O&C RESOURCES
BERHAD (440503-K)

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Paving the way for
a transformational future

The property development business will be the Group's future growth engine and will be focusing on smooth execution and launch of our property developments in the coming years.

This is in line with the Group's vision as a boutique developer and delivering quality products to what the end user wants.

In setting our targets, the Group will actively continue to identify invest in acquiring prime land for development, either by outright purchase or through joint ventures.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Chairman/Independent Non-Executive Director
Tunku Azudinshah Ibni Tunku Annuar

Group Managing Director
Ong Kah Hoe

Executive Director
Tee Tze Chern, JP

Independent Non-Executive Director
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria
HJ. Abdullah Bin Abdul Rahman
Dato' Lim Heng Ee
Lee Chin Cheh

AUDIT COMMITTEE

Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Chairman)*
Tunku Azudinshah Ibni Tunku Annuar
HJ. Abdullah Bin Abdul Rahman

NOMINATING COMMITTEE

Tunku Azudinshah Ibni Tunku Annuar *(Chairman)*
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria
HJ. Abdullah Bin Abdul Rahman
Lee Chin Cheh

REMUNERATION COMMITTEE

Tunku Azudinshah Ibni Tunku Annuar *(Chairman)*
Ong Kah Hoe
Tee Tze Chern, JP
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria
HJ. Abdullah Bin Abdul Rahman

OPTION COMMITTEE

Dato' Lim Heng Ee *(Chairman)*
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria
Tan Ban Tatt
Lily Tee

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARIES

Lam Sook Ching (MAICSA 7006942)
Ng Bee Lian (MAICSA 7041392)

PUBLIC RELATIONS

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

REGISTERED OFFICE

49-B, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka
Tel : +6 06 281 5300
Fax : +6 06 281 5332

CORPORATE OFFICE

8.01, 8th Floor, Persoft Tower
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
Tel : +6 03 7841 8358
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

STOCK EXCHANGE LISTING

Main Market – Consumer Products
Bursa Malaysia Securities Berhad

Stock Name and Stock Code
OCR (7071)
OCR-WB (7071WB) – delisted on 5 September 2016
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, property development and construction business in Malaysia.

Wholly-Owned Subsidiaries of O&C Resources Berhad:

- **Takaso Rubber Products Sdn. Bhd.** (Co. No. 87327-V)
  Manufacturing of rubber products and baby products, and trading in baby accessories, apparels and milk powder.
- **Japlo Healthcare Sdn. Bhd.** (Co. No. 499674-H)
  Distribution and retailing of baby products.
- **Takaso Commerce Sdn. Bhd.** (Co. No. 961749-X)
  Retail and trading of consumable products.
- **Takaso Industries Pte. Ltd.** (Reg. No. 201133079W)
  Trading of electrical and mechanical products.
- **Takaso Land Sdn. Bhd.** (Co. No. 1119151-W)
  Construction of residential and commercial properties and property development.
- **Tristar City Sdn. Bhd.** (Co. No. 1147394-P)
  Property development and property investment.
- **Grand Superland Sdn. Bhd.** (Co. No. 1148185-D)
  Dormant
- **Sunrise Meadow Sdn. Bhd.** (Co. No. 1185159-H)
  Property development and property investment.

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, and trading in baby accessories, apparels and milk powder.

70%

Owned Subsidiaries of O&C Resources Berhad:

a) **Takaso Development (Kuantan) Sdn. Bhd.** (Co. No. 1142088-K)
- Property development and property investment.

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

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

49%

Owned Associate of Kita Mampan Sdn. Bhd.:

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

51%

Owned Subsidiaries of Takaso Industries Pte. Ltd.:

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

50.01%

Owned Subsidiaries of O&C Resources Berhad:

a) **Masbe Coffee Sdn. Bhd.** (Co. No. 937755-H)
- Property development and property investment.

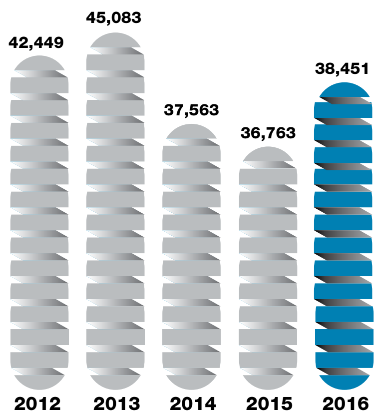
Your trust ▪ Our Commitment

The Group will continue to drive operating efficiencies around its business, especially in areas of growth opportunities, and will emphasise focus in enhancing and strengthening the pipeline of new sales contracts restructuring our business model and operations to improve efficiency and save cost, improve margins across all business segments and to reward its shareholders through dividends.

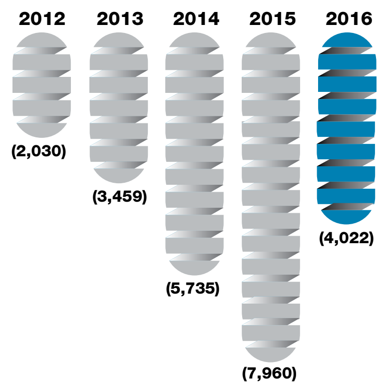
FIVE YEARS **FINANCIAL HIGHLIGHTS**

		2012	2013	2014	2015	2016
Revenue	RM'000	42,449	45,083	37,563	36,763	38,451
Loss before taxation	RM'000	(2,030)	(3,459)	(5,735)	(7,960)	(4,022)
Loss after taxation	RM'000	(2,128)	(3,607)	(5,947)	(7,992)	(4,085)
Loss after taxation attributable to owners of the Company	RM'000	(2,128)	(3,607)	(5,947)	(7,991)	(4,092)
Non-Controlling Interests	RM'000	-	-	-	(1)	8
Total assets	RM'000	59,343	55,662	50,410	59,358	141,619
Shareholders' equity	RM'000	44,199	41,976	39,085	48,522	85,533
Net tangible asset per share	RM'000	0.30	0.28	0.24	0.24	0.37
Net loss per share	RM'000	(1.64)	(2.42)	(3.77)	(4.20)	(1.94)

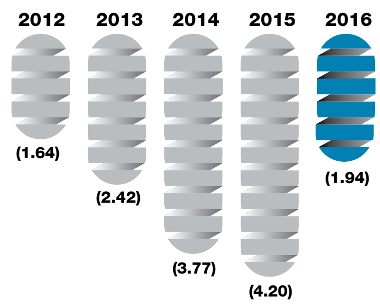
Revenue
(RM'000)



