	(388,657)	(759,210)
Cash paid in respect of acquisitions in previous year	759,210	3,081,970
	6,478,060	23,155,715

- (d) There is no property, plant and equipment in the Company throughout the current and previous financial years.

## 9. INVESTMENT PROPERTIES

	2015 RM	Group 2014 RM
<b>At Cost</b>		
At 1 January	6,586,409	-
Addition	19,655,437	-
Transfer from property, plant and equipment (Note 8)	-	6,170,108
Foreign exchange differences	1,501,322	416,301
	27,743,168	6,586,409
<b>Less : Accumulated depreciation</b>		
At 1 January	753,782	-
Charge for the year	231,186	208,876
Transfer from property, plant and equipment (Note 8)	-	497,123
Foreign exchange differences	194,732	47,783
	1,179,700	753,782
<b>Carrying Amount</b>	26,563,468	5,832,627

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 9. INVESTMENT PROPERTIES (CONT'D)

	2015 RM	Group 2014 RM
<b>Represented by :</b>		
Freehold property	4,864,243	4,099,647
Leasehold office	2,043,788	1,732,980
Leasehold land and building	19,655,437	-
At 31 December	26,563,468	5,832,627
Fair value	30,712,612	9,369,137
<b>Statement of Comprehensive Income</b>		
Rental income received from investment properties	1,826,222	139,299

(a) The investment properties held by the Group as at 31 December 2015 are as follows :

Location	Description	Tenure of land
943, Bukit Timah Road, #05-47, The Cascadia, Singapore 589659	Condominium	Freehold
1 Commonwealth Lane, #08-04, One Commonwealth, Singapore 149544	Office building	30 years leases
Plot D30 & D31, Distripark B, Pelepas Free Zone, Port of Tanjung Pelepas, Johor, Malaysia	Warehouse and single storey office block	Leasehold

The Group's investment properties with carrying amount of RM 4,864,243 (2014: RM 4,099,647) are charged against banking facilities (Note 23).

## 10. PREPAID LEASE PAYMENTS

	2015 RM	Group 2014 RM
At 1 January	12,908,769	13,028,938
Add : Payment for sub-leases	123,738	123,738
Additions	-	-
	13,032,507	13,152,676
Less : Amortisation of prepaid lease payments	(707,241)	(620,665)
Sub-lease rental	(259,191)	(259,190)
Foreign exchange difference	2,241,579	635,948
At 31 December	14,307,654	12,908,769

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 10. PREPAID LEASE PAYMENTS (CONT'D)

	2015 RM	Group 2014 RM
Analysed as :		
Sub-leases of warehouse	948,153	1,083,606
Leasehold land	13,359,501	11,825,163
<b>Carrying Amount</b>	<b>14,307,654</b>	<b>12,908,769</b>

Leasehold land of the Group with carrying amount of RM 1,585,904 (2014 : RM 1,758,911) are charged against banking facilities (Note 23).

## 11. INTANGIBLE ASSETS

	2015 RM	Group 2014 RM
Goodwill (Note a)	11,944,984	11,944,984
Technical know-how (Note b)	1	1
Clientele list (Note c)	1	1
At 31 December	11,944,986	11,944,986
(a) Goodwill		
<b>Cost</b>		
At 1 January/31 December	12,650,288	12,650,288
<b>Less : Accumulated impairment loss</b>		
At 1 January	705,304	–
Addition	–	705,304
At 31 December	705,304	705,304
<b>Carrying Amount</b>	<b>11,944,984</b>	<b>11,944,984</b>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 11. INTANGIBLE ASSETS (CONT'D)

	2015 RM	Group 2014 RM
(b) Technical know-how		
<b>Cost</b>		
At 1 January	1,016,000	1,016,000
Addition	-	-
At 31 December	1,016,000	1,016,000
<b>Less : Accumulated amortisation</b>		
At 1 January	203,200	152,400
Amortisation	-	50,800
At 31 December	203,200	203,200
<b>Less : Accumulated impairment loss</b>		
At 1 January	812,799	-
Addition	-	812,799
At 31 December	812,799	812,799
<b>Carrying Amount</b>	1	1
(c) Clientele list		
<b>Cost</b>		
At 1 January	972,000	972,000
Addition	-	-
At 31 December	972,000	972,000
<b>Less : Accumulated amortisation</b>		
At 1 January	388,792	291,596
Amortisation	-	97,196
At 31 December	388,792	388,792
<b>Less : Accumulated impairment loss</b>		
At 1 January	583,207	64,050
Addition	-	519,157
At 31 December	583,207	583,207
<b>Carrying Amount</b>	1	1



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 11. INTANGIBLE ASSETS (CONT'D)

During the financial year, the Group carried out a review of the recoverable amount on intangible assets of a loss making subsidiary. An impairment loss of RM NIL (2014 : RM 2,037,260), representing the write-down of the intangible assets to the recoverable amount was recognised in profit or loss as disclosed in Note 31 to the financial statements. The recoverable amount of such intangible assets was based on its value in use and the pre-tax discount rate used was 15%.

### Impairment testing

The recoverable amount of the others intangible assets is higher than its carrying amount and was based on its value in use.

Value in use was determined by discounting the future cash flows generated from the continuing operation of the subsidiaries and was based on the following key assumptions :

- Cash flows were projected based on actual operating results and financial budgets approved by management covering a 5 years business plan.
- The units will continue their operations indefinitely.
- A discount rate of 5.5% (2014 : 5.9%) was applied.
- Growth rate is determined based on the management's estimate of the industry trends and past performances.

The key assumptions represent management assessment of future trends in their respective cocoa-related business and are based on both external sources and internal sources (historical data).

## 12. INVENTORIES

	2015 RM	Group 2014 RM
<b>At Cost</b>		
Raw materials	353,645,939	225,619,958
Packing materials	2,389,053	2,554,090
Work-in-progress	1,516,867	4,576,505
Finished goods	191,161,462	265,491,251
Stores and supplies	16,452,012	10,329,774
	565,165,333	508,571,578
<b>At Net Realisable Value</b>		
Finished goods	195,773,864	204,495,149
Work-in-progress	15,395,257	11,581,316
	776,334,454	724,648,043
<b>Recognised in Profit or Loss</b>		
Inventories recognised as cost of sales	1,988,100,866	1,556,766,873
Write-down of inventories	13,994,806	19,890,314
Reversal of inventories write-down	(4,199)	(2,383)

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 13. TRADE RECEIVABLES

	Group	
	2015 RM	2014 RM
Other trade receivables	283,367,602	207,043,342
Less : Allowance for impairment losses	(1,134,526)	(945,346)
	282,233,076	206,097,996
<b>Allowance for Impairment Losses :</b>		
At 1 January	945,346	1,685,322
Addition	301,045	119,262
Reversal	(111,865)	(859,238)
	1,134,526	945,346

The Group's normal trade terms range from cash against documents to 120 days (2014 : cash against documents to 120 days) from the date of invoices.

## 14. OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Other receivables</b>				
Sundry receivables	8,492,039	11,307,099	-	-
Deposits	1,304,485	4,911,921	4,000	714,000
Prepayments	962,272	2,034,768	-	-
Tax paid in advance	9,299,317	14,840,445	12,082	12,082
	11,566,074	21,787,134	16,082	726,082
	20,058,113	33,094,233	16,082	726,082
<b>Recognised in Profit or Loss</b>				
Sundry receivable written off	1,674,468	-	-	-
Deposit written off	220,364	-	-	-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 15. AMOUNT OWING BY/(TO) SUBSIDIARIES

	Company	
	2015 RM	2014 RM
<b>Amount Owing by Subsidiaries</b>		
<i>Non-current</i>		
Non-trade balances	62,360,550	452,620,753
Less : Allowance for impairment losses	(5,170,311)	(5,170,311)
	57,190,239	447,450,442
<i>Current</i>		
Trade balance	325,072	333,072
Non-trade balances	58,695,140	631,156
	59,020,212	964,228
Less : Allowance for impairment losses		
- Trade balance	(265,072)	(265,072)
- Non-trade balance	(631,156)	(631,156)
	(896,228)	(896,228)
	58,123,984	68,000
At 31 December	115,314,223	447,518,442
<b>Allowance for impairment losses :</b>		
At 1 January	6,066,539	8,004,448
Reversal	-	(1,937,909)
At 31 December	6,066,539	6,066,539
<b>Amount Owing to Subsidiaries</b>		
<i>Current</i>		
Non-trade balances	32,543,804	372,824,757

- (a) The trade balance is not subject to normal trade terms.
- (b) The non-trade balances represent unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand.
- (c) Amount owing by subsidiaries that are individually determined to be impaired relate to subsidiaries that have been suffering significant financial losses.
- (d) Included in amount owing by subsidiaries is an amount of RM 12,000 (2014 : RM NIL) related to amount owing by former subsidiary.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 16. AMOUNT OWING BY/(TO) AFFILIATED COMPANIES

	2015 RM	Group 2014 RM
<b>Amount Owing by Affiliated Companies (Note 38(b))</b>		
<i>Current</i>		
Trade balances	672,109	1,249,927
Less : Allowance for impairment losses	(26,615)	(28,171)
	645,494	1,221,756
Non-trade balances	15,000	–
	660,494	1,221,756
Less : Allowance for impairment losses		
At 1 January	28,171	–
Addition	–	28,171
Reversal	(1,556)	–
At 31 December	26,615	28,171
<b>Amount Owing to Affiliated Company (Note 38(b))</b>		
<i>Current</i>		
Trade balances	–	23,986

- (a) The trade balance is subject to the normal trade terms ranging from cash against documents to 60 days (2014 : cash against documents to 30 days) from the date of invoices.
- (b) Amount owing by affiliated company that are individually determined to be impaired relate to affiliated company who have defaulted on payments.

