O&C RESOURCES BERHAD (440503-K)

annualreport 2017

CONTENT

Buliding livable spaces ▪ for a better tomorrow

We differentiate ourselves by bringing together a diverse range of specialist skills from across our divisions to help clients solve even their most challenging property and infrastructure needs.

CORPORATE *INFORMATION*

BOARD OF DIRECTORS
Chairman/Independent Non-Executive Director
YAM Tunku Azudinshah Ibni Tunku Annuar

Group Managing Director
Ong Kah Hoe

Executive Director
Tee Tze Chern
Datuk Azrulnizam Bin Abdul Aziz

Independent Non-Executive Directors
Hj. Abdullah Bin Abdul Rahman
Dato' Lim Heng Ee
Lee Chin Cheh
Lim Teck Seng
Yap Sing Khon

AUDIT COMMITTEE
Yap Sing Khon *(Chairman)*
YAM Tunku Azudinshah Ibni Tunku Annuar
Hj. Abdullah Bin Abdul Rahman

NOMINATING COMMITTEE
YAM Tunku Azudinshah Ibni Tunku Annuar *(Chairman)*
Hj. Abdullah Bin Abdul Rahman
Lee Chin Cheh
Lim Teck Seng

REMUNERATION COMMITTEE
YAM Tunku Azudinshah Ibni Tunku Annuar *(Chairman)*
Ong Kah Hoe
Tee Tze Chern, JP
Hj. Abdullah Bin Abdul Rahman
Lim Teck Seng

OPTION COMMITTEE
Dato' Lim Heng Ee *(Chairman)*
Tan Ban Tatt
Lily Tee

RISK MANAGEMENT COMMITTEE
Ong Kah Hoe *(Chairman)*
Tan Ban Tatt
Tang Hang Lee

COMPANY SECRETARY
Ng Bee Lian (MAICSA 7041392)
Tan Tong Lang (MAICSA 7045482)

PUBLIC RELATIONS
Anthony Lee
Sense Consultancy
Tel: +6 03 6262 0651 / +6 012 338 3705
Email: anthony@leesense.com

REGISTERED OFFICE
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Taman Melaka Raya
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Tel: +6 06 281 5300
Fax: +6 06 281 5332

CORPORATE OFFICE
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6B, Persiaran Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya, Selangor
Tel: +6 03 7806 3003
Fax: +6 03 7880 4003

SHARE REGISTRAR
Symphony Share Registrars Sdn. Bhd.
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
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Fax: +6 03 7841 8151

AUDITORS
Crowe Horwath (AF1018)
Chartered Accountants
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: +6 03 2788 9999
Fax: +6 03 2788 9998

PRINCIPAL BANKERS
Malayan Banking Berhad
CIMB Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING
Main Market – Consumer Products
Bursa Malaysia Securities Berhad
Stock Name and Stock Code :
- OCR (7071)
- OCR-WC (7071WC)
- OCR-PA (7071PA)

(Listed on Bursa Malaysia Securities Berhad since 1999)

Corporate website: www.ocrbhd.com
Corporate email: corporate@ocrbhd.com

CORPORATE *STRUCTURE*

O&C RESOURCES BERHAD (440503-K)

A pioneer manufacturer and exporter of condoms and baby care accessories and subsequently diversified into property development and construction businesses.

Wholly-Owned Subsidiaries of O&C Resources Berhad:

1) **Takaso Rubber Products Sdn. Bhd.** (Co. No. 87327-V)
- Manufacturing of rubber products and baby products.

2) **Japlo Healthcare Sdn. Bhd.** (Co. No. 499674-H)
- Distribution and retailing of baby products.

3) **O&C Commerce Sdn. Bhd. *(F.K.A. Takaso Commerce Sdn. Bhd.)*** (Co. No. 961749-X)
- Retailing and trading of consumable products.

4) **Takaso Industries Pte. Ltd.** (Reg. No. 201133079W)
- Trading of electrical and mechanical products.

5) **O&C Construction Sdn. Bhd. *(F.K.A. Takaso Land Sdn. Bhd.)*** (Co. No. 1119151-W)
- Construction of residential and commercial properties and property development.

6) **Tristar City Sdn. Bhd.** (Co. No. 1147394-P)
- Property development and property investment.

7) **Grand Superland Sdn. Bhd.** (Co. No. 1148185-D)
- Dormant.

8) **Sunrise Meadow Sdn. Bhd.** (Co. No. 1185159-H)
- Property development and property investment.

9) **Kirana Masyhur Sdn. Bhd.** (Co. No. 1208642-U)
- Dormant.

10) **YP O&C Development Sdn. Bhd. *(F.K.A Lotus Leap Sdn. Bhd.)*** (Co. No. 1209403-K)
- Dormant.

Wholly-Owned Subsidiary of Takaso Rubber Products Sdn. Bhd. :

a) **Takaso Marketing Sdn. Bhd.** (Co. No. 413226-A)
- Marketing of rubber products and baby products.

51% | Owned Subsidiary of Takaso Industries Pte. Ltd. :

a) **P.T Takaso Indonesia Global Manufacturing** (Reg. No.: 15488.2014)
- Dormant.

Wholly-Owned Subsidiary of Grand Superland Sdn. Bhd. :

a) **Greatway Capital Sdn. Bhd.** (Co. No. 1219794-H)
- Dormant.

80% | Owned Subsidiary of Grand Superland Sdn. Bhd. :

a) **Visi Anggun Properties Sdn. Bhd.** (Co. No. 1200146-T)
- Dormant.

50.0005% | Owned Subsidiary of Kirana Masyhur Sdn. Bhd. :

a) **Mampan Esa (Melaka) Sdn. Bhd.** (Co. No.: 1063513-P)
- Dormant.

90% | Owned Subsidiary of O&C Resources Berhad :

a) **O&C Properties (Kuantan) Sdn. Bhd. *(F.K.A Jaringan Jasa Sdn. Bhd.)*** (Co. No. 1226161-P)
- Property development and property investment.

70% | Owned Subsidiaries of O&C Resources Berhad :

a) **O&C Development (Kuantan) Sdn. Bhd. *(F.K.A. Takaso Development (Kuantan) Sdn. Bhd.)*** (Co. No. 1142088-K)
- Property development and construction of residential and commercial properties.

b) **Pangkal Teguh Sdn. Bhd.** (Co. No 940148-A)
- Construction of residential and commercial properties, project management and real estate.

c) **Kita Mampan Sdn. Bhd.** (Co. No. 1058804-X)
- Construction of residential and commercial properties and real estate.

49% | owned Associate through Kita Mampan Sdn. Bhd.

a) **AES Builders Sdn. Bhd.** (Co. No. 246369-T)
- Construction of residential and commercial properties.

50.01% | Owned Subsidiary of O&C Resources Berhad :

a) **O&C Makok Isola Sdn. Bhd. *(F.K.A. Masbe Coffee Sdn. Bhd.)*** (Co. No. 937755-H)
- Property development and property investment.

BOARD OF *DIRECTORS*

YAM TUNKU AZUDINSHAH IBNI TUNKU ANNUAR

Age 47, Male, Malaysian
Chairman/Independent Non-Executive Director
Member of Audit Committee, Chairman of Nominating Committee and Chairman of Remuneration Committee

YAM Tunku Azudinshah Ibni Tunku Annuar was appointed to the Board as an Independent Non-Executive Director cum Chairman of the Board of Directors on 14 August 2015. He is a member of the Audit Committee and is Chairman of both the Nominating Committee and the Remuneration Committee of the Company since 28 October 2015.

YAM Tunku Azudinshah started his professional career in advertising with the International Agency AP: Foote, Cone and Belding where he managed numerous multinational accounts. He co-founded PRS Corporate Images and Orbitel.net, media companies and produced television programmes focusing on the "Halal Industry". Amongst its clients are Nestle, Sime Darby, Mentri Besar Inc (Terengganu), Formis and Inti Group. Premised on his experience with media and communications, YAM Tunku Azudinshah was elected to the board of the International Association of Business Communicators for a period of two years from 2001 - 2002. Currently, YAM Tunku Azudinshah serves as the Chairman of Semula Resources Sdn. Bhd. and Citarasa Kampung Sdn. Bhd.

YAM Tunku Azudinshah Ibni Tunku Annuar does not hold any directorships in other public companies but sits on the board of several private limited companies.

ONG KAH HOE

Age 43, Male, Malaysian
Group Managing Director
Member of Remuneration Committee and Chairman of Risk Management Committee

Mr. Ong Kah Hoe was appointed to the Board as a Non-Independent Non-Executive Director on 14 November 2014 and was re-designated as Executive Director on 2 April 2015. He was appointed as Group Managing Director of the Company on 19 August 2016. Mr. Ong is a member of the Remuneration Committee since 14 November 2015 and Chairman of the Risk Management Committee of the Company.

Mr. Ong graduated from the University of Coventry, U.K. in 1997 with a Bachelor Degree (Honours) in Business Administration.

Mr. Ong has over 15 years of property development and construction experience and has successfully led and completed numerous construction projects including residential and hotels. He is presently the Managing Director of OCR Land Holdings Group of Companies.

As Group Managing Director of OCR, he oversees the construction activities of the OCR Group as well as its property development segment.

Mr. Ong Kah Hoe does not hold any directorships in other public companies but sits on the board of several private limited companies.

Board of **Directors** (cont'd)

TEE TZE CHERN, JP

Age 52, Male, Malaysian
Executive Director
Member of Remuneration Committee

Mr. Tee Tze Chern, JP, was appointed to the Board as the Managing Director on 22 December 1998 and was re-designated as Executive Chairman on 27 December 2010, a post he held until his re-designation to Executive Director of the Company on 14 August 2015. Mr. Tee was re-designated from Chairman to member of the Remuneration Committee of the Company on 14 August 2015.

Mr. Tee graduated from the Rubber Research Institute with a Diploma in 1992. He has been a member of the Association of Overseas Technical Scholarship Malaysia since 1990 and a member of the Malaysian Institute of Management since 1992. He has over 25 years of experience in the baby products and condom industry. He has previously been invited to sit on SIRIM's Technical Committee on "Standard Specifications" under the ISO division in mechanical contraceptive in 1990.

Mr. Tee Tze Chern, JP, does not hold any directorships in other public companies but sits on the board of several private limited companies. Mr. Tee Tze Chern, JP, and Ms. Lily Tee are siblings. Ms. Lily Tee sits on the Board of the following subsidiaries of the Company alongside with Mr. Tee Tze Chern:-

a) Takaso Rubber Products Sdn. Bhd.
b) Takaso Marketing Sdn. Bhd.
c) Japlo Healthcare Sdn. Bhd.

DATUK AZRULNIZAM BIN ABDUL AZIZ

Age 47, Male, Malaysian
Executive Director

Datuk Azrulnizam bin Abdul Aziz, was appointed to the Board as the Executive Director on 23 December 2016.

Datuk Azrulnizam graduated from Wichita State University, Kansas United State America in 1994 with a Bachelor Degree in Marketing. His subsequent qualifications include Master of Business Studies in International Business from University of Hartford, Connecticut USA and leadership programme at Oxford University, Oxford United Kingdom.

Datuk Azrulnizam has over twenty (20) years' experience in the financial services industries. He served under 3 International banks; namely Citibank, Standard Chartered and Al-Rajhi Malaysia. His last post was the Chief Executive Officer of Al-Rajhi Banking & Investment Corporation Malaysia Berhad, a position he held for 3 years. Prior to Al Rajhi, he was the First Executive Director & CEO of Standard Chartered Sa'adiq Berhad, the Islamic arm for Standard Chartered Bank Malaysia. Datuk Azrulnizam specializes in addressing increasing regulatory requirements, stabilizing operations and portfolio management, driving business growth while maintaining high performance culture and efficient stakeholders' management.

He was voted as the SME Malaysia's Top 50 Movers & Shakers in 2012 by SME Magazine.

Besides OCR, Datuk Azrulnizam hold positions as Group Strategic Financial Advisor for Syarikat Perumahan Negara Berhad, an Independent Director for ASIAN Finance Bank and Non-Independent Non-Executive Director for AmMetLife Takaful Berhad. He also sits on the board of several private limited companies.

DATO' LIM HENG EE

Age 43, Male, Malaysian
Independent Non-Executive Director
Chairman of Option Committee

Dato' Lim Heng Ee was appointed to the Board as an Independent Non-Executive Director on 23 June 2016 and as Chairman of the Option Committee of the Company since 15 August 2016.

Dato' Lim graduated from the Honolulu University U.S.A. with an Executive Master of Business Administration and holds a Higher Diploma in London Chamber of Commerce & Industry.

Dato' Lim as a supporter of environmental protection, he has established Global Green Synergy Sdn. Bhd., a leading company in Malaysia provide solution for the treatment and processing of oil palm biomass to produce value-added biomass products. He is also actively involved in dialogues with the Malaysian Government in the development of Malaysia's National Biomass Strategy 2020.

Dato' Lim is the Deputy Executive Chairman of MCA Belt and Road Centre (MBRACE), Vice President of Malaysia-China Chamber of Commerce and Deputy President of China-ASEAN (Malaysia) Entrepreneurs Association. He is also the Corporate Advisor of Road King Infrastructure Ltd in South East Asia Region, a leading listed company in Hong Kong with its core business in the investment, development, operation and management of toll roads and property projects in the People's Republic of China. He has been awarded as Honorary Professor of City University Malaysia in 2016 and Honorary Professor of LuoYang Normal University in 2017.

Dato' Lim has also won few prestigious entrepreneur awards like the Malaysia winner of ASEAN Green Award, as well the world champion for Creative Young Entrepreneur Award in 2011 (World's first Chinese young entrepreneur winner of the award).

Dato' Lim Heng Ee does not hold any directorships in other public companies but sits on the board of several private limited companies.

LEE CHIN CHEH

Age 46, Male, Malaysian
Independent Non-Executive Director
Member of Nominating Committee

Mr. Lee Chin Cheh was appointed to the Board as an Independent Non-Executive Director on 23 June 2016 and as a member of the Nominating Committee of the Company since 15 August 2016.

Mr. Lee graduated from the University of Wolverhampton, United Kingdom, with a Bachelor of Laws LL.B.(Hons), and received his Certificate in Legal Practice from the Malaysia Legal Profession Qualifying Board in 1995. He was admitted to the roll of Advocate and Solicitor of the High Court of Malaysia in 1996.

Mr. Lee established Messrs. Lee, Ong & Partners, a firm of advocates and solicitors, in 1997 and is the Managing Partner of the firm.

He serves as a legal and business advisor to corporate entities in Malaysia and Singapore and also as legal advisor on local non-governmental organisations such as the Petaling Trade and Industry Association; the Petaling Jaya Coffee Shop and Restaurant Association; the Selangor and Kuala Lumpur Kwangsi Association; Petaling Hawkers Association; the Selangor Lee Clan's Association, etc. He currently serves as Council Member of Malaysia-Guangdong Investment Promotion Council.

Besides OCR, Mr. Lee also sits on the board of Pan Asia Corporation Limited, listed on the Australia Securities Exchange, as well as several private limited companies.

Board of **Directors** (cont'd)

LIM TECK SENG

Age 47, Male, Malaysian
Independent Non-Executive Director
Member of Nominating Committee and Member of Remuneration Committee

Mr. Lim Teck Seng was appointed to the Board as an Independent Non-Executive Director on 15 December 2016. He is a member of Nominating Committee and a member of Remuneration Committee of the Company since 15 December 2016.

He graduated with a degree in Bachelor of Science of Business Administration (Major in Finance) from University of Nebraska-Lincoln, United States of America.

He worked as Manager of Business Development of MIDF Sisma Securities Sdn. Bhd. in 2000 and promoted as General Manager (Dealing & Business Development) in 2005. He was appointed as the Vice President (Dealing-Equity Market) of MIDF Amanah Investment Bank Berhad in 2007.

Besides OCR, Mr. Lim also sits on the board of JP Apex Securities Berhad, Asia Poly Holdings Berhad, Apex Equity Holdings Berhad and AE Multi Holdings Berhad, as well as several private limited companies.

YAP SING KHON

Age 50, Male, Malaysian
Independent Non-Executive Director
Chairman of Audit Committee

Mr. Yap Sing Khon was appointed to the Board as an Independent Non-Executive Director on 13 March 2017. He is the Chairman of the Audit Committee of the Company since 13 March 2017.

Mr. Yap graduated with a Bachelor of Business (Accountancy) Degree with Distinction from the Royal Melbourne Institute of Technology, Melbourne, Australia. He is a Chartered Accountant of Malaysian Institute of Accountants, Certified Practising Accountant of CPA Australia and Certified Financial Planner of Financial Planning Association of Malaysia.

He started his career as an auditor with Messrs. Ernst & Young and subsequently joined PWE Industries Berhad and Clipsal Manufacturing (M) Sdn. Bhd. as Financial Controller/Finance Manager from 1993 to 2002. Currently, he is a Practitioner of a Chartered Accounting firm.

Mr. Yap Sing Khon does not hold any directorships in other public companies but sits on the board of several private limited companies.

HJ. ABDULLAH BIN ABDUL RAHMAN

Age 60, Male, Malaysian
Independent Non-Executive Director
Member of Audit Committee, Nominating Committee and Remuneration Committee

Hj Abdullah Bin Abdul Rahman was appointed to the Board as an Independent Non-Executive Director on 14 August 2015. He is a member of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee of the Company since 14 August 2015.

He graduated with a Bachelor Degree in Business in Business Administration from the Universiti Kebangsaan Malaysia ("UKM").

Hj. Abdullah had a long career path in management with Malayan Banking Berhad ("Maybank"). He has served in various capacities in banking operations and strategic innovation activities at branches, regionals and head office level of Maybank until his retirement from Maybank in 2012 after 30 years. As Head of Mortgage at Maybank, he was responsible for strategic and operational activities related to mortgage and property under Consumer Banking. His last appointment at Maybank was as the Head of Business Banking (EVP) in charge of small and medium enterprises, commercial and corporate units.

Hj. Abdullah Bin Abdul Rahman does not hold any directorships in other public companies but sits on the board of several private limited companies.

Notes:

1. ***Shareholdings in the Company and Subsidiaries of the Company***

   The direct and indirect interests of each Director in securities and warrants of the Company are set out on page 167 of this Annual Report.

2. ***Conflict of Interest***

   Save for the related party transactions involving Madam Lim Kwee Hua, spouse of Mr. Tee Tze Chern who is the Executive Director of the Company, and Mr. Ong Kah Hoe, the Group Managing Director of the Company, as disclosed on pages 48 to 50 of this Annual Report, none of the other Directors of the Company has any personal interest in any business arrangements involving the Company.

3. ***Conviction of Offences***

   None of the Directors of the Company have been convicted of any offences within the past five (5) years other than traffic offences, if any.

4. ***Board Meeting Attendances***

   The attendance record of the Directors at Board of Directors' meetings for the financial year ended 31 July 2017 is found on page 34 of this Annual Report.

5. ***Training Programmes, Seminars and Conference Attendances***

   The attendance record of the Directors at the training programmes, seminars and conferences for the financial year ended 31 July 2017 is found on pages 39 to 40 of this Annual Report.

KEY SENIOR *MANAGEMENT*

The management team is headed by the Group Managing Director, Mr. Ong Kah Hoe and assisted by the Executive Directors, and their profiles could be found under the Profile of Directors on pages 4 to 5 of the Annual Report. The profiles of other key senior management are as follows:-

TAN BAN TATT

Age 40, Male, Malaysian
Chief Financial Officer
Member of Option Committee

Mr. Tan Ban Tatt was employed by the Company as Chief Financial Officer on 16 May 2016. He is a member of the Option Committee of the Company since 15 August 2016 and a member of Risk Management Committee.

He graduated with a Bachelor Degree in Accountancy from the Universiti Putra Malaysia. He is a Chartered Accountant of the Malaysia Institute of Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Tan began his career in a Big 4 accounting firm as Assistant Manager before his appointment for 2 years, as Group Finance Manager in a public company listed in Malaysia. Mr. Tan joined a mid-size accounting firm in 2006 and was a Partner since 2014 till his departure in May 2016 to join the OCR Group.

Mr. Tan sits on the board of Asia Poly Holdings Berhad as an Independent Non-Executive Director and he also sits on the board of Pangkal Teguh Sdn. Bhd. and O&C Commerce Sdn. Bhd.

Mr. Tan does not have family relationship with any director and/or other substantial shareholders of the Company. He has not been convicted of any offences within the past five (5) years nor was there any public sanction or penalty imposed on him by any relevant regulatory bodies during the financial year. He is not a substantial shareholder in the Company and does not have any conflict of interest with the Company

LOKE WEI FENG

Age 44, Male, Malaysian
Chief Operation Officer

Mr. Loke Wei Feng was employed by the Company as Chief Operating Officer on 3 July 2017.

He graduated with a Bachelor of Civil Engineering from University Technology of Malaysia.

Mr. Loke began his career as Civil & Structural Design Engineer in year 1996. In year 2000, he was offered a position as Assistant Project Manager with MK Project Management Sdn Bhd before he joined Sunrise Berhad as Project cum Development Manager in year 2002.

During his career with Sunrise Berhad, he has involved in design brief, appointment in consultants, tracking of project schedule & project financial status, setting design directions for all development projects, conduct tender negotiation & recommendation of award, quality checking before hand-over & defects management. Mr. Loke left Sunrise Berhad in year 2007 and joined Capitaland Commercial Limited to take on overseas project in Vietnam. He was appointed as Country Management Representative in Company Environment Health & Safety (EHS) committee and Management Representative in Company Quality Management System (QMS) for Vietnam. He left Capitaland in December 2010 and assumed the position of Senior General Manager with UEM Sunrise Berhad in Jan 2011. He reports to CEO and supervise a team of 80 people, including 4 senior level staff.

His primary role in UEM Sunrise Berhad is to oversee multiple projects implementation, including strategizing, planning, monitoring and managing to ensure timely completion of each project within an established budget and quality standard, until the issuance of Final Certificate. After 5 years with UEM Sunrise Berhad, he joined MCT Berhad as Senior Project Director in year 2016 till June 2017. He reports to CEO and responsible for the end to end project planning and execution phase which include feasibility, design & development, tender, construction, cost management, EHS, etc.

He does not have family relationship with any director and/or other substantial shareholders of the Company. He has not been convicted of any offences within the past five (5) years. He does not have any conflict of interest with the Company and there was no public sanction or penalty imposed on him by any relevant regulatory bodies during the financial year.

ONG YEW MING

Age 42, Female, Malaysian
Chief Marketing Officer

Ms. Ong Yew Ming, graduated from the University of Western Illinois, United States of America, attained the Bachelor Degree in Business Studies.

In year 2004, she was appointed as Executive Director of Sales & Marketing in OCR Land Holdings Sdn Bhd. During her tenure with the company, she has involved in the acquisition of new land banks & product design development by conducting comprehensive feasibility study. She also involves in formulating and implementing effective marketing strategies and activities as well as product positioning and pricing strategies to ensure a premium product and optimal return on the investments.

Throughout her thirteen (13) years career, she has successfully launched more than 20 projects ranging from residential to mix-development. Today, Ms. Ong is overseeing Corporate Development Division includes sales & marketing, credit & leasing, digital marketing, corporate affair & branding.

Capitalizing her marketing competence, coupled with a strong personality, she is always dynamic in search of market opportunities, proving each time her leadership capabilities to lead her team in achieving remarkable performances over the 13 years in property industry.

Ms. Ong Yew Ming and Mr. Ong Kah Hoe are siblings. She has not been convicted of any offences within the past five (5) years nor was there any public sanction or penalty imposed on her by any relevant regulatory bodies during the financial year. The direct and indirect interests of Ms. Ong in securities and warrants of the Company are set out on page 167 of this Annual Report and she does not have any conflict of interest with the Company.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of O&C Resources Berhad ("OCR" or "Group") for the financial year ended July 31, 2017 ("FY2017").

CHAIRMAN'S *STATEMENT*

INDUSTRY TRENDS

The Malaysian economy grew by 5.7% in the first half of 2017, amidst improved market conditions that was mainly supported by growth in manufacturing and agriculture sectors. While the construction sector is expected to recover with mega infrastructure capital spending, the positive outlook is expected to be mainly driven by domestic demand activities and private consumption, sustained by continued wage and employment growth, and backed by government's growth stabilisation measures. OCR will continue to respond rapidly to the changing and challenging environmental in order to sustain and further develop our current business divisions.

In 2016, we witnessed major political developments amidst low commodity prices and a downturn in the oil and gas industry. The continued slow-down of China's economy, political uncertainty following the presidential elections in the United States of America, the possibility of Brexit in Europe as well as upcoming elections in other European countries contributed to the high volatility in financial markets.

The construction industry makes up an important part of the Malaysian economy due to the size of the industry and employment figures. It is considered as one of the most substantial economic drivers in Malaysia. The value of the construction industry is estimated at RM66.34 billion (US$15.01 billion with an exchange rate of 4.4) with a forecasted growth of 6.6 percent year-on-year for 2017, mainly attributed by the civil engineering sub-sector (33.2 percent). Source: National Resources BMI.

Construction growth was at 8.2% or RM140 billion in 2015 and 7.4% or RM166 billion in 2016. The astounding average construction growth of 11% during the 10th Malaysia Plan surpassed the performance of other economic sectors in Malaysia. In 2017, the construction sector is projected to grow by 8% to RM170 billion, mainly boosted by the numerous mega infrastructure projects in the country.

On the property segment, the Group expects the overall property market conditions to continue to be challenging, with bank lending rules remaining tight and oversupply persisting in certain sub-sectors. Nevertheless, the property market shall benefit from the more optimistic global economy outlook. With the positive momentum in performance of various sectors, we believe that demand for quality properties will be sustained on the back of healthy economic fundamentals.

FINANCIAL PERFORMANCE

FY2017 was a year of transition at OCR despite uncertain and challenging conditions in the manufacturing and trading segments. The Group returned to the black during the year under review, armed with robust underlying construction and property activities spurred by its steady earnings and orderbook replenishment.

In FY2017, OCR registered a revenue of RM88.8 million, which is a commendable improvement of 130.87% as compared to RM38.5 million achieved in the previous financial year ("FY2016"). The Group also registered a gross profit of RM27.8 million, a 234.9% increase from the previous year's of RM8.3 million. A big jump in earnings was observed, proving that the Group has successfully turned itself around. This was mainly attributed to revenue recognition from construction projects secured, which include the completion of Flexus Sofo @ Jalan Kuching.

Our construction segment contributed RM53.8 million or 60.6% to the Group's revenue in FY2017, followed by the trading segment with a contribution of RM27.6 million or 31.1%, while manufacturing contributed RM7.4 million or 8.4%. However, the property development has yet to achieve any revenue for FY2017. The Group has launched a property project namely Isola @ KLCC in October 2017. Having commenced construction of the said project, OCR expects the progressive revenue to contribute to the total revenue in FY2018.

Chairman's **Statement** (cont'd)

STRATEGIC REVIEW

OCR is not immune from global and local forces. Despite these significant influences, we have continued to operate our businesses steadily and reliably across our portfolio, turning the company around amidst delivering dependable growth. We took appropriate and deliberate actions to drive performance. With a fair balance of strength and resilience, prudence and sound enterprise risk management, we continued to navigate our way through challenges and intensify promotions of the Group's various businesses.

For the manufacturing division, we are seeing an increase in demand, driven by a growing population and customer base as well as the rapidly changing social marketing tools that help stimulate demand. The Group will continue to strengthen its capabilities and financial position by putting in efforts to mitigate the cost increments through various cost reduction initiatives, as well as to maintain prudent policies throughout our supply chain as we strive for improvement and enhance our value to our shareholders.

For our property development & construction division, the Group will continue to actively bid for new contracts and secure more engineering and construction works, particularly in areas where we have the competitive edge and a proven track record. We differentiate ourselves by bringing together a diverse range of specialist skills from across our divisions to help clients solve even their most challenging property and infrastructure needs. In 2016, these divisions had outperformed our expectations, with significant margin growth and robust performance delivery. This gives evidence of our long-term strategic commitment and depth of expertise in both divisions.

APPRECIATION

On behalf of the Board, I would like to extend my deepest appreciation to the Board of Directors, our management, staff, and business associates for their staunch faith and commitment that has kept OCR going and progressing to where it is today. I would also like to express my appreciation to our valued shareholders for their unwavering support.

Without a doubt, thank you to my Board members, for your constant support and utmost service to the Board throughout these challenging periods.

We will continue to explore new opportunities and enhance our existing businesses to deliver greater shareholders' value for all in the years ahead.

Creating value ▪ in all that we do

With a fair balance of strength and resilience, prudence and sound enterprise risk management, we continued to navigate our way through challenges and intensify promotions of the Group's various businesses.

MANAGEMENT DISCUSSION *AND ANALYSIS*

(1) OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Group Profile

O&C Resources Berhad ("OCR") is a public listed investment holding company involved in manufacturing, property development, and construction businesses. It was incorporated in Malaysia on 28 July 1997 as an investment holding company and listed in the Bursa Malaysia Securities Berhad.

The Group has emerged new and fresh with the new company name "O&C Resources Berhad" to replace the former Takaso Resources Berhad on 1 October 2015. The new name is a combination of the words "originality" and "credence" to reinforce the Company's principles in all its business undertakings which are original, credible, and reliable. In addition, the change of name is part of the Group's re-branding strategy to re-position itself with a new corporate identity for its existing and future business undertakings.

Then in years 2015 and 2016, OCR began actively re-positioning itself to ensure the generation of new sustainable revenue streams and improve future business performance. Consequently, the Group diversified into two revenue-generating divisions to-date, namely, construction and property development.

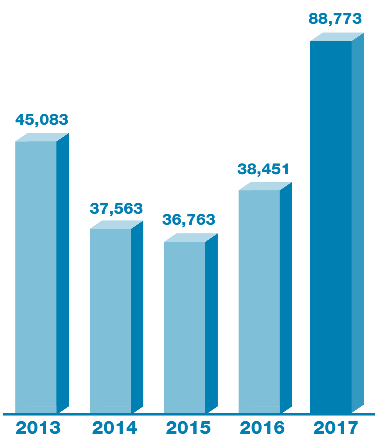
OCR has secured approximately 104 acres of land bank with a total gross development value of RM870 million. Currently OCR has a presence in the Klang Valley, Kuantan and Melaka with the first launched project of Isola @ KLCC in October 2017. For construction division, OCR has completed and successfully delivered the construction project, namely Flexus Sofo @ Jalan Kuching with contract sum totalling RM37.4 milion. OCR has recorded sterling new orders of RM670 million for the year of 2017.

		2013	2014	2015	2016	2017
Revenue	RM'000	45,083	37,563	36,763	38,451	**88,773**
(Loss)/ Profit before taxation	RM'000	(3,459)	(5,735)	(7,960)	(4,022)	**6,770**
(Loss)/ Profit after taxation	RM'000	(3,607)	(5,947)	(7,992)	(4,085)	**2,843**
(Loss)/ Profit after taxation attributable to owners of the Company	RM'000	(3,607)	(5,947)	(7,991)	(4,092)	**3,850**
Non-Controlling Interests	RM'000	-	-	(1)	8	**(1,007)**
Total assets	RM'000	55,662	50,410	59,358	141,619	**172,940**
Shareholders' equity	RM'000	41,976	39,085	48,522	85,564	**102,154**
Net tangible asset per share	**RM'000**	0.28	0.24	0.24	0.37	**0.37**
Net (loss)/ Earning per share	RM(sen)	(2.42)	(3.77)	(4.20)	(1.94)	**1.61**
Return on total assets		0.81	0.75	0.62	0.27	**0.51**
Return on equity		1.07	0.96	0.76	0.45	**0.87**

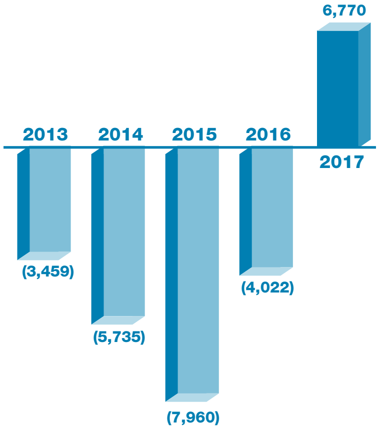
(1) OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS *(cont'd)*

Group Profile *(cont'd)*

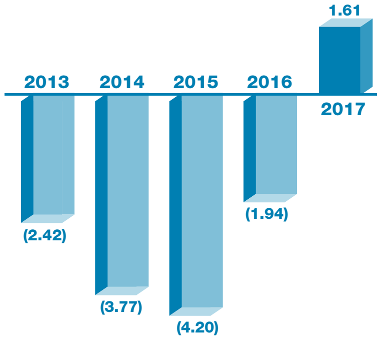
Revenue
(RM'000)



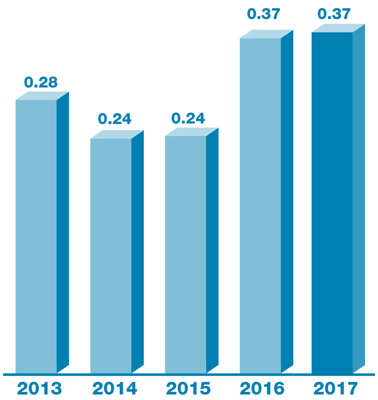
(Loss)/Profit Before Taxation
(RM'000)



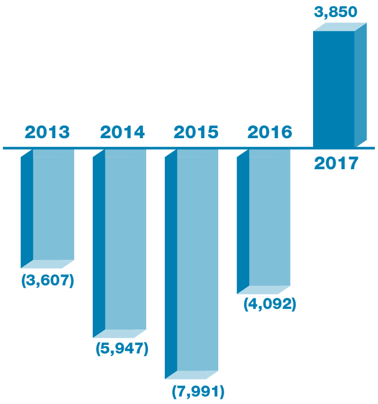
Net (Loss)/Earning Per Share
(RM'000)



Net Tangible Asset Per Share
(RM)



(Loss)/Profit After Taxation Attributable to Owners of the Company
(RM'000)



The Group achieved improved results for the financial year ended 31 July 2017, despite the challenging economic environment and market conditions which prevailed throughout the year. Both pertinent figures showed significant leap as compared to the previous year. Revenue recorded for the year in review stood at RM88.8 million as compared to the RM38.5 million recorded in the previous year. Meanwhile, profit before tax was registered at RM6.8 million, representing a growth rate of 268% over FY2016.