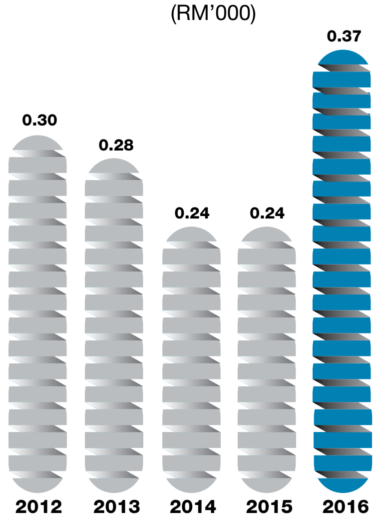
Loss Before Taxation
(RM'000)



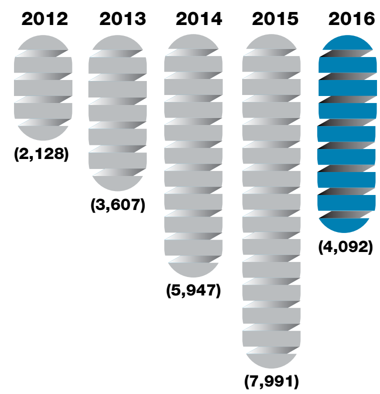
Net Loss Per Share
(RM'000)



Net Tangible Asset Per Share
(RM'000)



Loss After Taxation Attributable to Owners of the company
(RM'000)



BOARD OF **DIRECTORS**

YAM TUNKU AZUDINSHAH IBNI TUNKU ANNUAR

Age 46, Male, Malaysian
Chairman/Independent Non-Executive Director
Member of Audit Committee, Chairman of Nominating Committee and Remuneration Committee

YAM Tunku Azudinshah Ibni Tunku Annuar was appointed to the Board as 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 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, Tunku Azudinshah was elected to the board of the International Association of Business Communicators for a period of two years from 2001 - 2002. Currently, 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 other directorships in public companies but sits on the board of several private limited companies.

BOARD OF **DIRECTORS** (cont'd)

ONG KAH HOE

Age 42, 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.

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 51, 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 other directorships in 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.

DATO' LIM HENG EE

Age 42, 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 is a Malaysian technopreneur who founded one of the pioneering palm biomass companies in the country, Global Green Synergy Sdn. Bhd.. He established Global Green Synergy Sdn. Bhd. in 2008 and had introduced the "Green Ocean Programs" such as "Transfer of Technology" and "Buy Back Guarantee Policy" to help palm oil millers to convert palm biomass into valuable products such as dried long fibre, pellet palm kernel shell charcoal, briquettes and compost.

Dato' Lim is also actively involved in dialogues with the Malaysian Government in the development of Malaysia's National Biomass Strategy 2020.

He is currently one of the Vice Presidents of the Malaysian-China Chamber of Commerce; Chief Executive Officer of Belt & Road ASEAN Strategic Information Centre; Vice President of Pellet Association Malaysia, Executive Counsel Member of the Malaysia-China Business Counsel and an Accredited Angel Investor under Malaysia Business Angel Network.

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

BOARD OF **DIRECTORS** (cont'd)

LEE CHIN CHEH

Age 45, Male, Malaysian
Independent Non-Executive Director
Member of Nominating Committee

Mr. Lee Chin Cheh was appointed to the Board as the 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 Proffession Qualifying Board in 1995. He was admitted to the roll of Advocate and Solicitor of the High Court of Malyasia in 1996.

Mr. Lee established Messrs. Lee, Ong & 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; Petaling Hawkers Association; the Selangor Lee Clan's Association, etc. He currently servers 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.

HJ. ABDULLAH BIN ABDUL RAHMAN

Age 59, 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, 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's had a long career path in management kickstarted 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 for small and medium enterprises, commercial and corporate units.

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

BOARD OF **DIRECTORS** (cont'd)

AHMAD RUSLAN ZAHARI BIN DATO' DR. ZAKARIA

Age 55, Male, Malaysian
Independent Non-Executive Director
Chairman of Audit Committee and Member of Nominating Committee, Remuneration Committee and Option Committee

Encik Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria was appointed to the Board as an Independent Non-Executive Director on 16 April 2012. He is Chairman of the Audit Committee and a member of the Nominating Committee since 31 December 2012, a member of the Remuneration Committee since 14 August 2015 and a member of the Option Committee of the Company since 30 August 2015.

Encik Ahmad Ruslan graduated from the University of Newcastle-upon-Tyne, United Kingdom in 1984 with a Bachelor of Arts in Economic Studies (Accounting and Financial Analysis). After graduation, he trained as a Chartered Accountant at a firm in London and in 1986, he joined Merchants Business Growth Consulting, a pan-European marketing consulting company, as its Group Financial Controller.

In 1993, he left Europe and joined the Corporate Finance Department of what is now known as CIMB Investment Bank Berhad. In 1997, he assisted in the formation of Commerce Asset Ventures, the venture capital arm of CIMB Group. In 2000, he joined Clear Channel Communications, Inc., the leading global media organisation listed on the New York Stock Exchange, as its ASEAN Regional Director/Managing Director of the Malaysian operations.

In 2005, he was appointed the Chief Executive Officer of Terengganu Incorporated, a strategic investment holding company for the Terengganu state.

He joined Armstrong Marine & Officer Sdn. Bhd., the official representatives of Armstrong Corporation Holdings in Asia and the Pacific Rim, a company involved in offshore and shipping investments, oil trading, finance and projects development as CEO since 2008.

Besides OCR, Encik Ahmad Ruslan also sits on the board of Spring Galley Berhad and Minetech Resources Berhad, both public companies listed on the Main Market of Bursa Malaysia Securities Berhad as well as 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 146** 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 **page 32** 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 2016 is found on **page 19** 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 2016 is found on **page 24** of this Annual Report.*

KEY SENIOR **MANAGEMENT**

ONG KAH HOE

Age 42, 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.

His personal profile is listed in the Profile of Directors on page 7 of this Annual Report.

TEE TZE CHERN, JP

Age 51, 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.

His personal profile is listed in the Profile of Directors on page 8 of this Annual Report.

TAN BAN TATT

Age 38, 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 Chartered Accountant of the Malaysia Institute of Accountants ("MIA") and a fellow member of the Association of Chartered Certified Accountants ("ACCA").

Mr. Tan began his career in a Big 4 accounting firm before his appointment 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 prior joining OCR Group.

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.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders and Stakeholders,

On behalf of the Board of Directors, I am delighted to present you the Annual Report of O&C Resources Berhad and its Group of Companies ("OCR" or "the Group") for the financial year ended 31 July 2016.