## 17. AMOUNT OWING BY AN ASSOCIATE

This represent trade balance which subject to the normal trade terms ranging from cash against documents to 30 days (2014 : NIL) from the date of invoices.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 18. DERIVATIVE ASSETS/(LIABILITIES)

	Contract/ notional amount/ net long/(short) RM	Group	
		Assets RM	Liabilities RM
<b>Non-hedging derivatives :</b>			
<b>Current</b>			
<b>2015</b>			
Forward currency contracts	(5,502,456)	158,766	39,778
Commodity futures contracts	(29,262,521)	12,680,869	13,165,782
	(34,764,977)	12,839,635	13,205,560
<b>2014</b>			
Forward currency contracts	(25,640,807)	3,088,895	283,668
Commodity futures contracts	(77,930,905)	8,225,667	11,698,223
Forward currency option contracts	13,846,140	–	790,251
	(89,725,572)	11,314,562	12,772,142

- (a) The Group uses forward currency contracts, commodity futures contracts and forward currency option contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- (b) Forward currency contracts and forward currency option contracts are used to hedge the Group's sales and purchases denominated in United States Dollar ("USD"), Australian Dollar ("AUD"), Great Britain Pound ("GBP") and EURO for which firm commitments existed at the end of the reporting period. The settlement dates on forward currency contracts range from January 2016 to March 2016 (2014 : January 2015 to March 2015) after the end of the reporting period.
- (c) Commodity futures contracts are used to manage 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.
- (d) During the financial year, the Group recognised a gain of RM 118,988 (2014 : RM 2,014,976) arising from fair value changes of derivatives. The fair value changes were attributed to changes in the foreign exchange spot and forward rates. The method and assumptions applied to determining the fair value of derivative are disclosed in Note 42 to the financial statements.

## 19. DEPOSITS WITH LICENSED BANK

	Group	
	2015 RM	2014 RM
Short term deposit placed with a licensed bank	–	269,000
Fixed deposits placed with licensed bank	2,582,164	965,786
	2,582,164	1,234,786

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 19. DEPOSITS WITH LICENSED BANK (CONT'D)

- (a) The short term deposit placed with a licensed bank at the end of reporting period bears effective interest rate at NIL (2014 : 2.1%) per annum. The short term deposit have maturity period of NIL (2014 : 1 day).
- (b) The fixed deposits placed with licensed bank at the end of the reporting period bear effective interest rate ranging from 0.25% to 7.50% (2014 : 3.20% to 5.75%) per annum. The fixed deposits have maturity period of 12 months (2014 : 12 months).
- (c) The fixed deposits placed with licensed banks of the Group amounting to RM 1,025,774 (2014 : RM 965,786) has been pledged to licensed banks as security for banking facilities granted to the Group (Note 23).

## 20. SHARE CAPITAL

	Group And Company			
	2015		2014	
	Number of shares	RM	Number of shares	RM
<b>Authorised :</b>				
Ordinary shares of RM 0.25 each	800,000,000	200,000,000	800,000,000	200,000,000
<b>Issued and Fully Paid-Up :</b>				
Ordinary shares of RM 0.25 each	478,514,289	119,628,572	478,514,289	119,628,572

### Share Capital

The holders of ordinary shares (except treasury shares) 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 equally with regard to the Company's residual assets. In respect of the Company's treasury shares, all rights are suspended until those shares are reissued.

### Warrants 2011/2016

The salient terms of the Warrants 2011/2016 are as follows :

- (a) The Warrants are constituted by a Deed Poll executed on 7 January 2011.
- (b) The Warrants are traded separately.
- (c) The Warrants can be exercised any time during the tenure of 5 years commencing from the date of issue, 17 February 2011 to 16 February 2016 ("Exercised Period"). Warrants not exercised during the Exercised Period will lapse and cease to be valid.
- (d) Each Warrant entitles the registered holder to subscribe for one new ordinary share ("Shares") in the Company.
- (e) In connection with the Bonus Issue of 158,757,731 new ordinary shares ("Bonus Share") on the basis of one (1) Bonus Share for every two (2) Shares held, the Exercise Price of the Warrants was adjusted from RM 2.00 to RM 1.34 for each Warrant and an additional 29,894,168 new Warrants were issued as a consequence of the Bonus Issue pursuant to Clause 3(A)(ii) of the Third Schedule of the Deed Poll.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 20. SHARE CAPITAL (CONT'D)

### Warrants 2011/2016 (Cont'd)

The salient terms of the Warrants 2011/2016 are as follows : (cont'd)

- (f) Subject to the provisions in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant holder shall from time to time be adjusted by the Company in consultation with the approved adviser and certified by the auditors appointed by the Company.
- (g) Subject to the provisions in the Deed Poll, the Company is free to issue shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Warrant holders will not have any participating rights in such issues unless otherwise resolved by the Company in general meeting.

No warrants were exercised during the current and previous financial year. As of 31 December 2015, the total number of Warrants 2011/2016 that remain unexercised were 89,682,668 (2014 : 89,682,668).

Subsequent to 31 December 2015, there were 1,644,163 Warrants 2011/2016 exercised at RM 1.34 per share prior to its expiry on 16 February 2016.

## 21. TREASURY SHARES

	Group And Company			
	2015		2014	
	Number of shares	RM	Number of shares	RM
<b>Ordinary shares of RM 0.25 each</b>				
At 1 January	2,240,700	5,194,748	2,240,700	5,194,748
Shares bought back during the year	–	–	–	–
At 31 December	2,240,700	5,194,748	2,240,700	5,194,748

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 16 June 2015, renewed their approval for the Company's plan to repurchase its own shares up to 10% of the issued and paid-up share capital of the Company.

The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the shares buyback can be applied in the best interest of the Company and its shareholders.

The shares bought back are held as treasury shares and none of the treasury shares were resold or cancelled during those financial years.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 22. RESERVES

		Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM	
<b>Non-Distributable</b>					
Foreign exchange translation reserve	50,309,488	17,229,750	-	-	
<b>Distributable</b>					
Retained profits	211,686,479	188,748,750	38,848,449	16,492,125	
	261,995,967	205,978,500	38,848,449	16,492,125	

### Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.

## 23. LOANS AND BORROWINGS

		Group	
		2015 RM	2014 RM
<b>Current</b>			
Secured	- Bank overdrafts	853,658	892,786
	- Bankers' acceptances	6,700,000	6,944,000
	- Term loans	52,857,436	54,918,210
	- Trade loans	565,189,728	593,900,586
	- Revolving credit	75,169,827	63,447,491
	- Obligations under finance leases	426,423	447,866
Unsecured	- Bank overdrafts	-	222,533
		701,197,072	720,773,472
<b>Non-Current</b>			
Secured	- Term loans	128,034,094	144,647,748
	- Obligations under finance leases	393,941	393,276
		128,428,035	145,041,024
		829,625,107	865,814,496
<b>Total Borrowings</b>			
Secured	- Bank overdrafts	853,658	892,786
	- Bankers' acceptances	6,700,000	6,944,000
	- Term loans	180,891,530	199,565,958
	- Trade loans	565,189,728	593,900,586
	- Revolving credit	75,169,827	63,447,491
	- Obligations under finance leases	820,364	841,142
Unsecured	- Bank overdrafts	-	222,533
		829,625,107	865,814,496



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 23. LOANS AND BORROWINGS (CONT'D)

The remaining maturities of the loans and borrowings at the reporting date are as follows :

	2015 RM	Group 2014 RM
<b>Current</b>		
Not later than one year	701,197,072	720,773,472
<b>Non-Current</b>		
Later than one year and not later than two years	53,313,753	36,166,120
Later than two years and not later than five years	60,898,785	89,909,803
Later than five years	14,215,497	18,965,101
	128,428,035	145,041,024
	829,625,107	865,814,496

### Obligations under finance leases

- (a) These obligations bear interests ranging from 2.6% to 5.2% (2014 : 2.6% to 6.3%) per annum.
- (b) Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows :

	2015 RM	Group 2014 RM
<b>Minimum lease payments :</b>		
Not later than one year	456,695	479,914
Later than one year and not later than two years	257,845	313,188
Later than two years and not later than five years	153,058	99,359
	867,598	892,461
Less : Unexpired term charges	(47,234)	(51,319)
	820,364	841,142
<b>Present value of payments :</b>		
<b>Current</b>		
Not later than one year	426,423	447,866
<b>Non-Current</b>		
Later than one year and not later than two years	244,157	298,753
Later than two years and not later than five years	149,784	94,523
	393,941	393,276
	820,364	841,142

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 23. LOANS AND BORROWINGS (CONT'D)

### Bank borrowings

- (a) The bank borrowings are secured by the following :
- (i) Negative pledge ;
  - (ii) Corporate guarantee by the Company ; and
  - (iii) Leasehold land and building and freehold property (Note 8(a), Note 9 and Note 10).
- (b) The effective interest rates (per annum) for bank borrowings during the financial years are as follows :

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	%	%
Bank overdrafts	7.9	7.9 - 8.4
Bankers' acceptances and trade loans	0.4 - 5.4	0.5 - 4.4
Revolving credits	1.1 - 5.0	5.0
Term loans	2.2 - 4.8	2.2 - 6.3

- (c) The term loans are repayable by 24 to 120 monthly instalments (2014 : 24 to 120 monthly instalments). At the end of the reporting period, they are repayable as follows :

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	RM	RM
<b>Current</b>		
Not later than one year	52,857,436	54,918,210
<b>Non-Current</b>		
Later than one year and not later than two years	53,069,596	35,794,983
Later than two years and not later than five years	60,749,001	89,887,664
Later than five years	14,215,497	18,965,101
	128,034,094	144,647,748
	180,891,530	199,565,958

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 24. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2015 RM	2014 RM
At 1 January	14,788,132	15,544,842
Recognised in profit or loss (Note 34)	2,377,985	(977,760)
Disposal of subsidiary	(315,000)	–
Effect of changes in tax rate from 25% to 24%	(369,000)	–
Recognised in other comprehensive income	57,044	–
Foreign currency difference	1,343,619	307,050
Under/(Over)provision on deferred tax expense in prior years (Note 34)	609,000	(86,000)
	<hr/>	<hr/>
At 31 December	18,491,780	14,788,132
	<hr/>	<hr/>
Presented after appropriate offsetting as follows :		
Deferred tax assets	(27,864)	(53,905)
Deferred tax liabilities	18,519,644	14,842,037
	<hr/>	<hr/>
	18,491,780	14,788,132
	<hr/>	<hr/>

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

### (i) Deferred tax assets :

	Unused tax losses RM	Other temporary differences RM	Total RM
At 1 January 2014	61,632	12,155	73,787
Recognised in profit or loss	(45,810)	2,341	(43,469)
Foreign exchange difference	22,486	1,101	23,587
	<hr/>	<hr/>	<hr/>
At 31 December 2014 / 1 January 2015	38,308	15,597	53,905
Recognised in profit or loss	(32,450)	348	(32,102)
Recognised in other comprehensive income	–	(863)	(863)
Foreign exchange difference	5,515	1,409	6,924
	<hr/>	<hr/>	<hr/>
At 31 December 2015	11,373	16,491	27,864
	<hr/>	<hr/>	<hr/>

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 24. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