Moreover, we managed to secure contracts worth RM670 million and RM870 million for the construction and property divisions respectively. As a testament to our abilities and efforts over the past year, we have seen a big jump in our market capitalisation of approximately RM161 million as at 31 October 2017.

(2) FINANCIAL RESULT AND FINANCIAL CONDITION

Financial Performance Review

During the year under review, the Group has delivered robust results despite facing challenges in its business of manufacturing and marketing of condoms and baby products. The Group recorded a total revenue of RM88.8 million and profit before tax of RM6.8 million where both 130.87% grew by 268.32%. Construction segment accounted for 60.6% of the Group's total revenue. Revenue derived from manufacturing and trading segments accounted for 8.4% and 31.1% respectively.

The Group's revenue and profit before tax for year 2017 increased by RM50.3 million and RM10.8 million or about 130.87% and 268.32% respectively. The result was mainly contributed to progressive revenue and profit recognised from the construction projects secured, among which include the completion of Flexus Sofo @ Jalan Kuching project.

The profit before tax recorded in year 2017 of RM6.8 million was our best achievement thus far as compared to the latest reported loss before taxation of RM4 million for the financial year ended 31 July 2016.

The trading segment registered revenue of RM27.6 million in the financial year 2017 (FYE 2016: RM23.8 million). The stronger performance in year 2017 was mainly due to increase in demand of electrical and mechanical products ie. cable support and GI conduit in other Asian countries. Meanwhile, the manufacturing segment recorded revenue of RM7.4 million (FYE 2016: RM9 million). The marginally lower revenue for the financial under review was mainly attributable to decrease in sales of Japlo baby products.

The property development segment has yet to achieve revenue for the financial year 2017. On October 2017, the Group has launched a new project in the Klang Valley, namely Isola @ KLCC. Isola @ KLCC comprises 140 units of serviced residence, and has achieved a take up rate of 80% as at 31 October 2017. The said project expects to enhance the performance of the Group in future in view of the potential future profit contribution.

		Revenue		
		2017	2016	2015
Construction	RM'000	53,772	5,675	-
Trading	RM'000	27,582	23,752	27,565
Manufacturing	RM'000	7,419	9,023	9,198
Property development	RM'000	-	-	-

Financial Position Review

The Group's total assets increased from RM141.6 million in financial year 2016 to RM172.9 million in financial year 2017. The increases were mainly contributed by the following:

Trade and other receivables increased by approximately RM32.7 million as compared to last year's RM22.3 million. The increase was mainly due to a higher percentage of completion recognised for the construction projects achieved in year 2017, as compared to year 2016. The higher balance of outstanding was due to progress billings issued towards the end of the financial year.

Land held for development activities increased by approximately RM6.5 million was mainly due to acquisition of a piece of land in the State of Malacca.

The Group's trade and other payables has increased by 17.5% from RM42.2million to RM49.6 million. The increase was mainly contributed by the amount payable to the sub-contractors of the on-going construction projects.

The Group's total borrowings has increased from RM12.2 million to RM19.6 million. The additional borrowings during the financial year was mainly due to fund capital expenditure related to the construction projects.

(2) FINANCIAL RESULT AND FINANCIAL CONDITION *(cont'd)*

Financial Position Review *(cont'd)*

Share capital increased from RM57.1 million to RM68.7 million in the financial year ended 31 July 2017. This was mainly due to issuance of new shares pursuant to the exercise of warrants, employees' share options during the year.

Taking cognisance of this, the Group has made efforts to improve its financial performance and position, which includes, among others, the Group's acceptance of a construction contract which led to our Group's diversification of business to include construction. While maintaining the existing business undertakings, the Group has also expanded its initial foray in the construction business to include property development as well.

Dividends

No dividends were declared or paid in financial year 2017 given that the Group is still aggressively pursuing growth opportunities and its newly launched project is in the investment phase, prior to first handover of products sold to customers.

(3) REVIEW OF OPERATING ACTIVITIES

PROPERTY DIVISION

The Group diversified its businesses to include property development on 16 May 2016. Since the diversification, we have actively invested in acquiring prime land for development by way of outright purchase to offer market driven products. Currently in the pipeline, we have upcoming projects that have a combined GDV of RM870 million. As at 31 July 2017, there is no revenue contributed from the property division.

Project	Project Type	Estimated GDV (RM'000)
1. Isola @ KLCC	4 residential blocks	240,000
2. Kuantan project	Mixed development includes 34 retail outlets and 2 blocks of serviced residence	330,000
3. Melaka project	Mixed development includes 1 block of hotel and 1 block of serviced residence	134,000
4. PRIYA scheme	Mixed development which includes commercial development and affordable housing	166,000

Key Milestones

The first project to be rolled out in year 2017 was Isola @ KLCC, a 0.369-acre integrated development comprising 140 units of serviced residence strategically located along Jalan Yap Kwan Seng, Kuala Lumpur, compromises four residential blocks. The name "Isola" is derived from the Italian word meaning "Island", reflected in the masterplan of Isola @ KLCC, where each unit occupies a floor on its own.

The Group has teamed up with award-winning architectural firm Unit One Design for the project to create luxurious brand homes that is unique to the Malaysian market; incorporating innovative features that people have yet to experience. Another key element of the property would be the efficient automated car parking system that reflects the space-saving design inspiration and architecture.

Management Discussion **and Analysis** (cont'd)

OCR had on 7 October 2017 launched its latest luxury service residence project – Isola @ KLCC, a freehold project with a GDV of RM240 million targeted for completion by 2021.

(3) REVIEW OF OPERATING ACTIVITIES *(cont'd)*

Key Milestones *(cont'd)*

The Group has launched the Isola @ KLCC in October 2017 and has recorded a remarkable take up rate of 80% as at 31 October 2017.

Together with the development projects illustrated above, the Group sees great potential in this division and are confident that this will be a great source of profit for the Group.

CONSTRUCTION DIVISION

According to a report by the Construction Industry Development Board ("CIDB"), construction growth was at 8.2% or RM140 billion in 2015 and 7.4% or RM166 billion in 2016. The astounding average construction growth of 11% during the 10th Malaysia Plan surpassed the performance of other economic sectors in Malaysia. In 2017, the construction sector is projected to grow by 8% to RM170 billion, mainly boosted by the numerous mega infrastructure projects in the country.

Since the diversification of our construction division on 1 April 2015, construction has been the cornerstone of the Group. It recorded RM53.8 million in revenue and RM18.5 million in segmental profits, contributing 60.6% of the Group's revenue due to the progressive recognition from construction works. During the year under review, the construction division has completed 1 project with contract sum of RM37.4 million. The project is Flexus Sofo @ Jalan Kuching, which consists of 286 Signature Suite units, located along Jalan Kuching. This division grew significantly with an outstanding construction orderbook of RM670 million as at 31 July 2017. We are currently involved in a total of 6 projects across Sri Gading, Bukit Jalil and Putrajaya.

LIST OF NEW PROJECTS SECURED

Project	Project Type	Contract Value (RM'000)
• PRIMA Sri Gading	554 residential units across 5 apartment blocks of 11 storeys each, and 1 apartment block of 12 storeys	101,000
• PRIMA Bukit Jalil	Design, planning, procurement, construction and completion of project	155,000
• Tiara Bangi Homes	200 units of 4 stories Town Villa	90,000
• PPA1M Putrajaya	3 multi-storey residential blocks, multi-purpose hall, support building and facilities, and parking facilities	324,000

(3) REVIEW OF OPERATING ACTIVITIES *(cont'd)*

In 2017, the Malaysian Government has mandated that it will continue to solve the mismatch between supply and demand of low-cost housing projects, by supporting and providing affordable homes for the people in more strategic locations. Properties valued at RM500,000 and below are anticipated to see the most action from now onwards. With this, the Group is already taking advantage of this importance, and is currently working closely with Projek Perumahan Rakyat 1Malaysia ("PRIMA") for housing projects in Sri Gading and Bukit Jalil. Construction works of these two projects are expected to commence within the last quarter of 2017 after obtaining approvals from the local authorities. The contract values for these projects stand at RM101.1 million and RM155 million respectively.

OCR is also working with Perbadanan Putrajaya for Perumahan Penjawat Awam 1Malaysia ("PPA1M") project, which has a contract value of RM324 million. OCR is in the midst of fulfilling the precedent conditions of the agreement, and construction works are expected to begin within the last quarter of 2017, with completion by 2020.

The Group foresees that growth momentum in affordable housing development shall be sustained from now onwards, especially with the government's support in strengthening the management and delivery of affordable housing in Malaysia.

MANUFACTURING DIVISION

Established in 1997, OCR (formerly known as Takaso Resources Berhad) is a manufacturer and exporter of baby accessories and condoms in Malaysia. It produces well-known and reliable brands such as 'Japlo' baby products, which have been in the global market since the 1970s as well as 'Romantic' and 'Playsafe' condoms.

Takaso Rubber Products Sdn Bhd ("TRPSB"), the wholly-owned subsidiary of OCR is a Malaysian pioneer in the manufacturing of baby care products and sheath contraceptives since year 1978. The manufactured products are being distributed worldwide and comply with the highest quality and international safety standards. TRPSB is the first condom plant in Malaysia to be awarded the quality systems certificates of ISO 9001: 2008 and ISO 13485:2003 by SGS U.K Ltd Systems & Services Certification for the condom products.

The Manufacturing Segment reported a muted performance with a revenue of RM7.4 million. This only contributed 8.4% of the Group's overall revenue due to the slowdown in sales of rubber products and baby products, in view of rising raw material prices and operational costs for the past few years.

The Company is affected by the weaker export sales and margin squeeze on higher raw material costs due to the increasing operational costs in the manufacturing business. Apart from that, more local players are competing in the business of baby products and condoms, where consumers now have more choices for their babies and own well-being.

(3) REVIEW OF OPERATING ACTIVITIES *(cont'd)*

TRADING DIVISION

Established since year 2006, Takaso Industries Pte Ltd, a wholly-owned subsidiary of OCR is a major supplier of cable support system such as cable trunking, trays and ladders. Earlier this year, we started supplying high quality conduits and conduit fittings.

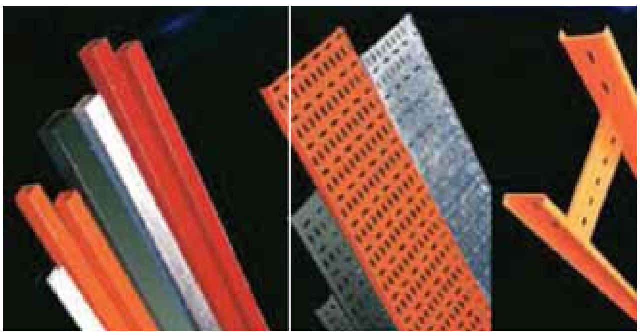
OCR aims to become a truly versatile company, a company that can gear up quick responses to market needs and changes overnight, a company that is trustworthy and reliable and seen by others as a market leader in its chosen field.

In addition, OCR is involved in the trading of electrical and mechanical products from Fore-Sight and VOLTEXC. Fore-Sight, is a leading manufacturer and fabricator of metal products, such as cable trunking, cable trays, and cable ladders. Whereas, VOLTEXC is a renowned Singapore-based brand that specialises in the supply of high quality conduits and conduits fittings. Overall, our market share of our trading products in Malaysia consists of 12% in Cable Support System and 20% in GI Conduit System, representing a top 5 trading position in Malaysia.

Some of our Major projects supplied include:

- The Sail @ Marina Bay
- Fusionopolis @ Solaris
- Upper Pickering Mixed Development/ Hotel
- Resorts World @ Sentosa
- Atrium/ Plaza Singapura A&A
- Scotts Square
- Capella Hotel @ Sentosa
- Intel Flash Micron @ Sembawang, Amirlity
- Seletar Camp 32 blks
- Roll's Royce @ Seletar
- Changi City Point

The Trading Segment reported a revenue of RM27.6 million which contributed 31.1% of the overall revenue. The increased revenue was due to the increase in trading of electrical and mechanical products, due to the weakening of the Malaysian Ringgit against the Singapore Dollar, seeing that most of our customers are based in Singapore.



Management Discussion and Analysis (cont'd)

(4) ANTICIPATED OR KNOWN RISKS

Undoubtedly, year 2017 was another challenging year that resulted from global economic growth and trade uncertainty. We witnessed asset price volatility, currency pressures, and low commodity prices. In particular, the continued capital outflow was a significant game changer. The Malaysian economy itself was not spared from these uncertainties.

Nevertheless, the Malaysian economy still managed to register a growth of 5.6% in the first quarter of 2017 (4Q 2016: 4.5%). The main driver of the growth was due to higher private sector activities, partly brought on by actions carried out by Bank Negara Malaysia ("BNM") to prevent depreciation of the currency. BNM had, during the beginning of the year, set new measures to boost the Malaysian Ringgit. In a statement, BNM had said that exporters may only retain up to 25% of export proceeds in a foreign currency, while the remaining 75% must be converted into Malaysian Ringgit. This measure is to enhance liquidity and encourage more domestic trade of the Malaysian Ringgit, leading to a more stable currency.

PROPERTY DIVISION

The Malaysian property market remained challenging and the slowdown in property market persisted in year 2017. This can be attributed to various factors: GST implementation, banks adopted stricter measures for the public to obtain property loans and economic uncertainties.

The division exercised greater prudence in product planning and project launches to ensure market relevance and strong take ups. The division has launched its first development project, Isola @ KLCC in October 2017 and has recorded an impressive 80% take up rate upon launch, a strong testament of the location strength and market confidence in OCR's properties.

CONSTRUCTION DIVISION

The construction industry faced issues of increasing raw material costs in view of the fluctuation in commodity prices and depreciating Malaysian Ringgit during the year. As for human resources, the construction industry depends heavily on foreign workers. The recent more stringent compliance rules and proposal of annual levy to be borne by employers would increase the overall construction costs.

To manage volatility in prices, the division has hedged its position to preserve project margins more effectively. New policy implementation, particularly those affecting the labour supply will be considered in future contract tenders.

MANUFACTURING DIVISION

The division faces weaker export sales and higher raw material costs. The increased cost consequently may result in lower margins. In addition, more players are competing for the same piece of cake in the baby products and condom industry. Competition is increasing and consumers now have more choices.

The group has been aggressively sourcing for new opportunities, continues to play a dominant role in the market and will focus in building a sustainable relationship with its distributors, retailers and consumers through strategic marketing efforts.

TRADING DIVISION

Similar with all trading industries, the Group has taken into consideration of economic factors such as currency risk and credit risk, as these factors could potentially affect the profitability of the Company.

Although currency risk is the largest potential risk of loss as the Company is being exposed to fluctuating foreign exchange rates, OCR's trading business does not involve much importing, but mainly in the export of goods. With the current weakening of the Malaysian Ringgit, our goods are much cheaper than other countries. Hence, this increases the demand of our products, especially in Singapore, as they are our main trading customer. With their support, we can maximise our earnings and create long term sustainability for the Company. Therefore, we will focus on building sustainable relationships with our current trading customers to ensure a long-term profit generated business.

(5) GROUP PROSPECTS

Despite the overall outlook for the global economy still showing signs of fragility, given its high susceptibility to adverse shocks, the Malaysian economy registered a robust growth of 5.7% in the first half of 2017, driven by domestic demand and export growth. The global economy is also expected to improve mildly in 2017 and 2018, supported by an increase in trade, industrial production and manufacturing, and accompanied by firming commodity prices.

PROPERTY DIVISION

Since our diversification into property development business a year ago, the Group has been actively undertaking plans to strengthen our financial performance and position in both medium and long term. We will continue to pursue our goals and objectives set to rationalise business while devoting resources to our property development segment, where we have competitive advantage and expect to see continuous growth. Like any business, success is all about understanding what our customers want and making sure we provide it – at the right time, in the right way, at the right price.

(5) GROUP PROSPECTS *(cont'd)*

PROPERTY DIVISION *(cont'd)*

Our focus in year 2018 will be very much on the development projects as below:

1.) Isola @ KLCC – A RM240 million GDV freehold luxury serviced residence at Jalan Yap Kwan Seng.
2.) PRIYA Scheme– A RM166 million GDV mixed development project on a 100-acre land in Kuantan, that will comprise 979 units of Terrace House 20'x70', 18 units of semi-detached house 40'x90', 112 units of semi-detached house 40'x80' and 41 units of shop lot.
3.) Kuantan Project –A RM330 million GDV mixed development project that comprises 34 retail outlets and 2 blocks of serviced apartments.
4.) Melaka Project – A RM134 million mixed development includes 1 block of hotel and 1 block of serviced residence.

Presently, we have one ongoing project with a total GDV of RM240 million as at October 2017. Our undeveloped land bank of with a total GDV of approximately RM630 million as at October 2017 paves way for our expansion and future growth strategy.

Apart from the above, OCR was awarded as Project Management Consultancy ("PMC") job from Yayasan Pahang for an affordable housing development scheme in Pahang. The PMC job is estimated to yield a profit of RM92 million over a 7 years period. Under the PMC agreement, OCR is to receive a fee of RM5,500 for each property selling at less than RM120,000 and RM8,000 for each property selling above RM121,000. There are total of 25,000 units of affordable houses under the development scheme. OCR has currently previewed the first 1,200 units and the response has been overwhelming.

In January 2017, OCR signed a Memorandum of Understanding ("MOU") with Universiti Sains Islam Malaysia ("USIM") Nilai to provide 4,200 student accommodation units on a Build-Operate-Transfer ("BOT") basis. We would likely sign the definitive agreement officially by year 2018. With this latest contract, OCR would be able to have a sustainable stream of earnings over the long term, ie more than 20 years, as rental would be received after the completion of construction works.

CONSTRUCTION DIVISION

According to a report by the Construction Industry Development Board ("CIDB"), construction growth was at 8.2% or RM140 billion in 2015 and 7.4% or RM166 billion in 2016. The astounding average construction growth of 11% during the 10th Malaysia Plan surpassed the performance of other economic sectors in Malaysia. In 2017, the construction sector is projected to grow by 8% to RM170 billion, mainly boosted by the numerous mega infrastructure projects in the country.

Malaysia's construction industry growth will be among the fastest in the world, from 2016 to 2020, supported by the Government's plan to improve the country's transportation network and tourism infrastructure, as well as to increase the volume of renewable projects. Additionally, the Government's efforts to address the country's housing shortage will help the industry continue its growth over the coming years.

Our construction division offers a full range of pre-construction and construction services which covers a broad range of professional services, from consulting and feasibility studies, to complete design, engineering and construction expertise to full project implementation. Our planners, designers, engineers, and builders work in concert throughout an entire project towards achieving the common goal of providing a quality services at competitive prices.

In the Review Period, the construction division has completed 1 project with total contract sum of RM37.4 million. This division's order book reached a high of RM795 million in October 2017 with new projects worth RM670 million secured during the year. These projects included a combination of in-house projects and external building works.

(5) GROUP PROSPECTS *(cont'd)*

CONSTRUCTION DIVISION *(cont'd)*

The major projects that will contribute significantly to the earnings of OCR going forward include:

1.) PR1MA Melaka – A contract sum of RM101 million, with 3 years completion period
2.) PR1MA Bukit Jalil – A contract sum of RM155 million, with 3 years completion period
3.) PPA1M Putrajaya – A contract sum of RM324 million, with 4 years completion period
4.) Tiara Bangi Homes – A contract sum of RM90 million, with 3 years completion period

With a prospective outlook of the construction sector going forward, our construction division will continue to provide integrated solutions for other building projects, delivering turnkey design and build capabilities. We are confident of orderbook replenishment in FY2018 and will leverage on our proven track record and competitive strength to seize future growth opportunities. Moving forward, the division will continue to enhance its proposition and strengthen its rapport with government agencies by supplying quality products in its existing projects. We will also continue to seek opportunities to diversify our business income stream, if feasibility study findings are favourable.

MANUFACTURING DIVISION

Our products contain a portfolio of brands that aim to deliver consistent, competitive, profitable, and responsible growth supported by investments in innovation and marketing. In the fast-moving consumer goods sector that we are in, changes manifest themselves in a number of ways. They give rise, for example, to local competitors. With their agile business models and proximity to consumers, these businesses are gaining their share in many of the markets we are in. In this environment, the opportunity exists to show that we can continue to develop a portfolio of brands with the right blend of global and local presence, supported by an organisational structure that is resilient enough to withstand shocks, yet agile enough to respond to rapidly emerging trends. We will remain prudent in our approach and shall be single-mindedly focused on building resilience and agility of our product portfolio.

TRADING DIVISION

As we move into 2017, uncertainties and changes seem likely to intensify, creating new challenges as well as opportunities for our trading business. The one sure prediction is that expectations about economic and monetary policy, currencies, and geopolitical risk will continue to fluctuate, bringing the prospect of enhanced volatility and changes in supply and demand of key commodities.

At OCR, we will continue to position ourselves to take advantage of the opportunities for further growth in this environment, while maintaining our focus on resilience and responsible risk management.

FORWARD LOOKING STATEMENT

Moving forward, OCR holds many promising prospects, with significant earnings visibility in the coming years. With the Malaysian government's initiatives to support the affordable home industry through various initiatives, OCR stands to benefit from it.

The growth of the construction industry will be driven mainly by infrastructure projects in the next 3 years. Huge projects like the ECRL, HSR, and MRT3, when implemented, will sustain job flows. We believe the property market will recover, especially with developments centred around MRT and LRT stations and railway terminals. These developments are generally high density with smaller built-ups and affordable pricing. In addition, the Government's emphasis on PR1MA housing schemes to build affordable housing will certainly help boost the prospects of the industry. For FY2018, we will focus on replenishing our orderbook and concentrate on building up our human resources to prepare for our next phase of expansion.

We constantly ensure that our business operations remain prudently managed. It is our priority to strive for growth and diversify our businesses sustainably, to ensure the viability of a business development that will create better value for our shareholders.

(5) GROUP PROSPECTS *(cont'd)*

FORWARD LOOKING STATEMENT *(cont'd)*

Going forward, we wish to capitalise on development opportunities with our existing landbank, remaining steadfast in our strategy on our construction division, as well as seizing new opportunities as they arise.

We expect our construction division to play a vital role in our growth trajectory. We are determined to continue the bidding of potential construction works that will be dished out in the future. With our state-of-the-art expertise, we believe that we can be the go-to party when it comes to construction projects in Malaysia - a step forward in taking the Group to greater heights.

CORPORATE SOCIAL *RESPONSIBILITY STATEMENT*

Giving back to the society has always been part of OCR's philosophy DNA. Over the years, the Company has been contributing back to the community through various efforts, such as monetary contributions, get-together activities as well as creating a corporate culture that practise mutual understanding towards the needy. OCR understands the responsibility of a corporation to provide timely assistance for the group that strives to survive in their daily life.

This July, during the Hari Raya festival, OCR hosted a Hari Raya Open House, inviting 15 orphans to share the joys of Raya celebration. The event was held at the Kuantan Sales Gallery @ Jalan Tun Ismail, which is the sales gallery for the PRIYA project.

In conjunction with this event, OCR made donation and sponsored goodie bags to the orphanage as a goodwill effort to the community. A representative from Pusat Kebajikan Darul Nisa At Thohirah (Dynasti), received the cheque from Ahmad Jamal, Sales & Operation Manager of OCR. It was the Company's wish to provide some hope and joy to the children by celebrating Raya with them.

Rumah Kebajikan Darul Nisa At Tohirah is a non-government and non-profit organisation in Kuantan, established by a group of Ustazah. The objectives of Rumah Kebajikan Darul Nisa At Tohirah are to give continuous efforts to help those in need and to be a caring society. The President, Ustazah Tohirah Sufi aims to help the less fortunate orphans, OKUs, and the poor around Kuantan, by injecting positive vibes and helping them develop noble personalities from both physical and spiritual aspects.

OCR management would like to assure the public on its commitment in Corporate Social Responsibility ("CSR") projects in the coming years. The Company believes that the society will be a better one if everyone does their part. This shall also encourage others to follow the path of doing more charity works. The Company wishes to extend its CSR activities to a broader group of people, by working together with schools, orphanages and NGOs in order to explore the needs of this community and provide appropriate assistance over time.

STATEMENT ON *CORPORATE GOVERNANCE*

The Board of Directors ("Board") of O&C RESOURCES BERHAD ("OCR") recognises the importance of corporate governance in ensuring that the interests of the Company and its shareholders are protected. The Board is committed to ensure that the Company and its subsidiaries (collectively the "Group") carries out its business operations within the required standards of corporate governance as set out in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012") and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board is pleased to provide the following statement which outlines the main corporate governance practices that were in place throughout the financial year ended 31 July 2017.

A. ROLES AND RESPONSIBILITIES

(I) Functions of the Board and Management

The Board is responsible for the performance and affairs of the Group and to provide leadership and guidance for setting strategic direction of the Group.

The Board has delegated to the Group Managing Director ("Group MD") the day-to-day management of the Group. The Group MD manages the Group in accordance with the strategies and policies approved by the Board. He also leads the senior management of the subsidiary companies in making, implementing and managing the day-to-day decisions on the business operations, the Group's resources and the associated risks involved while pursuing the corporate objectives of the Group.

The Group MD is supported by the Executive Directors and the Key Management team for the day-to-day management of the business and operations of the Group by ensuring that effective systems, controls and resources are in place to execute business strategies and plans entrusted to them. The Key Management team highlights to the Executive Directors the significant operational issues and concerns arisen from the normal business operation and the progress of the key initiatives undertaken by them. The Group MD and Management meets regularly to review and monitor the performance of the Group's operations and during Board meetings, he reports and updates the Board on the Group's business operations. The Key Management team analysed the financial results and discussed on various operational issues and factors that affected the operations. Instructions were given by the Board to the Key Management team to take necessary actions to rectify problems faced and preventive actions were taken to avoid recurrence similar problems in future.

Non-Executive Directors are not involved in the day-to-day management of the Group but contribute their own particular expertise and experience in the development of the Group's overall business strategy. Their participation as members of various Board committees of the Company also contributes towards the enhancement of the corporate governance and controls of the Group.

(II) Board Roles and Responsibilities

Broadly, the Board of the Company assumes the following principal roles and responsibilities in discharging its fiduciary duties:

- Review, evaluate, adopt and approve the strategic plans and policies for the Company and the Group;
- Oversee and monitor the conduct of the business and financial performance of the Company and the Group;
- Review and adopt budgets and financial results of the Company and the Group. It monitors the compliance with applicable accounting standards and the integrity and adequacy of financial information disclosure;
- Review and approve any major corporate proposals, new business ventures and joint-ventures of the Group;
- Review, evaluate and approve any material acquisitions and disposals of undertakings and assets in the Group;

A. ROLES AND RESPONSIBILITIES *Cont'd*

(II) Board Roles and Responsibilities *Cont'd*

- Identify principal risks and assess the appropriate risk management systems to be implemented to manage these risks;
- Establish and oversee the succession planning for the Company and the Group;
- Undertake various functions and responsibilities as specified in guidelines and directives issued by the regulatory authorities such as Bursa Securities from time to time; and
- Develop a corporate code of conduct to address, amongst others, any conflicts of interest relating to directors, major shareholders and/or management.

The Board is supported by various Board committees to provide oversight of management and to ensure appropriate checks and balances are in place. These Board committees include the Audit Committee, Nominating Committee, Options Committee, Remuneration Committee and Risk Management Committee. Each of these Board committees operates within its respective terms of reference that also clearly define its respective functions and authorities. The Risk Management Committee is scheduled to review the key risk registers and assessment of emerging risks identified on annual basis or on more frequent basis if circumstances required and to report to the Audit Committee on the results of the review and assessment.

The Board may form such other committees from time to time to promote operational efficiency. Notwithstanding these committees, the ultimate responsibility for decision still lies with the Board.

(III) Ethical standards through Code of Ethics

The Board will continue to adhere to the "Code of Ethics for Company Directors" established by the Companies Commission of Malaysia which is based on the following principles:

- Compliance with legal and regulatory requirements and Group policies;
- Observance of the Board Charter;
- Duty to act in the best interest of the Group;
- Honest and integrity;
- No conflict of interest;
- No-profit rule; and
- Relationships with stakeholders.

Key elements of its Code of Ethics are set out in the Group's Board Charter, a copy of which is available on the Company's website at www.ocrbhd.com.

(IV) Board Charter

The objective of the Group's Board Charter is to provide a guide and sets out the guidelines on the manner in which the Board's constitutional powers and responsibilities will be exercised and discharged and also, outlines the core principles of corporate governance to which the Group adopts and to which each Director or the Directors collectively, as the case may be, should strive for.

The Board regularly reviews its Charter to ensure it remains relevant and consistent with the Board's objectives and responsibilities and the prevailing standards of corporate governance. A copy of Board Charter is made available on OCR's website at www.ocrbhd.com.

(V) Sustainability Strategies

The Board views the commitment to promote sustainability strategies in the environment, social and governance aspects as part of its broader responsibility to all its stakeholders and the communities in which it operates. The Group will continue to put efforts in promoting sustainability initiatives for the communities in which it operates and the welfare of its employees. The Statement of Corporate Social Responsibility setting out its activities for the year just ended is found on page 29 of this Annual Report.

A. ROLES AND RESPONSIBILITIES *Cont'd*

(VI) Access to Information and Advice

The Directors have full and unimpeded access to information concerning the Company and the Group. Prior to Board and Board Committee meetings, the Directors are provided with the relevant agenda and Board papers in sufficient time, i.e. about seven (7) days earlier, to enable them to peruse and familiarise with the matters to be tabled for discussion at the meeting and to seek further clarifications, if any. The Board papers include reports on the Group's financial statements, operations, previous minutes and any relevant corporate developments and proposals.

Where necessary, senior management staff as well as the relevant professionals may be invited to attend Board and Board Committee meetings to brief the Directors.

The Board has the right to seek for independent professional advice at the expense of the Company in discharging its stewardship effectively and efficiently. With regards to this, the individual Director will first bring to the attention of the Chairman the purpose for such request for external advisers and the Management shall assist the Director to source for suitable advisors. Where relevant, the quotation and proposal from the independent professional adviser shall be tabled for the Board's deliberation and approval. The Board shall ensure that the engagement of independent professional advice is solely in the interest of the Group.

(VII) Qualified and Competent Company Secretary

The Company Secretary of the Company and the Group is a member of the Malaysian Association of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as company secretary pursuant to Section 235(2) of the Companies Act, 2016.

The Company Secretary is responsible to provide support and guidance in advising the Board on all secretarial matters of the Company, in particular the compliance of the Bursa Securities' MMLR and relevant rules and regulations, Company's Constitution, Board policies and procedures, boardroom effectiveness as well as the best practices on governance.