CHAIRMAN'S **STATEMENT**

Despite the name change, our business operations in three segments, namely manufacturing, which is engaged in manufacturing of condoms, baby products and molds, trading and retailing in rubber products, baby apparels, infant milk formula and toiletries, has constantly been on the lookout for greater market opportunities, both domestic and abroad.

Despite the challenging macroeconomic conditions worldwide, the effective system of internal controls and risk management processes that we have put in place, together with the dedication and inputs of our staff have contributed to strengthen our brand portfolio, achieving our focus of delivering sustainable quality product to our consumers.

The Malaysia consumer retail market is evolving rapidly in line with changing consumer behaviour. Consumers are becoming more sophisticated and market savvy, seeking greater product choice, quality, convenience and high levels of service in what they choose to shop.

Furthermore, the retail market continues to experience price competition and the impact from Malaysia's Goods and Services Tax ("GST") as well as online stores. To face these challenges, manufacturers and retailers have to adapt to these shifting economic conditions to stay ahead in this competitive landscape.

Internally, we have brought in more skilled talent pool to spearhead our company ahead stormy economic condition.

Accelerating Our Acquisition Strategy

As the global market conditions are expected to be challenging for a while, our focus will be to continue evolving and adapting to meet the changing needs of our customers.

We are investing for the future, increasing our sales and marketing capabilities and developing products, emphasising particular focus on meeting consumer demand.

In addition, the Group is also banking in on potential companies for acquisition and enlarge our reach via diversification of products and services within all our core business segments, namely Manufacturing, Trading, Construction & Property Development.

Property Development Segment

At our Extraordinary General Meeting held on 16 May 2016, we have highlighted our strategic decision to venture into the construction and property development business as part of the Group's diversification exercise which was met with the unanimous approval of our shareholders.

With this, coupled with the confidence from our shareholders, OCR is actively following the current market trends and focusing on quality property development projects, such as mixed developments, shopping facilities and properties that has easy public amenities and public transportation.

The property development business will be the Group's future growth engine and will be focusing on smooth execution and launch of our property developments in the coming years.

This is in line with the Group's vision as a boutique developer and delivering quality products to what the end user wants.

Further, the Group has also gained substantial business footing in the construction and property business segments.

Notably, our ongoing project - Flexus @ Jalan Kuching - which offers 286 SoHo units, is on schedule to be completed by 2017.

Following that, our Isola @ KLCC project is expected to be launched in the 2nd quarter of 2017.

In setting our targets, the Group will actively continue to identify invest in acquiring prime land for development, either by outright purchase or through joint ventures.

Notably, the proposal to acquire a piece of leasehold land in Daerah Melaka Tengah, Negeri Melaka for RM9.3 million was also another key coup for the Group.

The land will be used for a mixed development project with an estimated gross development value of approximately RM134 million. This project is estimated to generate in a profit of about RM30 million to the Group.

This acquisition, executed on 13 August 2015, is also to balance out the Group's over reliance on existing Manufacturing and Trading business and provide an opportunity to generate a steady revenue stream from local and foreign property investors through our extensive advertising and marketing activities.

Riding further on our property development segment, the Group's subsidiary, Takaso Development (Kuantan) Sdn. Bhd., had on 1 June 2015 entered into a joint venture agreement with SSPP Development Sdn. Bhd. to undertake a mixed development project on a parcel of land in Kuantan with an estimated gross development value of RM330 million. The project is expected to show profit of RM77 million in the 4th quarter of 2017 to the Group.

On 15 January 2016, the Group's 50.01% equity subsidiary, Masbe Coffee Sdn. Bhd., had undertaken a residential development project at Jalan Yap Kwan Seng, Kuala Lumpur with an estimated gross development value of RM202 million. The project is expected to contribute RM40 million to the Group in 4th quarter of 2017.

CHAIRMAN'S **STATEMENT** (cont'd)

Construction Segment

Aside from our various landmark acquisitions, the Group has also been active in the construction segment.

On 12 January 2015, Takaso Land Sdn. Bhd., the Group's wholly-owned subsidiary, received a Letter of Award from OCR Land Holdings Sdn. Bhd. for the construction of mechanical and electronic works as well as architect, structure and civil works for a block of 21 storey commercial building for contract sum of RM37 million.

I am happy to report that this project is progressing on target and on schedule.

Further on 29 July 2016, the Group's 70% equity subsidiary, Kita Mampan Sdn. Bhd., had via its associate company, AES Builders Sdn. Bhd., inked a Master En-Bloc Purchase Agreement with PR1MA and Mampan ESA (Melaka) Sdn. Bhd. to build and develop "PR1MA @ Sri Gading" at Alor Gajah, Melaka.

This project comprises 554 residential units with 5 apartment blocks of 11 storey each and 1 apartment block of 12 storey at a total contract value of approximately RM101 million. The duration this contract is over a period of 3 years.

Forging ahead, the Group's 70% owned subsidiary, Pangkal Teguh Sdn. Bhd., was appointed as project management consultant on 8 September 2016 from Yayasan Pahang ("PMC") for its Affordable Housing Development Scheme project in Pahang. This project consists of approximately 25,000 unit of residential properties and the Group is expected to reap an estimated RM91 million from PMC over a 7 years construction period.

Moving forward, the Group has embarked on a series of acquisition exercises, notably, the acquisition Grand Superland Sdn. Bhd. ("GSSB") on 25 September 2015, that has now become a wholly-owned subsidiary of the Group.

Following the successful execution of GSSB, the Group has also acquired the entire share capital of Sunrise Meadow Sdn. Bhd. ("SMSB") on 24 August 2016. Both GSSB and SMSB are presently dormant and the Group has strategic plans for both these companies for property investment, property development and general trading.

Reaping the Benefits

For 2016, we have seen another year of improved revenue growth and achieved significant progress towards delivering solid revenue income stream as well as sustainability in growth.

Despite challenging economic landscape for the year under review, the Group registered a revenue of RM38.45 million for the financial year ended 31 July 2016, an increase of 4.60% from RM36.76 million posted last year.

The increase in revenue was mainly due to increase in sales for trading of electrical and mechanical products and progressive recognition of revenue from the construction business.

Loss before taxation was RM4.02 million was lower for the year under review, a decrease of 49.50% as compared to RM7.96 million in year 2015. The reduced loss before taxation were mainly due to cost saving strategies that was initiated early this year.

Net assets was RM85.53 million for the year under review, an increase of 76.28% as compared to RM48.52 million in year 2015. The increase was attributed to rights issue exercise of Irredeemable Convertible Preference Shares ("ICPS") undertaken by the Group.