- (a) The components and movements of deferred tax assets and liabilities during the financial year prior to offset are as follows : (Cont'd)

(ii) **Deferred tax liabilities :**

	<b>Excess of capital allowances over depreciation RM</b>	<b>Other temporary differences RM</b>	<b>Total RM</b>
At 1 January 2014	20,068,938	(4,450,309)	15,618,629
Recognised in profit or loss	2,821,822	(3,843,051)	(1,021,229)
Under/(Over)provision on deferred tax expense in prior years	64,000	(150,000)	(86,000)
Foreign exchange difference	536,864	(206,227)	330,637
At 31 December 2014 / 1 January 2015	23,491,624	(8,649,587)	14,842,037
Recognised in profit or loss	2,777,660	(431,777)	2,345,883
Disposal of subsidiary	(297,000)	(18,000)	(315,000)
Recognised in other comprehensive income	–	56,181	56,181
Effect of changes in tax rate from 25% to 24%	(576,000)	207,000	(369,000)
Underprovision on deferred tax expense in prior years	178,000	431,000	609,000
Foreign exchange difference	2,261,564	(911,021)	1,350,543
At 31 December 2015	27,835,848	(9,316,204)	18,519,644

- (b) Subject to the agreement of the tax authority, the unused capital allowances and unused tax losses are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

	<b>Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Unabsorbed capital allowances	25,280,000	24,010,000
Unused tax losses	49,342,000	28,203,000
	74,622,000	52,213,000

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 25. POST-EMPLOYMENT BENEFITS

Certain foreign subsidiaries of the Group operates post-employment plans for severance and service benefits required under the labour laws of the country in which they operate. The employee benefits liability is unfunded.

The amount recognised in the statement of financial position are determined as follows :

	<b>2015</b>	<b>Group</b>	<b>2014</b>
	<b>RM</b>		<b>RM</b>
Present value of defined benefit obligation	750,775		700,856

Movements of present value of obligation is as follows :

	<b>2015</b>	<b>Group</b>	<b>2014</b>
	<b>RM</b>		<b>RM</b>
At 1 January	474,076		463,985
Current service cost	107,097		162,199
Interest cost	57,237		39,551
Foreign exchange differences	299,617		35,121
	938,027		700,856
Remeasurement :			
Effects of experience adjustments	(174,889)		-
Effects of changes in financial assumptions	(16,426)		-
Foreign exchange differences	4,063		-
At 31 December	750,775		700,856

The amount recognised in profit or loss are as follows :

	<b>2015</b>	<b>Group</b>	<b>2014</b>
	<b>RM</b>		<b>RM</b>
Current service cost	107,097		162,199
Interest cost	57,237		39,551
Foreign exchange differences	(75,573)		(9,306)
Net employee benefit expenses	88,761		192,444

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 25. POST-EMPLOYMENT BENEFITS (CONT'D)

The movement in the liability recognised in the statement of financial position are as follows :

	Group	
	2015 RM	2014 RM
At 1 January	474,076	463,985
Provision recognised in profit or loss :		
Current service cost	107,097	162,199
Interest service cost	57,237	39,551
Remeasurement recognised in other comprehensive income	(187,252)	–
Foreign exchange differences	299,617	35,121
<b>At 31 December</b>	<b>750,775</b>	<b>700,856</b>

The principal actuarial assumptions used were as follows :

	Group	
	2015	2014
Retirement age	55 years	55 years
Discount rate	9.17% - 9.19%	8.51% - 8.53%
Salary increment rate	8.00%	8.00%
Mortality table	TMI - 2011	TMI - 2011

(Table Mortality Indonesia - TMI)

## 26. AMOUNT OWING TO HOLDING COMPANY

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Non-Current Non-trade balance	–	12,320,000	–	12,320,000

This represent non-trade balance which is unsecured, interest-free advances and payments made on behalf. The amount owing are repayable on demand and are to be settled in cash.

## 27. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade terms granted to the Group range from cash against documents to 60 days (2014 : cash against documents to 60 days) from the date of invoices.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Accrued expenses	13,005,052	7,327,105	85,122	81,562
Deposit received	54,828	37,685	–	–
Provision for cargo loss	1,961,171	–	–	–
Sundry payables	75,738,045	10,680,060	2	2
	90,759,096	18,044,850	85,124	81,564

- (a) Sundry payables are non-interest bearing and are repayable on demand. Included in sundry payables of the Group is an amount of RM 388,657 (2014 : RM 759,210) payable for the purchase of property, plant and equipment (Note 8(c)).
- (b) Provision for cargo loss is made when there is probable that compensation will be needed to settle two of the customers. During the financial year, the cocoa product and cocoa butter had been swap with unknown liquid during the shipment. Moreover, the liner has denied to responsible of this liability.

## 29. AMOUNT OWING TO DIRECTORS

This represents non-trade balances which are unsecured, interest-free advances and payments made on behalf. The amounts owing are repayable on demand.

## 30. REVENUE

Revenue of the Group and of the Company comprises the followings :

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Dividend income	–	–	–	1,785,000
Management fee income	4,000	–	24,000	24,000
Invoiced value of goods sold net of discounts and returns	2,380,664,753	1,818,870,990	–	–
	2,380,668,753	1,818,870,990	24,000	1,809,000

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 31. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>This is arrived at after charging :</b>				
Staff costs (Note 32)	38,491,981	30,742,539	-	-
Non-executive directors' remuneration (Note 33)	111,300	110,400	111,300	110,400
Amortisation of intangible assets	-	147,996	-	-
Amortisation of prepaid lease payments	707,241	620,665	-	-
Auditors' remuneration :				
- current	351,317	243,421	62,000	57,500
- underprovision in prior years	12,214	3,562	2,500	-
- other services	40,000	8,000	35,000	8,000
Bad debts written off	27,268	800,273	-	-
Deposit written off	220,364	-	-	-
Depreciation of property, plant and equipment	26,225,622	23,784,816	-	-
Depreciation of investment properties	231,186	208,876	-	-
Fair value loss on derivatives	4,352,426	33,020,619	-	-
Impairment loss on intangible assets (Note 11)	-	2,037,260	-	-
Impairment loss on trade and other receivables	301,045	147,433	-	-
Interest expense :				
- bank overdraft	77,666	63,483	-	-
- bankers' acceptances	338,196	276,580	-	-
- obligations under finance leases	46,180	47,711	-	-
- term loans	6,334,250	5,750,259	-	-
- trade loans	9,660,953	8,797,103	-	-
- revolving credit	158,481	-	-	-
Loss on disposal of property, plant and equipment	19,947	-	-	-
Net employee benefits expenses	171,130	201,750	-	-
Property, plant and equipment loss on theft	-	274,760	-	-
Property, plant and equipment written off	16,228	-	-	-
Provision for cargo loss	1,961,171	-	-	-
Realised loss on foreign exchange	68,506,600	21,640,839	-	130,842
Rental :				
- factory	981,793	275,417	-	-
- forklift / crane / container	52,118	62,386	-	-
- hostel	234,240	246,628	-	-
- office	-	30,000	-	-
- outlet	96,000	96,000	-	-
- warehouse	464,154	5,067,086	-	-
Share of loss of associate	3,976	-	-	-
Sub-lease rental	259,191	259,190	-	-
Sundry receivable written off	1,674,468	-	-	-
Unrealised loss on foreign exchange	-	10,660,081	-	10,320,301
Write-down of inventories	13,994,806	19,890,314	-	-



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 31. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>And Crediting :</b>				
Bad debt recovered	-	(13,730)	-	-
Fair value gain on derivatives	(10,151,678)	(9,673,202)	-	-
Gain on disposal of a subsidiary	(1,857,064)	-	(4,429,466)	-
Gain on disposal of property, plant and equipment	-	(1,300)	-	-
Insurance claim	(462,285)	(1,030,570)	-	-
Interest income	(510,131)	(154,839)	-	-
Mangement fee	(2,000)	-	-	-
Realised gain on foreign exchange	-	-	(10,117,580)	-
Reversal of impairment on trade receivables	(113,421)	(859,238)	-	-
Reversal of impairment on amount owing by a subsidiary	-	-	-	(1,937,909)
Reversal of inventories write-down	(4,199)	(2,383)	-	-
Unrealised gain on foreign exchange	(3,837,313)	-	(8,325,257)	-
Warehouse rental income	(2,928,406)	(1,222,722)	-	-

## 32. STAFF COSTS

	Group	
	2015 RM	2014 RM
<b>Executive Directors' Remuneration (excluding benefits-in-kind) (Note 33)</b>	7,877,281	3,385,787
<b>Other Staff Costs</b>		
Salaries and other emoluments	25,875,151	22,896,030
EPF	1,962,871	1,559,789
Employee benefits	164,334	201,763
SOCSO	178,164	173,992
Other staff related expenses	2,434,180	2,525,178
	30,614,700	27,356,752
<b>Total Staff Costs</b>	38,491,981	30,742,539