During the financial year under review and up to the date of this report, the Company Secretary had facilitated the Board on the following matters:-

- Organised and attended all Board and Board Committee meetings and ensured that meeting procedures were followed and deliberations at such meetings were well minuted;
- Prepared meeting agenda and documents required for the shareholders' meetings;
- Released announcements and submitted annual financial statements and annual reports to Bursa Securities on timely manner;
- Updated the Board on the amendments to Listing Requirements and guidelines and brought to the attention of the Board all circulars from Bursa Securities;
- Highlighted the Board all compliance and governance issues and advised the Board on achieving highest standard of corporate governance in accordance to the recommendations in the MCCG 2012; and
- Recommended available training programme for the Directors to attend.

The Company Secretary constantly keeps herself abreast of the regulatory changes and developments in governance through the updates from Bursa Securities and MAICSA.

The Board has recorded their satisfaction with the performance and support rendered by the Company Secretary to the Board in discharging her functions for the financial year ended 31 July 2017.

B. DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS

(I) Board Composition and Balances

The Board currently has nine (9) members comprising six (6) Independent Non-Executive Directors, including the Chairman, and three (3) Executive Directors, one of whom is the Group Managing Director ("Group MD"). A list of the entire OCR Board and their profiles are respectively set out on pages 4 to 9 of this Annual Report.

The composition of Independent Directors on the Board of OCR complies with the requirements of Bursa Securities' MMLR which stipulates that at least two (2) members or one-third (1/3) of the Board of Directors of a listed issuer, whichever is the higher, must be Independent Directors.

Further, Article 92 of the Company's Constitution provides that at least one-third (1/3) of the directors are subject to retirement by rotation at each Annual General Meeting ("AGM") and that all directors, including the managing director, shall retire at least once in every three years, and are eligible to offer themselves for re-election. Article 98 of the Company's Constitution also provides that a director who is appointed during the year shall be subject to re-election at the next AGM to be held following his appointment.

The current composition of the Board of OCR provides an adequate mix of knowledge, skills and expertise to assist the Board in effectively discharging its stewardship and responsibilities. It also appropriately reflects the interests of its shareholders to provide an effective leadership, strategic direction and necessary governance to the Group at optimum level.

(II) Time Commitment

The Board requires its member to devote sufficient time to carry out their duties as a Director and if applicable, as a member of the Board Committees, to effectively discharge their duties and to use their best endeavours to attend meetings.

The Board meets at least once on a quarterly basis with additional meetings being convened as and when necessary to consider urgent proposals or matters that require the Board's review or consideration. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

All the Directors of the Company had confirmed that they do not hold more than five (5) directorships in listed issuers and are in compliance with paragraph 15.08 of the MMLR of Bursa Securities. They are required to notify the Chairman of the Board before accepting any new directorships outside the Group and to indicate the time that will be spent on the new directorship.

B. DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS *Cont'd*

(II) Time Commitment *Cont'd*

During the financial year ended 31 July 2017, the Board met five (5) times and the attendances of the Directors at the Board meetings were as follows:

Directors	Attendance
YAM Tunku Azudinshah Ibni Tunku Annuar *(Chairman/Independent Non-Executive Director)*	5/5
Ong Kah Hoe *(Group Managing Director)*	5/5
Tee Tze Chern, JP *(Executive Director)*	5/5
Datuk Azrulnizam bin Abdul Aziz *(Executive Director)* *(Appointed on 23 December 2016)*	2/2
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Independent Non-Executive Director)* *(Retired from 19th AGM on 14 December 2016)*	1/3
Hj. Abdullah Bin Abdul Rahman *(Independent Non-Executive Director)*	5/5
Dato' Lim Heng Ee *(Independent Non-Executive Director)*	3/5
Lee Chin Cheh *(Independent Non-Executive Director)*	4/5
Lim Teck Seng *(Independent Non-Executive Director)* *(Appointed on 15 December 2016)*	2/2
Yap Sing Khon *(Independent Non-Executive Director)* *(Appointed on 13 March 2017)*	2/2

Dates of all Board and Board Committee meetings of the Company were unanimously agreed upon by each member of the Board prior to the start of the calendar year 2017. This is a measure to enable the Directors to achieve full attendance at all meetings of the Company and to comply with the MMLR of Bursa Securities which provides that the office of a director will become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a financial year. As an added contingency measure, dates of each Board and Board Committee meetings are re-confirmed by the Directors at least three (3) months in advance of such meetings.

Besides listing the meeting dates, information of closed periods for dealing in the quoted securities of OCR by Directors based on the targeted dates of announcements of the Group's quarterly results are set out in the calendar. Notwithstanding the yearly pre-set meeting dates, additional ad-hoc meetings may be called should the need arise.

Besides the Company Secretary, the Chief Financial Officer and Assistant Manager of Finance Division of the Company attends each Board meeting, as well as every Audit Committee meeting, on the standing invitation of the Chairman of the Board during the financial year ended 31 July 2017. Other senior staff may be invited to attend certain meetings if so required.

B. DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS *Cont'd*

(III) Appointment to the Board and Re-Election of Directors

The Board delegates to the Nominating Committee the responsibility of making recommendation on any potential candidate for appointment as a new director of the Company or recommend for re-election, Directors of the Company who are scheduled for retirement by rotation. Besides assessing the suitability of potential Board candidates, the Nominating Committee of the Company is responsible to ensure that the procedure for appointing new director is transparent and that appointments are made based on merit.

The process for the appointment of a new director is summarised in the following manner:

- The potential candidate is identified based on recommendations from past and present directors, senior management staff, shareholders and/or other consultants;
- In evaluating the suitability of candidates to the Board, the Nominating Committee considers the competency, experience, commitment, contribution and integrity of the candidate;
- Conduct interview with the potential candidate;
- The Nominating Committee deliberate the suitability of the candidate and makes recommendations to the Board which also includes recommendation for appointment as a member of the various board committees, where relevant; and
- Deliberation and decision to be made by the Board on the proposed new appointment including appointment to the various board committees.

Nominating Committee

The Company has a Nominating Committee which comprises exclusively of Independent Non-Executive Directors. The Nominating Committee meets as and when required, but at least once a year. The Nominating Committee has met once during the financial year.

The roles and responsibilities of the Nominating Committee are governed by its Term of Reference the Company, a copy which its Term of Reference is made available on Company's website. The key role of the Nominating Committee is to ensure (1) A formal and transparent procedure for the selection and assessment of candidates for Board appointments; (2) Assessment on the effectiveness of Board and its sub-committees as a whole and the contribution of the individual directors on an annual basis; and (3) Contribute towards ensuring the board composition meets the needs of the Company.

In fulfilling its roles, the Nominating Committee reviews and assesses candidates proposed for appointment to the Board and Board Committees of the Company as well as the directors standing for re-election at the AGM of the Company after which their recommendations are forwarded for decision by the Board.

For the financial year ended 31 July 2017, the following persons were appointed to the Board:-

- Lim Teck Seng (Appointed as Independent Non-Executive Director on 15 December 2016)
- Datuk Azrulnizam Bin Abdul Aziz (Appointed as Executive Director on 23 December 2016)
- Yap Sing Khon (Appointed as Independent Non-Executive Director on 13 March 2017)

The profiles of the abovementioned persons were provided to the Nominating Committee for consideration. The Nominating Committee had assessed the profiles of each of the abovenamed candidates in detailed. The criteria being taken into consideration for the selection includes their skills, knowledge, expertise, experience, professionalism, integrity, time commitment, character, competence and number of directorships which they held in other companies.

After deliberation, the Nominating Committee had concluded the abovenamed persons had met the criteria and had recommended them to the Board of Directors for their appointment as Directors of the Company.

B. DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS *Cont'd*

(III) Appointment to the Board and Re-Election of Directors *Cont'd*

Nominating Committee *Cont'd*

The Nominating Committee also assesses the effectiveness of the Board as a whole and the contribution of each Board Committee as well as each individual director on an annual basis and to ensure that the Board and its respective Board Committees has the appropriate balance of expertise and ability.

The Nominating Committee adopts the peer evaluation method to evaluate the performance of the directors of the Company. Annual review is conducted to assess the required mix of skills, experience and other qualities including core competencies which the executive and non-executive directors of the Company should bring to the Board, identify areas for improvement and review the succession plan for senior management in the Group.

Pursuant to its Term of Reference, the Nominating Committee of the Company shall be appointed amongst the Board members and shall comprise no fewer than two (2) members who shall be exclusively non-executive directors of the Company where a majority of whom must be independent.

The composition of the Nominating Committee and the meeting attendance of the Committee members are as follows:

Members	Attendance
YAM Tunku Azudinshah Ibni Tunku Annuar *(Chairman/Independent Non-Executive Director)*	1/1
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Member/Independent Non-Executive Director)* *(Resigned on 14 December 2016)*	N/A
Hj. Abdullah Bin Abdul Rahman *(Member/Independent Non-Executive Director)*	1/1
Lee Chin Cheh *(Member/Independent Non-Executive Director)*	1/1
Lim Teck Seng *(Member/Independent Non-Executive Director)* *(Appointed on 15 December 2016)*	1/1

The following were the activities undertaken by the Nominating Committee during the financial year ended 31 July 2017:-

- Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board and found it to be adequate as each director has different skills set from a diverse field of expertise and together, contribute much value to Board deliberations and Board decision making process;
- Reviewed and assessed the performance of each individual director independence of the independent directors, effectiveness of the board and board committees and were overall satisfied with the performance and contribution from the Board, Board Committees and individual directors;
- Reviewed the performance of the Chief Financial Officer in discharging his role;
- Reviewed the eligibility and suitability of Mr. Lim Teck Seng, Datuk Azrulnizam Bin Abdul Aziz and Mr. Yap Sing Khon, and recommended to the Board, their appointment as directors of the Company;
- Reviewed the terms of office and performance of Audit Committee on 21 June 2017.
- Reviewed the Directors standing for re-election under Article 92 and 98 of the Company's Constitution and gave their recommendation to the Board.

B. DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS *Cont'd*

(III) Appointment to the Board and Re-Election of Directors *Cont'd*

Nominating Committee *Cont'd*

During its meeting in 21 June 2017, the Board is satisfied with the size, composition and Board balance of the Company and the Nominating Committee was unanimous that the Chief Financial Officer has performed commendably and to their satisfaction in discharging the role of the chief financial officer, as defined by Bursa Securities, based on the quarterly reports received, feedback from both the internal auditors and external auditors and the comprehensive and timely reporting to the Board.

The Committee discussed and had recommended the following directors who have given their intention to seek for re-election, be put forward for re-election by the shareholders at the coming Twentieth AGM:-

(a) YAM Tunku Azudinshah Ibni Tunku Annuar (Article 92)
(b) Hj. Abdullah bin Abdul Rahman (Article 92)
(c) Lim Teck Seng (Article 98)
(d) Datuk Azrulnizam bin Abdul Aziz (Article 98)
(e) Yap Sing Khon (Article 98)

The Board at its meeting on 21 June 2017 was unanimous with and accepted each of the above recommendations from its Nominating Committee.

The Nominating Committee considers that it has discharged its duties as required under Paragraph 15.08(A)(3) of Bursa Securities' MMLR and has complied with Paragraph 2.20A of the MMLR.

(IV) Annual Assessment

The Nominating Committee reviews annually, the effectiveness of the Board and Board Committees as well as the performance of individual directors. The evaluation involves individual directors and committee members completing separate evaluation forms regarding the processes of the board and its committees, their effectiveness at and where improvements could be considered. The criteria for the evaluation are guided by the Corporate Governance Guide – Towards Boardroom Excellence.

The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow directors. These assessments and comments by all directors are summarised and discussed at the Nominating Committee which is then reported to the Board at board meeting held thereafter. All assessments and evaluations carried out by the Nominating Committee in the discharge of its duties are properly documented.

(V) Boardroom and Employee Diversity

The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, ethnicity and socio-economic background and recognises the benefit of this diversity. The Board views that while promoting boardroom diversity is essential, the normal selection criteria based on competencies, skills, extensive experience and knowledge to strengthen the board should remain a priority.

The Company has not set any specified target for boardroom diversity but will work towards achieving the appropriate boardroom diversity. Currently there is no female director on the Board of the Company.

B. DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS *Cont'd*

(V) Boardroom and Employee Diversity *Cont'd*

In OCR Group, all appointments and employments of staff are based on merit and not determined by gender, ethnicity and age bias. The current structure of gender, ethnicity and age of the employees of the Group are as follows:

Gender	Number of Employee	Percentage (%)
Male	90	47
Female	100	53
Total	190	100

Age	Number of Employee	Percentage (%)
19-30 years	66	35
31-40 years	56	29
41-50 years	39	21
Above 50 years	29	15

Ethnicity	Number of Employee	Percentage (%)
Malaysian Bumiputra	108	56
Malaysian Chinese	58	31
Malaysian Indian	1	1
Foreigners	23	12

C. INDEPENDENCE

(I) Annual Assessment of Independence

The Board appreciates the importance of independence and objectivity in its decision-making process as can be seen from its Board composition where five of the seven Board members are Independent Non-Executive Directors. The presence of Independent Non-Executive Directors is necessary in providing unbiased and impartial opinion, advice and judgment to ensure the interest of the Group, shareholders, employees, customers and other stakeholders in which the Group conducts its businesses are well represented and taken into account.

The Board, through the Nominating Committee, assesses the independence of its Independent Non-Executive Directors based on criteria set out in the MMLR of Bursa Securities.

The following persons who are the current Independent Non-Executive Directors of the Company have fulfilled the criteria of “Independence” as prescribed under Chapter 1 of the MMLR of Bursa Securities:

(a) YAM Tunku Azudinshah Ibni Tunku Annuar
(b) Hj. Abdullah Bin Abdul Rahman
(c) Dato’ Lim Heng Ee
(d) Lee Chin Cheh
(e) Lim Teck Seng (appointed on 15 December 2016)
(f) Yap Sing Khon (appointed on 13 March 2017)

At the annual assessment carried out on 21 June 2017, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and it will continue to conduct independence assessment annually with the assistance of the Committee to ensure that the Independent Directors are able to exercise independent judgement and act in the best interests of the Group.

C. INDEPENDENCE *Cont'd*

(II) Tenure of Independent Directors

As at the financial year ended 31 July 2017, none of the Independent Non-Executive Directors has served more than nine (9) years on the Board.

In the event the tenure of an Independent Non-Executive Director exceeds a cumulative term of nine (9) years, the Board shall make recommendation and provide justifications to shareholders at its general meeting should it seek to retain that Director as an Independent Non-Executive Director. This is because the Board is of the view that the independence of the Independent Directors should not be determined solely by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole in particularly their invaluable knowledge of the Group and its operations gained through the years. The qualification, calibre, experience and personal qualities particularly the Directors' integrity and objectivity in discharging his responsibilities in the best interest of the Company will determine the ability of a director to serve on effectively as an Independent Director.

(III) Separation of positions of the Chairman and Group Managing Director ("Group MD")

The positions of Chairman and Group MD of the Company are held by different individuals with distinct and separate roles to enhance governance and transparency. This is so that no individual has unfettered powers of decision-making and also to comply with good principles of Corporate Governance.

The Chairman is elected by the Board and will chair all Directors' and shareholders' meetings of the Company. The Chairman will ensure that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted.

The Group MD has overall responsibility for the Group's operational and business units, organisational effectiveness and implementation of board policies, directives, strategies and decisions. The Group MD also functions as the intermediary between the Board and the Management in that he ensures that Board decisions are carried out by Management.

(IV) Directors' Training

All the Directors of the Company have completed their Mandatory Accreditation Programme as required by Bursa Securities.

The Board believes that continuous training for Directors benefit the Board members in enhancing their skills and knowledge and enables them to discharge their duties effectively and also to comply with the MMLR of Bursa Securities. The Directors are therefore required to keep themselves abreast on current developments in the areas of their expertise by attending the relevant training programmes.

During the financial year ended 31 July 2017, the training programmes, seminars and conferences attended by the Directors of OCR were as follows:

C. INDEPENDENCE *Cont'd*

(IV) Directors' Training *Cont'd*

Directors	Training attended
YAM Tunku Azudinshah Ibni Tunku Annuar	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Ong Kah Hoe	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Tee Tze Chern, JP	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Datuk Azrulnizam Bin Abdul Aziz	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Hj. Abdullah Bin Abdul Rahman	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Dato' Lim Heng Ee	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Lee Chin Cheh	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Lim Teck Seng	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd.
Yap Sing Khon	- "In-House Corporate Training Programme – Management Discussion and Analysis and Dealing and Insider Trading" conducted by Tricor Corporate Services Sdn. Bhd. - "Preparing for the Structural Shift in Company Law" conducted by CPA Australia. - "Part 2 – Recognition and Measurement Principles of MPERS" conducted by CPA Australia. - "Preparing for the Structural Shift in Company Law – with the Latest Updates and Developments" conducted by CPA Australia. - "GST Post Implementation Issues – Latest Development" conducted by CPA Australia.

D. FINANCIAL REPORTING *Cont'd*

(I) Compliance with Applicable Financial Reporting Standards

It is the intention of the Board to provide a clear, balanced assessment of the Group's financial performance and prospects at the end of the financial year, through the annual audited financial statements and quarterly financial reports and corporate announcements on significant developments affecting the Company and the Group in accordance with the MMLR of Bursa Securities.

The Board is responsible to ensure the annual financial statements are prepared in accordance with the provisions of the Companies Act, 2016 (the "Act") and the applicable financial reporting standards in Malaysia.

The Board is assisted by the Audit Committee in the discharge of its duties on financial reporting and ensuring that the Group maintains a proper financial reporting process and a high quality financial reporting. The Audit Committee Report detailing its composition, terms of reference and a summary of activities during the financial year ended 31 July 2017 is set out on pages 52 to 56 of this Annual Report.

(II) Statement of Directors' Responsibility in respect of the Financial Statements

The Act requires the Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable financial reporting standards had been followed subject to any material departures being disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis.

The Directors are responsible for keeping accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Act and applicable financial reporting standards in Malaysia. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

(III) Assessment of External auditors

The Board maintains a transparent and professional relationship with its external auditors through the Audit Committee. Under the existing practice, the Audit Committee invites the external auditors to attend its meetings at least twice a year to discuss their audit plan and their audit findings on the Company's yearly financial statements. It is also during such meetings which the external auditors attend that the Audit Committee will have private meetings with the external auditors, without the presence of the Group MD and senior management, to enable the exchange of frank views on issues and to raise any matter that specifically requires the attention of the Audit Committee.

It is the duty of the Company to undertake an annual assessment of the quality of audit which encompassed the performance and quality of the external auditors and their independence, objectivity and professionalism. The Company has delegated this duty to the Audit Committee to undertake the assessment. The areas of assessment include the external auditors' calibre, quality processes, audit team, audit scopes, audit communication, audit governance, independence and audit fees.

D. FINANCIAL REPORTING *Cont'd*

(III) Assessment of External auditors *Cont'd*

To support the Audit Committee's assessment of their independence, the external auditors will provide the Audit Committee with a declaration on their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. For the year ended 31 July 2017, as is the custom, the declaration of the external auditors' independence is contained in their annual audit plan presented to the Audit Committee of the Company.

The Audit Committee ensures that the external auditors are independent of the activities they audit and will review the contracts for provision of non-audit services by the external auditors. The yearly recurring non-audit services were in respect of tax compliance and annual review of the Statement of Risk Management and Internal Control while the non-recurring non-audit services were in respect of factual findings for agreed-upon procedures and corporate exercise.

The amount of non-audit fees paid / payable to the external auditors by the Company and the Group respectively for the financial year ended 31 July 2017 were as follows:

	The Group		The Company	
	FYE 2017 RM	FYE 2016 RM	FYE 2017 RM	FYE 2016 RM
Statutory audit fees payable / paid to:				
Crowe Horwath ("CH")	**39,000**	34,000	**161,000**	105,500
Affiliates of CH	**–**	–	**–**	–
Total (a)	**39,000**	34,000	**161,000**	105,500
Non–Audit fees payable / paid to:				
CH	**–**	–	**4,000**	12,000
Affiliates of CH	**3,500**	3,000	**26,700**	12,400
Total (b)	**3,500**	3,000	**30,700**	24,400
% of non-audit fees (b/a)	**8.97%**	8.82%	**19.07%**	23.13%

In considering the nature and scope of the non-audit fees, the Audit Committee was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the external auditors.

Upon completion of the assessment, the Audit Committee will make recommendation for re-appointment of the external auditors to the Board. The proposed appointment will be subject to shareholders' approval at the AGM.

E. RISK MANAGEMENT

(I) Sound Framework to manage risks

The Board regards risk management and internal controls as an integral part of the overall management process. The Board assumes the responsibility in establishing a risk management framework and maintaining a sound system of risk management and internal control throughout the Group which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations but not limiting to financial aspects of the business but also operational and regulatory compliance. The ultimate objectives of sound risk management are to protect the Group's assets and safeguard shareholders' investments.

(II) Internal Audit Function

The Company outsourced its internal audit function to an independent internal audit service provider who reports directly to the Audit Committee. The function of the internal auditors is to assist the Audit Committee in providing independent assessment and review on the adequacy, efficiency and efficiency of the key controls and processes in the operating units as well as the governance aspect of the Group and to ensure compliance with the established policies and procedures of the Group. The Statement of Risk Management and Internal Control of the Company sets out the key elements of internal control and risk management of the Group as found on pages 57 to 62 of this Annual Report.

During the financial year under review, the Internal Auditors had conducted its internal audits covering a subsidiary of the Company namely O&C Makok Isola Sdn. Bhd. (F.K.A Masbe Coffee Sdn. Bhd.) on the project management, management information system ("MIS") and treasury management.

The Internal Auditors reports to the Audit Committee its detailed findings and follow-up reviews on the implementation status of the audit plans previously adopted by the management team.

(III) Remuneration Committee

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and to enhance shareholders' value. The Board's objective in this respect is to offer a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

For this purpose, the Remuneration Committee of the Company was set up with the primary function to set up the policy framework for recommending to the Board on remuneration packages and other terms of employment of the executive directors. The remuneration packages of executive directors are determined at levels which enable the Company to attract and retain candidates with the relevant experience and expertise to manage the business of the Group effectively.

Determination of the remuneration of the Non-Executive Directors is a matter which is decided by the Board as a whole, and not by the Remuneration Committee, with the directors concerned abstaining from the deliberations and voting on decisions in respect of his individual remuneration package. The Board will then on a yearly basis recommend the Directors' fees of its Non-Executive Directors to the shareholders for approval at the AGM.

E. RISK MANAGEMENT *Cont'd*

(III) Remuneration Committee *Cont'd*

The composition of the Remuneration Committee and the meeting attendance of the Committee members are as follows:

Members	Attendance
YAM Tunku Azudinshah Ibni Tunku Annuar *(Chairman/Independent Non-Executive Director)*	1/1
Ong Kah Hoe *(Member/Group Managing Director)*	1/1
Tee Tze Chern, JP *(Member/Executive Director)*	1/1
Hj. Abdullah Bin Abdul Rahman *(Member/Independent Non-Executive Director)*	1/1
Lim Teck Seng *(Member/Independent Non-Executive Director)* *(Appointed on 15 December 2016)*	1/1

Details of Directors' remuneration paid or payable to all Directors of the Company and of by the Group and categorised into appropriate components for the financial year ended 31 July 2017 are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Directors' fee	70	132
Salaries	457	–
Benefits in kind	–	3
Total Directors' Remuneration	527	135

Directors' remuneration for the financial year 31 July 2017 falls within the following bands:

	Executive Directors	Non-Executive Directors
Below RM50,000	2	8
RM150,000-RM200,000	1	–
RM200,000-RM250,000	–	–
RM300,000-RM350,000	1	–

Note: Details of directors' remuneration above include Director who has resigned during the year ended 31 July 2017.

F. ENSURE TIMELY AND HIGH QUALITY DISCLOSURES

As a Company listed on the Bursa Securities, the Board is duty bound to ensure that the Company adheres to and complies with the disclosure requirements of the Main Market MMLR of Bursa Securities and the Corporate Disclosure Guide issued by Bursa Securities.

The Board is well aware of the importance of timely and equal dissemination of material information to the shareholders, investors and the public at large and to this effect, the Board accords high priority in ensuring that information is made available and disseminated as early as possible.

The main channel of transmitting information on the Group, such as its latest announcements, is the website of Bursa Securities at www.bursamalaysia.com and also the Company's website at www.ocrbhd.com.

G. RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

(I) Shareholders' Communication and Investor Relation

The Company is committed to maintaining good communications with its shareholders and stakeholders alike. In this respect, information on the Group's financial performance and/or major developments are disseminated to the public as soon as practicable via appropriate channels of communication, chief of which is the Bursa LINK provided by Bursa Securities as well as the Company's website at www.ocrbhd.com

Another key source of information on the OCR Group is its Annual Reports and relevant circulars, press releases and press conferences, if so applicable, the quarterly financial results and the various disclosures and announcements to Bursa Securities issued in compliance with the MMLR.

The Group MD together with other Board members and relevant management staff are personally present at each AGM of the Company to engage directly with the shareholders and to account for their stewardship of the Company. Also at hand at each AGM yearly to address questions from the shareholders are key management staff and the external auditors of the Company.

The AGM held on 14 December 2016 was well attended by the shareholders and proxies.

(II) Annual General Meeting ("AGM")

Bursa Securities had on 27 December 2013 directed that annual reports of listed issuers in respect of the financial years ending on 31 December 2015 be issued within four (4) months from the close of its financial year end.

In compliance with this requirement, OCR's Annual Report 2017 will be issued on 20 November 2017 which is also the date of despatch of the notice of its Twentieth AGM. The coming Twentieth AGM, scheduled on 13 December 2017 (Wednesday), would provide the Company's shareholders with an avenue to raise any queries that they may have on the Company and the Group.

The Notice provides information to the shareholders regarding details of the AGM such as their entitlement to attend the AGM, their right to appoint proxy(ies) and information as to who may count as a proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company.

If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. In addition, the Constitution of the Company entitles a member to vote in person or by corporate representative, proxy or attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll if they were a member of the Company.

G. RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS *Cont'd*

(II) Annual General Meeting ("AGM") *Cont'd*

Each item of special business set out in the notice of AGM is accompanied with an explanatory statement in respect of the resolutions proposed and the Circular to Shareholders setting out the relevant information, would be submitted to the shareholders at least twenty-one (21) days prior to the meeting.

(III) Poll Voting

The latest amendments to the Listing Requirement require all resolutions set out in the notice of general meeting be voted by poll. As such, the Company will make the necessary arrangements to conduct poll voting at the forthcoming Twentieth AGM for all the proposed resolutions. The poll voting will be conducted manually for the purpose of determining the outcome of resolutions more efficiently.

The Company will brief the shareholders the proper procedure for poll voting at the commencement of the AGM. A scrutineer, who must be independent of the person undertaking the polling process, will be appointed to validate the votes cast at the general meeting and announce the results of voting.

(IV) Whistleblowing Policy

The Board has set up a Whistleblowing Policy which sets out the principle and grievance procedures for employees or members of the public to raise genuine concerns of possible improprieties perpetrated within the Group.

H. COMPLIANCE WITH THE MCCG 2012

The Board has deliberated, reviewed and approved this Statement on Corporate Governance and is satisfied that the Company has in all material aspects complied with the principles and recommendations of the MCCG 2012 during the financial year ended 31 July 2017.

ADDITIONAL
COMPLIANCE INFORMATION

A. SANCTIONS AND/OR PENALITIES

During the financial year, there were no sanctions and/or penalties imposed on the Group and its subsidiaries, Directors or management by any regulatory bodies.

B. MATERIAL CONTRACTS

Neither the Company nor the Group is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board does not have any knowledge of any proceedings, pending or threatened, against them or the Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

C. OPTIONS OR CONVERTIBLE SECURITIES

(I) Share Issuance Scheme

The Share Issuance Scheme of the Company (the "Scheme") which was established and implemented on 8 September 2016, is the only share scheme in existence during the financial year ended 31 July 2017.

No option had been offered and granted to the eligible employees of the Company for the financial year ended 31 July 2017. The total number of option granted, exercised and outstanding under the Scheme since its commencement up to 31 July 2017 are as set out in the table below:-

	No. of Scheme Options			
	Granted and Vested	**Exercised**	**Lapsed**	**Outstanding**
Eligible Employees	11,160,000	2,560,000	100,000	8,500,000

As at the end of the financial year ended 31 July 2017, the aggregate maximum allocation granted to eligible employees of the Group since commencement of the Scheme in percentage was 99.10%. Since the commencement of the Scheme, the allocations of options to the eligible employees have been fully granted.

The Option Committee, comprising the following members, was established to administer the Scheme in accordance with the objectives and regulations thereof and to determine participant eligibility, option offers and share allocations and to attend to such other matters as may be required:-

Members of the Option Committee

a) Dato' Lim Heng Ee *(Chairman/Independent Non-Executive Director)*
b) Tan Ban Tatt *(Member/Chief Financial Officer)*
c) Lily Tee *(Member/General Manager)*

(II) Warrants

Warrant C

Pursuant to a Deed Poll dated 28 July 2016, the Company issued 66,141,269 free detachable warrants ("Warrants C") to the entitled shareholders of the Company pursuant to the renounceable rights issue of 661,412,697 new irredeemable convertible preference shares of RM0.05 each in the Company ("ICPS") on the basis of three (3) ICPS for every one (1) existing ordinary share in conjunction with the issue of 661,412,697 renounceable rights issue at a nominal value of RM0.05 (these additional warrants are referred as "OCR-WC" on the Main Market of Bursa Securities).

As at 31 July 2017, 66,141,269 Warrants C have yet to be exercised, as disclosed in Analysis of Warrant C (OCR-WC) Holdings on pages 172 to 173 of this Annual Report.

Additional Compliance Information (cont'd)

D. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

Breakdown of the aggregate value of RRPT of revenue or trading nature transacted pursuant to the shareholders' mandate during the financial year ended 31 July 2017 is as follows:-

Transacting party within OCR Group	Transacting Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Actual Aggregate Value Transacted from 14 December 2016 (being the date the existing mandate was obtained) up to LPD RM'000
TRPSB	LIX	TRPSB sells semi-finish goods for condom products to LIX to do packaging and assembly as finished goods.	Interested Director TTC[(a)(b)]	–
		TRPSB sells finished goods for condom products to LIX who will then sell to the China market.		164
		TRPSB sells semi-finish goods for baby products such as bottles, pacifier and accessories to LIX to do packaging and assembly as finished goods.		33
		TRPSB sells finished goods for baby products such as bottles, pacifier and accessories to LIX who will then sell to China market.		240
TRPSB	LIX	TRPSB purchases semi-finish goods for condom products from LIX to do packaging and assembly as finished goods.	Interested Director TTC[(a)(b)]	6
		TRPSB purchases finished goods for condom products from LIX for selling in local market and export.		28
		TRPSB purchases semi-finish goods for baby products such as bottles, pacifier and accessories from LIX to do packaging and assembly as finished goods.		187
		TRPSB purchases finished goods for baby products such as bottles, pacifier and accessories from LIX for selling in local market and export.		557

D. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") *Cont'd*

Transacting party within OCR Group	Transacting Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Actual Aggregate Value Transacted from 14 December 2016 (being the date the existing mandate was obtained) up to LPD RM'000
TRPSB	LIX	TRPSB purchases packaging materials for baby products such as bottles, pacifier and accessories and spare parts from LIX.	Interested Director TTC[(a)(b)]	111
TMSB	LIX	TMSB purchases semi-finish goods and finished goods for condom and baby products such as bottles, pacifier and accessories from LIX.	Interested Director TTC[(a)(b)]	102
OCSB	OMSB	OMSB supplies construction materials to OCSB.	Interested Director OKH[(c)(d)]	–
OCR	AESB	OCR rent the office premise from AESB. <u>Particulars of the office premise</u> No. G.03A, No. 8.01, No. 16.01, Lower and Upper Penthouse Persoft Tower 6B, Persiaran Tropicana, Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor. Size: 22,757.50 Sq ft Tenancy Period: 1st Jan 2017 to 31st Dec 2022	Interested Director OKH[(c)(e)]	–
OCCSB	USB	USB awards a construction contract for Laguna Biru Project to OCCSB. <u>Phase 2, Parcel A</u> - 6 Block medium cost flats apartment including 17 floors of total 1224 units at Lot 5068, Kuang, Mukim Rawang, Daerah Gombak, Majlis Perbandaran Selayang, Selangor Darul Ehsan Expected completion: December 2017 Contract sum: RM20 million Contract costs: RM18 million	Interested Director OKH[(c)(f)]	16,152

D. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") *Cont'd*

Transacting party within OCR Group	Transacting Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Actual Aggregate Value Transacted from 14 December 2016 (being the date the existing mandate was obtained) up to LPD RM'000
OCR	UOSB	OCR rents the billboard from UOSB for advertising and marketing projects purpose. Period: 1 year commencing from January 2018	Interested Director OKH[(c)(g)]	–
OMISB	UOSB	OMISB rents the billboard from UOSB for advertising and marketing projects purpose. Period: 1 year commencing from January 2018	Interested Director OKH[(c)(g)]	79
PTSB	UOSB	PTSB rents the billboard from UOSB for advertising and marketing projects purpose. Period: 1 year commencing from January 2018	Interested Director OKH[(c)(g)]	–

Related Parties and Nature of Relationship

a) TTC is the Executive Director of OCR, a director of TRPSB and TMSB.
b) LKH is a Director and a major shareholder of LIX. She is also the spouse of TTC.
c) OKH is the Group Managing Director of OCR and a major shareholder of OCR with a direct interest of 8.64% and indirect interest of 15.57% by virtue of his interest in OCR Land, a company in which OKH is deemed interested pursuant to Section 8 of the Companies Act, and his parents and siblings' direct shareholdings as at LPD date.
d) OKH is a director and major shareholder of OMSB with a direct interest of 50% as at LPD date.
e) OKH is a director and major shareholder of AESB with a direct interest of 80% as at LPD date.
f) OKH is a director and major shareholder of USB with a direct interest of 35% as at LPD date.
g) OKH is a director and major shareholder of UOSB with a direct interest of 65% as at LPD date.