On the corporate front, the Group has undertaken a rights issue of ICPS with free detachable warrants on 27 July 2016. The exercise was successfully completed with the listing of 661,412,697 ICPS with 66,141,269 free detachable Warrants on the Main Market of Bursa Malaysia Securities Berhad and enlarged the size of equity.

While it is notable that the Group has been facing macro and microeconomic challenges, especially in our core business of manufacturing and marketing of condoms and baby products, the Group has made efforts to improve financial performance and position by venturing into the business of property development and property construction which is going smoothly and we are reaping the benefits of this diversification and we expect a higher level of contribution for these new business segment in the financial year ending 31 July 2017 and onwards.

We however temper our optimism with the fact that rising raw material prices and operational costs coupled with external economic headwinds will continue to impact the overall performance of the Group.

Enhancing strength to spearhead growth

Over the past year, there have been a number of changes to the Board. We had redesignated Mr. Ong Kah Hoe as Group Managing Director to lead the Company into a new chapter of its life.

With his successful track record in completing numerous construction projects including residential and hotel, we are confident he will contribute significantly to the Group in spearheading the property development and construction division.

CHAIRMAN'S **STATEMENT** (cont'd)

I also extend my warm welcome to Dato' Lim Heng Ee, who has been appointed as Independent and Non-Executive Director of the Company in June 2016. Dato' Lim is a Malaysian technopreneur who founded one of the pioneering palm biomass companies in the country.

Most notably, he is actively involved in dialogues with the Malaysian Government on the development of Malaysia's National Biomass Strategy 2020. We believe his appointment would be a great asset to the Group moving forward.

Also, the Group sees the appointment of Mr. Lee Chin Cheh as an Independent and Non-Executive Director of the Company as a strategic move, as he has a wealth of experience in serving as legal and business advisor to corporate entities in Malaysia and Singapore and in local non-governmental organisations.

Another important appointment to the Group is Mr. Tan Ban Tatt in May 2016 as the Chief Financial Officer.

Mr. Tan has an impressive career as audit partner of a mid-size global accounting firm and a vast exposure to major property development and construction conglomeration in Malaysia.

Also, I extend my warmest thank you to Mr Yong Mong Huay and Mr Tan Ooi Jin who have resigned. I take this opportunity to wish them the best in all their future ventures.

As the OCR Group of Companies heads towards growth, we are pleased to extend our warm welcome to our new Board members with the required experience to help the OCR Group forge a formidable footprint in the coming years.

Summary and Outlook

Despite the global economic uncertainty and fluctuating commodity prices, Fitch Ratings, in its recent report said Malaysia's 'reasonably strong' gross domestic product growth has remained its sovereign credit rating strength.

Based on the recent Budget 2017, the globally-recognised ratings agency had said Malaysia, which was placed on an "A-" rating stable outlook since mid-2015, is likely to see a 3.4% increase in federal government revenue next year.

Market-wise, Nielsen Malaysia, an independent market research company, reported that Malaysia's population growth is expected to hit 34.9 million by the year 2025 with 25% of the total expected population representing new-borns, infants and children. Nielsen's latest Consumer Confidence Index showed that with rapid urbanisation, the children, baby and maternity industry is expected to see exponential growth creating a need for premium baby and maternity products. This spur of growth would be especially from Malaysia's growing middle-class community. The research firm opined that consumers are willing to spend for premium quality baby products. This trend would see positive growth for baby product manufacturers such as OCR.

Positively, the ending of China's one-child policy after 35 years is also a positive market for OCR to market its baby products to the Mainland.

While it make reflect somewhat downwards on our condom products, investors have predicting increased demand for baby-related products, and stocks for companies that produced baby formula, baby food, baby shampoo, strollers and car seats has surged following the announcement of the new policy.

According to news report, experts are expecting three to eight million more births per year in China under the new policy and the demand for baby products are expecting to increase, which will abode well for the Group.

The Budget 2017, which was unveiled by the Prime Minister Najib Razak on 21 October 2016 contains promising opportunities for the Group to tap especially in the construction, property and policies that would spur manufacturing growth, especially in tackling fluctuating raw material prices and, foreign labour dependencies.

Various affordable housing projects and initiatives have been announced in the Budget 2017 which the Group is keen to participate such as the affordable homes projects under the MyBeautiful New Home for the B40, People's Housing Programme ("PPR"), Perumahan Rakyat 1Malaysia ("PR1MA") and People's Friendly Home ("PMR").

In the coming years, the Group will be tapping more opportunities to increase its landbank in strategic areas within Malaysia and strategise plans to build more residential and mixed development projects in the coming years.

Lastly, the Group will continue to drive operating efficiencies around its business, especially in areas of growth opportunities, and will emphasise focus in enhancing and strengthening the pipeline of new sales contracts restructuring our business model and operations to improve efficiency and save cost, improve margins across all business segments and to reward its shareholders through dividends.

On behalf of the Board and all other stakeholders, I would like to thank shareholders for their patience and continued support and to extend my thanks to all my colleagues in OCR for their commitment and their invaluable contribution in returning an improved performance and to achieve a profitable year in 2017.

TUNKU AZUDINSHAH IBNI TUNKU ANNUAR
Chairman/ Independent Non-Executive Director

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 2016.

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 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.

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;
- 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.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

A. ROLES AND RESPONSIBILITIES *Cont'd*

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

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 and Remuneration 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.

(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. The Board Charter is made available on OCR's website.

(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 its Sustainability and Corporate Social Responsibility setting out its activities for the year just ended is found on page 35 of this Annual Report.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

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 ad 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 Secretaries

The Company Secretaries are appointed by the Board of Directors. Their appointment are based on criteria related to the qualification, experience and competence of the individuals concerned to carry out their duties and responsibilities having regard to OCR's business, size of operations and compliance with the MMLR of Bursa Securities. Both the Company Secretaries of the Company and the Group are members of the Malaysian Association of Chartered Secretaries and Administrators ("MAICSA") and their role and responsibilities while not exhaustive include the following:

- Ensure the Group and the Board complies with regulatory requirements;
- Support the Board by advising, updating them of latest updates in related legislation and particularly Bursa Securities guidelines, and ensuring adherence to board policies and procedures, rules, relevant laws, best practices on Corporate Governance and any after relevant requirements; and
- Ensure meeting proceedings are adhered to and are well documented.