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 33. DIRECTORS' REMUNERATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Directors of the Company</b>				
<b>Executive Directors :</b>				
Allowance	2,706	3,090	-	-
Bonuses	2,310,936	-	-	-
EPF	167,472	90,432	-	-
Fee	1,397,313	150,000	-	-
Salaries	2,583,686	2,424,844	-	-
SOCSO	1,859	1,859	-	-
	6,463,972	2,670,225	-	-
<b>Non-executive Directors :</b>				
Allowance	4,500	5,400	4,500	5,400
Bonuses	15,000	15,000	15,000	15,000
Fee	91,800	90,000	91,800	90,000
	111,300	110,400	111,300	110,400
<b>Directors of the subsidiaries</b>				
<b>Executive Directors :</b>				
Allowance	17,012	15,477	-	-
Bonuses	313,048	-	-	-
EPF	54,394	40,356	-	-
Fee	399,542	132,000	-	-
Salaries	628,228	527,058	-	-
SOCSO	1,085	671	-	-
	1,413,309	715,562	-	-
<b>Total directors' remuneration</b>	<b>7,988,581</b>	<b>3,496,187</b>	<b>111,300</b>	<b>110,400</b>
Estimated monetary value of benefits-in-kind				
- Executive directors of the Company	53,817	65,275	-	-
- Executive directors of the subsidiaries	28,000	28,000	-	-
	81,817	93,275	-	-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 34. TAX EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>(a) Components of tax expense</b>				
Current tax expenses :				
- Malaysian income tax	927,800	799,500	-	-
- Foreign income tax	63,248	120,608	-	-
	991,048	920,108	-	-
Under/(Over)provision in prior years :				
- Malaysian income tax	1,986,604	(557,376)	-	-
- Foreign income tax	8,358,728	(487,597)	-	-
	11,336,380	(124,865)	-	-
Deferred tax expenses :				
- relating to the originating/(reversal) of temporary differences (Note 24)	2,377,985	(977,760)	-	-
- under/(over)provision in prior years	609,000	(86,000)	-	-
- effect of change in corporate income tax rate from 25% to 24%	(369,000)	-	-	-
	2,617,985	(1,063,760)	-	-
Withholding tax	41,737	-	-	-
	13,996,102	(1,188,625)	-	-
<b>(b) Reconciliation of income tax expenses</b>				
Profit/(Loss) before tax	36,372,564	(18,480,956)	22,356,324	(7,273,607)
Tax at Malaysian statutory income tax rate of 25% (2014 : 25%)	9,093,000	(4,620,000)	5,589,000	(1,818,000)
Tax effect of different tax rates in subsidiaries				
- Foreign subsidiaries	(1,878,316)	(1,614,000)	-	-
Tax effect of double deduction relief	-	(186,000)	-	-
Tax effect of non-taxable income	(3,810,398)	(52,095)	(5,718,000)	(931,000)
Tax effect of non-deductible expenses	832,752	4,005,887	50,000	2,749,000
Double deduction relief	(209,000)	-	-	-
Tax effect of change in corporate income tax rate from 25% to 24%	(369,000)	-	-	-
Deferred tax assets not recognised during the financial year	1,422,175	2,760,214	79,000	-
Utilisation of deferred tax assets previously not recognised	(2,081,180)	(351,658)	-	-
Withholding tax	41,737	-	-	-
Under/(Over)provision in prior years :				
- current tax expense	10,345,332	(1,044,973)	-	-
- deferred tax expense	609,000	(86,000)	-	-
	13,996,102	(1,188,625)	-	-

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 34. TAX EXPENSE (CONT'D)

The Malaysian statutory tax rate will be reduced to 24% from the rate of 25% for current financial year effective from year of assessment 2016.

Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A subsidiary has been awarded a concessionary status by its local government agency. As a result, the subsidiary enjoys concessionary tax rate of 10% with effect from 1 January 2011 on its qualifying income from trading of commodity products.

## 35. EARNINGS/(LOSS) PER ORDINARY SHARE

### (a) Basic Earnings/(Loss) Per Ordinary Share

Basic earnings/(loss) per ordinary share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	<b>Group</b>	
	<b>2015 RM</b>	<b>2014 RM</b>
Profit/(Loss) for the year attributable to owners of the Company	22,757,052	(17,557,582)
	<b>Units</b>	<b>Units</b>
Number of ordinary shares in issue at the beginning of financial year	476,273,589	476,273,589
Weighted average number of ordinary shares in issue	476,273,589	476,273,589
Basic earnings/(loss) per ordinary share (sen)	4.78	(3.69)

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 35. EARNINGS/(LOSS) PER ORDINARY SHARE (CONT'D)

### (b) Diluted Earnings/(Loss) Per Ordinary Share

The calculation of diluted earnings/(loss) per share was based on the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares outstanding (excluding treasury shares) on the assumption that all the dilutive potential ordinary shares are fully converted, as follows :

	2015 RM	Group 2014 RM
Profit/(Loss) for the year attributable to owners of the Company	22,757,052	(17,557,582)
	<b>Units</b>	<b>Units</b>
Weighted average number of ordinary shares in issue	476,273,589	476,273,589
Effect of dilution of warrants	-	-
Adjusted weighted average number of ordinary shares in issue and issuable	476,273,589	476,273,589
Diluted earnings/(loss) per ordinary share (sen)	4.78 *	(3.69) *

\* There is no dilutive effect of the potential ordinary shares convertible under warrants issued since the exercise price is above the average market value of the Company's shares.

## 36. DISPOSAL OF A SUBSIDIARY

On 9 October 2015, the Company has entered into a share sale agreement with SMC Food 21 Pte. Ltd. ("SMC") and SMC Food21 (Malaysia) Sdn. Bhd. ("SMCM") to dispose of the entire equity interest in Enrich Mix Sdn. Bhd. ("EM"), representing 510,000 ordinary shares (51%) of RM 1.00 each in EM to SMCM for a consideration of RM 4,986,128 to be satisfied by way of issuance of 4,986,128 new ordinary shares of RM 1.00 each in SMCM. Upon completion on 9 November 2015, EM is no longer a subsidiary of the Company and SMCM becomes an associate of the Company.

The financial effects of the disposal at the date of disposal are summarised below :

	Group 2015 RM	Company 2015 RM
Investment in a subsidiary	-	556,662
Property, plant and equipment	1,600,401	-
Inventories	14,602,954	-
Trade and other receivables, prepayments and other assets	15,407,104	-
Cash and bank balances	135,634	-
Trade and other payables	(24,735,234)	-
Loans and borrowings	(560,439)	-
Deferred tax liabilities	(315,000)	-
Non-controlling interests	(3,006,356)	-
Carrying amount of net assets disposed of	3,129,064	556,662
Less : Gain on disposal of a subsidiary	1,857,064	4,429,466
Consideration received, satisfied by way of share swap	4,986,128	4,986,128
Less : Cash and bank balances of a subsidiary disposed of	(135,634)	-
Net cash inflow from the disposal of a subsidiary	4,850,494	4,986,128

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 37. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following :

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposits with licensed bank	2,582,164	1,234,786	–	–
Bank and cash balances	26,027,870	40,082,604	29,693	14,881
Less : Bank overdraft	(853,658)	(1,115,319)	–	–
	27,756,376	40,202,071	29,693	14,881
Less : Non-cash and cash equivalents				
Deposits pledged to bank as collateral (Note 19 (c))	(1,025,774)	(965,786)	–	–
	26,730,602	39,236,285	29,693	14,881

## 38. SIGNIFICANT RELATED PARTY DISCLOSURES

### (a) Identities of Related Parties

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

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, significant investors, associates, key management personnel and entities within the same group of companies.

### (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year :

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Subsidiaries</b>				
- Management fee income	–	–	(20,000)	(24,000)
- Dividend income	–	–	–	(1,785,000)
<b>Affiliated companies<sup>(1)</sup></b>				
- Sale of goods	(2,159,050)	(8,093,596)	–	–
- Purchase of goods	–	4,499,427	–	–
- Commission paid	13,653	346,633	–	–
<b>Associate companies</b>				
- Sale of goods	(3,171,599)	–	–	–
- Management fee income	(6,000)	–	(4,000)	–
- Rental income	(324,000)	–	–	–

<sup>(1)</sup> Affiliated company represents company in which directors of the Company and its former subsidiary, and/or certain substantial shareholder of the Company have financial interest, both directly or indirectly.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

### (c) Compensation Of Key Management Personnel

The remuneration of directors and other members of key management personnel during the financial year was as follows :

	2015 RM	Group	2014 RM
Short term employee benefits	8,894,071		3,790,286
Defined contribution plan (EPF)	342,310		221,862
	<hr/> 9,236,381		<hr/> 4,012,148
Included in the total key management personnel compensation are :			
Directors' remuneration (Note 33)			
- Directors of the Company	6,463,972		2,670,225
- Directors of the subsidiaries	1,413,309		715,562
	<hr/> 7,877,281		<hr/> 3,385,787

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

## 39. SEGMENTAL ANALYSIS

The Group has 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 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.

Inter-segment sales are determined based on current market prices.

### 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.

### Capital expenditure

Capital expenditure comprises mainly additions to property, plant and equipment directly attributable to the segment.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 39. SEGMENTAL ANALYSIS (CONT'D)

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

	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
<b>At 31 December 2015</b>						
<b>Geographical Segments :</b>						
Total external revenue	907,186,675	1,394,135,459	45,088,301	34,258,318	–	2,380,668,753
Internal segment revenue	622,800,342	2,161,629,024	1,185,478,999	–	(3,969,908,365)	–
<b>Total revenue</b>	<b>1,529,987,017</b>	<b>3,555,764,483</b>	<b>1,230,567,300</b>	<b>34,258,318</b>	<b>(3,969,908,365)</b>	<b>2,380,668,753</b>
<b>Segment results</b>	<b>14,037,480</b>	<b>23,325,757</b>	<b>18,109,033</b>	<b>24,554,064</b>	<b>(384,126)</b>	<b>79,642,208</b>
Interest income						510,131
Finance cost						(16,615,726)
Depreciation and amortisation						(27,164,049)
<b>Profit before tax</b>						<b>36,372,564</b>
Tax expense						(13,996,102)
<b>Profit for the financial year</b>						<b>22,376,462</b>
<b>Segment assets</b>	<b>749,213,202</b>	<b>297,988,243</b>	<b>527,301,415</b>	<b>34,685,843</b>	<b>–</b>	<b>1,609,188,703</b>
Deferred tax assets						27,864
Tax recoverable						9,299,317
<b>Total assets</b>						<b>1,618,515,884</b>
<b>Segment liabilities</b>	<b>89,188,049</b>	<b>296,332,366</b>	<b>6,604,178</b>	<b>1,336,183</b>	<b>–</b>	<b>393,460,776</b>
Deferred tax liabilities						18,519,644
Loans and borrowings						829,625,107
Tax payable						49,715
<b>Total liabilities</b>						<b>1,241,655,242</b>
<b>Other information :</b>						
Capital expenditure	3,361,136	472,728	2,788,112	54,869	17,395	6,694,240
Depreciation and amortisation	11,957,207	334,966	14,335,287	536,589	–	27,164,049
Non-cash expenses (other than depreciation and amortisation)	12,731,970	1,894,833	3,640,137	(4,427,599)	2,572,402	16,411,743



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 39. SEGMENTAL ANALYSIS (CONT'D)