"LPD" is 17 October 2017, being the latest practicable date prior to the printing of this Annual Report.

E. UTILISATION OF PROCEEDS

(i) Right issue of Irredeemable Convertible Preference Shares ("ICPS") with warrants - 27 July 2016

On 27 July 2016, the Company announced that the rights issue of ICPS with warrants has been completed with the listing of 661,412,697 ICPS with 66,141,269 free detachable Warrants ("Warrant C") on the Main Market of Bursa Securities.

The proceeds from the Rights Issue of ICPS with warrants is utilised as follows:

Description	Proposed Utilisation RM'000	Actual Utilisation As At 31.07.2017 RM'000	Time frame for utilisation of proceeds
To be utilised as follows:			
Working capital			
- *Construction project*	3,000	3,000	Within 18 months
- *Property development project*	28,815	28,815	Within 24 months
- *Staff costs*	680	680	Within 6 months
- *Expenses in relation to the proposed ICPS*	575	575	Within 2 weeks
	33,070	33,070	

F. NON-AUDIT FEES

The amount of non-audit fees payable to the external auditors, Messrs. Crowe Horwath, by the Group for the financial year ended 31 July 2017 was RM4,000 being fees to review of the Statement on Risk Management and Internal Control for the Annual Report 2017.

AUDIT *COMMITTEE REPORT*

The Board of Directors of O&C RESOURCES BERHAD ("OCR") is pleased to present the Report of the Audit Committee ("AC") for the financial year ended 31 July 2017.

A. MEMBERS AND MEETING ATTENDANCE

Pursuant to its Terms of Reference, the AC of the Company shall be appointed amongst the Board members and shall comprise no fewer than three (3) members who shall be exclusively non-executive directors of the Company where a majority of whom, including the committee chairman, shall be independent director of the Company.

At least one (1) member must be a member of the Malaysian Institute of Accountants ("MIA") or possesses such other qualifications and/or experience as approved and prescribed by Bursa Securities. Chairman of OCR's AC, Mr.Yap Sing Khon, fulfills this requirement.

Membership of the AC and details of members' attendance at the five (5) meetings held during the financial year ended 31 July 2017 are as follows:-

Directors	Attendance
Yap Sing Khon *(Chairman/Independent Non-Executive Director)* *(Appointed on 13 March 2017)*	2/2
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Chairman/Independent Non-Executive Director)* *(Resigned on 14 December 2016)*	1/3
YAM Tunku Azudinshah Ibni Tunku Annuar *(Member/Independent Non-Executive Director)*	5/5
Hj. Abdullah Bin Abdul Rahman *(Member/Independent Non-Executive Director)*	5/5

The AC meetings of the Company were convened with proper notices and agenda and these were distributed to all members of the AC about two weeks before meeting. The minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and tabled at the Board meeting for the Directors' notation.

Besides the Company Secretary, the Chief Financial Officer and the Group Managing Director of the Company who attends each AC meeting, the internal auditors, the external auditors and other senior staff may be invited to attend certain AC meetings if so required, requested or invited by the Chairman of the Committee. Conversely, the external auditors and internal auditors may also respectively request a meeting with the AC if they consider it necessary.

The external auditors had attended three (3) AC meetings for financial year ended 31 July 2016; the first attendance is at the beginning of the financial year in September 2016 where they present the outcome of statutory audit of the financial year just ended 31 July 2016, the second attendance is in October 2016 that relates to approval of audited financial statements for financial year ended 31 July 2016, and the third attendance is in June 2017 which is the last meeting prior to the end of the financial year where they present their scope and audit planning memorandum in respect of the financial year in which audit is to be conducted. For financial year ended 31 July 2016, there were two (2) private sessions conducted where only the AC members and the Secretaries are present and the executive Board members and employees of the Company shall excuse themselves.

B. SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT COMMITTEE

The duties and responsibilities of the AC are set out in its Terms of Reference, a copy of which is available at the Company's website at www.ocrbhd.com.

The AC had undertaken the following activities and work during the financial year under review:-

(I) Financial Reporting

- Reviewed the quarterly financial statements and made recommendations to the Board for approval of the same as follows:

Date of Meetings	Review of Quarterly Financial Statements
14 December 2016	First quarterly report for the three (3) months period ended 31 October 2016.
22 March 2017	Second quarterly report for the three (3) months period ended 31 January 2017.
21 June 2017	Third quarterly report for the three (3) months period ended 30 April 2017.
27 September 2017	Fourth quarterly report for the three (3) months period ended 31 July 2017.

The above review was to ensure that the Company's quarterly financial reporting and disclosures presented a true and fair view of the Group's financial position and performance and were in compliance with the Malaysian financial Reporting Standard 134 – Interim Financial Reporting Standards in Malaysia and International Accounting Standard 34 – Interim Financial Reporting and applicable disclosure provisions of the MMLR of Bursa Securities.

Reviewed and made recommendations to the Board in respect of the audited financial statements of the Company and of the Group for the financial year ended 31 July 2017 on 25 October 2017. Prior to that, the AC had reviewed the status report on the Audit Plan for financial year ended 31 July 2017 prepared by the external auditors at the meeting held on 27 September 2017.

(II) External Audit

- Evaluated the performance of the external auditors for the financial year ended 31 July 2017 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance, independence and audit fees of the external auditors. The AC, being satisfied with their independence, suitability and performance of Messrs. Crowe Horwath ("CH"), had recommended to the Board for approval of the re-appointment of CH as external auditors of the Company and the Group for the ensuing financial year ended 31 July 2018 at the AC meeting held on 25 October 2017.

- Discussed and considered the audit issues arising from the audit with the external auditors. The AC also had private discussions with the external auditors on 22 September 2016 and 21 June 2017 without the presence of the management to discuss any problems and issues arising from the final audit.

- Reviewed with the external auditors, at the meeting held on 21 June 2017, the audit plan for the financial year ended of 31 July 2017 outlining the audit scope, methodology and timetable, audit approach, area of focus, fraud consideration and the new and revised auditors' reporting standards.

- Reviewed the Audit Review Memorandum for the financial year ended 31 July 2017 presented by the external auditors on 27 September 2017 entailing the significant audit findings, significant deficiencies in internal control, status of audit compliance with the ethical requirements on independence, communication with the AC, summary of audit adjustments, summary of unadjusted differences and total audit and non-audit fees.

B. SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT COMMITTEE *Cont'd*

(III) Internal Audit

- Reviewed the Internal Audit reports on the Company's subsidiaries.
  During the financial year under review, the AC reviewed the internal audit findings and recommendations to improve any weaknesses or non-compliance and the responses of the management thereto. The Internal Auditor updated the AC on the progress of the implementation of the Management's actions plans. AC monitored these progresses to ensure that all key risks and control weaknesses were properly addressed.

- Reviewed and approved the Internal Audit plan for financial year ended 31 July 2017 to ensure that the scope and coverage of the internal audit on the Group's operations is adequate and that all the risk areas are audited annually.

- Reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal auditor and that they have the necessary authority to carry out their work.

(IV) Recurrent Related Party Transactions

- Reviewed the Circular to Shareholders in connection with the Recurrent Related Party Transactions ("RRPTs") that arose within the Group to ensure that the transactions that arose within the Group are fair and reasonable and are not to the detriment of the minority shareholders.

The framework set up for identifying and monitoring the RRPTs includes the following:-

a) Identification

(i) A list of the Related Parties will be circulated to all heads of department within the OCR Group to notify that all transactions with the Related Parties are required to be undertaken on an arm's length basis, under normal commercial terms consistent with the Group's business practices and policies and on terms not more favourable to the Related Party(ies) than those generally available to the public and, are not to the detriment of the minority shareholders of OCR.

(ii) All companies within the OCR Group are required to inform the Management before entering into any RRPTs other than those entered into pursuant to the Proposed Shareholders' Mandate. In addition, all heads of department are advised to report to the Management all transactions involving Related Parties who will monitor and report to the AC for review on a quarterly basis.

b) Authorisation

(i) The pricing methods and procedures of the transactions are to be determined by market forces, under similar commercial terms for transactions with third parties, that depend on the demand and supply, quality and the availability of the products.

(ii) All types of RRPTs are carried out at arm's length and under the Group's normal commercial terms, and are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of OCR Group.

(iii) The Related Parties and Directors who are deemed interested have been advised of their responsibilities and obligations under the relevant MMLR, the Group's policy and procedures for RRPTs.

(iv) If a member of the Board or AC has an interest, direct or indirect, in any RRPT(s), he shall abstain from any decision-making by the Board or AC in respect of the said transaction(s).

B. SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT COMMITTEE *Cont'd*

(IV) Recurrent Related Party Transactions *Cont'd*

b) Authorisation *Cont'd*

(v) Where a transaction is valued at more than RM500,000, it will be reviewed and approved by the Board. Where a transaction is valued at RM500,000 or less, it will be reviewed and approved by a senior management staff who has been identified for this purpose and who shall have no interest in the transaction.

(vi) Wherever practicable and/or feasible, at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantial similar type of products/services and/or quantities. In the event that quotations or comparative pricing from unrelated third parties cannot be obtained for the proposed transactions, the Management will rely on the usual business norms and practices taking into account the efficiency, quality and type of support services to be provided to ensure that the RRPTs are not detrimental to the Group.

- The AC reviewed the procedures and processes every quarter to ensure that all transactions are within the approved mandate.
- Records of RRPT will be maintained and complied by the Group Finance Manager for submission to the AC for review.
- The AC will provide a statement that it has reviewed the terms of the RRPTs to ensure that such transactions are undertaken based on terms not more favourable to the related parties than those generally available to the public, not detrimental to the minority shareholders and are in the best interest of the Group.
- Disclosures will be made in the annual report on the breakdown of the aggregate value of the RRPT during the financial year based on the following information:
  - the type of the RRPT made; and
  - the names of the related parties involved in each type of the RRPT made and their relationship with the Group.

(V) Other Activities

- Reviewed and recommended to the Board for approval the AC Report and Statement of Risk Management and Internal Control and Statement on Corporate Governance for inclusion to the Annual Report 2017.
- Verified the allocation and movement of the Share Issuance Scheme (“SIS”) for the financial year ended 31 July 2017 to ensure that it had been carried out according to the criteria and procedures as contained in the SIS’s By-Laws.

C. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to an independent internal audit service provider who reports directly to the AC. The function of the internal auditors is to assist the AC in providing independent assessment and review on the adequacy, efficiency and efficiency of the key controls and processes in the operating units as well as the governance aspect of the Group and to ensure compliance with the established policies and procedures of the Group.

The Statement of Risk Management and Internal Control of the Company, which provides the key elements of internal control and risk management of the Group is set out on pages 57 to 62 of this Annual Report.

The Internal Auditors reported to the AC the detailed findings and follow-up reviews on the implementation status of the account plans previously adopted by the management team.

For the financial year ended 31 July 2017, the Internal Auditors had undertaken the following activities:-

- Tabled the Internal Audit Plan for the AC to review and endorse;
- Reviewed the existing systems, controls and governance processes of the operating units within the Group;
- Conducted audit reviews and evaluated the risk exposure and system of internal controls on reliability and integrity of financial and operational information, safeguarding of assets, efficiency of operations, compliance with established policies and procedures and statutory requirements;
- Provided recommendations and assist the operating units and the Group in accomplishing the internal control requirements by suggesting improvements to the control processes;
- Issued internal audit reports incorporating audit recommendations and Management's responses in relation to audit findings on weaknesses in the systems and controls to the AC and the management of the respective operations;
- Presented internal audit reports to the AC for review; and
- Follow-up review to ensure that the agreed internal audit recommendations are effectively implemented.

The cost incurred for the Internal Audit Function in respect of the financial year ended 31 July 2017 was approximately RM12,000.

The AC and the Board were satisfied with the performance of the Internal Audit Function for the financial year ended 31 July 2017 and have in the interest of greater independence and continuity in the internal audit function taken the decision to continue with the outsource for the internal audit function.

STATEMENT ON RISK MANAGEMENT *AND INTERNAL CONTROL*

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out one of the key responsibilities of the Board of Directors of a listed company is to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures to safeguard shareholders' investment and assets of the Group. This is intended that business decisions are made based on appropriate risk taking to achieve a proper balance between risks incurred and potential returns to shareholders in accordance with the Group's acceptable risk appetite.

Pursuant to Paragraph 15.26(b) and Practice Note 9 of the MMLR of Bursa Securities in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and in accordance with the Principles and Recommendations relating to risk management and internal controls provided in the Code as well as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors ("the Board") of O&C Resources Berhad ("the Company") (collectively with its subsidiaries, "the Group") is pleased to present the statement on the state of the internal controls of the Group for the financial year under review and up to the date of approval of this statement ("the Statement").

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility of maintaining a sound risk management and internal control system and of reviewing their adequacy and effectiveness so as to achieve the Group's corporate objectives and strategies. The Board is committed to the establishment and maintenance of an appropriate control environment and framework that is embedded into the corporate culture, processes and strategies of the Group. The Board, through its various committees, has continuously reviewed the adequacy and effectiveness of the system, in particular, the financial, operational as well as compliance aspects of the Group, throughout the financial year.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies and the process has been in place during the financial year and up to the date of approval of the Statement. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is assisted by its Group Managing Director and Executive Directors in implementing the Board's approved policies and procedures on governance, risk and control by identifying and analysing risk information; designing and operating suitable internal controls to manage and control these risks; and monitoring effectiveness of governance, risk management and control activities.

RISK MANAGEMENT

The Board recognise risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group systematically during the financial year under review.

The Group has established a formal enterprise risk management ("ERM") framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, the ERM framework aims to provide an integrated and organised approach entity-wide. The ERM framework approved by the Board adopts the ERM principles, methodology and process which are in line with the Enterprise Risk Management – Integrated Framework by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") and international Organisation for Standardisation ("ISO") 31000.

The Board had put in place a structured ERM Framework, as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group adequately and effectively as second line-of-defence.

Statement on Risk Management and Internal Control (cont'd)

RISK MANAGEMENT *Cont'd*

The ERM Framework established lay down the risk management principles and conservative risk appetite accepted by the Board with formalized governance structure of the risk management activities of the Group established as follows:

Clear roles and responsibilities of the Board, the Audit Committee, Risk Management Committee, Key Risk Officer, risk owners and internal audit function are defined in the ERM Framework with the terms of reference of Risk Management Committee and composition of the Risk Management Committee established by the Board. The Risk Management Committee is chaired by the Group Managing Director and with Chief Financial Officer is assigned as Key Risk Officer, supported by members made up of heads of department and business division.

The primary roles of the Risk Management Committee are as follows:

- implement the ERM framework as approved by the Board;
- develop and implement the risk management process which includes the identification of key risks and devising appropriate additional action plan in cases where existing controls are ineffective, inadequate or non-existence and communicate methodology to the risk owners;
- ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc), risk management policies and risk appetite/tolerance;
- periodic review and update of the key risk registers of the Group (on annual basis) and determination of corrective management action plan, if required; and;
- update the Board, through the Audit Committee, on changes to the key risk registers on periodical basis (at least on annual basis) respectively or when appropriate (due to significant changes to the register) and the course of action to be taken by management in managing the changes.

Systematic risk management process is stipulated in the ERM Framework, whereby each step of the risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the Risk Management Committee and the risk owners. Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating as well as control effectiveness rating established by the Board as stipulated in the ERM Framework. Based on the risk management process, key risk registers were compiled by the risk owners/ Risk Management Committee with relevant key risks identified rated based on the agreed upon risk rating for identification of high residual risks above the risk appetite that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. As an important risk monitoring mechanism, the Risk Management Committee is scheduled to review the key risk registers and assessment of emerging risks identified at strategic and operational level on annual basis or on more frequent basis if circumstances required and to report to the Audit Committee on the results of the review and assessment.

During the financial year under review, the Management convened a review and assessment exercise whereby existing strategic, governance and key operational risks were reviewed with emerging risks identified assessed and incorporated into the key risks register for on-going risk monitoring and assessment, after taken into consideration of the internal audit findings. Key risk profile, consists of strategic, governance and key operational risks, was compiled and tabled to the Audit Committee for review and deliberation and for its reporting to the Board, which assumes the primary responsibility of the risk management of the Group.

RISK MANAGEMENT *Cont'd*

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Group Managing Director and/or the Executive Directors and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite. In addition, specific strategic and key operational risks are highlighted and deliberated by the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first line-of-defence, respective risk owners are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks. Critical and material risks are highlighted to the Key Risk Officer and/or the Group Managing Director and/or the Executive Director(s) for the final decision on the formulation and implementation of effective controls.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan approved by the Audit Committee.

INTERNAL CONTROL

The Board receives and reviews regular reports from the Management on key financial data, performance indicators and regulatory matters. This is to ensure that matters requiring the Board's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Besides, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner. Issues relating to the business operations are highlighted to the board's attention during Board meetings. Further, independent assurance is provided by the Group's external auditors, internal audit function and the Audit Committee to the Board. The Audit Committee reviews internal control matters and update the Board on significant control gaps for the Board's attention and action.

The key salient features of the Group's systems of internal controls are as follows: -

- **Board of Directors/Board Committees**

  Board Committees (i.e. Audit Committee, Remuneration Committee and Nominating Committee) have been established to carry out duties and responsibilities delegated by the Board and are governed by written terms of reference approved by the Board.

  Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Group Managing Director and/or Executive Director(s) to the Board for their review and approval after taking into account risk consideration and responses.

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in formal code of Conduct as contained in the Board Charter established and approved by the Board. This formal code forms the foundation of integrity and ethical value for the Group.

  Code of conduct expected from the employees are incorporated in the employment letter.

INTERNAL CONTROL *Cont'd*

- **Organisation Structure and Authorisation Procedure**

  The Group has formal organization structures, supported by job descriptions for key positions, in place to ensure appropriate level of authorities and responsibilities are delegated accordingly to competent staffs in achieving operational effectiveness and efficiency. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated accordingly to competent staffs to ensure operational efficiency. Furthermore, there is close involvement in daily operations of the Group by the Managing Director and Executive Directors.

  The authorization requirement of the key internal control points of key business processes are included as part of the policies and procedures established by the Group.

- **Policy and Procedure**

  In compliance with the International Organisation for Standardisation ("ISO") certifications granted, the Group has documented policies and procedures developed and maintained in line with its ISO certifications with authorisation requirement for key processes stated therein. For business processes not under the ISO certifications, the Management develops and maintains documented process flow for key business processes employed with relevant authorisation requirement, if applicable.

- **Human Resource Management**

  The Group put in place consistent human resource practice throughout the Group to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

- **Information and Communication**

  At operational level, clear reporting lines established across the Group and operation and management reports are prepared for dissemination to relevant personnel for effective communication of critical Information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

  The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerized information system, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organization structure for review and decision making and management and board meetings are held for effective two-way communication of information at different level of management and the Board.

- **External Bodies Certification**

  Takaso Rubber Products Sdn. Bhd. is certified and is in compliance with the ISO 9001:2008 (Quality Management System) and Medical Device Directive 93/42/EEC Annex II of European Union.

INTERNAL CONTROL *Cont'd*

- **Monitoring and Review**

  Periodical management meetings are held to discuss and review financial and operational performance of key divisions/departments of the Group.

  Apart from the above, the quarterly financial performance review containing key financial results and previous corresponding financial results are presented to the Audit Committee for review and the Board for approval for public release.

  Furthermore, internal audits are carried out by the internal audit function (which reports directly to the Audit Committee) to assess the adequacy of internal controls in relation to specific critical control processes and highlights significant risks impacting the Group to the Audit Committee as well as recommending improvements to various processes to minimise the risks.

  The monitoring of compliance with relevant laws and regulations are further enhanced by independent review of specific areas of safety, health and environment by independent consultants engaged by the Group and/or relevant regulatory bodies.

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent professional firm, who, through the Audit Committee, provides the Board with much of the assurance it requires in respect of the adequacy of the Group's systems of the risk management and internal control. Internal audit plan (including any changes to the approved internal audit plan) in respect of financial year ended 31 July 2017 was drafted, after taking into consideration existing and emergent key business risks identified in the key risk profile of the Group, the changes in the business direction, the Senior Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As third line-of-defence, the internal controls review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls by the outsourced internal audit function through the review of the samples selected, subject to the nature of testing and verification of the samples.

During financial year ended 31 July 2017, the independent professional firm conducted high level control reviews on sales and marketing management, as well as management information system ("MIS"), project and treasury management for one (1) of its key operating subsidiary in accordance to the internal Audit Plan.

Upon the completion of the internal audit field work during the financial year, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans were presented and deliberated by the Audit Committee. Update on the status of action plans as identified in the previous internal audit report were presented at subsequent Audit Committee meeting for review and deliberation.

The cost incurred in maintaining the outsourced internal audit function for the financial year ended 31 July 2017 amounted to RM12,000.

ASSURANCE PROVIDED BY GROUP MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Group Managing Director, being highest ranking executive in the Company and Chief Financial Officer, being the officer, primarily responsible for the management of the financial affairs of the Company have provided assurance to the Board stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

CONCLUSION

Based on the review of the risk management process and internal control system as well as the monitoring and review mechanism stipulated above coupled with the assurance provided by the Group Managing Director and the Chief Financial Officer, the Board is of the opinion 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. 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.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group's governance, risk and control structures and processes. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to Paragraph 15.23 of the MMLR of Bursa Securities and in accordance with the Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 July 2017.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

DIRECTORS' **RESPONSIBILITY STATEMENT**

This Directors' responsibility statement is issued pursuant to paragraph 15.27(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in respect of the preparation of the audited financial statements of the Group and of the Company for the financial year ended 31 July 2017.

The Directors are required by law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cashflow of the Group and of the Company for the year ended.

In preparing the financial statements for the financial year ended 31 July 2017, the Directors have:-

- adopted the applicable accounting standards issued by the Malaysian Accounting Standards Board and applied them consistently;
- made estimates and judgements which are reasonable and fair;
- ensured that applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial positions of the Group and of the Company thus ensuring that the financial statements comply with the Companies Act, 2016. Further thereto, the Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with these requirements and have a reasonable expectation that the Group has adequate resources to continue its operation for the future and to continue to adopt a going concern basis in preparing the financial statements. The Directors also confirmed that the annual audited financial statements of the Group are properly drawn up to give a true and fair view of the state of affairs of the Group for the financial year ended 31 July 2017.

Delivering ▪
excellence

The Group will continue to strengthen its capabilities and financial position by putting in efforts to mitigate the cost increments through various cost reduction initiatives, as well as to maintain prudent policies throughout our supply chain as we strive for improvement and enhance our value to our shareholders.

FINANCIAL STATEMENTS

DIRECTORS' *REPORT*

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

RESULTS

	The Group RM	The Company RM
Profit/(Loss) after taxation for the financial year	2,842,927	(6,478,475)
Attributable to:-		
Owners of the Company	3,849,502	(6,478,475)
Non-controlling interests	(1,006,575)	–
	2,842,927	(6,478,475)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up ordinary shares from RM57,120,200 to RM68,745,171 by way of:-

(i) an issuance of 9,317,920 new ordinary shares from the exercise of Warrants 2011/2016 at the exercise price of RM0.35 per warrant;

(ii) an issuance of 2,560,000 new ordinary shares from the exercise of Share of Issuance Scheme ("SIS") at the exercise price of RM0.33 per share; and

(iii) an issuance of 16,768,800 new ordinary shares from the conversion of 16,768,800 Irredeemable Convertible Preference Shares ("ICPS") with combination of one (1) ICPS and RM0.45 in cash.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up unissued shares in the Company except for the share options granted pursuant to the Company's SIS below.

SHARE ISSUANCE SCHEME

The Company's SIS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 27 June 2012, and the SIS was implemented on 30 August 2012 and will be in force for a period of 5 years from the effective date. The share options had expired on 29 August 2017.

The details of the SIS are disclosed in Note 16(d) to the financial statements.

WARRANTS 2011/2016

Pursuant to a Deed Poll dated 26 July 2011 ("Deed Poll"), the Company issued 56,420,285 warrants ("Warrants B") in conjunction with the issue of 94,033,811 renounceable rights issue at a nominal value of RM0.25 in 2011.

The salient features of the Warrants B as stated in the Deed Poll are as follows:

(a) Each Warrant B entitles the registered holder to subscribe for one ordinary share at an exercise price of RM0.35 per ordinary share;

(b) The exercise price and the number of Warrants B are subjected to adjustment in accordance with the conditions provided in the Deed Poll;

(c) Where a resolution has been passed for a members' voluntary winding-up of the Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then;

   (i) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant B holders, or some persons designated by them for such purpose by a special resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant B holders; and

   (ii) in any other case, every Warrant B holder will be entitled to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by that Warrant B to the extent specified in the exercise forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new ordinary shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company will give effect to such election accordingly.

(d) The exercise period is approximately 5 years from the date of issue to the expiry date on 4 September 2016; and

(e) The Warrants B which have not been exercised will lapse and ceased to be valid for any purpose.

The Warrants B were granted for listing and quotation with effect from 13 September 2011.

There were a total of 9,317,920 Warrants B being exercised and 7,225,965 Warrants B being lapsed up to the expiry date on 4 September 2016. These expired warrants were removed from the official List of Bursa Malaysia Securities Berhad with effect from 5 September 2016.

The movement of Warrants B during the financial year is as follows:-

	Entitlement of Ordinary Shares			
	At 1.8.2016	Exercised	Lapsed	At 31.7.2017
Number of unexercised Warrants B	16,543,885	(9,317,920)	(7,225,965)	–

WARRANTS 2016/2021

Pursuant to a Deed Poll dated 28 July 2016 ("Deed Poll"), the Company issued 66,141,269 free detachable warrants ("Warrants C") to the entitled shareholders of the Company pursuant to the renounceable rights issue of 661,412,697 new irredeemable convertible preference shares of RM0.05 each in the Company ("ICPS") on the basis in conjunction with the issue of 661,412,697 renounceable rights issue at a nominal value of RM0.05 in 2016.

The salient features of the Warrants C as stated in the Deed Poll are as follows:

(a) Each Warrant C entitles the registered holder to subscribe for one ordinary share at an exercise price of RM0.50 per ordinary share;

(b) The exercise price and the number of Warrants C are subjected to adjustment in accordance with the conditions provided in the Deed Poll;

(c) Where a resolution has been passed for a members' voluntary winding-up of the Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then;

   (i) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant C holders, or some persons designated by them for such purpose by a special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant C holders; and

   (ii) in any other case, every Warrant C holder shall be entitled upon and subject to the conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or the granting of the court order approving the compromise or arrangement (as the case may be), to exercise their Warrants by submitting the exercise from duly completed authorising the debiting of his Warrants together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.

(d) The exercise period is approximately 5 years from the date of issue expiring on 24 July 2021; and

(e) The Warrants C which are not exercised during the exercise period will thereafter lapse and void.

The Warrants C were granted for listing and quotation with effect from 28 July 2016.

As at 31 July 2017, 66,141,269 Warrants C have yet to be exercised.

The movement of Warrants C during the financial year is as follows:-

	Entitlement of Ordinary Shares			
	At 1.8.2016	**Exercised**	**Lapsed**	**At 31.7.2017**
Number of unexercised Warrants C	66,141,269	–	–	**66,141,269**

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 34 to the financial statements. At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, 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

The names of directors of the Company who served during the financial year until the date of this report are as follows:-

Ong Kah Hoe
Tee Tze Chern, JP
Tunku Azudinshah Ibni Tunku Annuar
Abdullah Bin Abdul Rahman
Dato' Lim Heng Ee
Lee Chin Cheh
Lim Teck Seng (Appointed on 15.12.2016)
Datuk Azrulnizam Bin Abdul Aziz (Appointed on 23.12.2016)
Yap Sing Khon (Appointed on 13.3.2017)
Ahmad Ruslan Zahari Bin Zakaria (Resigned on 14.12.2016)
Yong Mong Huay (Resigned on 15.08.2016)
Tan Ooi Jin (Resigned on 15.08.2016)

The names of directors of the Company's subsidiaries who served during the financial year until the date of this report, not including those directors mentioned above, are as follows:-

Abdul Hamid Bin Busu
Arlida Binti Ariff
Badrushah Bin Abdul Rahim
Lew Wai Kong
Lily Tee
Mohd Zabidi Bin Yaakub
Muhammad Suleiman Bin Mohd Amin
Muhammad Yusuf Bin Mohd Amin
Ong Kah Wee
Ong Yew Ming
Shahran Bin Yahya
Tan Ban Tatt
Toh Foo Hing
Yong Mong Huay
Lim Boon Huay (Resigned on 2.12.2016)
Yap Kian Mun (Resigned on 2.12.2016)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares			
	At 1.8.2016	Bought	Sold	At 31.7.2017
Direct Interests in the Company				
Ong Kah Hoe	16,087,300	6,873,700	–	**22,961,000**
Tee Tze Chern, JP	88	–	–	**88**
Indirect Interests In The Company				
Ong Kah Hoe*	41,378,800	–	–	**41,378,800**

	Number of ICPS			
	At 1.8.2016	Bought	Sold	At 31.7.2017
Direct Interests in the Company				
Ong Kah Hoe	48,261,900	–	–	**48,261,900**
Indirect Interests In The Company				
Ong Kah Hoe*	123,536,400	–	–	**123,536,400**

	Number Of Warrants 2016/2021			
	At 1.8.2016	Bought	Sold	At 31.7.2017
Direct Interests in the Company				
Ong Kah Hoe	4,826,190	–	–	**4,826,190**
Indirect Interests In The Company				
Ong Kah Hoe*	12,353,640	–	–	**12,353,640**

* *Deemed interested by virtue of his substantial shareholding in OCR Land Holdings Sdn. Bhd. and via his parents and siblings.*

^ *Deemed interested via his father's shareholdings in the Company.*

By virtue of his shareholding in the Company, Ong Kah Hoe is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares and/or warrants in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 32 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 31 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of insurance premium paid for the directors of the Company are RM763. There is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group or the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 37 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 38 to the financial statements.

AUDITORS

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

The auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed in accordance with a resolution of the directors dated 2 November 2017.

Ong Kah Hoe

Datuk Azrulnizam Bin Abdul Aziz

STATEMENT ***BY DIRECTORS***

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Ong Kah Hoe and Datuk Azrulnizam Bin Abdul Aziz, being two of the directors of O&C Resources Berhad, state that, in the opinion of the directors, the financial statements set out on pages 80 to 163 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 July 2017 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, 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 in accordance with a resolution of the directors dated 2 November 2017.

Ong Kah Hoe

Datuk Azrulnizam Bin Abdul Aziz

STATUTORY ***DECLARATION***

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Ong Kah Hoe, being the director primarily responsible for the financial management of O&C Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 80 to 163 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
Ong Kah Hoe,
at Kuala Lumpur
on this 2 November 2017

Ong Kah Hoe

Before me

Datin Hajah Raihela Wanchik
Commissioner for Oaths
No. W275

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF O&C RESOURCES BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of O&C Resources Berhad, which comprise the statements of financial position as at 31 July 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 163.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

We have determined the matters described below to be the audit matters to be communicated in our report.