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

(I) Board Composition and Balances

The Board currently has seven (7) members comprising five (5) Independent Non-Executive Directors, including the Chairman, and two (2) Executive Directors, one of whom is the Group Managing Director ("Group MD"). Profiles of the Directors are set out on pages 6 to 10 of this Annual Report.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities which stipulates that at least one-third of the Board of Directors of a listed issuer shall be Independent Directors.

Further, Article 92 of the Articles of Association of the Company provides that at least one-third 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 Articles of Association 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.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

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

(I) Board Composition and Balances *Cont'd*

Section 129(6) of the Companies Act 1965 provides that a director who is over seventy (70) years of age shall retire at the AGM of the Company and may offer himself for re-appointment to hold office until the next AGM.

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 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.

During the financial year ended 31 July 2016, the Board met five (5) times and the attendances of the Directors at the Board meetings were as follows:

Directors	Attendance
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
Yong Mong Huay *(Executive Director) (Resigned on 15 August 2016)*	5/5
Tan Ooi Jin *(Independent Non-Executive Director) (Resigned on 15 August 2016)*	4/5
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Independent Non-Executive Director)*	5/5
Hj. Abdullah Bin Abdul Rahman *(Independent Non-Executive Director)*	5/5
Dato' Lim Heng Ee *(Independent Non-Executive Director) (Appointed on 23 June 2016)*	N/A
Lee Chin Cheh *(Independent Non-Executive Director) (Appointed on 23 June 2016)*	*N/A*

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 2016. 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.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

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

Members	Attendance
Tunku Azudinshah Ibni Tunku Annuar *(Charman/Independent Non-Executive Director)*	1/1
Tan Ooi Jin *(Member/Independent Non-Executive Director) (Resigned on 15 August 2016)*	1/1
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Member/Independent Non-Executive Director)*	1/1
Hj. Abdullah Bin Abdul Rahman *(Member/Independent Non-Executive Director)*	1/1
Lee Chin Cheh *(Member/Independent Non-Executive Director)* (Appointed on 15 August 2016)	N/A

Pursuant to its terms of reference, which is available on the Company's website, the Nominating Committee is tasked with, amongst others, the following duties:

- Identifying, assessing and recommending the right candidates to the board with the necessary skills, knowledge, experience and competency for new appointments;
- Conducting annual assessment on the effectiveness of the Board as a whole (inter-alia, the required mix of skills, size and composition, experience, core competencies and other qualities of the board, the board committees and the contribution of every director (including the assessment of independence of the Independence Directors);
- Recommending retiring directors for re-election or re-appointment as directors;
- Ensuring adequate training and orientation and provided for new members of the Board and
- Ensuring orderly succession of the board level and boardroom diversity.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

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

(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.

As its meeting held on 23 June 2016, the Nominating Committee had carried out the following activities:

- 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; and
- Reviewed the Directors standing for re-election under Articles 92 and 98 of the Company's Articles of Association and gave their recommendation to the Board.

Mr. Ong Kah Hoe, Group Managing Director of the Company, is due for retirement by rotation and shall be eligible for re-election at the forthcoming 19th AGM in pursuant to Article 92 of the Articles of Association.

Encik Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria who is an Independent Non-Executive Director of the Company, is another director scheduled for retirement by rotation pursuant to Article 92 of the Company's Articles of Association but he had indicated that he would not be seeking for re-election at the forthcoming 19th AGM. Encik Ahmad Ruslan will therefore retire at the conclusion of the 19th AGM.

Those Directors who will retire by casual vacancy and eligible for re-election pursuant to Article 98 of the Articles of Association at the forthcoming AGM are Dato' Lim Heng Ee and Lee Chin Cheh.

(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.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

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	92	53
Female	81	47
Total	173	100

Age	Number of Employee	Percentage (%)
19-30 years	53	31
31-40 years	57	33
41-50 years	34	20
Above 50 years	29	16

Ethnicity	Number of Employee	Percentage (%)
Malaysian Bumiputra	86	50
Malaysian Chinese	60	35
Malaysian Indian	3	2
Foreigners	24	13

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) Tunku Azudinshah Ibni Tunku Annuar
(b) Ahmad Ruslan Zahari Bin Dato’ Dr. Zakaria
(c) Hj. Abdullah Bin Abdul Rahman
(d) Dato’ Lim Heng Ee (appointed on 23 June 2016)
(e) Lee Chin Cheh (appointed on 23 June 2016)

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

C. INDEPENDENCE *Cont'd*

(II) Tenure of Independent Directors

As at the financial year ended 31 July 2016, 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.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

C. INDEPENDENCE *Cont'd*

(IV) Directors' Training *Cont'd*

During the financial year ended 31 July 2016, the training programmes, seminars and conferences attended by the Directors of OCR were as follows:

Directors	Training attended
Tunku Azudinshah Ibni Tunku Annuar	- "In-House Corporate Training Programme – Business Sustainability" conducted by Tricor Corporate Services Sdn. Bhd.
Ong Kah Hoe	- "In-House Corporate Training Programme – Business Sustainability" conducted by Tricor Corporate Services Sdn. Bhd.
Tee Tze Chern, JP	- "In-House Corporate Training Programme – Business Sustainability" conducted by Tricor Corporate Services Sdn. Bhd. - "ASEAN Economic Comminity (AEC): Impact & Opportunities for SMIs" conducted by FMM SMI Conference. - "Selogica Direct Control System" conducted by ARBURG.
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria	- "Resolving Conflict in the Boardroom" conducted by the Lclif Leadership and Governance Centre. - "Breakfast Talk on Analysis of Corporate Governance Disclosure in the Annual Reports of the Listed Issuers" conducted by Tricor Corporate Services Sdn. Bhd.
Hj. Abdullah Bin Abdul Rahman	- "In-House Corporate Training Programme – Business Sustainability" conducted by Tricor Corporate Services Sdn. Bhd.
Dato' Lim Heng Ee	- Mandatory Accreditation Programme conducted by Lclif Leadership and Governance Centre on 7 September 2016.
Lee Chin Cheh	- Mandatory Accreditation Programme conducted by Lclif Leadership and Governance Centre on 7 September 2016.

(V) 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.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

C. INDEPENDENCE *Cont'd*

(V) Remuneration Committee *Cont'd*

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.