	Malaysia RM	Singapore RM	Indonesia RM	Others RM	Eliminations RM	Consolidated RM
<b>At 31 December 2014</b>						
<b>Geographical Segments :</b>						
Total external revenue	810,588,034	955,979,129	19,627,478	32,676,349	–	1,818,870,990
Internal segment revenue	425,973,070	1,871,391,408	964,399,169	1,809,000	(3,263,572,647)	–
<b>Total revenue</b>	<b>1,236,561,104</b>	<b>2,827,370,537</b>	<b>984,026,647</b>	<b>34,485,349</b>	<b>(3,263,572,647)</b>	<b>1,818,870,990</b>
<b>Segment results</b>	<b>19,172,649</b>	<b>(3,794,986)</b>	<b>14,088,348</b>	<b>(3,569,441)</b>	<b>(5,043,752)</b>	<b>20,852,818</b>
Interest income						154,839
Finance cost						(14,935,136)
Depreciation and amortisation						(24,553,477)
<b>Loss before tax</b>						<b>(18,480,956)</b>
Tax expense						1,188,625
<b>Loss for the financial year</b>						<b>(17,292,331)</b>
<b>Segment assets</b>	<b>703,268,031</b>	<b>139,695,407</b>	<b>572,868,084</b>	<b>27,217,252</b>	<b>–</b>	<b>1,443,048,774</b>
Deferred tax assets						53,905
Tax recoverable						14,840,445
<b>Total assets</b>						<b>1,457,943,124</b>
<b>Segment liabilities</b>	<b>27,697,691</b>	<b>207,222,563</b>	<b>4,921,156</b>	<b>12,755,911</b>	<b>–</b>	<b>252,597,321</b>
Deferred tax liabilities						14,842,037
Loans and borrowings						865,814,496
Tax payable						319,102
<b>Total liabilities</b>						<b>1,133,572,956</b>
<b>Other information :</b>						
Capital expenditure	12,502,124	1,021	8,895,435	36,360	–	21,434,940
Depreciation and amortisation	12,237,383	9,840	11,885,307	420,947	–	24,553,477
Non-cash expenses (other than depreciation and amortisation)	16,998,923	–	6,344,800	5,118	–	23,348,841

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 39. SEGMENTAL ANALYSIS (CONT'D)

### Major customers

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

	Revenue		Segment
	2015 RM	2014 RM	
Customer A	434,148,881	235,024,926	Malaysia and Singapore
Customer B	–	197,739,556	Singapore
Customer C	472,453,075	–	Singapore

## 40. CAPITAL COMMITMENTS

At 31 December, the Group has the following capital commitments in respect of property, plant and equipment :

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Contracted but not provided for	3,325,000	25,392,000	–	6,390,000

## 41. LEASE COMMITMENTS

At 31 December, the Group has the following outstanding sub-lease rental commitments which are not taken up in the financial statements :

	Group	
	2015 RM	2014 RM
<b>Lease rental payable :</b>		
Not later than one year	123,738	839,993
Later than one year and not later than five years	494,952	972,455
Later than five years	247,476	371,214
	866,166	2,183,662

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS

The Group's and the Company's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk), credit risk, commodity price risk and liquidity risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

### 42.1 Financial Risk Management Policies

The following sections provide details on the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

#### (a) Foreign currency risk

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 EURO, Great Britain Pound ("GBP"), Rupiah, Singapore Dollar ("SGD") and United States Dollar ("USD"). 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 cash equivalents denominated in foreign currencies for working capital purposes.

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

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

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (a) Foreign currency risk (Cont'd)

The group's exposure to foreign currency is as follows:

Group	EURO RM	GBP RM	Rupiah RM	SGD RM	USD RM	RM RM	Other RM	Total RM
<b>At 31 December 2015</b>								
<b>Financial Assets</b>								
Trade receivables	-	104,813,141	7,046,642	335,031	158,085,587	11,708,194	244,481	282,233,076
Other receivables	-	457,429	882,524	144,678	5,863,102	1,144,306	-	8,492,039
Amount owing by affiliated companies	-	-	-	-	251,814	408,680	-	660,494
Amount owing by an associate	-	-	-	-	1,996,643	-	-	1,996,643
Derivative assets	-	6,837,820	-	-	6,001,815	-	-	12,839,635
Deposits with licensed bank	-	-	1,713,042	-	560,272	308,850	-	2,582,164
Bank and cash balances	42,475	793,664	3,376,868	677,886	17,886,844	3,228,600	21,533	26,027,870
	42,475	112,902,054	13,019,076	1,157,595	190,646,077	16,798,630	266,014	334,831,921
<b>Financial Liabilities</b>								
Trade payables	-	(79,136,823)	-	(649,272)	(203,630,376)	(5,150,190)	-	(288,566,661)
Other payables and accruals	(950,752)	(1,209,875)	(4,198,141)	(4,018,440)	(60,720,232)	(19,673,420)	11,764	(90,759,096)
Amount owing to directors	-	-	(177,579)	-	-	(1,105)	-	(178,684)
Derivative liabilities	-	(1,827,373)	-	-	(11,340,826)	-	(37,361)	(13,205,560)
Loans and borrowings	-	-	-	(122,288)	(692,125,138)	(137,377,681)	-	(829,625,107)
	(950,752)	(82,174,071)	(4,375,720)	(4,790,000)	(967,816,572)	(162,202,396)	(25,597)	(1,222,335,108)
Net financial (liabilities)/assets	(908,277)	30,727,983	8,643,356	(3,632,405)	(777,170,495)	(145,403,766)	240,417	(887,503,187)
Less : Forward currency contracts (contracted notional)	-	(6,184,865)	-	-	-	-	682,409	(5,502,456)
Less : Net financial assets denominated in the respective entities' functional currency	-	-	-	-	442,517,660	37,165,779	-	479,683,439
Currency exposure	(908,277)	24,543,118	8,643,356	(3,632,405)	(334,652,835)	(108,237,987)	922,826	(413,322,204)

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (a) Foreign currency risk (Cont'd)

Group	EURO RM	GBP RM	Rupiah RM	SGD RM	USD RM	RM RM	Other RM	Total RM
<b>At 31 December 2014</b>								
<b>Financial Assets</b>								
Trade receivables	147,551	54,159,914	709,457	102,571	133,907,262	16,970,193	101,048	206,097,996
Other receivables	-	544,535	-	304,283	9,027,434	1,411,358	19,489	11,307,099
Amount owing by affiliated companies	-	-	-	-	821,505	400,251	-	1,221,756
Derivative asset	-	6,630,796	-	-	4,683,766	-	-	11,314,562
Deposits with licensed bank	-	-	151,101	-	505,835	577,850	-	1,234,786
Bank and cash balances	47,339	194,840	1,825,302	344,791	32,687,152	4,849,840	133,340	40,082,604
	194,890	61,530,085	2,685,860	751,645	181,632,954	24,209,492	253,877	271,258,803
<b>Financial Liabilities</b>								
Trade payables	-	(111,214,914)	-	(1,157,062)	(90,227,430)	(4,275,361)	-	(206,874,767)
Other payables and accruals	(377,232)	-	(1,030,282)	(1,403,612)	(3,044,800)	(12,188,924)	-	(18,044,850)
Amount owing to holding company	-	-	-	-	-	(12,320,000)	-	(12,320,000)
Amount owing to affiliated company	-	-	-	-	-	(23,986)	-	(23,986)
Amount owing to directors	-	-	(144,615)	-	-	(1,105)	-	(145,720)
Derivative liabilities	-	(5,240,063)	-	-	(7,532,079)	-	-	(12,772,142)
Loans and borrowings	-	-	-	(149,644)	(830,779,542)	(34,885,310)	-	(865,814,496)
	(377,232)	(116,454,977)	(1,174,897)	(2,710,318)	(931,583,851)	(63,694,686)	-	(1,115,995,961)
Net financial (liabilities)/assets	(182,342)	(54,924,892)	1,510,963	(1,958,673)	(749,950,897)	(39,485,194)	253,877	(844,737,158)
Less : Forward currency contracts (contracted notional)	-	(53,862,107)	-	-	28,221,300	-	-	(25,640,807)
Less : Net financial assets denominated in the respective entities' functional currency	-	-	-	-	286,883,448	39,503,096	-	326,386,544
Currency exposure	(182,342)	(108,786,999)	1,510,963	(1,958,673)	(434,846,149)	17,902	253,877	(543,991,421)

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (a) Foreign currency risk (Cont'd)

Company	EURO RM	USD RM	RM RM	Total RM
<b>At 31 December 2015</b>				
<b>Financial Assets</b>				
Amount owing by subsidiaries	3,764	112,918,952	2,391,507	115,314,223
Bank and cash balances	–	–	29,693	29,693
	3,764	112,918,952	2,421,200	115,343,916
<b>Financial Liabilities</b>				
Other payables	–	–	(85,124)	(85,124)
Amount owing to subsidiaries	–	–	(32,543,804)	(32,543,804)
	–	–	(32,628,928)	(32,628,928)
Net financial assets/(liabilities)	3,764	112,918,952	(30,207,728)	82,714,988
Less : Net financial assets denominated in the entity's functional currency	–	–	30,207,728	30,207,728
<b>Currency exposure</b>	3,764	112,918,952	–	112,922,716
<b>At 31 December 2014</b>				
<b>Financial Assets</b>				
Amount owing by subsidiaries	3,411	128,090,703	319,424,328	447,518,442
Bank and cash balances	–	–	14,881	14,881
	3,411	128,090,703	319,439,209	447,533,323
<b>Financial Liabilities</b>				
Other payables	–	–	(81,564)	(81,564)
Amount owing to holding company	–	–	(12,320,000)	(12,320,000)
Amount owing to subsidiaries	–	(296,869,007)	(75,955,750)	(372,824,757)
	–	(296,869,007)	(88,357,314)	(385,226,321)
Net financial assets/(liabilities)	3,411	(168,778,304)	231,081,895	62,307,002
Less : Net financial assets denominated in the entity's functional currency	–	–	(231,081,895)	(231,081,895)
<b>Currency exposure</b>	3,411	(168,778,304)	–	(168,774,893)

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (a) Foreign currency risk (Cont'd)

The following table details the sensitivity analysis of the Group's profit before tax to a reasonably possible change in the foreign currencies against the functional currency of the Group, with all other variables held constant :

	Group Increase/(Decrease)	
	2015 RM	2014 RM
<b>Effects on profit before tax</b>		
EURO / RM		
- strengthened by 5%	(45,414)	(9,117)
GBP / RM		
- strengthened by 5%	1,227,156	(5,439,350)
SGD / RM		
- strengthened by 5%	(181,620)	(97,934)
USD / RM		
- strengthened by 5%	(16,732,642)	(21,742,307)
Rupiah / RM		
- strengthened by 5%	432,168	75,548

A weakening of the above currencies against Ringgit Malaysia at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, with all other variables held constant.

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed below:-

	Group	
	2015 RM	2014 RM
<b>Fixed rate instruments</b>		
Financial liabilities	688,866,392	665,133,219
<b>Floating rate instruments</b>		
Financial liabilities	140,758,715	200,681,277

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (b) Interest rate risk (Cont'd)

##### Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	2015 RM	Group 2014 RM
<b>Effect Profit Before Taxation</b>		
Increase 100 basis points	(1,948,768)	(1,296,231)
Decrease 100 basis points	1,948,768	1,296,231

#### (c) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

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.