Inventories - Property Development Cost
Refer to Note 4.1(c), 4.11(b), 4.19(a)(ii) and 9(b) to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
Property development revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract). In making the estimate, management relies on opinion/service of experts, past experience and the continuous monitoring mechanism. Our audit procedures included, amongst others:	(i) Reviewed the budgets prepared by management for property development projects. (ii) Reviewed actual development costs incurred to determine its appropriateness and that they are recorded in the correct accounting period. (iii) Reviewed the accounting treatment for the borrowing costs incurred on property development projects in accordance with the requirements of MFRS 123 Borrowing Costs. (iv) Performed site visit to assess the status of the development projects.

Independent Auditors' Report

to the members of O&C Resources Berhad (cont'd)

Key Audit Matters *Cont'd*

Trade and other receivables Refer to Note 4.1(h), and 10 to the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The Group carried significant trade and other receivables amounting to RM22,394,723 and RM24,152,541 as disclosed in Note 10 to the financial statements and are subject to credit risk exposures. The assessment of adequacy of allowance for impairment losses involved judgement and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current trends, customer payment terms, etc.	Our audit procedures included, amongst others: (i) Reviewed the ageing analysis of receivables and tested the reliability thereof. (ii) Reviewed subsequent collection for major receivables and overdue amounts. (iii) Compared management's view on the recoverability of overdue amounts to historical patterns of collections. (iv) Evaluated the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

Revenue Recognition and Contract Accounting Refer to Note 4.1(d), 4.12, 4.19(a)(iii), 12 and 23 in the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
Revenue is one of the largest accounts in the financial statements and an important driver of the Group's operating results. Given the significant risks involved when auditing revenue, revenue recognition and contract accounting is an area of audit emphasis as it requires significant management judgement and estimate including amongst others:- (i) assessment of the stage of completion and timing of revenue recognition. (ii) determining cost budgets. (iii) determining project costs to complete. (iv) recognition of variation orders. (v) provision for foreseeable losses and liquidated ascertained damages. The contract assets represent the amount of revenue earned on contract but yet to be billed to customer. There is significant judgement involved in the assessment of recoverability of contract assets, particularly regarding estimation of future cash collection and in calculating allowance for foreseeable losses.	Our procedures included, amongst others:- (i) Assessed the basis used in determining the budgeted contract costs; (ii) Verified the progress billings and contract costs incurred; (iii) Test the percentage of completion to ensure contract costs incurred to-date reflects the actual work performed; (iv) Reviewed calculation of recognition of revenue, cost and profit to be consistent with the percentage of completion; and (v) Assessed the reasonableness and adequacy of provision for foreseeable loss and liquidated ascertained damages.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report
to the members of O&C Resources Berhad (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements *Cont'd*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 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 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Chong Tuck Wai
Approval No: 03023/03/2019 J
Chartered Accountant

Kuala Lumpur

2 November 2017

STATEMENTS *OF FINANCIAL POSITION*

AT 31 JULY 2017

		The Group		The Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	**–**	–	**15,197,940**	15,077,820
Investment in an associate	6	**792,498**	490,000	**–**	–
Property, plant and equipment	7	**16,551,414**	15,847,164	**844,486**	605,789
Investment property	8	**1,912,322**	1,953,669	**1,912,322**	1,953,669
Inventories	9	**17,728,339**	11,262,038	**–**	–
Trade and other receivables	10	**11,441,847**	10,584,443	**7,000,000**	7,000,000
Deferred tax asset	11	**420,000**	–	**–**	–
		48,846,420	40,137,314	**24,954,748**	24,637,278
CURRENT ASSETS					
Inventories	9	**38,451,927**	44,609,769	**–**	–
Trade and other receivables	10	**54,971,699**	22,266,162	**73,456,351**	37,619,767
Contract assets	12	**22,456,264**	489,166	**–**	–
Current tax assets		**344,545**	24,545	**–**	–
Fixed deposits with licensed banks	13	**5,128,055**	120,000	**–**	–
Cash and bank balances		**2,740,871**	33,972,339	**744,385**	32,345,543
		124,093,361	101,481,981	**74,200,736**	69,965,310
TOTAL ASSETS		**172,939,781**	141,619,295	**99,155,484**	94,602,588
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	**68,745,171**	57,120,200	**68,745,171**	57,120,200
Irredeemable convertible preference shares ("ICPS")	15	**32,232,195**	33,070,635	**32,232,195**	33,070,635
Reserves	16	**1,176,758**	(4,627,099)	**(3,323,348)**	1,349,328
Equity attributable to owners of the Company		**102,154,124**	85,563,736	**97,654,018**	91,540,163
Non-controlling interests		**(817,311)**	(30,722)	**–**	–
TOTAL EQUITY		**101,336,813**	85,533,014	**97,654,018**	91,540,163

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

Statements Of Financial Position
at 31 July 2017 (cont'd)

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
NON-CURRENT LIABILITIES					
Long-term borrowings	17	**10,618,719**	9,249,686	**628,695**	744,679
Deferred tax liability	11	**258,000**	258,000	**–**	–
Trade and other payables	18	**22,220,494**	30,637,989	**–**	500,000
		33,097,213	40,145,675	**628,695**	1,244,679
CURRENT LIABILITIES					
Trade and other payables	18	**27,361,835**	11,570,461	**753,705**	1,704,492
Short–term borrowings	19	**2,901,917**	2,910,427	**119,066**	113,254
Provision for taxation		**2,194,711**	66,217	**–**	–
Bank overdrafts	20	**6,047,292**	1,393,501	**–**	–
		38,505,755	15,940,606	**872,771**	1,817,746
TOTAL LIABILITIES		**71,602,968**	56,086,281	**1,501,466**	3,062,425
TOTAL EQUITY AND LIABILITIES		**172,939,781**	141,619,295	**99,155,484**	94,602,588

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 JULY 2017

		The Group		The Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
REVENUE	23	**88,772,538**	38,450,976	**–**	–
COST OF SALES		**(61,015,102)**	(30,162,911)	**–**	–
GROSS PROFIT		**27,757,436**	8,288,065	**–**	–
OTHER INCOME		**995,135**	1,264,892	**125,684**	1,313,800
		28,752,571	9,552,957	**125,684**	1,313,800
SELLING AND DISTRIBUTION EXPENSES		**(981,141)**	(1,421,853)	**–**	–
ADMINISTRATIVE EXPENSES		**(16,929,929)**	(9,994,170)	**(6,333,688)**	(3,694,635)
OTHER EXPENSES		**(3,550,368)**	(1,941,279)	**(228,434)**	(974,873)
FINANCE COSTS		**(333,688)**	(217,846)	**(42,037)**	(34,753)
SHARE OF RESULTS IN AN ASSOCIATE, NET OF TAX		**(187,502)**	–	**–**	–
PROFIT/(LOSS) BEFORE TAXATION	24	**6,769,943**	(4,022,191)	**(6,478,475)**	(3,390,461)
INCOME TAX EXPENSE	25	**(3,927,016)**	(62,696)	**–**	–
PROFIT/(LOSS) AFTER TAXATION		**2,842,927**	(4,084,887)	**(6,478,475)**	(3,390,461)
OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX					
Items that May Be Reclassified Subsequently to Profit or Loss					
- Foreign currency translation		**148,556**	442,868	**–**	–
- Reclassification to profit or loss on disposal of a subsidiary	26	**–**	(267,939)	**–**	–
		148,556	174,929	**–**	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		2,991,483	(3,909,958)	(6,478,475)	(3,390,461)

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 July 2017 (cont'd)

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
PROFIT/(LOSS) AFTER TAXATION					
ATTRIBUTABLE TO:-					
Owners of the Company		**3,849,502**	(4,092,456)	**(6,478,475)**	(3,390,461)
Non-controlling interest		**(1,006,575)**	7,569	**–**	–
		2,842,927	(4,084,887)	**(6,478,475)**	(3,390,461)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		**3,998,058**	(3,917,527)	**(6,478,475)**	(3,390,461)
Non-controlling interest		**(1,006,575)**	7,569	**–**	–
		2,991,483	(3,909,958)	**(6,478,475)**	(3,390,461)
EARNINGS/(LOSS) PER SHARE (SEN)					
- Basic	27	**1.61**	(1.94)		
- Diluted		**1.14**	(1.94)		

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

STATEMENTS OF *CHANGES IN EQUITY*
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

The Group	Note	Share Capital RM	ICPS RM	Warrant Reserve RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Share Issuance Scheme Reserve RM	Accumulated Losses RM	Attributable To Owners Of The Company RM	Non-Controlling interest RM	Total Equity RM
Balance at 1.8.2015		51,075,450	–	3,302,847	12,941,164	248,339	–	(19,044,619)	48,523,181	(1,291)	48,521,890
Loss after taxation for the financial year		–	–	–	–	–	–	(4,092,456)	(4,092,456)	7,569	(4,084,887)
Other comprehensive income for the financial year, net of tax:											
- Foreign currency translation		–	–	–	–	174,929	–	–	174,929	–	174,929
Total comprehensive expenses for the financial year		–	–	–	–	174,929	–	(4,092,456)	(3,917,527)	7,569	(3,909,958)
Contributions by and distributions to owners of the Company:											
- Acquisition of subsidiaries	28	–	–	–	–	–	–	–	–	(41,950)	(41,950)
- Warrants B exercised		6,044,750	–	–	2,417,900	–	–	–	8,462,650	–	8,462,650
- Rights issue of ICPS with warrants		–	33,070,635	890,326	–	–	–	(890,326)	33,070,635	–	33,070,635
- Expenses incurred in relation to rights issue of ICPS with warrants	16(b)	–	–	–	(575,203)	–	–	–	(575,203)	–	(575,203)
Transfer of share premium for Warrants B exercised		–	–	(1,961,048)	1,961,048	–	–	–	–	–	–
Changes in a subsidiary's ownership interest that do not result in a loss of control		–	–	–	–	–	–	–	–	4,950	4,950
Balance at 31.7.2016		57,120,200	33,070,635	2,232,125	16,744,909	423,268	–	(24,027,401)	85,563,736	(30,722)	85,533,014

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

Statements Of Changes In Equity
for the financial year ended 31 July 2017 (cont'd)

The Group	Note	Share Capital RM	ICPS RM	Warrant Reserve RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Share Issuance Scheme Reserve RM	Accumulated Losses RM	Attributable To Owners Of The Company RM	Non-Controlling interest RM	Total Equity RM
Balance at 31.7.2016/ 1.8.2016		57,120,200	33,070,635	2,232,125	16,744,909	423,268	–	(24,027,401)	85,563,736	(30,722)	85,533,014
Profit after taxation for the financial year		–	–	–	–	–	–	3,849,502	3,849,502	(1,006,575)	2,842,927
Other comprehensive income for the financial year, net of tax:											
- Foreign currency translation		–	–	–	–	148,556	–	–	148,556	–	148,556
Total comprehensive income for the financial year		–	–	–	–	148,556	–	3,849,502	3,998,058	(1,006,575)	2,991,483
Contributions by and distributions to owners of the Company:											
- Acquisition of subsidiaries	28	–	–	–	–	–	–	–	–	100,010	100,010
- Warrants B exercised		2,329,480	–	–	931,792	–	–	–	3,261,272	–	3,261,272
- SIS exercised		761,976	–	–	82,824	–	–	–	844,800	–	844,800
- Conversion of ICPS		7,545,960	–	–	–	–	–	–	7,545,960	–	7,545,960
- Expenses incurred in relation to Warrants B exercised and conversion of ICPS	16(b)	–	–	–	(141,370)	–	–	–	(141,370)	–	(141,370)
- Share-based compensation pursuant to SIS		–	–	–	–	–	1,081,668	–	1,081,668	–	1,081,668
Balance carried forward		67,757,616	33,070,635	2,232,125	17,618,155	571,824	1,081,668	(20,177,899)	102,154,124	(937,287)	101,216,837

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

Statements Of Changes In Equity
for the financial year ended 31 July 2017 (cont'd)

The Group	Note	Share Capital RM	ICPS RM	Warrant Reserve RM	Share Premium RM	Foreign Exchange Translation Reserve RM	Share Issuance Scheme Reserve RM	Accumulated Losses RM	Attributable To Owners Of The Company RM	Non-Controlling interest RM	Total Equity RM
Balance brought forward		67,757,616	33,070,635	2,232,125	17,618,155	571,824	1,081,668	(20,177,899)	102,154,124	(937,287)	101,216,837
Transfer to share premium upon Warrants B exercised		–	–	(755,734)	755,734	–	–	–	–	–	–
Transfer to accumulated losses upon expiry of Warrants B		–	–	(586,065)	–	–	–	586,065	–	–	–
Transfer to share capital upon conversion of ICPS		838,440	(838,440)	–	–	–	–	–	–	–	–
Transfer to share capital and share premium upon SIS exercised		149,115	–	–	101,253	–	(250,368)	–	–	–	–
Changes in a subsidiary's ownership interest that do not result in a loss of control		–	–	–	–	–	–	–	–	119,976	119,976
Balance at 31.7.2017		68,745,171	32,232,195	890,326	18,475,142	571,824	831,300	(19,591,834)	102,154,124	(817,311)	101,336,813

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

Statements Of Changes In Equity
for the financial year ended 31 July 2017 (cont'd)

The Company	Note	Share Capital RM	ICPS RM	Warrant Reserve RM	Share Premium RM	Share Issuance Scheme Reserve RM	Accumulated Losses RM	Total Equity RM
Balance at 1.8.2015		51,075,450	–	3,302,847	12,941,164	–	(13,346,919)	53,972,542
Loss after taxation/Total comprehensive expenses for the financial year		–	–	–	–	–	(3,390,461)	(3,390,461)
Contributions by and distributions to owners of the Company:								
- Warrants B exercised		6,044,750	–	–	2,417,900	–	–	8,462,650
- Rights issue of ICPS with warrants		–	33,070,635	890,326	–	–	(890,326)	33,070,635
- Expenses incurred in relation to rights issue of ICPS with warrants	16(b)	–	–	–	(575,203)	–	–	(575,203)
Transfer of share premium for Warrants B exercised		–	–	(1,961,048)	1,961,048	–	–	–
Balance at 31.7.2016		57,120,200	33,070,635	2,232,125	16,744,909	–	(17,627,706)	91,540,163

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

Statements Of Changes In Equity
for the financial year ended 31 July 2017 (cont'd)

The Company	Note	Share Capital RM	ICPS RM	Warrant Reserve RM	Share Premium RM	Share Issuance Scheme Reserve RM	Accumulated Losses RM	Total Equity RM
Balance at 31.7.2016/1.8.2016		57,120,200	33,070,635	2,232,125	16,744,909	–	(17,627,706)	91,540,163
Loss after taxation/Total comprehensive expenses for the financial year		–	–	–	–	–	(6,478,475)	(6,478,475)
Contributions by and distributions to owners of the Company:								
- Warrants B exercised		2,329,480	–	–	931,792	–	–	3,261,272
- SIS exercised		761,976	–	–	82,824	–	–	844,800
- Conversion of ICPS		7,545,960	–	–	–	–	–	7,545,960
- Expenses incurred in relation to Warrants B exercised and conversion of ICPS	16(b)	–	–	–	(141,370)	–	–	(141,370)
- Shares-based compensation pursuant to SIS		–	–	–	–	1,081,668	–	1,081,668
Transfer to share premium upon Warrants B exercised	16(b)	–	–	(755,734)	755,734	–	–	–
Transfer to accumulated losses upon expiry of Warrants B		–	–	(586,065)	–	–	586,065	–
Transfer to share capital upon conversion of ICPS		838,440	(838,440)	–	–	–	–	–
Transfer to share capital and share premium upon SIS exercised		149,115	–	–	101,253	(250,368)	–	–
Balance at 31.7.2017		68,745,171	32,232,195	890,326	18,475,142	831,300	(23,520,116)	97,654,018

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

STATEMENTS OF *CASH FLOWS*

FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
CASH FLOWS FOR OPERATING ACTIVITIES					
Profit/(Loss) before taxation		**6,769,943**	(4,022,191)	**(6,478,475)**	(3,390,461)
Adjustments for:-					
Bad debts written off		**488,407**	–	**–**	435,064
Depreciation of:					
- investment property		**41,347**	41,348	**41,347**	41,348
- property, plant and equipment		**1,512,870**	1,297,929	**187,084**	89,702
Goodwill written off		**–**	9,977	**–**	–
Impairment losses on:					
- plant and equipment		**–**	1,540	**–**	–
- other receivables		**–**	45,798	**–**	–
- trade receivables		**1,521,959**	186,432	**–**	–
Interest expense		**333,688**	217,846	**42,037**	34,753
Inventories written off		**–**	46,113	**–**	–
Plant and equipment written off		**35,157**	119,324	**–**	–
Share of loss in an associate		**187,502**	–	**–**	–
SIS expense		**1,081,668**	–	**964,083**	–
Bad debts recovered		**(6,557)**	–	**–**	–
Gain on disposal of plant and equipment		**(64,426)**	(8,457)	**–**	–
Gain on disposal of subsidiaries	26	**–**	(270,856)	**–**	(296,240)
Interest income		**(80,068)**	(57,364)	**–**	–
Reversal of impairment loss on:					
- amount owing by a subsidiary		**–**	–	**–**	(500,000)
- trade receivables		**(20,702)**	(27,600)	**–**	–
Unrealised gain on foreign exchange		**(76,284)**	(66,206)	**(76,284)**	(99,800)
Operating profit/(loss) before working capital changes		**11,724,504**	(2,486,367)	**(5,320,208)**	(3,685,634)
Inventories		**(1,759,653)**	(13,264,017)	**–**	–
Contract assets		**(21,967,098)**	(489,166)	**–**	–
Receivables		**(35,434,681)**	703,465	**3,301,233**	682,659
Payables		**15,201,373**	2,795,504	**(1,455,787)**	2,061,779
CASH FOR OPERATIONS		**(32,235,555)**	(12,740,581)	**(3,474,762)**	(941,196)
Net tax paid		**(2,538,521)**	(36,931)	**–**	–
NET CASH FOR OPERATING ACTIVITIES		**(34,774,076)**	(12,777,512)	**(3,474,762)**	(941,196)

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

Statements of Cash Flows
for the financial year ended 31 July 2017 (cont'd)

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
CASH FLOWS (FOR)/ FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalents	28	**100,000**	(4,981,199)	**(120,120)**	(5,005,092)
Acquisition of an associate		**(490,000)**	(490,000)	**–**	–
Advances to subsidiaries		**–**	–	**(38,943,948)**	(13,307,270)
Increase in pledged fixed deposits with licensed banks		**(5,008,055)**	–	**–**	–
Acquisition of land held for development		**(6,466,301)**	–	**–**	–
Interest received		**80,068**	57,364	**–**	–
Net cash inflow from disposal of subsidiaries	26	**–**	9,089,276	**–**	–
Proceeds from disposal of:					
- plant and equipment		**148,500**	53,868	**–**	–
- subsidiaries	26	**–**	–	**–**	9,205,000
Purchase of property, plant and equipment	29	**(2,299,115)**	(1,682,925)	**(425,781)**	(118,077)
NET CASH (FOR)/ FROM INVESTING ACTIVITIES		**(13,934,903)**	2,046,384	**(39,489,849)**	(9,225,439)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		**(333,688)**	(217,846)	**(42,037)**	(34,753)
Issuance of shares to non-controlling interests		**119,976**	–	**–**	–
Proceeds from issuance of ordinary shares pursuant to:					
- exercise of SIS		**844,800**	–	**844,800**	–
- exercise of Warrants B		**3,261,272**	8,462,650	**3,261,272**	8,462,650
- conversion of ICPS		**7,545,960**	–	**7,545,960**	–
Proceeds from issuance of ICPS with warrants		**–**	33,070,635	**–**	33,070,635
Expenses incurred for:					
- Warrants B exercised and conversion of ICPS		**(141,370)**	–	**(141,370)**	–
- ICPS with warrants		**–**	(575,203)	**–**	(575,203)
Advances from/(Repayment to) directors		**90,000**	(68,000)	**5,000**	2,000
Drawdown from factoring loan		**1,736,295**	–	**–**	–
Repayment of:					
- hire purchase		**(304,781)**	(355,586)	**(39,181)**	(8,760)
- term loans		**(70,991)**	(68,386)	**(70,991)**	(68,386)

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

Statements of Cash Flows
for the financial year ended 31 July 2017 (cont'd)

		The Group		The Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
NET CASH FROM FINANCING ACTIVITIES		**12,747,473**	40,248,264	**11,363,453**	40,848,183
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(35,961,506)**	29,517,136	**(31,601,158)**	30,681,548
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		**76,247**	(4,099)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**32,578,838**	3,065,801	**32,345,543**	1,663,995
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	**(3,306,421)**	32,578,838	**744,385**	32,345,543

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

NOTES TO THE *FINANCIAL STATEMENTS*
FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal of business are as follows:-

Registered office	:	49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka.
Principal place of business	:	8.01, 8th Floor, Persoft Tower, 6B Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 2 November 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101: Disclosure Initiative
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants
Amendments to MFRS 127: Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments) did not have any material impact on the Group's financial statements except as follows:

The amendments to MFRS 101 explore how financial statement disclosures can be improved. The amendments provide clarification on a number of issues, including presentation of items of other comprehensive income (OCI) arising from equity-accounted investments whereby an entity's share of OCI of equity-accounted associates and joint ventures should be aggregated as a single item in the statement of other comprehensive income based on whether or not it will subsequently be reclassified to profit or loss. There is no financial impact on the financial statements of the Group upon its initial application of these amendments other than the presentation format of its consolidated statement of profit or loss and other comprehensive income.

3. BASIS OF PREPARATION *Cont'd*

3.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 12: Clarification of the Scope of the Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: • Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters • Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

(b) 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.

(c) Profit Recognition on Property Development Activities

The Group recognises property development revenue and costs by reference to the progress towards complete satisfaction of the performance obligation at the end of the reporting period. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining the completeness and accuracy of the budgets and the extent of the costs incurred. Substantial changes in property development cost estimates in the future can have a significant effect on the Group's results. In making the judgement, the Group evaluates and relies on past experience and works of specialists.

(d) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

(e) 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 and deferred tax provisions in the year in which such determination is made.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Share-based Payment

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

(k) 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.

4.2 BASIS OF CONSOLIDATION

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

Subsidiaries are entities 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 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.

(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 parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.2 BASIS OF CONSOLIDATION *Cont'd*

(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 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 jointly venture.

4.3 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, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange 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 except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates 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.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.3 FUNCTIONAL AND FOREIGN CURRENCIES *Cont'd*

(c) Foreign Operations *Cont'd*

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.

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.

4.4 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 value 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(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.

As at the end of the reporting period, there were no financial assets classified under this category.

(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.

As at the end of the reporting period, there were no financial assets classified under this category.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(a) Financial Assets *Cont'd*

(iii) Loans and Receivables Financial Assets *Cont'd*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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.

(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.

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

As at the end of the reporting period, there were no financial assets under this category.

(b) Financial Liabilities

(i) Financial Liabilities at 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.

(ii) Other Financial Liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial Liabilities *Cont'd*

(ii) Other Financial Liabilities *Cont'd*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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 initially 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.

(ii) Preference Shares

Preference shares are classified as equity if they are non-redeemable, or are redeemable but only at the Company's option, and any dividends are discretionary. Dividends on preference shares are recognised as distributions within equity.

Preference shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the preference shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(e) Warrants

The Group issued Warrants 2011/2016 and Warrants 2016/2021 at no cost and these are not recognised in the financial statements. Each warrant is convertible into one new ordinary share of RM0.25 each at the adjusted exercise price of RM0.35 and RM0.50 per share respectively during the exercise period and will only be recognised as equity instruments upon conversion.

(f) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries including the fair value adjustments on inter-company loans at inception date or the share options granted to employees of the 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.

4.6 INVESTMENTS IN ASSOCIATES

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

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 July 2017. 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 or losses 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.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.6 INVESTMENTS IN ASSOCIATES *Cont'd*

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 to profit or loss when the equity method is discontinued.

4.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

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.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a 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	Over the lease period of 60 years
Buildings	2%
Motor vehicles	10%-20%
Plant and machinery	7.5%-20%
Renovation, furniture and fittings	10%-33%
Tools and equipment	10%-40%

Capital-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital-in-progress is stated at cost, and will be transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

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. Any changes are accounted for as a change in estimate.

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 and equipment.

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 asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.8 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, 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 property is fifty (50) 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.

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), investments in subsidiaries and investments in associates, 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. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

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.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale debt instruments, 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.9 IMPAIRMENT *Cont'd*

(a) Impairment of Financial Assets *Cont'd*

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(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 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 an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

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.

4.10 LEASED ASSETS

(a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.10 LEASED ASSETS *Cont'd*

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.11 INVENTORIES

(a) Land Held for Property Development

Land held for property development consists of land on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Net realised value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

(b) Property Development Costs

Cost is determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer.

(c) Trading Goods

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the purchase price 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 necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.12 CONTRACT ASSETS/CONTRACT LIABILITIES

When the services rendered exceed the billings to customers, a contract asset is recognised. If the billings exceed the services rendered, a contract liability is recognised.

4.13 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 risk 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.

4.14 BORROWING COSTS

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

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

4.15 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill 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 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 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 the related tax benefits will be realised.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.15 INCOME TAXES *Cont'd*

(b) Deferred Tax *Cont'd*

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.16 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate 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 and included in the development costs, where appropriate 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) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (share options).

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to share issuance scheme reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.16 EMPLOYEE BENEFITS *Cont'd*

(c) Share-based Payment Transactions *Cont'd*

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the amount owing by subsidiaries undertaking with a corresponding credit to the share issuance scheme reserve.

Upon expiry of the share option, the share issuance scheme reserve is transferred to retained profits.

When the share options are exercised, the share issuance scheme is transferred to share capital or share premium if new ordinary shares are issued.

4.17 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 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.
(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 any director (whether executive or otherwise) of that entity.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.18 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, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.19 REVENUE AND OTHER INCOME

(a) Revenue from contracts with customers

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfer the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

<u>Recognition and Measurement</u>

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices. A good or service is distinct if:-

- the customer can either benefit from the good or service on its own or together with other readily available resources; and
- the good or service is separately identifiable from other promises in the contract.

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting a distinct bundle of goods or services.

Revenue is measured based on the consideration specified in a contract with a customer excludes amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.19 REVENUE AND OTHER INCOME *Cont'd*

(a) Revenue from contracts with customers *Cont'd*

Recognition and Measurement *Cont'd*

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time. Control over the goods or services are transferred over time and revenue is recognised over time if:-

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances a customer-controlled asset; or
- the Group's performance does not create an asset with alternative use and the Group has a right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

The revenue recognition policies for each of the Group's major activities are described below:-

(i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance, and the Group has a present right to payment for goods sold. Revenue is measured based on the consideration specified in a contract with customer and where applicable, net of GST, expected returns, cash and trade discounts.

(ii) Property Development Activities

Revenue is recognised progressively when property development services are rendered and such services do not create an asset with an alternative's use to the Group, and the Group has a present right to payment for services rendered to date. The progress towards complete satisfaction of the performance obligation is measured based on a method that best depicts the Group's performance in satisfying the performance obligation of the contract. This is determined by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract.

When the services rendered exceed the billings to customers, a contract asset is recognised. If the billings exceed the services rendered, a contract liability is recognised.

(iii) Construction Activities

Revenue is recognised progressively when construction services are rendered and such services do not create an asset with an alternative's use to the Group, and the Group has a present right to payment for services rendered to date. The progress towards complete satisfaction of the performance obligation is measured based on a method that best depicts the Group's performance in satisfying the performance obligation of the contract. This is determined by reference to the construction costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.19 REVENUE AND OTHER INCOME *Cont'd*

(b) Other Income

(i) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(ii) Rental Income

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

4.20 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's 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. However, this basis does not apply to share-based payment transactions.

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.

4.21 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.

4.22 EARNING/LOSS PER SHARE

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company 2017 RM	The Company 2016 RM
Unquoted shares, at cost		
At 1 August	**32,839,555**	32,688,465
Additions during the financial year	**120,120**	5,755,090
Disposals during the financial year	**–**	(5,604,000)
At 31 July	**32,959,675**	32,839,555
Accumulated impairment losses		
At 1 August	**(17,761,735)**	(21,250,735)
Disposals during the financial year	**–**	3,489,000
At 31 July	**(17,761,735)**	(17,761,735)
	15,197,940	15,077,820
Represented by:		
Unquoted shares		
- in Malaysia	**14,348,790**	14,228,670
- outside Malaysia	**849,150**	849,150
	15,197,940	15,077,820

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business	Percentage of Issued Share Capital Held by Parent 2017 %	Percentage of Issued Share Capital Held by Parent 2016 %	Principal Activities
Takaso Rubber Products Sdn. Bhd. ("TRP")	Malaysia	**100**	100	Manufacturing of rubber products and baby products, and trading in baby accessories and apparels.
Japlo Healthcare Sdn. Bhd.	Malaysia	**100**	100	Distributing and retailing of baby products.
O&C Commerce Sdn. Bhd. (formerly known as Takaso Commerce Sdn. Bhd.)	Malaysia	**100**	100	Dormant.
Takaso Industries Pte. Ltd. ("TIPL") ^	The Republic of Singapore	**100**	100	Trading of electrical and mechanical products.
O&C Construction Sdn. Bhd. (formerly known as Takaso Land Sdn. Bhd.)	Malaysia	**100**	100	Construction of residential and commercial properties and property development.

5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

The details of the subsidiaries are as follows:- *Cont'd*

Name of Subsidiary	Principal Place of Business	Percentage of Issued Share Capital Held by Parent 2017 %	2016 %	Principal Activities
O&C Development (Kuantan) Sdn. Bhd. (formerly known as Takaso Development (Kuantan) Sdn. Bhd.)	Malaysia	**70**	70	Property development and property investment.
Tristar City Sdn. Bhd.	Malaysia	**100**	100	Construction of residential and commercial properties and property development.
Grand Superland Sdn. Bhd. ("GSSB")	Malaysia	**100**	100	Construction of residential and commercial properties and property development.
Pangkal Teguh Sdn. Bhd. ("PTSB")	Malaysia	**70**	70	Construction of residential and commercial properties and property development.
Kita Mampan Sdn. Bhd. ("KMPSB")	Malaysia	**70**	70	Construction of residential and commercial properties.
O&C Makok Isola Sdn. Bhd. (formerly known as Masbe Coffee Sdn. Bhd.) ("OMISB")	Malaysia	**50.01**	50.01	Property development and property investment.
Sunrise Meadow Sdn. Bhd. ("SMSB") ^	Malaysia	**100**	–	Property development and property investment.
Kirana Masyhur Sdn. Bhd. ("KMSB")	Malaysia	**100**	–	Dormant
O&C Properties (Kuantan) Sdn. Bhd. (formerly known as Jaringan Jasa Sdn. Bhd.) ("OPKSB")	Malaysia	**90**	–	Property development and property investment.
YP O&C Development Sdn. Bhd. (formerly known as Lotus Leap Sdn. Bhd.) ("YPODSB")	Malaysia	**100**	–	Dormant

5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

The details of the subsidiaries are as follows:- *Cont'd*

Name of Subsidiary	Principal Place of Business	Percentage of Issued Share Capital Held by Parent 2017 %	2016 %	Principal Activities
Subsidiary of TRP:-				
Takaso Marketing Sdn. Bhd.	Malaysia	100	100	Marketing of rubber products, baby products, and trading in baby accessories and apparels.
Subsidiary of TIPL:-				
P.T.Takaso Indonesia Global Manufacturing# ("TIGM")	Indonesia	51	51	Dormant.
Subsidiaries of GSSB:-				
Visi Anggun Properties Sdn. Bhd. ("VAPSB")	Malaysia	80	–	Dormant
Greatway Capital Sdn. Bhd. ("GCSB")	Malaysia	100	–	Dormant

^ These subsidiaries were audited by other firms of chartered accountants.
\# As at the end of the reporting period, no capital injection has been effected into TIGM.

(a) On 24 August 2016, the Company acquired entire share capital of SMSB comprising two ordinary shares of RM1 each fully paid up for a total consideration of RM2.

(b)On 24 November 2016, the Company further subscribed for 120,024 ordinary shares of RM1 each issued by its subsidiary, OMISB for a total consideration of RM120,024 to retain its equity interest of 50.01%.

(c) On 2 December 2016, the Company acquired entire share capital of KMSB comprising two ordinary shares of RM1 each fully paid up for a total consideration of RM2.

(d) On 22 December 2016, GSSB entered into Share Sale Agreements to acquire 400,000 ordinary shares of RM1 each representing 80% of the issued and paid-up share capital of VAPSB for a cash consideration of RM400,000.

(e) On 31 March 2017, GSSB acquired entire share capital of GCSB comprising one ordinary share for a total consideration of RM1.