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

Members	Attendance
Tunku Azudinshah Ibni Tunku Annuar *(Charman/Independent Non-Executive Director)*	2/2
Ong Kah Hoe *(Member/Group Managing Director)*	2/2
Tee Tze Chern, JP *(Member/Executive Director)*	2/2
Tan Ooi Jin *(Member/Independent Non-Executive Director)* *(Resigned on 15 August 2016)*	1/2
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Member/Independent Non-Executive Director)*	2/2
Hj. Abdullah Bin Abdul Rahman *(Member/Independent Non-Executive Director)*	2/2

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 2016 are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Directors' fee	72	100
Salaries	538	–
Benefits-in-kind	–	3
Total Directors' Remuneration	610	103

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

C. INDEPENDENCE *Cont'd*

(V) Remuneration Committee *Cont'd*

Directors' remuneration for the financial year 31 July 2016 falls within the following bands:

	Executive Directors	Non-Executive Directors
Below RM50,000	1	6
RM50,000-RM200,000	1	–
RM200,000-RM250,000	–	–
RM250,000-RM350,000	1	–

Note: Details of directors' remuneration above include Director who has resigned during the year ended 31 July 2016.

D. FINANCIAL REPORTING

(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 1965 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 2016 is set out on pages 36 to 40 of this Annual Report.

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

The Companies Act 1965 ("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.

The Directors' Responsibility Statements on page 47 of this Annual Report.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

D. FINANCIAL REPORTING *Cont'd*

(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 matters 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.

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 2016, 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 2016 were as follows:

	Company		**Group**	
	FYE 2016 RM	**FYE 2015 RM**	**FYE 2016 RM**	**FYE 2015 RM**
Statutory audit fees paid / payable to:				
Crowe Horwath ("CH")	34,000	31,000	105,500	99,500
Affiliates of CH	–	–	–	–
Total (a)	34,000	31,000	105,500	99,500
Non-Audit fees paid / payable to:				
CH	–	–	12,000	64,000
Affiliates of CH	3,000	3,000	12,400	12,400
Total (b)	3,000	3,000	24,400	76,400
% of non-audit fees (b/a)	8.82%	9.68%	23.13%	76.78%

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.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

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 43 to 45 of this Annual Report.

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.

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 Participation at General Meeting

The Company regards the AGM as its principal forum for dialogue with private and institutional shareholders and to obtain effective feedback from the Company's shareholders. Conversely, the AGM provides an avenue for the shareholders to raise questions pertaining to issues in the annual report, audited financial statements and the business of the Group.

The Chairman and Group MD will respond to shareholders' questions at the AGM. The Chief Financial Officer and the external auditors will also be present.

The Notice and Agenda of AGM together with the Proxy Form are issued to shareholders at least twenty-one (21) days before the AGM to provide them with sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. Each item of special business included in the Notice of AGM is accompanied with an explanatory statement for the proposed resolution to facilitate the full understanding and evaluation of issues involved.

STATEMENT ON **CORPORATE GOVERNANCE** (cont'd)

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

(II) Poll Voting

The latest amendments to the MMLR of Bursa Securities require that with effect from 1 July 2016, all resolutions set out in the notice of general meetings be voted by poll. As such, the Company has to ensure that necessary arrangements are in place to conduct poll voting at its forthcoming AGM for all the proposed resolutions.

This being a new procedure, the Company will ensure that its shareholders are briefed on the proper procedure of 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.

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 2016.

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

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders of the Company either subsisting at the end of the financial year or entered into since the end of the previous financial year:-

- Kita Mampan Sdn. Bhd., a 70% equity interest subsidiary of the Company, through its associate company, AES Builders Sdn. Bhd., has entered into a Master En-Bloc Purchase Agreement with PR1MA and Mampan ESA (Melaka) Sdn. Bhd., on 29 July 2016 to build and develop “PR1MA @ Sri Gading” at Alor Gajah, Melaka, comprising of 554 residential units with 5 apartment blocks of 11 storey each and 1 apartment block of 12 storey at a total contract value of approximately RM101,077,300; and

- Pangkal Teguh Sdn. Bhd., a 70% equity interest subsidiary of the Company, has received a letter of award on 8 September 2016 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.

C. OPTIONS OR CONVERTIBLE SECURITIES

(I) Share Issuance Scheme

There were no options granted during the financial year ended 31 July 2016, pursuant to the Share Issuance Scheme of the Company (the “Scheme”).

However, on 8 September 2016, a total of 11,160,000 options were offered to eligible employees of the Group at an exercise price of RM0.33 each pursuant to the Scheme. On 23 September 2016, 11,160,000 options were accepted by the eligible employees. On 26 October 2016, a total of 100,000 new ordinary shares of RM0.25 each were exercised and allotted at an exercise price of RM0.33 each for cash pursuant to the Scheme. The shares were listed on the Main Market of Bursa Securities on 27 October 2016.

As at the end of the financial year ended 31 July 2016, the aggregate maximum allocation granted to Directors and Senior Management of the Group since commencement of the Scheme in percentage was 50%. Since the commencement of the Scheme, the allocations of options to the Directors and Senior Management have been fully granted.

The Scheme, effected on 30 August 2012, was approved by the shareholders at the Extraordinary General Meeting held on 27 June 2012 and is valid for a period of five (5) years and may be extended for a further period of up to a maximum of five (5) years at the discretion of the Board upon the recommendation of the Option Committee.

ADDITIONAL **COMPLIANCE INFORMATION** (cont'd)

C. OPTIONS OR CONVERTIBLE SECURITIES *Cont'd*

(I) Share Issuance Scheme *Cont'd*

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)(Appointed on 23 June 2016)*
b) Tan Ooi Jin *(Chairman/Independent Non-Executive Director)(Resigned on 15 August 2016)*
c) Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Member/Independent Non-Executive Director)*
d) Tan Ban Tatt *(Member/Chief Financial Officer)(Appointed on 16 May 2016)*
e) Tang Fook Choy *(Member/Financial Controller)(Resigned on 24 February 2016)*
f) Lily Tee *(Member/General Manager)*

This is the only employee share issuance scheme of the Company presently in existence during the financial year ended 31 July 2016. The Company had previously on 15 December 2000 established an Executive Share Options Scheme which has since expired on 26 February 2006 pursuant to its By Laws.

(II) Warrants

Warrant B
On 13 September 2011, the Company issued 94,033,811 Rights Shares of RM0.25 each together with 56,420,285 Warrants (these additional warrants are referred to as "TAKASO-WB" now known as "OCR-WB") on the Main Market of Bursa Securities ("Rights Issue of Shares with Warrants").

During the financial year under review, a total of 15,697,400 of OCR-WB were exercised at the exercise price of RM0.35 each and 16,543,885 OCR-WB were outstanding as at the financial year ended 31 July 2016. However, subsequent to the year end, a total of 9,317,920 OCR-WB were exercised at the exercise price of RM0.35 each.