#### (i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amount owing by two (2) customers which constituted approximately 86% of its trade receivables (including related parties) at the end of the reporting period.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (c) Credit risk (Cont'd)

##### (i) Credit risk concentration profile (Cont'd)

The credit risk concentration profile of the Group's trade receivables (including amount owing by affiliated companies and an associate) by geographical region at the end of the reporting period is as follows :

	Group			
	2015			2014
	RM	% of total	RM	% of total
<b>By country :</b>				
Brazil	11,147,906	3.9%	10,866,545	5.2%
China	11,617,239	4.1%	30,259,999	14.6%
Germany	69,943,037	24.5%	8,568,516	4.1%
India	3,435,286	1.2%	503,496	0.3%
Japan	24,072,161	8.5%	7,632,438	3.7%
Malaysia	12,859,041	4.5%	18,377,706	8.9%
Russia	14,356,984	5.0%	19,357,878	9.3%
Singapore	8,143,319	2.9%	5,773,703	2.8%
Spain	5,345,141	1.9%	1,914,334	0.9%
United Kingdom	48,055,789	16.9%	7,232,154	3.5%
United States	25,131,431	8.8%	54,733,066	26.4%
Other countries	50,767,879	17.8%	42,099,917	20.3%
	284,875,213	100.0%	207,319,752	100.0%

##### (ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company 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 under the 'Maturity Analysis' of item (e) below. As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (c) Credit risk (Cont'd)

##### (iii) Ageing Analysis

The ageing analysis of the Group's trade receivables (including amount owing by affiliated companies and an associate) is as follows :

Group	Gross Amount RM	Individual impairment RM	Collective impairment RM	Carrying value RM
<b>At 31 December 2015</b>				
Neither past due nor impaired	167,682,902	–	–	167,682,902
Past due but not impaired :				
- less than 3 months	110,958,819	–	–	110,958,819
- 3 to 6 months	2,260,513	–	–	2,260,513
- over 6 months	5,134,120	(1,161,141)	–	3,972,979
	286,036,354	(1,161,141)	–	284,875,213
<b>At 31 December 2014</b>				
Neither past due nor impaired	173,429,524	–	–	173,429,524
Past due but not impaired :				
- less than 3 months	25,612,462	–	–	25,612,462
- 3 to 6 months	7,137,180	–	–	7,137,180
- over 6 months	2,114,103	(973,517)	–	1,140,586
	208,293,269	(973,517)	–	207,319,752

At the end of the reporting period, trade receivables that are individually impaired were those have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no addition impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (d) 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.

If the commodity price index at the reporting date increase by 1% with all other variables held constant, the Group's profit before tax would have decreased by RM 4,285,342 (2014 : RM 1,211,639).

For the above, a decrease of 1% would have an equal but opposite effect. The analysis assumes all other variables, in particular, foreign exchange rates, remain constant.

#### (e) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

#### Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of reporting date based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) :

	Contractual interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
<b>Group - 2015</b>						
<b>Non-derivative</b>						
<b>Financial Liabilities</b>						
Trade payables		288,566,661	288,566,661	288,566,661	-	-
Other payables and accruals		90,759,096	90,759,096	90,759,096	-	-
Amount owing to directors		178,684	178,684	178,684	-	-
Loans and borrowings :						
- Bank overdraft	7.9	853,658	853,658	853,658	-	-
- Bankers' acceptances	4.4 - 5.4	6,700,000	6,700,000	6,700,000	-	-
- Term loans	2.2 - 4.8	180,891,530	187,001,906	54,593,277	117,235,253	15,173,376
- Trade loans	0.4 - 2.0	565,189,728	565,189,728	565,189,728	-	-
- Revolving credit	1.1 - 5.0	75,169,827	75,169,827	75,169,827	-	-
- Obligation under finance lease	2.6 - 5.2	820,364	867,598	456,695	410,903	-
<b>Derivative Financial Liabilities</b>						
Commodity future contracts		13,165,782	13,165,782	13,165,782	-	-
Forward currency contracts		39,778	39,778	39,778	-	-
		1,222,335,108	1,228,492,718	1,095,673,186	117,646,156	15,173,376

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (e) Liquidity risk (cont'd)

##### Maturity Analysis (cont'd)

	Contractual interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
<b>Group - 2014</b>						
<b>Non-derivative</b>						
<b>Financial Liabilities</b>						
Trade payables		206,874,767	206,874,767	206,874,767	-	-
Other payables and accruals		18,044,850	18,044,850	18,044,850	-	-
Amount owing to affiliated company		23,986	23,986	23,986	-	-
Amount owing to directors		145,720	145,720	145,720	-	-
Loans and borrowings :						
- Bank overdraft	7.9 - 8.4	1,115,319	1,115,319	1,115,319	-	-
- Bankers' acceptances	1.2 - 4.4	6,944,000	6,944,000	6,944,000	-	-
- Term loans	2.2 - 6.3	199,565,958	206,215,512	56,301,739	131,334,652	18,579,121
- Trade loans	0.5 - 2.3	593,900,586	593,900,586	593,900,586	-	-
- Revolving credit	5.0	63,447,491	63,447,491	63,447,491	-	-
- Obligation under finance lease	2.6 - 6.3	841,142	892,145	479,598	412,547	-
<b>Derivative Financial Liabilities</b>						
Commodity future contracts		11,698,223	11,698,223	11,698,223	-	-
Forward currency contracts		283,668	283,668	283,668	-	-
Forward currency option contracts		790,251	790,251	790,251	-	-
		1,103,675,961	1,110,376,518	960,050,198	131,747,199	18,579,121

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.1 Financial Risk Management Policies (Cont'd)

#### (e) Liquidity risk (cont'd)

*Maturity Analysis (cont'd)*

	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
<b>Company - 2015</b>					
<b>Non-derivative</b>					
<b>Financial Liabilities</b>					
Other payables and accruals	85,124	85,124	85,124	-	-
Amount owing to subsidiaries	32,543,804	32,543,804	32,543,804	-	-
Financial guarantee contract in relation to corporate guarantee to certain subsidiaries	*	863,680,832	735,646,738	113,818,597	14,215,497
	32,628,928	896,309,760	768,275,666	113,818,597	14,215,497
<b>Company - 2014</b>					
<b>Non-derivative</b>					
<b>Financial Liabilities</b>					
Other payables and accruals	81,564	81,564	81,564	-	-
Amount owing to subsidiaries	372,824,757	372,824,757	372,824,757	-	-
Financial guarantee contract in relation to corporate guarantee to certain subsidiaries	*	986,685,036	842,037,288	125,682,647	18,965,101
	372,906,321	1,359,591,357	1,214,943,609	125,682,647	18,965,101

\* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 4.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will 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 and non-controlling interest.

As it is common in the cocoa industry for manufacturers/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/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 :

	<b>2015</b> <b>RM</b>	<b>2014</b> <b>RM</b>
Loans and borrowings (Note 23)	829,625,107	865,814,496
Less : Deposits, bank and cash balances	(28,610,034)	(41,317,390)
<b>Net debt</b>	<b>801,015,073</b>	<b>824,497,106</b>
<b>Adjusted net debts</b>	<b>235,825,345</b>	<b>230,596,520</b>
<b>Total equity</b>	<b>376,429,791</b>	<b>320,412,324</b>
<b>Debt-to-equity ratio</b>	<b>2.13</b>	<b>2.57</b>
<b>Adjusted debt-to-equity ratio</b>	<b>0.63</b>	<b>0.72</b>

There was no change in the Group's approach to capital management during the financial year.

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 RM 40 million. The Company has complied with this requirements.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.3 Classification of Financial Instruments

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Trade receivables	282,233,076	206,097,996	–	–
Other receivables	8,492,039	11,307,099	–	–
Amount owing by subsidiaries	–	–	115,314,223	447,518,442
Amount owing by affiliated companies	660,494	1,221,756	–	–
Amount owing by an associate	1,996,643	–	–	–
Deposits with licensed bank	2,582,164	1,234,786	–	–
Bank and cash balances	26,027,870	40,082,604	29,693	14,881
	321,992,286	259,944,241	115,343,916	447,533,323
<b>Fair value through profit or loss</b>				
Derivative assets	12,839,635	11,314,562	–	–
<b>Financial Liabilities</b>				
<b>Other financial liabilities</b>				
Loans and borrowings	829,625,107	865,814,496	–	–
Trade payables	288,566,661	206,874,767	–	–
Other payables and accruals	90,759,096	18,044,850	85,124	81,564
Amount owing to holding company	–	12,320,000	–	12,320,000
Amount owing to subsidiaries	–	–	32,543,804	372,824,757
Amount owing to affiliated company	–	23,986	–	–
Amount owing to directors	178,684	145,720	–	–
	1,209,129,548	1,103,223,819	32,628,928	385,226,321
<b>Fair value through profit or loss</b>				
Derivative liabilities	13,205,560	12,772,142	–	–

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.4 Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the company that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>The Group - 2015</b>								
<b>Financial Assets</b>								
Derivative assets :								
- forward currency contracts	-	158,766	-	-	-	-	158,766	158,766
- commodity futures contracts	12,680,869	-	-	-	-	-	12,680,869	12,680,869
<b>Financial Liabilities</b>								
Obligations under finance lease	-	-	-	-	(871,696)	-	(871,696)	(820,364)
Term loans	-	-	-	-	(180,891,530)	-	(180,891,530)	(180,891,530)
Derivative liabilities :								
- forward currency contracts	-	(39,778)	-	-	-	-	(39,778)	(39,778)
- commodity future contracts	(13,165,782)	-	-	-	-	-	(13,165,782)	(13,165,782)
<b>The Group - 2014</b>								
<b>Financial Assets</b>								
Derivative assets :								
- forward currency contracts	-	3,088,895	-	-	-	-	3,088,895	3,088,895
- commodity futures contracts	8,225,667	-	-	-	-	-	8,225,667	8,225,667
<b>Financial Liabilities</b>								
Obligations under finance lease	-	-	-	-	(874,199)	-	(874,199)	(841,142)
Term loans	-	-	-	-	(199,565,958)	-	(199,565,958)	(199,565,958)
Derivative liabilities :								
- forward currency contracts	-	(283,668)	-	-	-	-	(283,668)	(283,668)
- commodity future contracts	(11,698,223)	-	-	-	-	-	(11,698,223)	(11,698,223)
- forward currency options contracts	-	(790,251)	-	-	-	-	(790,251)	(790,251)

### The Company

At the end of the reporting period, there were no financial instruments carried at fair values.



# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.4 Fair Value Information (Cont'd)

#### (A) Fair Value of Financial Instruments Carried at Fair Value :

The fair values above have been determined using the following basis :

- (i) The fair value of forward currency contracts and forward currency option contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contract using a risk-free interest rate (government bonds).
- (ii) The fair value of commodity future contracts is determined based on the quoted closing price on the relevant commodity markets at the end of the reporting period.

#### (B) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair value of obligation under finance leases are determined by discounting the relevant cash flows using interest rate for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows :

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	%	%
Obligation under finance leases	4.6 - 5.2	5.2 - 6.6

- (ii) The carrying amounts of the term loans approximate their fair values as these instruments bear interest at variable rates.

In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

### 42.5 Master Netting or Similar Agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group currently does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 42. FINANCIAL INSTRUMENTS (CONT'D)

### 42.5 Master Netting or Similar Agreements (Cont'd)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements :

#### Group - 2015

	Note	Carrying amounts of financial instruments in the statement of financial position RM	Related financial instruments that are not offset RM	Net amount RM
<b>Derivative financial assets</b>				
Forward currency contracts	18	158,766	(39,778)	118,988
Commodity future contracts	18	12,680,869	(12,680,869)	–
		12,839,635	(12,720,647)	118,988
<b>Derivative financial liabilities</b>				
Forward currency contracts	18	(39,778)	39,778	–
Commodity future contracts	18	(13,165,782)	12,680,869	(484,913)
		(13,205,560)	12,720,647	(484,913)
<b>Group - 2014</b>				
<b>Derivative financial assets</b>				
Forward currency contracts	18	3,088,895	(283,668)	2,805,227
Commodity future contracts	18	8,225,667	(8,225,667)	–
		11,314,562	(8,509,335)	2,805,227
<b>Derivative financial liabilities</b>				
Forward currency contracts	18	(283,668)	283,668	–
Commodity future contracts	18	(11,698,223)	8,225,667	(3,472,556)
Forward currency option contracts	18	(790,251)	–	(790,251)
		(12,772,142)	8,509,335	(4,262,807)

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

## 43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 26 May 2015, GCB Specialty Chocolates Sdn. Bhd. ("GCBSC"), a subsidiary of the Company subscribed 90,000 shares of RM 1.00 each at par in GCB Gourmet Sdn. Bhd. ("GCBG"). The investment represent 45% equity interest in GCBG for a total cash consideration of RM 130,500. Upon completion, GCBSC hold 100% equity interest in GCBG.
- (b) On 9 October 2015, the Company has entered into a share sale agreement with SMC Food 21 Pte. Ltd. ("SMC") and SMC Food21 (Malaysia) Sdn. Bhd. ("SMCM") to dispose of the entire equity interest in Enrich Mix Sdn. Bhd. ("EM"), representing 510,000 ordinary shares (51%) of RM 1.00 each in EM to SMCM for a consideration of RM 4,986,128 to be satisfied by way of issuance of 4,986,128 new ordinary shares of RM 1.00 each in SMCM. Upon completion on 9 November 2015, EM is no longer a subsidiary of the Company and SMCM becomes an associate of the Company.
- (c) On 31 December 2015, the Company invested an additional 13,872 ordinary shares of RM 1.00 each in consideration for cash at par in the share capital of its associate company, SMCM, making total investment of 5,000,000 ordinary shares of RM 1.00 each. Upon completion, the Company held 20% of the enlarged paid-up capital of SMCM.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2015 (Cont'd)

#### 44. SUPPLEMENTARY INFORMATION DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows :

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Total retained profits :</b>				
- realised	238,113,863	232,127,875	30,523,192	26,812,426
- unrealised	(14,654,467)	(25,448,213)	8,325,257	(10,320,301)
	<hr/>	<hr/>	<hr/>	<hr/>
Less : Consolidation adjustments	223,459,396 (11,772,917)	206,679,662 (17,930,912)	38,848,449 -	16,492,125 -
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	211,686,479	188,748,750	38,848,449	16,492,125

# List Of Properties

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2015
<b>Malaysia</b>						
PLO273 Jalan Timah 2, 81700 Pasir Gudang, Johor	60 years (expiring on 8 May 2043)	7,976	25 years (Main factory and office)19 years (second factory) 12 years (extension to second factory)	Industrial premises / factory consists of GCC main office, production area for GCC and temporary warehouse	7 December 1989	7,072,579
No. 49 Jalan 10/9, Perjiranan 10, Pasir Gudang, Johor	99 years (expiring on 6 May 2082)	143	32 years	Hostel	28 July 1994	60,464
PLO725, Jalan Keluli 9, 81700 Pasir Gudang, Johor	60 years (expiring on 17 February 2068)	27,523	9 years	Factory / warehouse	9 January 2006	19,157,843
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	3,197,811
Lot 4-0115 Mukim of Plentong, Johor	Freehold	4,073	N/A	Industrial land	1 July 2013	2,364,104
Lot 4-0116 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	5 years	Rental	2 July 2014	19,655,437

# List of Properties

Owner / Location	Tenure / Term of lease	Approximate Land Area (sq m)	Approximate Age of building	Existing Use	Date of Acquisition	Net book Values @ 31 December 2015
<b>Singapore</b>						
The Cascadia 943 Bukit Timah Road #05-47 Singapore 589659	Freehold	111	6 years	Residential	17 January 2011	4,864,161
1 Commonwealth Lane #08-04 One Commonwealth Singapore 149544	30 years (expiring on 28 February 2038)	111	8 years	Office	19 January 2011	1,848,629
<b>Indonesia</b>						
Komplek Tunas Industrial Estate Type 7 No. A-F, Batam, Indonesia	30 years (expiring on 24 August 2030)	33,045.6	6 years	Industrial premises / Factory consists of PT Asia main office, production area for PT Asia	21 June 2010	47,670,023
Komplek Tunas Industrial Estate Type 6 No. 7-G, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	6,985	10 years	Industrial premises	17 March 2011	5,847,183
Komplek Tunas Industrial Estate Type 6 No. 6-D, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	1,257	10 years	Industrial premises	17 March 2011	1,034,984
Komplek Perumahan Diamond Palace Blok B No. 26, Batam, Indonesia	Leasehold (expiring on 13 August 2030)	170	11 years	Hostel	23 September 2011	524,257
Komplek Perumahan Purimas Residence Blok B3 No. 11, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	10 years	Hostel	6 May 2011	188,493
Komplek Perumahan Purimas Residence Blok B3 No. 15, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	10 years	Hostel	6 May 2011	188,493

# List of Properties

<b>Owner / Location</b>	<b>Tenure / Term of lease</b>	<b>Approximate Land Area (sq m)</b>	<b>Approximate Age of building</b>	<b>Existing Use</b>	<b>Date of Acquisition</b>	<b>Net book Values @ 31 December 2015</b>
Komplek Perumahan Purimas Residence Blok B5 No. 23, Batam, Indonesia	Leasehold (expiring on 28 May 2030)	132	12 years	Hostel	6 May 2011	188,493
Kawasan Industri Kelurahan IV, Batam Centre, Indonesia	Leasehold (expiring on 8 August 2031)	30,000	3 year	Industrial premises	10 January 2012	41,279,253
Komplek. Tunas Industrial Estate Type 6 No. 6-C, Batam, Indonesia	Leasehold (expiring on 24 August 2030)	942	10 years	Industrial premises	8 June 2012	1,005,402
Kawasan Daan Mogot Arcadia, G15 No.5, Jl Raya Daan Mogot KM21, Batu Ceper, Jakarta, Indonesia.	Freehold	864	3 year	Industrial premises	2 October 2012	3,177,979
Palu warehouse Jalan Trans Sulaiwesi, Taipa, Palu Sulaiwesi Tengah 94352.	Leasehold (expiring on 21 January 2027)	15,551	9 years	Warehouse	13 December 2013	7,549,269
Makassar Warehouse Jl. Kima 10 Kav A/5-a Makassar 90241	Leasehold (expiring on 29 October 2028)	10,880	17 years	Warehouse	10 December 2013	5,259,642

# Other

## Compliance Information

### 1. SHARE BUY-BACKS

As at 31 December 2015, the Company has repurchased 2,240,700 ordinary shares of RM0.25 each, all of which are retained as treasury shares. None of the treasury shares were resold or cancelled during the financial year under review.

Schedule of share bought back and retained as treasury shares during the financial year under review is disclosed in Note 21 of the Notes to the Financial Statements.

### 2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any options during the financial year under review.

As at 31 December 2015, the number of warrants 2011/2016 which remain unexercised was 89,682,668. Subsequent to 31 December 2015, a total of 1,644,163 warrants were exercised at an exercise price of RM1.34 prior to its expiry on 16 February 2016.

### 3. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company has not sponsored any ADR or GDR programme during the financial year under review.

### 4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

No sanctions and/or penalties have been imposed by any regulatory bodies on the Company or its subsidiaries, or on the Directors or management of the Company or its subsidiaries during the financial year under review.

### 5. NON-AUDIT FEES

An amount of RM 40,000 was incurred to the external auditors by the Group for non-audit services provided for the financial year ended 31 December 2015.

### 6. MATERIAL CONTRACTS

Other than the related party transactions as disclosed in Note 38 to the Notes to the Financial Statements, there were no material contracts entered into by the Company and its subsidiaries involving the Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous financial year.

### 7. PROFIT FORECAST AND PROFIT GUARANTEE

During the financial year under review, there were no profit guarantees given by the Company.



# Other Compliance Information

## **8. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE**

The Group has established the appropriate procedures to ensure that the Company complies with the Listing Requirements of Bursa Malaysia Securities Berhad relating to the recurrent related party transactions. All recurrent related party transactions entered during the financial year under review were reviewed by the Audit Committee and the same was reported to the Board on a quarterly basis.

The renewal of shareholder' mandate in respect of existing recurrent related party transactions is to be obtained at the AGM of the Company on a yearly basis.

Details of the recurrent related party transactions entered into by the Group during the financial year ended 31 December 2015 are set out on pages from 9 to 16 of the Circular to Shareholder dated 29 April 2016.

## **9. VARIATION IN RESULTS FOR THE FINANCIAL YEAR**

There were no material variance between the audited results for the financial year ended 31 December 2015 and the unaudited results previously announced.