(f) On 15 May 2017, the Company acquired entire share capital of OPKSB comprising one ordinary share of RM1 each fully paid up for a total consideration of RM1. The Company further subscribed for 89 ordinary shares of RM1 each issued by OPKSB for a total consideration of RM89. Following the share subscription, the Company's equity interest in OPKSB stands at 90%.

(g) On 18 May 2017, the Company acquired entire share capital of YPODSB comprising two ordinary shares of RM1 each fully paid up for a total consideration of RM2.

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

The above acquisitions have no significant effect on the financial results of the Group for the current financial year and the financial position of the Group as at the end of the current reporting period.

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

	Effective Equity Interest		The Group	
	2017 %	2016 %	2017 RM	2016 RM
OMISB	49.99	49.99	784,964	22,699
Other individually immaterial subsidiaries			**32,347**	8,023
			817,311	30,722

The summarised financial information (before intra-group elimination) for a subsidiary that has non-controlling interest that are material to the Group is as follows:-

	OMISB	
	2017 RM	2016 RM
At 31 July		
Non-current assets	**13,391,843**	10,584,443
Current assets	**29,111,237**	34,619,496
Non-current liabilities	**(31,444,607)**	(37,782,729)
Current liabilities	**(12,628,715)**	(7,482,485)
Net assets	**(1,570,242)**	(61,275)
Financial Year Ended 31 July		
Revenue	**–**	–
Loss for the financial year/ Total comprehensive expenses	**(1,748,967)**	(20,700)
Total comprehensive expenses attributable to non-controlling interests	**(874,309)**	(10,085)
Net cash flows for operating activities	**(4,757,693)**	(5,340,134)
Net cash flows (for)/from investing activities	**(1,677,186)**	84,965
Net cash flows from financial activities	**6,493,902**	5,127,259

6. INVESTMENT IN AN ASSOCIATE

	The Group 2017 RM	The Group 2016 RM
Unquoted shares in Malaysia, at cost		
At 1 August	**490,000**	–
Addition during the financial year	**490,000**	490,000
At 31 July	**980,000**	490,000
Share of post acquisition loss	**(187,502)**	–
	792,498	490,000

(a) The details of the associate are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest 2017 %	Effective Equity Interest 2016 %	Principal Activities
Associate of KMPSB				
AES Builders Sdn. Bhd. ("AES")	Malaysia	**34.3**	34.3	Construction of residential and commercial properties.

(b) The Group recognised its share of results of AES based on the unaudited financial statements drawn up to the most recent reporting date, which is 31 July 2017.

In the last financial year, the results of this associate has not been equity accounted as the amount involved was insignificant as the associate was dormant and the intended activities were contractor of residential and commercial properties.

(c) The summarised unaudited financial information of the associate is as follows:-

	AES 2017 RM
At 31 July	
Non-current assets	**47,372**
Current assets	**1,870,725**
Current liabilities	**(315,333)**
Net assets	**1,602,764**
13-month Period Ended 31 July	
Revenue	**–**
Loss for the financial period/Total comprehensive expenses	**(546,653)**
Group's share of loss for the financial year	**(187,502)**
Reconciliation of Net Assets to Carrying Amount	
Group's share of net assets above	**549,748**
Goodwill on acquisition	**242,750**
Carrying amount of the Group's interests in this associate	**792,498**

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.8.2016 RM	Additions RM	Disposal RM	Written Off (Note 24) RM	Depreciation Charges (Note 24) RM	Currency Translation Difference RM		Reclassification RM	At 31.7.2017 RM
2017									
Net Book Value									
Freehold land	4,120,000	–	–	–	–	–		–	4,120,000
Leasehold land	1,182,687	–	–	–	(39,225)	–		–	1,143,462
Buildings	5,853,449	–	–	–	(135,600)	–		–	5,717,849
Motor vehicles	1,974,254	–	–	–	(474,273)	32,150		–	1,532,131
Plant and machinery	82,280	–	–	–	(158,566)	–		603,701	527,415
Renovation, furniture and fittings	383,815	2,163,368	–	(35,157)	(323,565)	5,086		–	2,193,547
Tools and equipment	2,250,679	135,747	(84,074)	–	(381,641)	–		(603,701)	1,317,010
	15,847,164	2,299,115	(84,074)	(35,157)	(1,512,870)	37,236		–	16,551,414
2016									
Net Book Value									
Freehold land	6,014,481	–	–	–	–	–	(1,999,829)	105,348	4,120,000
Leasehold land	1,221,912	–	–	–	(39,225)	–	–	–	1,182,687
Buildings	5,989,049	–	–	–	(135,600)	–	–	–	5,853,449
Motor vehicles	1,005,586	1,415,862	–	–	(387,197)	–	(106,087)	46,090	1,974,254
Plant and machinery	121,558	209,977	(34,068)	–	(193,853)	–	(21,334)	–	82,280
Renovation, furniture and fittings	540,986	89,503	(11,342)	(65,018)	(127,614)	(1,540)	(52,387)	11,227	383,815
Tools and equipment	2,503,283	235,658	–	(54,306)	(414,440)	–	(19,516)	–	2,250,679
Capital work–in–progress	5,464,721	885,828	–	–	–	–	(6,654,431)	303,882	–
	22,861,576	2,836,828	(45,410)	(119,324)	(1,297,929)	(1,540)	(8,853,584)	466,547	15,847,164

7. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

The Group	At Cost RM	Accumulated Depreciation RM	Accumulated Impairment Losses RM	Net Book Value RM
2017				
Freehold land	**4,120,000**	**–**	**–**	**4,120,000**
Leasehold land	**1,569,000**	**(425,538)**	**–**	**1,143,462**
Buildings	**6,780,000**	**(1,062,151)**	**–**	**5,717,849**
Motor vehicles	**3,262,748**	**(1,730,617)**	**–**	**1,532,131**
Plant and machinery	**18,774,038**	**(17,117,938)**	**(1,128,685)**	**527,415**
Renovation, furniture and fittings	**6,276,482**	**(3,820,395)**	**(262,540)**	**2,193,547**
Tools and equipment	**14,796,093**	**(11,082,784)**	**(2,396,299)**	**1,317,010**
	55,578,361	**(35,239,423)**	**(3,787,524)**	**16,551,414**
2016				
Freehold land	4,120,000	–	–	4,120,000
Leasehold land	1,569,000	(386,313)	–	1,182,687
Buildings	6,780,000	(926,551)	–	5,853,449
Motor vehicles	3,466,277	(1,492,023)	–	1,974,254
Plant and machinery	18,170,337	(16,959,372)	(1,128,685)	82,280
Renovation, furniture and fittings	4,217,468	(3,571,113)	(262,540)	383,815
Tools and equipment	15,352,547	(10,705,569)	(2,396,299)	2,250,679
	53,675,629	(34,040,941)	(3,787,524)	15,847,164

The Company	At 1.8.2016 RM	Addition RM	Depreciation Charges (Note 24) RM	At 31.7.2017 RM
2017				
Net Book Value				
Motor vehicle	**421,143**	**–**	**(102,726)**	**318,417**
Renovation, furniture and fittings	**184,646**	**425,781**	**(84,358)**	**526,069**
	605,789	**425,781**	**(187,084)**	**844,486**

2016	At 1.8.2015 RM	Additions RM	Depreciation Charges (Note 24) RM	At 31.7.2016 RM
Net Book Value				
Motor vehicle	149,533	326,715	(55,105)	421,143
Renovation, furniture and fittings	174,881	44,362	(34,597)	184,646
	324,414	371,077	(89,702)	605,789

7. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

The Company	**At Cost RM**	**Accumulated Depreciation RM**	**Net Book Value RM**
2017			
Motor vehicle	**482,479**	**(164,062)**	**318,417**
Renovation, furniture and fittings	**652,618**	**(126,549)**	**526,069**
	1,135,097	**(290,611)**	**844,486**
2016			
Motor vehicle	482,479	(61,336)	421,143
Renovation, furniture and fittings	226,837	(42,191)	184,646
	709,316	(103,527)	605,789

(a) Included in the property, plant and equipment of the Group and the Company at the end of the reporting period were motor vehicles with a total net book value of RM1,430,344 and RM243,650 (2016: RM1,816,932 and RM308,993), which were acquired under hire purchase terms.

(b) At the end of reporting period, property, plant and equipment of the Group with a carrying amount of RM2,983,468 (2016: RM3,034,543) are pledged to a licensed bank for credit facilities granted to the Group as disclosed in Note 20 to the financial statements.

(c) Included in motor vehicles of the Group with a carrying amount of RM362,062 (2016: RM1,421,663) is held in trust under the name of directors of a subsidiary.

8. INVESTMENT PROPERTY

The Group/The Company	**At 1.8.2016 RM**	**Depreciation Charge (Note 24) RM**	**At 31.7.2017 RM**
Net Book Value			
Freehold land and building	1,953,669	(41,347)	**1,912,322**

	At 1.8.2015 RM	**Depreciation Charge (Note 24) RM**	**At 31.7.2016 RM**
Net Book Value			
Freehold land and building	1,995,017	(41,348)	1,953,669

8. INVESTMENT PROPERTY *Cont'd*

The Group/The Company	At Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
2017			
Freehold land and building	**2,067,375**	**(155,053)**	**1,912,322**
2016			
Freehold land and building	2,067,375	(113,706)	1,953,669

	The Group/The Company 2017 RM	2016 RM
Fair Value	**2,300,000**	2,300,000

(a) The freehold land and building of the Group and the Company have been pledged to a licensed bank for credit facilities granted to the Company as disclosed in Note 22 to the financial statements.

(b) The fair values of the investment properties are within level 2 of the fair value hierarchy and are arrived at by reference to market evidence of transaction prices for similar properties and are performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties.

9. INVENTORIES

	The Group 2017 RM	2016 RM
Non-current		
Land held for development (Note 9 (a))	**17,728,339**	11,262,038
Current		
Property development costs (Note 9 (b))	**33,565,422**	39,413,981
Trading goods (Note 9 (c))	**4,886,505**	5,195,788
	38,451,927	44,609,769
	56,180,266	55,871,807

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

9. INVENTORIES *Cont'd*

(a) Land held for development (non-current)

	The Group 2017 RM	The Group 2016 RM
At 1 August:		
- Leasehold land	**9,316,165**	–
- Property development costs	**1,945,873**	–
	11,262,038	–
Additions during the financial year:		
- Leasehold land	**6,419,717**	9,316,165
- Property development costs	**46,584**	1,945,873
	6,466,301	11,262,038
At 31 July	**17,728,339**	11,262,038
Represented by:		
- Leasehold land	**15,735,882**	9,316,165
- Property development costs	**1,992,457**	1,945,873
	17,728,339	11,262,038

In the previous financial year, included in the land cost of the Group, the title of a piece of leasehold land with a carrying value of RM9,316,165 was in the process of being issued to the Company by the relevant authorities.

(b) Property development costs (current)

	The Group 2017 RM	The Group 2016 RM
Freehold land, at cost		
At 1 August	**35,177,263**	–
Arising from acquisition of a subsidiary (Note 28)	**–**	35,177,263
Reduction in land proprietary entitlement	**(7,917,495)**	–
At 31 July	**27,259,768**	35,177,263
Development costs		
At 1 August	**4,236,718**	–
Arising from acquisition of a subsidiary (Note 28)	**–**	2,318,800
Costs incurred during the financial year	**2,068,936**	1,917,918
At 31 July	**6,305,654**	4,236,718
Cumulative property development costs	**33,565,422**	39,413,981

9. INVENTORIES *Cont'd*

(b) Property development costs (current) *Cont'd*

(i) The freehold land has been pledged for banking facility to the Group as disclosed in Note 22.

(ii) In accordance with the Joint Venture Agreement ("JVA") with Makok Intl Sdn. Bhd. ("MISB"), OMISB, a subsidiary of the Company is obliged to pay MISB's entitlement of 50% of the development profit (as defined in the JVA) generated by the development of the parcel of land belonging to MISB progressively. A total entitlement of RM22,220,494 (2016: RM30,137,989) has been included in the property development costs. As of 31 July 2017, RM22,220,494 (2016: RM30,137,989) has been recognised as part of land cost payable in Note 18.

(c) Trading goods

	The Group	
	2017 RM	2016 RM
At cost:-		
Raw materials	**1,010,400**	1,168,731
Work-in-progress	**765,292**	1,030,018
Finished goods	**3,110,813**	2,997,039
	4,886,505	5,195,788

The amount of inventories recognised as an expense in cost of sales was RM26,151,008 (2016: RM23,292,429).

10. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Non-current					
Other receivables:-					
Amount owing by a subsidiary	(a)	**–**	–	**7,000,000**	7,000,000
Third party	(b)	**11,441,847**	10,584,443	**–**	–
Total non–current portion		**11,441,847**	10,584,443	**7,000,000**	7,000,000
Current					
Trade receivables: -					
Third parties		**11,495,721**	7,878,322	**–**	–
Related party		**13,277,327**	1,745,310	**–**	–
		24,773,048	9,623,632	**–**	–

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

10. TRADE AND OTHER RECEIVABLES *Cont'd*

		The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Less: Allowance for impairment losses: -					
At 1 August		**(841,985)**	(852,877)	**–**	–
Addition		**(1,521,959)**	(186,432)	**–**	–
Disposal of subsidiaries		**–**	184,353	**–**	–
Reversal		**20,702**	27,600	**–**	–
Currency translation difference		**(35,083)**	(14,629)	**–**	–
At 31 July		**(2,378,325)**	(841,985)	**–**	–
Total trade receivables	(c)	**22,394,723**	8,781,647	**–**	–
Other receivables:-					
Third parties		**12,756,492**	4,884,289	**501,508**	4,384,950
Less: Allowance for impairment losses		**(45,798)**	(45,798)	**–**	–
	(d)	**12,710,694**	4,838,491	**501,508**	4,384,950
Amount owing by subsidiaries	(e)	**–**	–	**73,151,284**	34,013,467
Amount owing by an associate	(f)	**986,590**	–	**–**	–
Less: Allowance for impairment losses:-					
At 1 August		**–**	–	**(850,000)**	(1,350,000)
Reversal		**–**	–	**–**	500,000
At 31 July		**–**	–	**(850,000)**	(850,000)
		986,590	–	**72,301,284**	33,163,467
Deposits	(g)	**13,956,257**	6,247,052	**543,694**	67,302
Prepayments	(h)	**4,923,435**	2,398,972	**109,865**	4,048
Total current portion		**54,971,699**	22,266,162	**73,456,351**	37,619,767

(a) The amount owing by a subsidiary, TRP, represents advances and payment made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. This amount is, in substance, a part of the Company's net investment in the subsidiary.

(b) The amount is receivable from MISB within 3 years from the date of the Promissory Note or upon completion of the development project under JVA whichever is later or at such other date as may be instructed by OMISB, a subsidiary of the Company. The amount is subject to interest charged proportionately from the interest expenses incurred on the basis of the bank loan balance at the end of reporting date.

10. TRADE AND OTHER RECEIVABLES *Cont'd*

(c) Included in trade receivables at the end of reporting period, is an amount of RM5,483,287 (2016: Nil) in the Group were pledged as security for bank borrowings as disclosed in Note 19 to the financial statements.

The Group's normal trade credit terms range from cash term to 120 days (2016: cash term to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

(d) Included in other receivables at the end of reporting period:

(i) was an amount of RM116,402 (2016: RM109,170) in the Group, being advance payments made to suppliers for future supply of goods; and

(ii) an amount of RM8,475,059 (2016: Nil) in the Group which represented unsecured and interest-free advances to a joint venturer for the purpose of a housing development project as disclosed in Note 37(c).

In the previous financial year, there was an amount of RM4,200,000 in the Group and the Company which was receivable from purchasers in relation to sale proceeds from the disposal of subsidiaries. The amount was interest-free and subjected to fixed receivable terms which settled in cash.

(e) The amount owing by subsidiaries represents unsecured interest-free advances and payments made on behalf. The amount owing is receivable on demand and is to be settled in cash.

(f) The amount owing by an associate represents unsecured interest-free advances and payments made on behalf. The amount owing is receivable on demand and is to be settled in cash.

(g) Included in deposits at the end of reporting period:-

(i) is an amount of RM5 million (2016: RM5 million) in the Group which represents deposit paid by ODKSB upon execution of the Joint Venture Agreement with SSPP Development Sdn. Bhd. in relation to a proposed development on a parcel of land in Bandar Kuantan, Kuantan, Pahang;

(ii) is an amount of RM936,007 (2016: RM936,007) in the Group which represents a performance bond made to a company in which a director of the Company has a substantial financial interest for a construction contract awarded to the Group; and

(iii) is an amount of RM7,200,000 (2016: Nil) in the Group which represents refundable earnest deposits paid to a lawyer as a stakeholder sum for proposed acquisition of properties.

(h) Included in prepayments at the end of the reporting period is an amount of RM2,032,500 (2016: RM2,032,500) in the Group which represents prepayment made for technical liaison and consultancy fees in relation to the proposed development in Bandar Kuantan, Kuantan, Pahang.

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

11. DEFERRED TAX (ASSET)/LIABILITY

	The Group 2017 RM	The Group 2016 RM
At 1 August	**258,000**	258,000
Recognised in profit or loss (Note 25)	**(420,000)**	–
At 31 July	**(162,000)**	258,000
Represented by:		
Deferred tax asset	**(420,000)**	–
Deferred tax liability	**258,000**	258,000
At 31 July	**(162,000)**	258,000

The deferred tax asset/liability is attributable to the following:-

	The Group 2017 RM	The Group 2016 RM
Deferred tax asset:		
Unutilised tax losses	**(420,000)**	–
Deferred tax liability:		
Asset revaluation surplus	**258,000**	258,000

The deferred tax asset on unutilised tax losses has been recognised on the basis that it is probable that future taxable profits of a subsidiary will be available against which temporary differences can be utilised.

No deferred tax assets are recognised in respect of the below items as it is not probable that taxable profits of the Company and subsidiaries will be available against which the deductible temporary differences can be utilised:

	The Group 2017 RM	The Group 2016 RM
Accelerated capital allowances	**(7,320,000)**	(6,948,500)
Unutilised tax losses	**18,919,008**	17,348,000
Unabsorbed capital allowances	**14,750,699**	13,690,000
Unabsorbed reinvestment allowances	**5,710,000**	5,710,000
Other deductible timing differences	**8,269,000**	8,475,300
	40,328,707	38,274,800

12. CONTRACT ASSETS

	The Group	
	2017 RM	2016 RM
At 1 August	**489,166**	–
Construction revenue recognised on performance obligation during the financial year	**50,164,257**	5,675,145
Less: billings during the financial year	**(28,197,159)**	(5,185,979)
At 31 July	**22,456,264**	489,166
Contract costs incurred to date	**38,428,976**	5,172,920
Attributable profit	**17,410,426**	502,225

The amount represents the Group's rights to consideration for construction services rendered but not billed at the end of the reporting period. This balance will be billed progressively in the future upon the fulfilment of contractual milestones.

13. FIXED DEPOSITS WITH LICENSED BANKS

The effective interest rates of the deposits of the Group at the end of the reporting period ranging from 2.95% to 3.30% (2016: 3.30%) per annum. The deposits have a maturity period of 12 months (2016: 12 months).

The fixed deposit with licensed banks of the Group at the end of the reporting period has been pledged to the licensed banks as security for banking facilities granted to the Group as disclosed in Note 20.

14. SHARE CAPITAL

	The Group/The Company			
	2017	2016	2017	2016
	Number Of Shares		RM	RM
Authorised				
Ordinary shares of RM0.25 each				
At 1 August	**N/A**	400,000,000	**N/A**	100,000,000
Created during the financial year	**N/A**	1,200,000,000	**N/A**	300,000,000
At 31 July	**N/A**	1,600,000,000	**N/A**	400,000,000

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

14. SHARE CAPITAL *Cont'd*

The movements in the issued and paid-up share capital of the Company are as follows:-

	The Group/The Company			
	2017	2016	2017	2016
	Number Of Shares		RM	RM
Issued And Fully Paid-Up				
Ordinary Shares with No Par Value (2016: Par Value of RM0.25 each)				
At 1 August	**228,480,799**	204,301,799	**57,120,200**	51,075,450
Issuance of shares pursuant to:-				
- SIS	**2,560,000**	–	**761,976**	–
- Warrants B	**9,317,920**	24,179,000	**2,329,480**	6,044,750
- ICPS	**16,768,800**	–	**7,545,960**	–
Transfer to share capital upon conversion of ICPS	**–**	–	**838,440**	–
Transfer to share capital upon SIS exercised	**–**	–	**149,115**	–
At 31 July	**257,127,519**	228,480,799	**68,745,171**	57,120,200

N/A - Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (ii) below.

(i) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

(ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the financial year, the Company increased its issued and paid-up ordinary shares from RM57,120,200 to RM68,745,171 by way of:-

(a) an issuance of 9,317,920 new ordinary shares from the exercise of Warrants 2011/2016 at the exercise price of RM0.35 per warrant;

(b) an issuance of 2,560,000 new ordinary shares from the exercise of SIS at the exercise price of RM0.33 per share; and

(c) an issuance of 16,768,000 new ordinary shares from the conversion of ICPS with combination of one (1) ICPS and RM0.45 in cash.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

15. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

	The Group/The Company			
	2017	2016	2017	2016
	Number Of Shares		RM	RM
Authorised				
ICPS of RM0.05 each				
At 1 August	**N/A**	–	**N/A**	–
Created during the financial year	**N/A**	2,000,000,000	**N/A**	100,000,000
At 31 July	**N/A**	2,000,000,000	**N/A**	100,000,000
Issued And Fully Paid–Up				
ICPS with No Par Value (2016: Par Value of RM0.05 each)				
At 1 August	**661,412,697**	–	**33,070,635**	–
Issuance of new shares for cash	**–**	661,412,697	**–**	33,070,635
Conversion to ordinary share capital	**(16,768,800)**	–	**(838,440)**	–
At 31 July	**644,643,897**	661,412,697	**32,232,195**	33,070,635

N/A - Not applicable pursuant to Companies Act 2016 which came into operation on 31 January 2017 as disclosed below.

On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the numbers of ICPS in issue or the relative entitlement of any of the members as a result of this transition.

In the previous financial year, the Company issued 661,412,697 ICPS at a nominal value of RM0.05 each at an issue price of RM0.05 each.

The salient terms of ICPS are as follows:-

(a) Dividend rate — No dividend shall be paid during the tenure of the ICPS, unless otherwise declared by the Company.

The Company shall have the discretion to decide whether to declare any dividend. Dividend, if declared, shall be in priority over all ordinary shares of our Company, where the dividend rate is a non-cumulative preference dividend rate of 5% per annum calculated based on the nominal value of the ICPS, to be declared and payable annually in arrears.

(b) Tenure — Five (5) years commencing from and inclusive of the date of issue of the ICPS.

(c) Maturity date — The day immediately preceding the fifth (5th) anniversary from the date of issue of the ICPS. If such a day falls on a non-market day, then the maturity date would be the preceding market day.

15. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") *Cont'd*

The salient terms of ICPS are as follows:- *Cont'd*

(d) Conversion rights

(i) Each ICPS carries the entitlement to be converted into new OCR Shares at the Conversion Ratio through the surrender of the ICPS.

(ii) No adjustment to the Conversion Price shall be made for any declared and unpaid dividends on the ICPS surrendered for conversion.

(iii) If the conversion results in a fractional entitlement to ordinary shares of our Company, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.

(e) Conversion period

(i) The ICPS may be converted at any time within five (5) years commencing on and including the date of issue of the ICPS up to and including the maturity date, as determined by the Conversion Ratio and Conversion Price.

(ii) Any remaining ICPS that are not converted by the maturity date shall be automatically converted into new OCR Shares at the conversion ratio of ten (10) ICPS to be converted into one (1) new OCR Share.

(f) Conversion ratio and conversion price

The Conversion Ratio and Conversion Price have been fixed at either ten (10) ICPS to be converted into one (1) new OCR Share or a combination of one (1) ICPS and RM0.45 in cash for one (1) new OCR Share.

16. RESERVES

		The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Warrant reserve	(a)	**890,326**	2,232,125	**890,326**	2,232,125
Share premium	(b)	**18,475,142**	16,744,909	**18,475,142**	16,744,909
Foreign exchange translation reserve	(c)	**571,824**	423,268	**–**	–
Accumulated losses		**(19,591,834)**	(24,027,401)	**(23,520,116)**	(17,627,706)
SIS reserve	(d)	**831,300**	–	**831,300**	–
		1,176,758	(4,627,099)	**(3,323,348)**	1,349,328

(a) Warrant Reserve

The warrant reserve arose from the allocation of the proceeds received from the issuance of the Warrants B and Warrants C by reference to the fair value of the Warrants B and Warrants C net of discount, amounting to RM0.08 and RM0.013 respectively and net of expenses incurred in relation to the Rights Issue completed on 13 September 2011 and 28 July 2016 respectively.

16. RESERVES *Cont'd*

(b) Share Premium

The movement of the share premium of the Group and of the Company are as follows:

	The Group/The Company	
	2017	2016
	RM	RM
At 1 August	**16,744,909**	12,941,164
Issuance of shares pursuant to:		
- Warrants B	**931,792**	2,417,900
- SIS exercised	**82,824**	–
Transfer of share premium upon:		
- SIS exercised	**101,253**	–
- Warrants B exercised	**755,734**	1,961,048
Expenses incurred for:		
- Warrants B exercised and conversion of ICPS	**(141,370)**	(575,203)
At 31 July	**18,475,142**	16,744,909

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company have not consolidated the share premium into share capital until the expiry of the transitional period.

(c) Foreign Exchange Translation Reserve

The translation reserve arose from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

(d) Share Issuance Scheme

The Company's SIS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 27 June 2012, and the SIS was implemented on 30 August 2012 and will be in force for a period of 5 years from the effective date. The share options had expired on 29 August 2017.

The salient features of the SIS are as follows:

(i) The SIS is administered by a committee appointed by the Board of Directors.

The aggregate number of SIS options offered and to be offered shall not in aggregate exceed fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at any point of time during the duration of the SIS. Furthermore, the allocation of SIS options to the directors and senior management of the Group shall not, in aggregate, exceed fifty percent (50%) of the new shares available under the SIS. In addition, not more than ten percent (10%) of the new shares available under the SIS shall be allocated to any individual eligible person who, either singly or collectively through persons connected with such person, holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares, if any).

16. RESERVES *Cont'd*

(d) Share Issuance Scheme *Cont'd*

The salient features of the SIS are as follows: *Cont'd*

(ii) Any employee of the Group shall be eligible to participate in the SIS as at the date of offer:

(a) the employee is at least eighteen (18) years of age; and

(b) is employed full time by and on the payroll and employment has been confirmed by any company in the Group.

(iii) Any director of the Group shall be eligible to participate in the SIS if as at the date of offer:

(a) the director is at least eighteen (18) years of age;

(b) the director is a director named in the register of directors of the Group; and

(c) specific allocation of new shares to the director of the Company under SIS must have been approved by the shareholders of the Company in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the SIS.

(iv) The SIS option price for each share shall be determined by the Board of the Company based on the five (5) days volume weighted average market price of the shares of the Company immediately preceding the date of offer, with a discount of not more than ten percent (10%) or such other percentage of discount as maybe permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the SIS; or at the par value of the shares, whichever is the higher.

(v) The new shares to be allotted and issued upon the exercise of any SIS options granted will, upon allotment, issuance and full payment, rank pari passu in all respects with the then existing issued and paid-up shares of the Company, save and except that the new shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which precedes the date of allotment and issuance of such new shares. The new shares will be subjected to the provisions of the Articles of Association of the Company. The SIS options shall not carry any rights to vote at any general meeting of the Company.

On 8 September 2016, the Company granted share options to employees of the Company and a subsidiary to purchase shares in the Company under the SIS approved by the shareholders of the Company on 27 June 2012.

The number of share options are as follows:

	Number of ordinary shares of RM0.33 each granted under options			
	The Group		The Company	
	2017	2016	2017	2016
At 1 August	–	–	–	–
Granted	11,160,000	–	9,945,000	–
Exercised	(2,560,000)	–	(1,345,000)	–
Cancellation	(100,000)	–	(100,000)	
At 31 July	8,500,000	–	8,500,000	–

16. RESERVES *Cont'd*

(d) Share Issuance Scheme *Cont'd*

The fair value of the share options granted were estimated by using the binomial option pricing model, taking into consideration the terms and conditions upon which the options were granted. The fair value of the share options measured at the grant date and the assumptions are as follows:-

	2017
Fair value of share options at the grant date (RM per share)	0.0978
Exercise price per option (RM)	0.33
Expected volatility (%)	45.25
Expected life (years)	0.97
Risk free rate (%)	2.55

17. LONG-TERM BORROWINGS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Hire purchase payables (Note 21)	**928,742**	1,211,384	**162,831**	204,377
Term loans (Note 22)	**9,689,977**	8,038,302	**465,864**	540,302
	10,618,719	9,249,686	**628,695**	744,679

18. TRADE AND OTHER PAYABLES

		The Group		The Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Non-current					
Other payables:-					
Third parties	(a)	**–**	500,000	**–**	500,000
Land cost payable	9(b)	**22,220,494**	30,137,989	**–**	–
		22,220,494	30,637,989	**–**	500,000
Current					
Trade payables:-	(b)				
Third party		**12,946,041**	4,538,435	**–**	–
Related party		**527,341**	747,759	**–**	–
Retention sum		**1,430,805**	498,483	**–**	–
		14,904,187	5,784,677	**–**	–
Other payables:-					
Third parties	(a)	**2,914,478**	4,073,555	**609,538**	1,094,001
Amount owing to directors	(c)	**558,066**	468,066	**19,000**	14,000
Accruals		**8,985,104**	1,244,163	**125,167**	596,491
		12,457,648	5,785,784	**753,705**	1,704,492
		27,361,835	11,570,461	**753,705**	1,704,492

18. TRADE AND OTHER PAYABLES *Cont'd*

(a) Included in other payables at the end of the reporting period, there is an amount of RM500,000 (2016: RM1,500,000) in the Group and the Company payable to a seller in relation to the balance of purchase consideration for acquisition of a subsidiary in the previous financial year. The amount was interest free and subject to fixed repayment terms and was settled in cash.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from cash term to five months (2016: cash term to five months).

(c) The amount owing to directors represent mainly advances and remuneration payable, which are unsecured, interest-free and payable upon demand in cash.

19. SHORT-TERM BORROWINGS

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Hire purchase payables	21	**312,897**	335,036	**42,228**	39,863
Term loans	22	**852,725**	2,575,391	**76,838**	73,391
Factoring loan	(a)	**1,736,295**	–	**–**	–
		2,901,917	2,910,427	**119,066**	113,254

(a) This secured factoring loan is repayable on demand and bears interest at 3.67% per annum.

At 31 July 2017, the Group had available RM1,101,855 (2016: Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Notwithstanding the above, the factoring loan is subject to repayment in the event of an excess in the borrowing account due to insufficient account receivable balances.

The factoring loan is secured by personal guarantees and pledge of trade receivables as disclosed in Note 10(c) to the financial statements.

20. BANK OVERDRAFTS

The bank overdrafts of the Group bore weighted average effective interest rates ranging from 7.90% to 9.15% (2016: 9.31%) per annum as at the end of the reporting period.

The bank overdrafts of the Group are secured by:-

(i) a fixed charge over the property, plant and equipment with a total carrying amount of RM2,983,468 (2016: RM3,034,543) as disclosed in Note 7 to the financial statements;

(ii) a personal guarantee of a director of the Company; and

(iii) fixed deposits with licensed banks as disclosed in Note 13 to the financial statements.

These bank overdrafts are also guaranteed by the Company.

21. HIRE PURCHASE PAYABLES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Minimum hire purchase payments:				
- not later than one year	**373,078**	404,180	**53,400**	53,386
- later than one year and not later than five years	**997,120**	1,179,331	**182,717**	160,158
- later than five years	**39,160**	195,793	**–**	75,291
	1,409,358	1,779,304	**236,117**	288,835
Less: Future finance charges	**(167,719)**	(232,884)	**(31,058)**	(44,595)
Present value of hire purchase payables	**1,241,639**	1,546,420	**205,059**	244,240
Current portion (Note 19):				
- not later than one year	**312,897**	335,036	**42,228**	39,863
Non-current portion (Note 17):				
- later than one year and not later than five years	**890,585**	1,065,783	**162,831**	175,425
- later than five years	**38,157**	145,601	**–**	28,952
	928,742	1,211,384	**162,831**	204,377
	1,241,639	1,546,420	**205,059**	244,240

The hire purchase payables of the Group and the Company bore effective interest rates ranging from 4.62% to 7.14% (2016: 4.62% to 7.14%) and 5.26% to 7.14% (2016: 5.26% to 7.14%) per annum at the end of the reporting period.