On 5 September 2016, the remaining unexercised 7,225,965 OCR-WB were delisted.

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 of RM0.25 each 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 2016, 66,141,269 Warrants C have yet to be exercised, as disclosed in Analysis of Warrant C (OCR-WC) Holdings on pages 151 to 152 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 2016 is as follows:-

Transacting party within OCR Group	Transacting Party	Nature of Transaction	Interested Related Party	Actual Value of Transactions conducted pursuant to the Shareholders' Mandate during the Financial Year Ended 31 July 2016 RM'000
Takaso Rubber Products Sdn. Bhd. ("TRPSB")	London International (Xiamen) Pte. Ltd. ("LIX")	TRPSB purchases semi-finish goods and finished goods for condom products from LIX.	Interested Director TTC(a)(b)	33
		TRPSB purchases semi-finish goods and finished goods for baby products such as bottles, pacifier and accessories from LIX.		1,401
TRPSB	LIX	TRPSB sells semi-finish goods and finished goods for condom products to LIX.	Interested Director TTC(a)(b)	293
		TRPSB sells semi-finish goods and finished goods baby products such as bottles, pacifier and accessories from LIX.		614
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)	167

ADDITIONAL **COMPLIANCE INFORMATION** (cont'd)

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 Value of Transactions conducted pursuant to the Shareholders' Mandate during the Financial Year Ended 31 July 2016 RM'000
Takaso Marketing Sdn. Bhd. ("TMSB")	LIX	TMSB purchases semi-finish goods and finished goods for condom & baby products such as bottles, pacifier and accessories from LIX.	Interested Director TTC(a)(b)	212
Takaso Commerce Sdn. Bhd. ("TCSB")	OCR Marketing Sdn. Bhd. ("OMSB")	OMSB supplies construction materials to TCSB.	Interested Director OKH(c)(d)	–
Takaso Land Sdn. Bhd. ("TLSB")	OCR Land Holdings Sdn. Bhd. ("OCR Land")	OCR Land awards a construction contract for Flexus @ Jalan Kuching to TLSB. 1 Phase 1 block of 21 floors commercial building including 1 floor of car park at ground floor, 6 units of shop lots at ground and 1st floor, 7 floors of car park from 2nd to 8th floor and 11 floors of office at Lot 58734 and Lot 61586, Jalan Kuching, Mukim Batu, Wilayah Persekutuan Propose completion date: June 2017 Contract sum: RM37,440,000 Contract cost: RM34,127,000	Interested Major Shareholders OKH(c)(e), OCR Land Interested Director OKH(c)(e)	5,186

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 7.83% and indirect interest of 17.40% by virtue of his interest in OCR Land, a company in which OKH is deemed interested pursuant to Section 6A 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) OCR Land is a major shareholder of the OCR with direct interest of 15.17% as at LPD date.

"LPD" is 22 October 2016, being the latest practicable date prior to the printing of this Annual Report.

ADDITIONAL **COMPLIANCE INFORMATION** (cont'd)

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 31.07.2016 RM'000	Time frame for utilisation of proceeds
To be utilised as follows:			
Working capital			
- *Construction project*	3,000	982	Within 18 months
- *Property development project*	28,816	11,740	Within 24 months
- *Staff costs*	680	540	Within 6 months
- *Expenses in relation to the proposed ICPS*	575	575	Within 2 weeks
	33,071	13,837	

F. Non-Audit Fees

The amount of non-audit fees paid to the external auditors, Messrs. Crowe Horwath, by the Group for the financial year ended 31 July 2016 was RM59,500 being fees to review of the Statement on Risk Management and Internal Control for the Annual Report 2016, review of audit working papers of component auditor and to review of proforma consolidated statement of financial position on the subsequent events after the financial year ended 31 July 2015.

STATEMENT ON SUSTAINABILITY AND **CORPORATE SOCIAL RESPONSIBILITY**

The Group is committed to operate its business in a socially responsible manner towards its employees, the wider environment, the community and the marketplace and examples of its Corporate Social Responsibility ("CSR") activities are set out below.

During the current financial year, O&C Resources Berhad ("OCR") has significantly contributed to the society as set out below, as part of the Group's ongoing CSR outreach.

In September 2015, the Company donated a total of RM50,000 to SRJK Khai Chee in Segambut, Kuala Lumpur during the school's fund raising exercise. The fund was for the purpose of constructing a multi-purpose hall and a new school building.

Set up in 1947, SRJK Khai Chee has been relentlessly improving its facilities by providing students and teachers a comfortable learning environment. The school has been facing difficulties in recent years due to huge influx of students, coupled with space scarcity.

To cope, the school started a fund-raising campaign to build a new school with a multi-purpose hall to accommodate the larger number of students. In 2014, the school administrative board purchased a land measuring half an acre for the construction of a 5-storey multipurpose hall and 18 new classrooms.

Apart from SRJK Khai Chee campaign donation, OCR held a Hari Raya Open House celebration in August 2016, with 19 children from Baitul Ulfah Centre in Petaling Jaya, Selangor.

The Baitul Ulfah Centre is a religious education centre that caters to children whose families lack financial capabilities to support their children. These students are temporarily housed in Baitul Ulfah Centre dormitories.

At the event, children aged between 4 to 12 years old had an exciting time with entertainers who conducted activities aimed at stimulating the children's creativity, intellect and teamwork. OCR's management and staff joined the underprivileged kids in various fun-filled activities. These self-esteem building activities contribute to the development of a positive self-concept, which is extremely important to the happiness and well-being of a child.

Apart from these activities, a cheque of RM2,000.00 was presented to Baitul Ulfah Centre during the event. The CSR programme was steered towards the aim of enriching the lives of those in need within the community.

OCR is glad that the event provides a meaningful avenue for them to contribute towards the betterment of society.

Engaging in activities such as these cements the Group's CSR initiative through commitment and its continued support by empowering the community.

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 2016.

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, Encik Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria, 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 2016 are as follows:-

Directors	Attendance
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria *(Chairman/Independent Non-Executive Director)*	5/5
Tunku Makhlad Bin Tunku Mohamed Jamil *(Member/Independent Non-Executive Director)* *(Resigned on 28 October 2015)*	2/2
Tan Ooi Jin *(Member/Independent Non-Executive Director)* *(Resigned on 15 August 2016)*	4/5
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 Secretaries and the Chief Financial Officer 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 attends at least two (2) AC meetings per year; the first attendance is at the beginning of the financial year where they present the outcome of statutory audit of the financial year just ended and the second attendance 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. At each of their attendance, there will be a private session where only the AC members and the Secretaries are present and the executive Board members and employees of the Company shall excuse themselves.