# Analysis of Shareholdings

As at 01 April 2016

Authorised Share Capital	RM200,000,000.00
Issued and Fully Paid Up Share Capital	RM120,039,613.00 (including treasury shares) RM119,479,438.00 (excluding treasury shares)
Class of Shares	Ordinary shares of RM0-25 each
Voting Right	One vote per ordinary share
Number of Shareholders	3,385

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held *	% of Issued Share Capital
Less than 100 shares	89	2.63	4,915	Neg
100 to 1,000 shares	311	9.19	173,632	0.04
1,001 to 10,000 shares	2,017	59.59	10,508,055	2.20
10,001 to 100,000 shares	826	24.40	25,693,418	5.38
100,001 to less than 5% of issued shares	140	4.14	161,277,264	33.75
5% and above of issued shares	2	0.06	280,260,468	58.64
<b>TOTAL</b>	<b>3,385</b>	<b>100.00</b>	<b>477,917,752</b>	<b>100.00</b>

Notes:

Neg – Negligible

\* – Excluding 2,240,700 shares held as treasury shares

## LIST OF SUBSTANTIAL SHAREHOLDERS

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

## DIRECTORS' SHAREHOLDINGS

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

## HOLDING COMPANY – GUAN CHONG RESOURCES SDN. BHD.

Name	No. of ordinary shares of RM1.00 each held			%
	Direct	%	Indirect	
Tay Hoe Lian	28,373	28.37	2,375 <sup>(5)</sup>	2.38
Tay How Sik @ Tay How Sick	13,934	13.93	–	–
Hia Cheng	5,000	5.00	–	–

# Analysis of Shareholdings

As at 1 April 2016 (Cont'd)

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 2,240,700 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.

## GUAN CHONG BERHAD – ORDINARY SHARES 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.	Tay How Sik @ Tay How Sick	5,889,849	1.23
10.	Tay How Yeh	5,278,745	1.10
11.	Lembaga Tabung Angkatan Tentera	5,231,850	1.09
12.	Lim Yock @ Lim Kiak	5,209,838	1.09
13.	Oung Chee Seng	4,685,349	0.98
14.	Tan Hui Yang	4,557,548	0.95
15.	Tay How Seng	4,500,537	0.94
16.	Aw Ah Hock	4,469,729	0.94
17.	Tan Bak Keng @ Tang Ka Guek	3,744,024	0.78
18.	Chuah Chai Pore	3,499,249	0.73
19.	Ngiam Ping-Shin	2,872,899	0.60
20.	Chan Lee Yin	2,360,000	0.49
21.	Lim Hwee Chen	2,174,099	0.45
22.	Tay Lee Goh	1,754,458	0.37
23.	Tay Lie Siang	1,709,459	0.36
24.	Tay Lee Lin	1,694,259	0.35
25.	Tay Lee Shein	1,609,460	0.34
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tay Hock Soon (MY1055)	1,436,900	0.30
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. pledged securities account for Harry Lee Vui Khiun	1,230,000	0.26
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Chow Jiechan (MP0297)	1,210,600	0.25
29.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Tay Hoe Lian (M52075)	1,000,000	0.21
30.	Hong Leong Assurance Berhad as beneficial owner (Unitlinked MF)	1,000,000	0.21

Note:

- \* - Excluding 2,240,700 shares held as treasury shares.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twelfth Annual General Meeting of GUAN CHONG BERHAD (“GCB” or “the Company”) will be held at Sri Ledang, 1st Hall, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, K.B. No. 779, 80990 Johor Bahru, Johor on Monday, 30 May 2016 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 2015 together with the Directors’ and Auditors’ Reports thereon. (Please refer to Note A).
2. To approve the payment of Directors’ fees for the financial year ended 31 December 2015. **Ordinary Resolution 1**
3. To re-elect the following Directors who retire in accordance with Article 81 of the Company’s Articles of Association:
  - i) Hia Cheng **Ordinary Resolution 2**
  - ii) YBhg Datuk Tay Puay Chuan **Ordinary Resolution 3**
4. To approve the appointment of Messrs BDO in place of retiring Auditors, Messrs Crowe Horwath for which Notice of Nomination as set out in Appendix I of the 2015 Annual Report has been received and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

### *As Special Business*

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

5. **Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** **Ordinary Resolution 5**

“THAT subject always to the Companies Act, 1965 (“the Act”), the 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 and are hereby empowered, pursuant to Section 132D of the Act, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

# Notice of Annual General Meeting

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

"THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Main Market LR"), approval be and is hereby given for the renewal of the 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 29 April 2016, which are necessary for its day-to-day operations, to be entered into by the GCB Group on the basis that these 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 (hereinafter referred to as the "Proposed Renewal of Shareholders' Mandate");

"THAT the Proposed Renewal of Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of 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 Renewal of 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 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) 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 and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate."

# Notice of Annual General Meeting

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

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's 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 and is hereby given full authority, to seek shareholders' approval for the renewal of authority for the Company to purchase and/or such amount of ordinary shares of RM0.25 each 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 and/or share premium of the Company";

"THAT the Directors be and are hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 67A of the Act) and/or to cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares and/or cancel the remainder and to deal with the Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force;

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

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first;

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

# Notice of Annual General Meeting

## 8. Proposed retention of Independent Director

## Ordinary Resolution 8

"THAT approval be and is 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 nine (9) years, to continue to act as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012.

9. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

By order of the Board,

PANG KAH MAN (MIA 18831)  
Secretary

Muar, Johor  
29 April 2016

Notes:

**(A) This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.**

1. Only depositors whose names appear in the Record of Depositors as at 23 May 2016 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 on a show of hands or on a poll in his stead. There shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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. 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 forty-eight (48) hours before the time for holding the meeting provided that 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. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. 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.
6. 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.

# Notice of Annual General Meeting

## **(B) Explanatory Note Under Special Business :**

### **7. Ordinary Resolution no. 5**

#### **Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

- (a) The proposed Ordinary Resolution no. 5, if passed, will empower the Directors of the Company, from the date of the forthcoming Annual General Meeting ("AGM") to allot and issue shares in the Company up to an amount not exceeding ten percent (10%) of the issued capital of the Company for the time being for such purposes as they may deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM of the Company.
- (b) The mandate now sought is a renewal from the previous mandate obtained at the last AGM held on 16 June 2015 which will expire at the conclusion of the forthcoming AGM.
- (c) Since the previous Annual General Meeting held on 16 June 2015, the Company has increased its issued and paid-up share capital from 478,514,289 ordinary shares of RM0.25 each to 480,158,452 ordinary shares of RM0.25 each by the issuance of 1,644,163 new ordinary shares of RM0.25 each upon the conversion of 1,644,163 warrants at the exercise price of RM1.34 each.
- (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.

### **8. Ordinary Resolution no. 6**

#### **Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT") ("Proposed Shareholders' Mandate")**

The proposed Ordinary Resolution no. 6, if passed, will approve RRPT which are necessary for the Group's day-to-day operations that 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 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 29 April 2016.

### **9. Ordinary Resolution no. 7**

#### **Proposed renewal of authority for the Company to purchase its own ordinary shares up to ten percent (10%) of its issued and paid-up capital ("Proposed Shares Buy-Back Authority")**

The proposed Ordinary Resolution no. 7, if passed, will empower the Directors to purchase shares in the Company up to an amount not exceeding ten percent (10%) of the issued and paid-up share capital of the Company as they consider would be in the interest of the Company. Further details on the Proposed Share Buy-Back Authority are provided in the Circular to Shareholders dated 29 April 2016.



# Notice of Annual General Meeting

## **10. Ordinary Resolution no. 8 Proposed Retention of Independent Director**

The Board has assessed the independence of the Director, YBhg Datuk Tay Puay Chuan who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:

- i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, provide a broader view and bring an element of objectivity to the Board.
- ii) During his tenure in office, he has not developed, established or maintained any significant relationship which would impair his independence as an Independent Director 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 his duties as Senior Independent Non-Executive Director and Chairman or member of the Board's Committees;
- iii) During his tenure in office, he has 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) He is 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 his tenure in office as Senior Independent Non- Executive Directors in the Company, he has not been offered or granted any options by the Company. Other than Director's fees and allowances paid which has been an industry norm and within acceptable market rates, duly disclosed in the Annual Reports, no other incentives or benefits of whatsoever nature had been paid to him by the Company;
- vi) His vast experience and legal background enabled him to provide the Board with a diverse set of experience, expertise and independent judgment; and
- vii) He has performed his duty diligently and in the best interest of the Company and provides 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 Twelfth Annual General Meeting of the Company.

# Notice of Nomination of Auditors

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

Date: 19 April 2016

The Board of Directors  
**GUAN CHONG BERHAD**  
PLO 273, Jalan Timah Dua,  
Kawasan Perindustrian Pasir Gudang,  
81700 Pasir Gudang,  
Johor

Dear Sirs,

## **NOTICE OF NOMINATION OF AUDITORS**

I, the undersigned, being a registered shareholder of Guan Chong Berhad ("**the Company**"), hereby nominate Messrs. BDO, for appointment as the new Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath at the forthcoming Annual General Meeting of the Company, pursuant to Section 172(11) of the Companies Act, 1965.

Therefore, I propose that the following resolution be considered at the forthcoming Annual General Meeting of the Company:-

*"That Messrs. BDO, having consent to act, be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Crowe Horwath, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."*

Yours faithfully,



.....  
Hia Cheng

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# 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 Twelfth Annual General Meeting of the Company to be held at Sri Ledang, 1st Hall, 2nd Floor, Mutiara Hotel, Jalan Dato Sulaiman, Taman Century, KB No. 779, 80990 Johor Bahru, Johor on Monday, 30 May 2016 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 2015		
2	Re-election of Hia Cheng as Director		
3	Re-election of YBhg Datuk Tay Puay Chuan as Director		
4	Appointment of Messrs BDO in place of retiring Auditors, Messrs Crowe Horwath and to authorize the Directors to fix their remuneration		
5	Authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
6	Proposed Renewal of Shareholders' Mandate		
7	Proposed Renewal of Share Buy-Back Authority		
8	Retention of YBhg Datuk Tay Puay Chuan 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 ..... 2016

Notes :

- Only depositors whose names appear in the Record of Depositors as at 23 May 2016 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.
- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on a show of hands or on a poll in his stead. There shall be no restriction as to the qualification of the proxy and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 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.
- 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 forty-eight (48) hours before the time for holding the meeting provided that 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).

- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. 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.
- 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.



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AFFIX  
STAMP

The Company Secretary

**Guan Chong Berhad** (646226-K)  
No. 7 (1<sup>st</sup> 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](http://www.guanchong.com)