22. TERM LOANS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current (Note 17):				
- later than one year and not later than five years	**9,689,977**	7,828,126	**465,864**	330,126
- later than five years	**–**	210,176	**–**	210,176
	9,689,977	8,038,302	**465,864**	540,302
Current (Note 19):				
- not later than one year	**852,725**	2,575,391	**76,838**	73,391
	10,542,702	10,613,693	**542,702**	613,693

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

22. TERM LOANS *Cont'd*

The repayment terms of the term loans are as follows:-

Term loan	Effective interest rate	Number of monthly instalment	Monthly instalment amount RM	Date of commencement of repayment	The Group Amount outstanding 2017 RM	The Group Amount outstanding 2016 RM	The Company 2017 RM	The Company 2016 RM
1	4.65% (2016: 4.65%)	120	8,330	1 October 2013	**542,702**	613,693	**542,702**	613,693
2	7.71% (2016: 7.81%)	24	417,000 or repayment via redemption sum per unit	5 May 2018	**10,000,000**	10,000,000	**–**	–
					10,542,702	10,613,693	**542,702**	613,693

Term loan 1 is secured by:-

(a) a fixed charge over the investment property as disclosed in Note 8 to the financial statements; and

(b) a corporate guarantee of the Company.

Term loan 2 is secured by:-

(a) a 3rd party all monies first legal charge over Geran 34386, Lot 95, Seksyen 43, Jalan Yap Kwan Seng, Mukim of Kuala Lumpur as disclosed in Note 9(b) to the financial statements; and

(b) a personal guarantee of a director of the Company and a corporate guarantee of the Company.

23. REVENUE

	The Group 2017 RM	The Group 2016 RM
Sales of goods	**35,000,781**	32,775,831
Contract revenue	**53,771,757**	5,675,145
	88,772,538	38,450,976

24. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- audit fees				
- auditors of the Company	**116,500**	101,500	**34,000**	34,000
- other auditors	**34,665**	30,105	**–**	–
- underprovision in the previous financial year	**–**	1,000	**–**	–
- non-statutory audit	**8,500**	23,500	**8,500**	23,500
Bad debts written off	**488,407**	–	**–**	435,064
Depreciation of:				
- property, plant and equipment (Note 7)	**1,512,870**	1,297,929	**187,084**	89,702
- investment property (Note 8)	**41,347**	41,348	**41,347**	41,348
Directors' remuneration (Note 31 (a))	**1,710,401**	1,392,932	**569,509**	615,355
Goodwill written off	**–**	9,977	**–**	–
Impairment losses on:				
- plant and equipment (Note 7)	**–**	1,540	**–**	–
- trade receivables (Note 10)	**1,521,959**	186,432	**–**	–
- other receivables (Note 10)	**–**	45,798	**–**	–
Interest expense on financial liabilities not at fair value through profit or loss:				
- bank overdrafts	**200,373**	113,643	**–**	–
- hire purchase	**70,610**	24,237	**14,219**	3,179
- term loans	**54,544**	79,966	**27,818**	31,574
- others	**8,161**	–	**–**	–
Inventories written off	**–**	46,113	**–**	–
Gain on disposal of plant and equipment	**(64,426)**	(8,457)	**–**	–
(Gain)/Loss on foreign exchange:				
- realised	**40,541**	132,614	**–**	–
- unrealised	**(76,284)**	(66,206)	**(76,284)**	(99,800)
Rental of premises	**475,406**	544,104	**34,610**	133,728
Staff costs:				
- defined contribution benefits	**1,132,768**	541,609	**368,456**	167,709
- short term employee benefits	**10,006,827**	5,073,948	**3,400,751**	1,480,371
- share option expenses	**1,081,668**	–	**964,083**	–
Plant and equipment written off (Note 7)	**35,157**	119,324	**–**	–
Bad debts recovered	**(6,557)**	–	**–**	–
Gain on disposal of subsidiaries (Note 26)	**–**	(270,856)	**–**	(296,240)
Interest income	**(80,068)**	(57,364)	**–**	–
Rental income	**(24,000)**	(33,000)	**–**	(9,000)
Reversal of impairment loss on:				
- amount owing by a subsidiary (Note 10)	**–**	–	**–**	(500,000)
- trade receivables (Note 10)	**(20,702)**	(27,600)	**–**	–

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

25. INCOME TAX EXPENSE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Income tax:				
- Foreign tax	**–**	65,584	**–**	–
- Local tax	**4,358,285**	–		
- Overprovision of income tax in the previous financial year	**(11,269)**	(2,888)	**–**	–
Deferred tax (Note 11):				
- origination of temporary differences	**(420,000)**	–	**–**	–
	3,927,016	62,696	**–**	–

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and the Company is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before taxation	**6,769,943**	(4,022,191)	**(6,478,475)**	(3,390,461)
Tax at the statutory tax rate of 24%	**1,624,786**	(965,326)	**(1,554,834)**	(813,711)
Tax effects of:-				
Non-deductible expenses	**1,880,602**	1,417,878	**1,554,834**	1,067,957
Non-taxable income	**–**	(464,089)	**–**	(289,200)
Deferred tax assets not recognised during the financial year	**402,866**	152,164	**–**	34,954
Utilisation of deferred tax assets previously not recognised	**(70,580)**	–	**–**	–
Differential in tax rates	**100,611**	(75,043)	**–**	–
Overprovision in the previous financial year:				
– income tax	**(11,269)**	(2,888)	**–**	–
Income tax expense for the financial year	**3,927,016**	62,696	**–**	–

26. DISPOSAL OF SUBSIDIARIES

(a) On 11 September 2015, the Company had entered into a Share Sale Agreement with Mr. Cheah Kim Tee and Puan Norhalimah Binti Rahim to dispose of its 100% equity interest in its wholly-owned subsidiary, Benchmark Vista Sdn. Bhd. ("BVSB"), representing 1,000,000 ordinary shares of RM1 each for a cash consideration of RM655,000.

On 8 December 2015, the disposal of BVSB was completed. Thus, BVSB ceased to be a subsidiary of the Company.

(b) On 2 October 2015, the Company had accepted a conditional Letter of Intent dated 22 September 2015 from Lay Hong Berhad to acquire 200,000 ordinary shares of THB 100 each in Takaso SC (Thailand) Ltd. ("TSC"), being 100% of the issued and paid-up share capital of TSC, from the Company at an indicative consideration of RM9,000,000.

On 13 May 2016, the Company had entered into a conditional Supplemental Agreement with Lay Hong Berhad, to amend specific clauses in the Shares Sale Agreement dated on 4 February 2016.

On 10 June 2016, the disposal of TSC was completed. Thus, TSC ceased to be a subsidiary of the Company.

(c) On 31 December 2015, the Company entered into a Shares Sale Agreement with Yap Kien Ming and Chin Qwee Ling to dispose of its entire shareholding of 1,000,000 ordinary shares of RM1 each in its wholly-owned subsidiary, Takaso Trading Sdn. Bhd. ("TTSB") for a total cash consideration of RM50,000 and consequently TTSB ceased to be a subsidiary of the Company.

In the previous financial year, the financial effects of the disposal at the date of disposal are summarised as below:-

	The Group RM	The Company RM
Investment in subsidiaries	–	2,115,000
Property, plant and equipment	8,853,584	–
Inventories	422,752	–
Trade and other receivables	420,422	6,793,760
Cash and bank balances	115,724	–
Current tax assets	5,135	–
Trade and other payables	(615,534)	–
Carrying amount of net assets disposed of	9,202,083	8,908,760
Transfer from foreign exchange translation reserve	(267,939)	–
Gain on disposal of subsidiaries	270,856	296,240
Consideration received	9,205,000	9,205,000
Less: Cash and cash equivalents of subsidiaries disposed of	(115,724)	–
Net cash inflow on disposal of subsidiaries	9,089,276	9,205,000

27. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) per share was based on the profit/(loss) attributable to equity holders of the Company and divided by the weighted average number of ordinary shares in issue during the year under review.

	The Group 2017	The Group 2016
Earnings/(Loss) attributable to owners of the Company (RM)	**3,849,502**	(4,092,456)
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 August	**228,480,799**	204,301,799
Effect of SIS	**1,074,155**	–
Effect of Warrants B	**8,645,618**	6,372,810
Effect of ICPS	**1,126,650**	–
Weighted average number of ordinary shares at 31 July	**239,327,222**	210,674,609
Basic earnings/(loss) per share (Sen)	**1.61**	(1.94)

(b) Diluted

The calculation of diluted earnings per share was based on the profit/(loss) attributable to equity holders of the Company and divided by the weighted average number of ordinary shares that would been in issue upon full exercise of the SIS and conversion of ICPS, adjusted for the number of such shares that would have been issued at fair value during the year under review.

	The Group 2017
Earnings attributable to owners of the Company (RM)	**3,849,502**
Weighted average number of ordinary shares for basic of earnings/(loss) per share	**239,327,222**
Effect of potential exercise of SIS	**9,934,593**
Effect of potential conversion of ICPS	**88,360,834**
Weighted average number of ordinary shares at 31 July	**337,622,649**
Diluted earnings per share (Sen)	**1.14**

The comparative figures is not presented as the diluted loss per share was equal to the basic earnings per share as there is an anti-dilutive effect arising from the assumed conversion of the ICPS and exercise of the warrants.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements except for the exercise of SIS and conversion of ICPS into 8,500,000 and 100,000 ordinary shares respectively.

28. ACQUISITION OF SUBSIDIARIES

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	The Group	
	2017	2016
Property, plant and equipment	**5,696,800**	–
Property development cost	**–**	37,496,063
Other receivables	**10**	10,173,852
Cash and bank balances	**620,121**	18,943
Other payables	**(5,696,800)**	(32,740,643)
Term loan	**–**	(10,000,000)
Net identifiable assets	**620,131**	4,948,215
Add: Non-controlling interest, measured at the proportionate share of fair value of the net identifiable net assets	**(100,010)**	41,950
Add: Goodwill on acquisition	**–**	9,977
Purchase consideration - to be settled by cash	**520,121**	5,000,142
Less: Cash and cash equivalents of subsidiaries acquired	**(620,121)**	(18,943)
Net cash (inflow)/outflow of acquisition of subsidiaries	**(100,000)**	4,981,199

The acquired subsidiaries have contributed the following results to the Group:-	RM	RM
Loss after taxation	**(47,079)**	(3,781)

If the acquisition had taken place at the beginning of the financial year, the Group's profit/(loss) after taxation for the financial year would have been RM6,722,864 (2016: RM4,105,420).

	The Company	
	2017	2016
Purchase consideration – to be settled by cash	**120,121**	5,005,092

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cost of property, plant and equipment purchased	**2,299,115**	2,836,828	**425,781**	371,077
Amount financed through hire purchase	**–**	(1,153,903)	**–**	(253,000)
Cash disbursed for purchase of property, plant and equipment	**2,299,115**	1,682,925	**425,781**	118,077

30. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits with licensed banks	**5,128,055**	120,000	**–**	–
Cash and bank balances	**2,740,871**	33,972,339	**744,385**	32,345,543
Bank overdrafts (Note 20)	**(6,047,292)**	(1,393,501)	**–**	–
	1,821,634	32,698,838	**744,385**	32,345,543
Less: fixed deposit pledged to licensed banks (Note 13)	**(5,128,055)**	(120,000)	**–**	–
	(3,306,421)	32,578,838	**744,385**	32,345,543

31. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors				
Directors of the Company				
Executive Directors				
Short-term employee benefits:				
- fees	**70,000**	72,000	**70,000**	72,000
- salaries, bonuses and other benefits	**456,529**	537,655	**326,529**	397,655
	526,529	609,655	**396,529**	469,655
Defined contribution benefits	**54,480**	60,000	**38,880**	43,200
	581,009	669,655	**435,409**	512,855
Non-executive Directors				
Short-term employee benefits:				
- fees	**132,000**	100,000	**132,000**	100,000
- other benefits	**2,100**	2,500	**2,100**	2,500
	134,100	102,500	**134,100**	102,500
	715,109	772,155	**569,509**	615,355

31. KEY MANAGEMENT PERSONNEL COMPENSATION *Cont'd*

(a) The key management personnel compensation during the financial year are as follows *Cont'd*:-

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Directors				
Directors of the Subsidiaries				
Executive Directors				
Short-term employee benefits:				
- salaries, bonuses and other benefits	**910,030**	549,997	**–**	–
Defined contribution benefits	**85,262**	70,780	**–**	–
	995,292	620,777	**–**	–
Total director remuneration (Note 24)	**1,710,401**	1,392,932	**569,509**	615,355
Other Key Management Personnel				
Short–term employee benefits	**130,829**	138,655	**–**	–
Defined contribution benefits	**15,600**	16,560	**–**	–
	146,429	155,215	**–**	–

(b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	2017 Number of Directors	2016 Number of Directors
Executive Directors		
Below RM50,000	**2**	1
RM150,000 – RM200,000	**1**	1
RM200,000 – RM250,000	**–**	–
RM300,000 – RM350,000	**1**	1
Non-executive Directors		
Below RM50,000	**8**	5
	12	8

32. 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, 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:-

	The Group	
	2017 RM	2016 RM
Sales to a company which is connected to a director of the Company	**235,097**	906,984
Billboard rental services rendered by a company in which a director has a substantial financial interest	**79,100**	–
Purchases from a company in which a director has a substantial financial interest	**1,184,254**	1,812,941
Progress billing to a company which is connected to a director of the Company	**22,219,875**	5,185,979

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

33. OPERATING SEGMENTS

The Group are principally engaged in the manufacturing of rubber products and baby products as well as trading in baby apparels and toiletries, trading of electrical and mechanical products, construction of residential and commercial properties and property development.

The Group has arrived at five reportable segments that are organised and managed separately according to the nature of products and services. The reportable segments are summarised as follows:-

Manufacturing	:	Manufacturing of condoms and baby products and moulds
Trading	:	Trading and retailing in rubber products, baby apparels, toiletries, electrical and mechanical products.
Construction	:	Construction of residential and commercial properties.
Property development	:	Property development.
Others	:	Consist of investment holding company and subsidiaries which are dormant.

33. OPERATING SEGMENTS *Cont'd*

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

The Group evaluates performance on the basis of profit or loss from operations.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and are based on negotiated and mutually agreed terms. Inter-segment revenue is eliminated in the consolidated financial statements.

Segment assets exclude tax asset.

Segment liabilities exclude tax liabilities.

BUSINESS SEGMENTS

	Manufacturing RM	Trading RM	Construction RM	Property Development RM	Others RM	Group RM
2017						
Revenue						
External revenue	7,419,279	27,581,502	53,771,757	–	–	88,772,538
Inter–segment revenue	2,774,362	29,784	–	–	–	2,804,146
	10,193,641	27,611,286	53,771,757	–	–	91,576,684
Consolidation adjustments and eliminations						(2,804,146)
Consolidated revenue						88,772,538
Results						
Results before the following adjustments	(123,113)	750,301	18,460,958	(2,081,365)	(5,361,132)	11,645,649
Consolidation adjustments and eliminations	–	(9,181)	–	–	208,645	199,464
Other material items of income (Note a)	70,983	20,702	–	–	76,284	167,969
Depreciation of investment property	–	–	–	–	(41,347)	(41,347)
Depreciation of property, plant and equipment	(821,593)	(355,180)	(1,823)	(147,190)	(187,084)	(1,512,870)
Other material items of expenses (Note b)	(33,447)	(2,052,617)	(118,827)	–	(962,841)	(3,167,732)
Segment results	(907,170)	(1,645,975)	18,340,308	(2,228,555)	(6,267,475)	7,291,133
Finance costs						(333,688)
Share of results in an associate						(187,502)
Income tax expense						(3,927,016)
Consolidated profit after taxation						2,842,927

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

	Manufacturing RM	Trading RM	Construction RM	Property Development RM	Others RM	Group RM
2017						
Assets						
Segment assets	17,266,371	11,325,808	48,077,405	71,908,106	23,597,546	172,175,236
Current tax assets	24,545	–	–	320,000	–	344,545
Deferred tax asset	–	–	–	420,000	–	420,000
Consolidated total assets	17,290,916	11,325,808	48,077,405	72,648,106	23,597,546	172,939,781
Liabilities						
Segment liabilities	5,046,005	5,838,791	23,996,726	32,754,734	1,514,001	69,150,257
Deferred tax liability	258,000	–	–	–	–	258,000
Provision for taxation	–	62,975	2,131,736	–	–	2,194,711
Consolidated total liabilities	5,304,005	5,901,766	26,128,462	32,754,734	1,514,001	71,602,968
Other segment items						
Additions to non-current assets other than financial instruments:-						
- property, plant and equipment	135,747	41,761	18,640	1,677,186	425,781	2,299,115

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

	Manufacturing RM	Trading RM	Construction RM	Property Development RM	Others RM	Group RM
2016						
Revenue						
External revenue	9,023,392	23,752,439	5,675,145	–	–	38,450,976
Inter–segment revenue	3,082,424	38,705	–	–	–	3,121,129
	12,105,816	23,791,144	5,675,145	–	–	41,572,105
Consolidation adjustments and eliminations						(3,121,129)
Consolidated revenue						38,450,976
Results						
Results before the following adjustments	447,575	1,279,568	44,942	(150,606)	3,351,643	4,973,122
Consolidation adjustments and eliminations	–	10,918	–	–	(7,290,406)	(7,279,488)
Other material items of income (Note a)	16,931	27,600	–	–	337,062	381,593
Depreciation of investment property	–	–	–	–	(41,348)	(41,348)
Depreciation of property, plant and equipment	(880,814)	(326,828)	(586)	–	(89,701)	(1,297,929)
Other material items of expenses (Note b)	(109,590)	(430,705)	–	–	–	(540,295)
Segment results	(525,898)	560,553	44,356	(150,606)	(3,732,750)	(3,804,345)
Finance costs						(217,846)
Income tax expense						(62,696)
Consolidated loss after taxation						(4,084,887)

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

	Manufacturing RM	Trading RM	Construction RM	Property Development RM	Others RM	Group RM
2016						
Assets						
Segment assets	19,674,321	9,787,367	4,144,243	68,627,518	39,361,301	141,594,750
Current tax assets	24,545	–	–	–	–	24,545
Consolidated total assets	19,698,866	9,787,367	4,144,243	68,627,518	39,361,301	141,619,295
Liabilities						
Segment liabilities	6,499,384	2,772,966	2,777,263	40,438,422	3,274,029	55,762,064
Deferred tax liability	258,000	–	–	–	–	258,000
Provision for taxation	–	54,948	11,269	–	–	66,217
Consolidated total liabilities	6,757,384	2,827,914	2,788,532	40,438,422	3,274,029	56,086,281
Other segment items						
Additions to non-current assets other than financial instruments:-						
- property, plant and equipment	979,243	594,362	–	–	1,263,223	2,836,828

(a) Other material items of income consist of the following:-

	The Group 2017 RM	The Group 2016 RM
Gain on disposal of plant and equipment	**64,426**	16,931
Gain on disposal of subsidiaries	**–**	270,856
Bad debts recovered	**6,557**	–
Reversal of impairment losses on trade receivables	**20,702**	27,600
Unrealised gain on foreign exchange	**76,284**	66,206
	167,969	381,593

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

(b) Other material items of expenses consist of the following:-

	The Group	
	2017 RM	2016 RM
Allowance for impairment losses on:		
- trade receivables	**1,521,959**	186,432
- other receivables	**–**	45,798
Bad debts written off	**488,407**	–
Impairment loss of plant and equipment	**–**	1,540
Inventories written off	**–**	46,113
Loss on disposal of plant and equipment	**–**	8,474
Plant and equipment written off	**35,157**	119,324
Realised loss on foreign exchange	**40,541**	132,614
Share options expense	**1,081,668**	–
	3,167,732	540,295

GEOGRAPHICAL INFORMATION

	Revenue		Non-current Assets	
Group	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	**59,051,302**	7,357,650	**48,190,028**	39,220,864
Other Asian countries	**27,827,905**	29,924,048	**656,392**	916,450
European countries	**4,463**	21,532	**–**	–
African countries	**407,743**	120,201	**–**	–
Others	**1,481,125**	1,027,545	**–**	–
	88,772,538	38,450,976	**48,846,420**	40,137,314

MAJOR CUSTOMER

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

	The Group		Segment
	2017 RM	2016 RM	
Customer#1	**33,215,145**	5,675,145	Construction
Customer#2	**9,924,500**	–	Construction

34. CONTINGENT LIABILITY

	The Company	
	2017 RM	2016 RM
Corporate guarantees given:		
- to financial institutions for credit facilities granted to subsidiaries	**16,047,292**	1,393,501

35. CAPITAL COMMITMENT

	The Group	
	2017 RM	2016 RM
Contracted but not provided for		
Acquisition of new subsidiaries	**2,183,247**	2,063,100

36. FINANCIAL INSTRUMENTS

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

36.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, and Singapore Dollar. 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 foreign 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.

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	United States Dollar RM	Singapore Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
2017					
Financial Assets					
Trade and other receivables	184,640	5,725,845	55,373	55,524,253	61,490,111
Fixed deposits with licensed banks	–	–	–	5,128,055	5,128,055
Cash and bank balances	126,517	1,519,110	16,431	1,078,813	2,740,871
	311,157	7,244,955	71,804	61,731,121	69,359,037
Financial Liabilities					
Hire purchase payables	–	681,241	–	560,398	1,241,639
Term loans	–	–	–	10,542,702	10,542,702
Factoring loan	–	1,736,295	–	–	1,736,295
Trade and other payables	547,938	3,271,752	278,588	45,484,051	49,582,329
Bank overdrafts	–	–	–	6,047,292	6,047,292
	547,938	5,689,288	278,588	62,634,443	69,150,257
Net financial assets/(liabilities)	(236,781)	1,555,667	(206,784)	(903,322)	208,780
Less: Net financial liabilities denominated in the respective entities' functional currencies	–	(1,555,667)	–	903,322	(652,345)
Currency Exposure	(236,781)	–	(206,784)	–	(443,565)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

Foreign Currency Exposure *Cont'd*

The Group	United States Dollar RM	Singapore Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
2016					
Financial Assets					
Trade and other receivables	54,292	4,986,950	55,373	25,355,018	30,451,633
Fixed deposits with licensed banks	–	–	–	120,000	120,000
Cash and bank balances	270,622	934,087	4,506	32,763,124	33,972,339
	324,914	5,921,037	59,879	58,238,142	64,543,972
Financial Liabilities					
Hire purchase payables	–	814,855	–	731,565	1,546,420
Term loans	–	–	–	10,613,693	10,613,693
Trade and other payables	1,366,259	3,467,514	334,441	37,040,236	42,208,450
Bank overdrafts	–	–	–	1,393,501	1,393,501
	1,366,259	4,282,369	334,441	49,778,995	55,762,064
Net financial (liabilities)/assets	(1,041,345)	1,638,668	(274,562)	8,459,147	8,781,908
Less: Net financial liabilities denominated in the respective entities' functional currencies	–	(1,638,668)	–	(8,459,147)	(10,097,815)
Currency Exposure	(1,041,345)	–	(274,562)	–	(1,315,907)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

Foreign Currency Exposure *Cont'd*

The Company	Singapore Dollar RM	Ringgit Malaysia RM	Total RM
2017			
Financial Assets			
Trade and other receivables	1,743,185	71,603,301	73,346,486
Cash and bank balances	–	744,385	744,385
	1,743,185	72,347,686	74,090,871
Financial Liabilities			
Trade and other payables	–	753,705	753,705
Hire purchase payables	–	205,059	205,059
Term loans	–	542,702	542,702
	–	1,501,466	1,501,466
Net financial assets	1,743,185	70,846,220	72,589,405
Less: Net financial assets denominated in the entity's functional currency	–	(70,846,220)	(70,846,220)
Currency Exposure	1,743,185	–	1,743,185

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(i) Foreign Currency Risk *Cont'd*

Foreign Currency Exposure *Cont'd*

The Company	Singapore Dollar RM	Ringgit Malaysia RM	Total RM
2016			
Financial Assets			
Trade and other receivables	1,666,901	35,948,818	37,615,719
Cash and bank balances	–	32,345,543	32,345,543
	1,666,901	68,294,361	69,961,262
Financial Liabilities			
Trade and other payables	–	2,204,492	2,204,492
Hire purchase payables	–	244,240	244,240
Term loans	–	613,693	613,693
	–	3,062,425	3,062,425
Net financial assets	1,666,901	65,231,936	66,898,837
Less: Net financial assets denominated in the entity's functional currency	–	(65,231,936)	(65,231,936)
Currency Exposure	1,666,901	–	1,666,901

Foreign currency risk sensitivity analysis

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects on Profit/(Loss) After Taxation				
United States Dollar:				
- strengthened by 10%	**-17,995**	-79,142	**–**	–
- weakened by 10%	**+17,995**	+79,142	**–**	–
Singapore Dollar:				
- strengthened by 10%	**–**	–	**–132,482**	+126,684
- weakened by 10%	**–**	–	**+132,482**	-126,684

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(ii) 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 mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings and fixed deposits are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since they carrying amount nor the future cash flows will flucture because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 19, 20 and 22 to the financial statements.

Interest rate risk sensitivity analysis

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects on Profit/(Loss) After Taxation				
Increase of 100 basis points	**-139,280**	+89,154	**-4,125**	+4,664
Decrease of 100 basis points	**+139,280**	-89,154	**+4,125**	-4,664

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) 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. 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 one (1) customer which constituted approximately 58% of its trade receivables as at the end of the reporting period.

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including amount owing by related parties) at the end of the reporting period is as follows:-

	The Group	
	2017	**2016**
	RM	**RM**
Malaysia	**16,755,839**	3,645,000
Other Asian Countries	**5,603,644**	5,040,986
European Countries	**14,238**	72,660
African Countries	**21,002**	23,001
	22,394,723	8,781,647

(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).

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk

(iii) Ageing Analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2017				
Not past due	**7,179,285**	**–**	**–**	**7,179,285**
Past due:				
- less than 3 months	**9,008,229**	**(927,157)**	**–**	**8,081,072**
- 3 to 6 months	**6,565,088**	**(842,568)**	**–**	**5,722,520**
- more than 6 months	**2,020,446**	**(608,600)**	**–**	**1,411,846**
	24,773,048	**(2,378,325)**	**–**	**22,394,723**
2016				
Not past due	4,980,717	–	–	4,980,717
Past due:				
- less than 3 months	3,539,745	–	–	3,539,745
- 3 to 6 months	133,644	–	–	133,644
- over 6 months	969,526	(841,985)	–	127,541
	9,623,632	(841,985)	–	8,781,647

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

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

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) 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 as at the end of the reporting period 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):-

The Group	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2017						
Non-derivative Financial Liabilities						
Hire purchase payables	**4.62 -7.14**	**1,241,639**	**1,409,358**	**373,078**	**997,120**	**39,160**
Term loans	**4.65 - 7.71**	**10,542,702**	**11,929,273**	**1,042,421**	**10,763,684**	**123,168**
Factoring loan	**–**	**1,736,295**	**1,736,295**	**1,736,295**	**–**	**–**
Trade and other payables	**–**	**49,582,329**	**49,582,329**	**27,361,835**	**–**	**22,220,494**
Bank overdrafts	**7.90 - 9.31**	**6,047,292**	**6,047,292**	**6,047,292**	**–**	**–**
		69,150,257	**70,704,547**	**36,560,921**	**11,760,804**	**22,382,822**
2016						
Non-derivative Financial Liabilities						
Hire purchase payables	4.62 - 7.14	1,546,420	1,779,304	404,180	1,179,331	195,793
Term loans	4.65 - 7.81	10,613,693	10,720,397	2,602,188	7,898,754	219,455
Trade and other payables	–	42,208,450	42,208,450	11,570,461	500,000	30,137,989
Bank overdrafts	9.31	1,393,501	1,393,501	1,393,501	–	–
		55,762,064	56,101,652	15,970,330	9,578,085	30,553,237

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk *Cont'd*

Maturity Analysis *Cont'd*

The Company	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
2017						
Non-derivative Financial Liabilities						
Trade and other payables	–	753,705	753,705	753,705	–	–
Hire purchase payables	5.26 – 7.14	205,059	236,117	53,400	182,717	–
Term loans	4.65	542,702	625,273	100,421	401,684	123,168
		1,501,466	1,615,095	907,526	584,401	123,168
2016						
Non-derivative Financial Liabilities						
Trade and other payables	–	2,204,492	2,204,492	1,704,492	500,000	–
Hire purchase payables	5.26 – 7.14	244,240	288,835	53,386	160,158	75,291
Term loans	4.65	613,693	720,397	100,188	400,754	219,455
		3,062,425	3,213,724	1,858,066	1,060,912	294,746

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

Notes to the Financial Statements
for the financial year ended 31 July 2017 (cont'd)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.2 CAPITAL RISK MANAGEMENT *Cont'd*

	The Group	
	2017 RM	2016 RM
Factoring loan (Note 19)	**1,736,295**	–
Bank overdrafts (Note 20)	**6,047,292**	1,393,501
Hire purchase payables (Note 21)	**1,241,639**	1,546,420
Term loans (Note 22)	**10,542,702**	10,613,693
	19,567,928	13,553,614
Less: Fixed deposits with licensed banks (Note 13)	**(5,128,055)**	(120,000)
Less: Cash and bank balances	**(2,740,871)**	(33,972,339)
Net debt	**11,699,002**	–
Total Equity	**101,336,813**	85,533,014
Debt-to-equity ratio	**0.12**	Not applicable

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

36.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial Asset				
Loans and Receivables Financial Assets				
Trade and other receivables	**61,490,111**	30,451,633	**73,346,486**	37,615,719
Fixed deposits with licensed banks	**5,128,055**	120,000	**–**	–
Cash and bank balances	**2,740,871**	33,972,339	**744,385**	32,345,543
	69,359,037	64,543,972	**74,090,871**	69,961,262
Financial Liability				
Other Financial Liabilities				
Factoring loan	**1,736,295**	–	**–**	–
Hire purchase payables	**1,241,639**	1,546,420	**205,059**	244,240
Term loans	**10,542,702**	10,613,693	**542,702**	613,693
Trade payables and other payables	**49,582,329**	42,208,450	**753,705**	2,204,492
Bank overdrafts	**6,047,292**	1,393,501	**–**	–
	69,150,257	55,762,064	**1,501,466**	3,062,425

36. FINANCIAL INSTRUMENTS *Cont'd*

36.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms. As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period.

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

	Fair Value of Financial Instruments not Carried at Fair Value				
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total Fair Value RM**	**Carrying Amount RM**
The Group					
2017					
Financial Asset					
Other receivable	**–**	**11,441,847**	**–**	**11,441,847**	**11,441,847**
Financial Liabilities					
Other payable	–	22,220,494	–	22,220,494	22,220,494
Hire purchase payables	–	1,241,639	–	1,241,639	1,241,639
Term loan	–	10,542,702	–	10,542,702	10,542,702
2016					
Financial Asset					
Other receivable	–	10,584,443	–	10,584,443	10,584,443
Financial Liabilities					
Other payable	–	30,637,989	–	30,637,989	30,637,989
Hire purchase payables	–	1,546,420	–	1,546,420	1,546,420
Term loan	–	10,613,693	–	10,613,693	10,613,693

36. FINANCIAL INSTRUMENTS *Cont'd*

36.4 FAIR VALUE INFORMATION *Cont'd*

The following table sets out the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period *Cont'd*:-

	Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
The Company					
2017					
Financial Liabilities					
Hire purchase payables	**–**	**205,059**	**–**	**205,059**	**205,059**
Term loan	**–**	**542,702**	**–**	**542,702**	**542,702**
2016					
Financial Liabilities					
Hire purchase payables	–	244,240	–	244,240	244,240
Term loan	–	613,693	–	613,693	613,693

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 8 September 2016, PTSB, a 70% equity interest of a subsidiary, has received a letter of award for its appointment as project management consultant from Yayasan Pahang for its project, Affordable Housing Development Scheme, in the state of Pahang which consist of approximately 25,000 units of residential properties.

(b) On 8 September 2016, the Company had granted 11,160,000 share options pursuant to the SIS with and exercise price of RM0.33 per new ordinary share to eligible employees of the Company and its subsidiary.

(c) On 24 November 2016, GSSB, has entered into a Joint Venture Agreement with Arra Inovasi Sdn. Bhd. ("AISB") wherein AISB shall be the Land Owner cum Developer and GSSB as the Main Contractor to undertake the construction and development of a proposed housing project on a piece of 8.7 acres land situated in Teras Jernang, Bangi , Selangor Darul Ehsan into residential properties.

(d) On 15 December 2016, AES has appointed by Perbadanan PR1MA Malaysia to carry out the design, planning, procurement, construction and completion of a Project located at Lot 37827 (PT 13688) Jalan Alam Sutera Utama, Mukim Petaling, Bukit Jalil, Wilayah Persekutuan Kuala Lumpur at a total contract value of approximately RM155 million.

(e) On 5 January 2017, VAPSB signed a Memorandum of Understanding with Universiti Sains Islam Malaysia to declare their respective intentions and to establish a basis of co-operation and collaboration between both parties in the following areas:

  (i) In-Campus Students' accommodations (Kolej Kediaman Kedua) by way of a Build-Operate-Transfer concept for 3,000 students; and

  (ii) In-Campus Students' accommodations (Kolej Kediaman Pelajar Perubatan) by way of Build-Operate-Transfer concept for 1,200 students.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *Cont'd*

(f) The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Group and of the Company upon its initial implementation are:-

(i) Removal of the authorised share capital;
(ii) Ordinary and preference shares ceased to have par or nominal value; and
(iii) Share premium account transferred to share capital account.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to the financial statements.

(g) On 27 March 2017, the Company proposed to undertake a Private Placement. The Company announced to fix the issue price for the Proposed Private Placement of 26,567,700 new shares to be issued at RM0.60 per placement share on 16 October 2017.

The Proposed Private Placement is completed on 23 October 2017.

(h) On 17 July 2017, the Company has received a Letter of Award from Damansara Realty (Johor) Sdn. Bhd. to develop its project known as Perumahan Penjawat Awam 1Malaysia (“PPA1M”) on all that piece of land held under No. Lot PT 12952 (597) in the district of Precinct 5 in the state of Putrajaya measuring approximately 11.898 acres.

38. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 10 August 2017, OPKSB has entered into a Joint Venture Agreement with Yayasan Pahang in relation to the development of a piece of leasehold land into a mixed development which includes commercial development and an affordable housing scheme known as “PRIYA Scheme”.

(b) On 25 August 2017, an allotment of a total 8,500,000 new ordinary shares at an exercise price of RM0.33 each per share for cash pursuant to the conversion of SIS of the Company.

(c) On 30 August 2017, 28 September 2017 and 30 October 2017, there are allotments of a total 200,000 new ordinary shares at an exercise price of RM0.50 each per share for cash pursuant to the conversion of ICPS of the Company.

(d) On 27 September 2017, KMSB has entered into a Share Sale Agreement to acquire 100,001 ordinary shares representing 50.0005% of the issued and paid-up share capital of Mampan Esa (Melaka) Sdn. Bhd. from Mampan 19 Berhad for a consideration of RM100,001.

(e) On 25 October 2017, the Company proposed to change its name from "O&C Resources Berhad" to "OCR Group Berhad" ("Proposed Change of Name"). The proposed name, "OCR Group Berhad", has been approved and reserved by the Companies Commission of Malaysia ("CCM"). The Proposed Change of Name is subject to the approval of the shareholders of the Company which will be tabled as a special resolution at the Annual General Meeting of the Company to be convened on a later date.

(f) On 31 October 2017, the Company further subscribed for 4,250,000 ordinary shares of RM1 each issued by its wholly-owned subsidiary, O&C Construction Sdn. Bhd. (formerly known as Takaso Land Sdn. Bhd.) for a cash consideration of RM4,250,000.

39. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at the end of the reporting period into realised and unrealised losses 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:-

	The Group		The Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total accumulated losses of the Company and its subsidiaries				
- realised	**(19,830,118)**	(23,835,605)	**(23,596,400)**	(17,727,506)
- unrealised	**238,284**	(191,796)	**76,284**	99,800
At 31 July	**(19,591,834)**	(24,027,401)	**(23,520,116)**	(17,627,706)

LIST OF **PROPERTIES**
AS AT 31 JULY 2017

Location	Description	Tenure	Existing use, Age of Building and Building up Area	Net Book Value as at 31-07-2017 RM	Date of Revaluation
Lot PTD No. 4917 Mukim Kesang District of Ledang Johor Darul Takszim	The Building is a lean-to structure which adjoins a two-storey office cum factory building. A three-storey administrative building.	60 years lease expiring on 01.04.2049 (i.e. having an unexpected term of 35 years)	1. A unit of 24 years single-storey lean-to factory building. 2. A unit of 20 years factory building. (1 + 2 with a total built-up area of 43,560 sq. ft.) 3. A unit of 11 years 8 months three-storey administrative building with a built-up area of 11,500 sq. ft.	3,882,710	30th September 2015
Lot P.T.D No. 4965 Mukim Kesang District of Ledang Johor Darul Ta'zim	A two-storey factory building.	60 years lease expiring on 20.09.2049 (i.e. having an unexpired term of 35 years)	A 16 years two-storey factory building.	1,983,468	30th September 2015
Lot No.987 Mukim Sungai Terap District of Muar Johor Darul Ta'zim	A piece of agriculture land with land area of 77,591.25 sq. ft.	Freehold	Unoccupied vacant land.	1,000,000	30th September 2015
Lot No. 2526 Mukim Serom District of Muar Johor Darul Ta'zim	A piece of newly converted medium industrial land with land area of 395,034.75 sq. ft.	Freehold	Permitted to build a warehouse with total built-up area of 10,940 sq. ft. (11 years 3 month).	4,115,133	30th September 2015
Lot No. 5619 Mukim Pekan Kinrara District of Petaling Selangor Darul Ehsan.	3 1/2 storey shop-offices	Freehold	A unit of 5 years 3 ½ shop-offices with total built-up area 5,652 sq. ft.	1,912,322	24th October 2016

ANALYSIS OF *SHAREHOLDINGS*
AS AT 17 OCTOBER 2017

Class of securities	:	Ordinary shares
Number of Shareholders	:	1,550
Voting rights	:	Each member of the Company, present in person or by proxy, shall have one (1) vote on a show of hands and in the case of a poll, shall have one (1) vote for every ordinary share held. A proxy may but need not be a member.

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
Less than 100	109	7.03	4,595	0.00
100 – 1,000	115	7.42	58,996	0.02
1,001 - 10,000	758	48.90	3,936,592	1.48
10,001 - 100,000	440	28.39	14,588,633	5.49
100,001 to less than 5% of issued shares	126	8.13	202,068,403	76.04
5% and above of issued shares	2	0.13	45,070,300	16.96
Total	**1,550**	**100.00**	**265,727,519**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 17 OCTOBER 2017

Substantial shareholders (holding 5% or more of the capital) based on the Register of Substantial Shareholdings of the Company as at 17 October 2017 are as follows:-

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No of shares held**	**% held**	**No of shares held**	**% held**
OCR Land Holdings Sdn. Bhd.	31,215,000	11.75	–	–
Ong Kah Hoe	22,961,000	8.64	(1)41,378,800	15.57
CIMB Commerce Trustee Berhad – Kenanga Growth Fund	13,855,300	5.21	–	–
Kumpulan Wang Persaraan (Diperbadankan)	–	–	22,529,700	8.48

DIRECTORS' SHAREHOLDINGS AS AT 17 OCTOBER 2017

The respective share, Irredeemable Convertible Preference Shares ("ICPS") and warrant holdings of the Directors of O&C Resources Berhad in the Company are as follows:-

	SHARE HOLDINGS				ICPS HOLDINGS				WARRANT C HOLDINGS			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
Directors	No. of shares held	%	No. of shares held	%	No. of ICPS held	%	No. of ICPS held	%	No of Warrant C held	%	No of Warrant C held	%
Tunku Azudinshah Ibni Tunku Annuar	–	–	–	–	–	–	–	–	–	–	–	–
Ong Kah Hoe	22,961,000	8.64	(1)41,378,800	15.57	48,261,900	7.49	(2)123,536,400	19.17	4,826,190	7.30	(3)12,353,640	18.68
Tee Tze Chern, JP	88	0.00	–	–	–	–	–	–	–	–	–	–
Datuk Azrulnizam bin Abdul Aziz	–	–	–	–	–	–	–	–	–	–	–	–
Dato' Lim Heng Ee	–	–	–	–	–	–	–	–	–	–	–	–
Lee Chin Cheh	–	–	–	–	–	–	–	–	–	–	–	–
Hj. Abdullah Bin Abdul Rahman	–	–	–	–	–	–	–	–	–	–	–	–
Lim Teck Seng	–	–	–	–	–	–	–	–	–	–	–	–
Yap Sing Khon	–	–	–	–	–	–	–	–	–	–	–	–

Notes:-

(1) Deemed interested by virtue of Mr. Ong Kah Hoe's interest in OCR Land Holdings Sdn. Bhd., pursuant to Section 8 of the Companies Act, 2016 and Mr. Ong Kah Hoe's parents and siblings' direct shareholdings.

(2) Deemed interested by virtue of Mr. Ong Kah Hoe's interest in OCR Land Holdings Sdn. Bhd., pursuant to Section 8 of the Companies Act, 2016 and Mr. Ong Kah Hoe's parents and siblings' direct ICPS holdings.

(3) Deemed interested by virtue of Mr. Ong Kah Hoe's interest in OCR Land Holdings Sdn. Bhd., pursuant to Section 8 of the Companies Act, 2016 and Mr. Ong Kah Hoe's parents and siblings' direct warrant holdings.

Analysis of Shareholdings as at 17 October 2017 (cont'd)

THIRTY LARGEST SHAREHOLDERS AS AT 17 OCTOBER 2017

No.	Shareholders	No. of Shares	%
1	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR OCR LAND HOLDINGS SDN. BHD.*	31,215,000	11.75
2	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *CIMB COMMERCE TRUSTEE BERHAD – KENANGA GROWTH FUND*	13,855,300	5.21
3	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)*	13,205,500	4.97
4	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ACE CREDIT (M) SDN. BHD. (STA 1)*	12,857,000	4.84
5	MAYBANK INVESTMENT BANK BERHAD IVT (10)	10,200,000	3.84
6	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (020) (THIRD PARTY)*	9,405,400	3.54
7	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILIP CAPITAL MANAGEMENT SDN. BHD.*	9,308,800	3.50
8	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR STRONGLEAP SDN. BHD. (MARGIN)*	8,892,600	3.35
9	YAYASAN GURU TUN HUSSEIN ONN	8,000,000	3.01
10	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)*	7,293,500	2.74
11	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (MARGIN)*	6,873,700	2.59
12	M & A NOMINEE (ASING) SDN. BHD. *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	6,000,000	2.26
13	THAM KIN FOONG (JOHN)	6,000,000	2.26
14	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR STRONGLEAP SDN. BHD.*	5,408,800	2.04
15	TEOH HWA PENG	5,025,714	1.89
16	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN BAN TATT*	5,000,000	1.88
17	KHOR PENG CHAI	5,000,000	1.88
18	TASEC NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)*	4,162,300	1.57
19	TASEC NOMIEES (TEMPATAN) SDN. BHD. *TA INVESTMENT MANAGEMENT BERHAD FOR PEMBANGUNAN SUMBER MANUSIA BERHAD (PSMB)*	4,000,000	1.51
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (6000713)*	3,500,000	1.32

Analysis of Shareholdings as at 17 October 2017 (cont'd)

THIRTY LARGEST SHAREHOLDERS AS AT 17 OCTOBER 2017 *Cont'd*

No.	Shareholders	No. of Shares	%
21	UOBM NOMINEES (TEMPATAN) SDN. BHD. *UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND*	3,435,600	1.29
22	MALACCA EQUITY NOMINEES (TEMPATAN) SND. BHD. *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.*	3,386,600	1.27
23	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH WEE*	3,181,900	1.20
24	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE*	3,181,900	1.20
25	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG YEW MING*	3,181,900	1.20
26	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *NOMURA ASSET MANAGEMENT MALAYSIA SDN. BHD. FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (NOMURA 2)*	2,909,500	1.09
27	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *TA ISLAMIC FUND*	2,616,000	0.98
28	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN POO YOT*	2,600,000	0.98
29	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KNGA SML CAP FD)*	2,030,700	0.76
30	LEE AH BENG	2,006,600	0.76
		203,734,314	**76.67**

ANALYSIS OF IRREDEEMABLE *CONVERTIBLE PREFERENCE SHAREHOLDINGS*

AS AT 17 OCTOBER 2017

Class of securities	:	Irredeemable Convertible Preference Shares ("ICPS")
Number of ICPS Holders	:	1,588
Voting rights	:	ICPS holders are not entitled to any voting right or participation in any rights, allotments and/or other distribution in the Company except where when the dividend or part of the dividend on the ICPS is in arrears for more than six (6) months, or there is a proposal to reduce the Company's share capital or a proposal for sanctioning the sale of the whole of the Company's property, business and undertaking, or a proposal that directly affects their rights and privileges attached to the ICPS, or a proposal for winding-up the Company or during the winding up of the Company until and unless such holders convert their ICPS into new shares.

DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	%	No. of ICPS	%
Less than 100	3	0.19	38	0.00
100 – 1,000	17	1.07	10,442	0.00
1,001 - 10,000	184	11.59	1,472,767	0.23
10,001 - 100,000	810	51.01	42,851,950	6.65
100,001 to less than 5% of issued shares	572	36.02	458,301,800	71.10
5% and above of issued shares	2	0.13	141,906,900	22.02
Total	**1,588**	**100.00**	**644,543,897**	**100.00**

THIRTY LARGEST IRREDEEMABLE CONVERTIBLE PREFERENCE SHAREHOLDERS AS AT 17 OCTOBER 2017

No.	Shareholders	No. of Shares	%
1	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR OCR LAND HOLDINGS SDN. BHD. (MARGIN)*	93,645,000	14.53
2	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (MARGIN)*	48,261,900	7.49
3	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD. (EPF)*	27,782,200	4.31
4	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.*	24,435,200	3.79
5	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD.*	14,228,700	2.21
6	M & A NOMINEE (ASING) SDN. BHD. *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	13,857,100	2.15
7	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR JEREMY CHIA PEI CHAI (E-TCS)*	9,600,000	1.49
8	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH WEE (MARGIN)*	9,545,700	1.48
9	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG YEW MING (MARGIN)*	9,545,700	1.48

Analysis of Irredeemable Convertible Preference Shareholdings as at 17 October 2017 (cont'd)

THIRTY LARGEST IRREDEEMABLE CONVERTIBLE PREFERENCE SHAREHOLDERS AS AT 17 OCTOBER 2017 *Cont'd*

No.	Shareholders	No. of Shares	%
10	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR GAN BOON GUAT (028)*	7,011,700	1.09
11	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG (08HE101Q1-008)*	6,994,000	1.09
12	LEE KAI MENG	6,066,700	0.94
13	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN POO YOT (MARGIN)*	5,600,000	0.87
14	LEE AH BENG	5,573,300	0.86
15	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KWONG MING KWEI (08KW032ZQ-008)*	5,258,000	0.82
16	AMINUDDIN BIN MOKRI	4,000,000	0.62
17	CIMBSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR ANG KOK SEONG (M55015)*	3,800,000	0.59
18	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *CIMB COMMERCE TRUSTEE BERHAD FOR PHILLIP MASTER EQUITY GROWTH FUND (50144 TR01)*	3,678,000	0.57
19	LIM CHEE LIANG	3,569,900	0.55
20	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KHOR KHAI YEE (E-BMM)*	3,495,900	0.54
21	ONG KIAN HUAT	3,400,000	0.53
22	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR PHILIP CAPITAL MANAGEMENT SDN. BHD. (EPF)*	3,201,800	0.50
23	CHONG TOH WEE	3,200,000	0.50
24	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR OOI ENG HONG (MARGIN)*	3,100,000	0.48
25	CHIA BOON HAW	3,000,000	0.47
26	GLOBAL ASSET TRUSTEE (M) BERHAD *RONFIELD LIMITED*	3,000,000	0.47
27	NG CHOR KUAN	3,000,000	0.47
28	ONG YOK MOI	2,900,000	0.45
29	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB BANK FOR CHOW PING CHUONG (MP0273)*	2,800,000	0.43
30	CHONG NYOK YAN	2,768,600	0.43
		336,319,400	**52.18**

ANALYSIS OF WARRANT C ***(OCR-WC) HOLDINGS***
AS AT 17 OCTOBER 2017

Number of outstanding Warrant C	:	66,141,269 OCR-WC
Exercise period	:	The exercise period is five (5) years from the date issue on 25 July 2016 and maturing on 24 July 2021.
Exercise price	:	RM0.50 and subject to adjustment in accordance with the conditions provided in the Deed Poll dated 1 June 2016.
Warrant C Entitlement	:	Each Warrant C entitles the registered holder during the Exercise Period to subscribe for one (1) new ordinary share at the Exercise Price.
Number of Warrant C Holders	:	604

DISTRIBUTION OF WARRANT C HOLDING

Size of Holdings	No. of Warrant C Holders	%	No. of Warrants C	%
Less than 100	9	1.49	370	0.00
100 – 1,000	38	6.29	22,753	0.03
1,001 – 10,000	170	28.15	945,156	1.43
10,001 – 100,000	294	48.68	13,580,300	20.53
100,001 to less than 5% of issued shares	90	14.90	32,853,400	49.67
5% and above of issued shares	3	0.50	18,739,290	28.33
Total	**604**	**100.00**	**66,141,269**	**100.00**

THIRTY LARGEST WARRANT C (OCR-WC) HOLDERS AS AT 17 OCTOBER 2017

No.	Warrant C Holders	No. of Warrant C	%
1	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR OCR LAND HOLDINGS SDN. BHD. (MARGIN)*	9,364,500	14.16
2	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (MARGIN)*	4,826,190	7.30
3	CIMSEC NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (HOUSE ACCOUNT)*	4,548,600	6.88
4	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR GAN BOON GUAT (028)*	1,693,600	2.56
5	WONG CHOU HUI	1,489,400	2.25
6	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR WONG LEE KHIEN (013)*	1,267,100	1.92
7	KOH SOON XIANG	1,200,000	1.81
8	ONG TICK GEE	1,158,300	1.75
9	NG YEW HOONG	829,600	1.25
10	YOONG WOEI YEN	753,500	1.14
11	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR SIM CHOY LING (E-TCS)*	688,500	1.04

Analysis of Warrant C (Ocr-Wc) Holdings as at 17 October 2017 (cont'd)

THIRTY LARGEST WARRANT C (OCR-WC) HOLDERS AS AT 17 OCTOBER 2017 *Cont'd*

No.	Warrant C Holders	No. of Warrant C	%
12	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR WILLIAM THONG TUCK WENG*	671,000	1.01
13	LEE KOK SEE	660,000	1.00
14	THAM KOK TENG	610,000	0.92
15	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG (08HE101Q1-008)*	590,300	0.89
16	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEAH TUCK HING (AC0048)*	590,000	0.89
17	CHAN YOKE MENG	565,000	0.85
18	ON HAI SWEE	565,000	0.85
19	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR MOK SWEE YEE (E-TSA)*	550,000	0.83
20	WONG SAU BING	550,000	0.83
21	CITIGROUP NOMINEES (TEMPTAN) SDN. BHD. *EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED COMPANY (CLIENT A/C-RES) AGGRESSIVE FUND*	523,000	0.79
22	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR KWONG MING MEAN (PB)*	500,000	0.76
23	LAU YUET MING	500,000	0.76
24	TEH HENG JOO	500,000	0.76
25	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *CHEN CHING YEE*	482,500	0.73
26	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TING HING CHOOI (011)*	455,100	0.69
27	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LANG AH CHOI (033)*	453,600	0.69
28	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW LIAN (E-SPG)*	450,000	0.68
29	LEE LIH CHOO	435,000	0.66
30	ANG KHANG WEI	425,000	0.64
		37,894,790	**57.29**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of the Company will be held at Level 16, Persoft Tower, 6B Persiaran Tropicana, Tropicana Golf and Country Resort, 47410 Petaling Jaya, Selangor, Malaysia on Wednesday, 13 December 2017, at 2:00 p.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 July 2017 together with the Directors' and Auditors' Reports thereon. ***(Please refer Explanatory Note 1)***

2. To approve the payment of Directors' fees and benefits of not exceeding RM500,000 for the financial year ending 31 July 2018. ***(Ordinary Resolution 1)***

3. To re-elect the following Directors who retire in accordance with Article 92 and Article 98 of the Company's Constitution, and being eligible, have offered themselves for re-election:-

   (i) Tunku Azudinshah Ibni Tunku Annuar ***(Ordinary Resolution 2)***
   (ii) Encik Hj. Abdullah bin Abdul Rahman ***(Ordinary Resolution 3)***
   (iii) Mr. Lim Teck Seng ***(Ordinary Resolution 4)***
   (iv) Datuk Azrulnizam bin Abdul Aziz (***Ordinary Resolution 5***)
   (v) Mr. Yap Sing Khon ***(Ordinary Resolution 6)***

4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. ***(Ordinary Resolution 7)***

AS SPECIAL BUSINESS: -

To consider and if thought fit, to pass the following Ordinary and Special Resolutions, with or without modifications:-

5. **As Ordinary Resolution**
   Payment of Benefit Payable to the Directors under Section 230(1)(B) of the Companies Act, 2016

   "THAT the benefits payable to Directors up to an amount of RM2,500 for the period from 1 February 2017 until the financial year ended 31 July 2017 of the Company in year 2017 pursuant to Section 230(1)(b) of the Companies Act, 2016, be and is hereby approved for payment." ***(Ordinary Resolution 8)***

6. **As Ordinary Resolution**
   Proposed Authority to Directors to Allot and Issue New Ordinary Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

   "THAT pursuant to Section 75 and 76 of the Companies Act, 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to allot and issue new ordinary shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and such person or persons whomsoever as the Directors may deem fit PROVIDED THAT the aggregate number of new ordinary shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
   (Ordinary Resolution 9)

7. As Ordinary Resolution
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT, subject always to the provisions of the Companies Act, 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the regulations, guidelines and guidance notes issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given for the Company and its subsidiaries (collectively the "Group") to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 1.4(i) (the "Proposed Renewal of Shareholders' Mandate") of the Circular to Shareholders dated 20 November 2017 ("Circular") provided that such transactions and/or arrangements are:-

(a) necessary for the day-to-day operations of the Group;
(b) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company,

THAT the authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the Proposed Renewal of Shareholders' Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which the Proposed Renewal of Shareholders' Mandate was passed, at which time it shall lapse, unless by a resolution passed at such AGM, the authority is renewed; or

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

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

whichever is the earlier.

THAT authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing all such documents as may be required) they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate.

AND THAT the estimates given in respect of the Recurrent Related Party Transactions specified in Section 1.4(i) of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amounts(s) thereof provided that such amount or amounts comply with the procedures set out in Section 2.5 of the Circular." ***(Ordinary Resolution 10)***

8. As Ordinary Resolution
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT, subject always to the provisions of the Companies Act, 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the regulations, guidelines and guidance notes issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given for the Company and its subsidiaries (collectively the "Group") to enter into the additional new recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 1.4(ii) (the "Proposed New Shareholders' Mandate") of the Circular to Shareholders dated 20 November 2017 ("Circular") provided that such transactions and/or arrangements are:-

Notice of Annual General Meeting (cont'd)

8. As Ordinary Resolution
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature *Cont'd*

(a) necessary for the day-to-day operations of the Group;
(b) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company,

THAT the authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the Proposed New Shareholders' Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which the Proposed New Shareholders' Mandate was passed, at which time it shall lapse, unless by a resolution passed at such AGM, the authority is renewed; or

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

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

whichever is the earlier.

THAT authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing all such documents as may be required) they may consider expedient or necessary to give effect to the Proposed New Shareholders' Mandate.

AND THAT the estimates given in respect of the Recurrent Related Party Transactions specified in Section 1.4(ii) of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amounts(s) thereof provided that such amount or amounts comply with the procedures set out in Section 2.5 of the Circular." ***(Ordinary Resolution 11)***

9. As Special Resolution
Proposed Change of Name of Company from "O&C Resources Berhad" to "OCR Group Berhad" ("Proposed Change of Name of Company")

"THAT approval be hereby given for the name of the Company to be changed from "O&C Resources Berhad" to "OCR Group Berhad" which shall be effective from the date of issuance of the "Certificate of Change of Name of the Company" by the Companies Commission of Malaysia and thereafter, all references in the Constitution of Company to the name of "O&C Resources Berhad", wherever the same may appear, shall be deleted and substituted with "OCR Group Berhad".

THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and or expedient to give full effect to the Proposed Change of Name of Company with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities". ***(Special Resolution 1)***

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

By order of the Board,
O&C RESOURCES BERHAD
NG BEE LIAN (MAICSA 7041392)
TAN TONG LANG (MAICSA 7045482)
Company Secretaries

Melaka
20 November 2017

NOTES:

(i) A proxy may but need not a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of the Companies.

(ii) In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power attorney.

(iii) A member shall not, subject to Paragraphs (iv) and (v) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

(iv) Where a member is an authorised nominees, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

(v) Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 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 EAN may appoint in respect of each omnibus account it holds.

(vi) Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the registered office of the Company at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia, not less than 48 hours before the time appointed for holding the meeting.

(vii) Any Notice of Termination of Authority to act as Proxy must be received by the Company before the commencement of the General Meeting or at any adjournment thereof, failing which the termination of the authority of a person to act as proxy will not affect the following in accordance with the Companies Act 2016:-

(a) the constitution of the quorum at such meeting;
(b) the validity of anything he did as chairman of such meeting;
(c) the validity of a poll demanded by him at such meeting; or
(d) the validity of the vote exercised by him at such meeting.

Explanatory Notes on Ordinary and Special Business:-

Shareholders are advised to refer to the Circular to Shareholders dated 20 November 2017 which will be circulated together with the Annual Report 2017 when considering Resolutions No. 10 and No. 11.

1. *Item 1 of the Agenda*

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 (the "Act") does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting by the shareholders of the Company.

2. *Item 6 of the Agenda*

Ordinary Resolution 9 proposed under Item 5 of the Agenda is to renew the general mandate from the shareholders at the last Annual General Meeting ("AGM") of the Company held on 14 December 2016 (the "General Mandate").

2. *Item 6 of the Agenda cont'd*

The proposed Ordinary Resolution 9 is a renewal of the General Mandate for issuance of shares by the Company under Section 75 and 76 of the Act.

This Ordinary Resolution, if passed, is to empower the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening at a general meeting to approve such an issue of shares. This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

As at the date of this Notice, the Company had allotted and issued 26,567,700 shares in relation to Private Placement pursuant to the mandate granted to the Directors at the 19th AGM of the Company held on 14 December 2016.

3. *Item 7 of the Agenda*

This is a renewal of the mandate obtained from the members at the last AGM of the Company held on 14 December 2016.

The proposed Ordinary Resolution 10, if passed, will renew the authority given to the Company and its subsidiaries (the "Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations with the respective related parties, subject that the transactions are transacted in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

4. *Item 8 of the Agenda*

The proposed Ordinary Resolution 11, if passed, will authorise the Group to enter into new recurrent related party transactions of a revenue or trading nature which are necessary for the Company Group's day-to-day operations with the respective related parties, subject that the transactions are transacted in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

5. *Item 9 of the Agenda*

For the rational of the proposed change of name of the Company, please refer to Part B of the Circular to Shareholders dated 20 November 2017.

ANNUAL REPORT 2017 OF THE COMPANY

The Annual Report 2017 of the Company is in CD-ROM format.

A printed copy of the Annual Report 2017 shall be provided to the shareholders within four (4) market days from the date of receipt of their written request.

Shareholders who wish to receive the printed copy of the Annual Report 2017 or who require assistance with viewing the CD-ROM, kindly contact Mr. Anthony Lee (Tel. No. +6 03 7731 3552), email to corporate@ocrbhd.com or you may send the completed request form to 49-B Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka for a printed copy of the Annual Report 2017.

STATEMENT ACCOMPANYING THE *NOTICE OF TWENTIETH ANNUAL GENERAL MEETING*

1. Directors Standing for Re-election Pursuant to the Constitution of the Company are:-

(i) YAM Tunku Azudinshah Ibni Tunku Annuar (Article 92)
(ii) Hj. Abdullah bin Abdul Rahman (Article 92)
(iii) Lim Teck Seng (Article 98)
(iv) Datuk Azrulnizam bin Abdul Aziz (Article 98)
(v) Yap Sing Khon (Article 98)

Details of the above Directors who are standing for re-election at the Twentieth Annual General Meeting of the Company are set out in the Directors' profile appearing on pages 4 to 9 of this Annual Report while their securities holdings are listed in the Analysis of Shareholdings – Directors' Shareholdings on page 167 of this Annual Report.

2. Details of Attendance of Directors at Board Meetings

A total of five (5) Board of Directors' Meetings were held during the financial year ended 31 July 2017, details of the Directors' attendances at Board meetings are found on page 34 of this Annual Report.

3. Date, Time and Place of the Annual General Meeting

Date	:	Wednesday, 13 December 2017
Time	:	2:00 p.m.
Place	:	Level 16 Persoft Tower 6B Persiaran Tropicana Tropicana Golf and Country Resort 47410 Petaling Jaya Selangor

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O&C RESOURCES BERHAD (440503-K)

PROXY FORM	CDS A/C No.
	No. of shares held.

I/We____ (NRIC/Company No:_________________________)
(Full Name in Capital Letters)

of ____
(Full Address)

being (a) member(s) of O&C RESOURCES BERHAD, hereby appoint the following:-

(1) PROXY "A": ____
(full name in capital letters)

NRIC/Passport No: ____

Address: ____

or failing him ____
(full name in capital letters)

NRIC/Passport No: ____

Address: ____

(2) PROXY "B": ____
(full name in capital letters)

NRIC/Passport No: ____

Address: ____

or failing him ____
(full name in capital letters)

NRIC/Passport No: ____

Address: ____

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Level 16, Persoft Tower, 6B Persiaran Tropicana, Tropicana Golf and Country Resort, 47410 Petaling Jaya, Selangor, Malaysia on Wednesday, 13 December 2017, at 2:00 p.m. and at any adjournment thereof.

The proportion of my/our holding to be represented by my/our proxies are as follows:

Proxy A	%	Proxy B	%	Total	100%

Mark either box with "X" if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two (2) proxies and wish them to vote differently, this should be specified.

My/our proxy/proxies is/are to vote as indicated below:

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 31 July 2017 together with the Directors' and Auditors' Reports thereon.			
		Resolution	**FOR**	**AGAINST**
	Ordinary Resolution			
2.	To approve Directors' fees of not exceeding RM500,000 for the financial year ending 31 July 2018.	1		
3.	To re-elect the following Directors who retire and being eligible, offer themselves for re-election in accordance with Article 92 and Article 98 of the Company's Constitution:-			
	(i) Tunku Azudinshah Ibni Tunku Annuar (Article 92)	2		
	(ii) Encik Abdullah bin Abdual Rahman (Article 92)	3		
	(iii) Mr. Lim Teck Seng (Article 98)	4		
	(iv) Datuk Azrulnizam bin Abdul Aziz (Article 98)	5		
	(v) Mr. Yap Sing Khon (Article 98)	6		
4.	To re-appoint Messrs. Crowe Horwath as auditors of the Company until the conclusion of next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.	7		
5.	To approve payment of benefit payable to Directors under Section 230(1)(b) of the Companies Act, 2016	8		
6.	To approve the Proposed Authority to Directors to Issue New Ordinary Shares Pursuant to Pursuant to Sections 75 and 76 of the Companies Act, 2016.	9		
7.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.	10		
8.	To approve the Proposed New Shareholders' Mandate for Recurrent Related Party Transactions.	11		
	Special Resolution			
9.	To approve the Proposed Change of Name of the Company.			

* Strike out whichever not applicable.

As witness *my/our hand this ___________ day of _________________________ , 2017

Telephone number during office hours:

____
Signature of member/Common Seal

____

Fold this flap for sealing

NOTES:

(i) Applicable to shares held through a nominee account.

(ii) A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of the Companies.

(iii) In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power attorney.

(iv) A member shall not, subject to Paragraphs (v) and (vi) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

(v) Where a member is an authorised nominees, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

(vi) Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 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 EAN may appoint in respect of each omnibus account it holds.

(vii) Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the registered office of the Company at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia, not less than 48 hours before the time appointed for holding the meeting.

(viii) For the purpose of determining a member who shall be entitled to attend this 20th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 66 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 7 December 2017. Only a depositors whose name appears on the Record of Depositors as at 7 December 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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AFFIX
STAMP

The Company Secretary

O&C RESOURCES BERHAD
49-B, Jalan Melaka Raya 8,
Taman Melaka Raya,
75000 Melaka.

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