AUDIT **COMMITTEE REPORT** (cont'd)

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
17 December 2015	First quarterly report for the three (3) months period ended 31 October 2015.
24 March 2016	Second quarterly report for the three (3) months period ended 31 January 2016.
23 June 2016	Third quarterly report for the three (3) months period ended 30 April 2016.
22 September 2016	Fourth quarterly report for the three (3) months period ended 31 July 2016.

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 2015 on 27 October 2015. Prior to that, the AC had reviewed the status report on the Audit Plan for financial year ended 31 July 2015 prepared by the external auditors at the meeting held on 28 September 2015.

(II) External Audit

- Evaluated the performance of the external auditors for the financial year ended 31 July 2015 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 to seek the approval of the shareholders for the re-appointment of CH as external auditors of the Company and the Group for the ensuing financial year ended 31 July 2016 at the AC meeting held on 27 October 2015.

- 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 28 September 2015 and 23 June 2016 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 23 June 2016, the audit plan for the financial year end of 31 July 2016 outlining the audit scope, methodology and timetable, audit approach, area of focus, fraud consideration and the new and revised auditors' reporting standards.

AUDIT **COMMITTEE REPORT** (cont'd)

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 2016 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.

(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).

AUDIT **COMMITTEE REPORT** (cont'd)

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 ad 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 2015.

- Verified the allocation and movement of the Share Issuance Scheme (“SIS”) for the financial year ending 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.

AUDIT **COMMITTEE REPORT** (cont'd)

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 41 to 46 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 2016, 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 2016 was approximately RM19,500.

The AC and the Board were satisfied with the performance of the Internal Audit Function for the financial year ended 31 July 2016 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 the 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 Director 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 recognises 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 risks 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

RISK MANAGEMENT *Cont'd*

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Managing Director and/or the Executive Director(s) 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 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 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.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL** (cont'd)

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.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL** (cont'd)

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 2016 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 2016, the independent professional firm conducted high level control reviews on sales and marketing management as well as project and treasury management for three (3) of its key operating subsidiaries 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 2016 amounted to RM19,500.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

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 2016.

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 Director's 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 2016.

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 2016, the Directors have:-

- adopted the applicable accounting standards issued by the Malaysian Accounting Standards Board and applied them consistently;
- made estimates and judgments 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, 1965. 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 2016.

Delivering True Value

We are investing for the future, increasing our sales and marketing capabilities and developing products, emphasising particular focus on meeting consumer demand.

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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 2016.

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. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(4,084,887)	(3,390,461)
Attributable to:-		
Owners of the Company	(4,092,456)	(3,390,461)
Non-controlling interests	7,569	–
	(4,084,887)	(3,390,461)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its authorised share capital from RM100,000,000 to RM500,000,000 by the creation of 1,200,000,000 new ordinary shares of RM0.25 each and 2,000,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.05 each;

(b) the Company increased its issued and paid-up ordinary shares from RM51,075,450 to RM57,120,200 by the issuance of 24,179,000 new ordinary shares of RM0.25 each resulting from the conversion of Warrants B at the exercise price of RM0.35 per share. The new ordinary shares were issued for cash consideration.

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

(c) 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 the ICPS are disclosed in Note 14 to the financial statements; and

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

DIRECTORS' **REPORT** (cont'd)

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.

The Company's Share Issuance Scheme ("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 will expire on 29 August 2017.

The salient features of the SIS are as follows:

(a) The SIS is administered by a committee appointed by the Board of Directors.

(b) 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).

(c) Any employee of the Group shall be eligible to participate in the SIS as at the date of offer:

  (i) the employee is at least eighteen (18) years of age; and

  (ii) is employed full time by and on the payroll and employment has been confirmed by any company in the Group.

(d) Any director of the Group shall be eligible to participate in the SIS if as at the date of offer:

  (i) the director is at least eighteen (18) years of age;

  (ii) the director is a director named in the register of directors of the Group; and

  (iii) 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.

(e) 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.

(f) 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.

No SIS options outstanding as at the end of the reporting period.

DIRECTORS' **REPORT** (cont'd)

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 expiring on 4 September 2016; and

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

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

There were a total of 24,179,000 Warrants B being exercised during the financial year ended 31 July 2016. As at 31 July 2016, 16,543,885 Warrants B have yet to be exercised.

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

	Entitlement of Ordinary Shares of RM0.25 Each			
	At 1.8.2015	**Issued**	**Exercised**	**At 31.7.2016**
Number of unexercised Warrants B	40,722,885	–	(24,179,000)	16,543,885

DIRECTORS' **REPORT** (cont'd)

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 2016, 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 of RM0.25 Each			
	At 1.8.2015	**Issued**	**Exercised**	**At 31.7.2016**
Number of unexercised Warrants C	–	66,141,269	–	66,141,269

DIRECTORS' **REPORT** (cont'd)

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 ascertain that any current assets other than debts, 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.

DIRECTORS' **REPORT** (cont'd)

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.

DIRECTORS

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

Tee Tze Chern, JP
Ong Kah Hoe
Ahmad Ruslan Zahari Bin Zakaria
Tunku Azudinshah Ibni Tunku Annuar
Abdullah Bin Abdul Rahman
Dato' Lim Heng Ee (Appointed on 23.6.2016)
Lee Chin Cheh (Appointed on 23.6.2016)
Tunku Makhlad Bin Tunku Mohamed Jamil (Resigned on 28.10.2015)
Yong Mong Huay (Resigned on 15.08.2016)
Tan Ooi Jin (Resigned on 15.08.2016)

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 of RM0.25 Each			
	At 1.8.2015	**Bought**	**Sold**	**At 31.7.2016**
Direct Interests in the Company				
Tee Tze Chern, JP	88	–	–	88
Ong Kah Hoe	16,087,300	–	–	16,087,300
Indirect Interests In The Company				
Tee Tze Chern, JP#	29,541,300	–	–	29,541,300
Ong Kah Hoe*	41,378,800	–	–	41,378,800

	Number of ICPS of RM0.05 Each			
	At 1.8.2015	**Bought**	**Sold**	**At 31.7.2016**
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

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (CONT'D)

	Number Of Warrants 2011/2016			
	At 1.8.2015	Bought	Sold	At 31.7.2016
Indirect Interests In The Company				
Tee Tze Chern, JP#	90	–	(90)	–
Ong Kah Hoe ^	650,000	–	(650,000)	–

	Number Of Warrants 2016/2021			
	At 1.8.2015	Bought	Sold	At 31.7.2016
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 direct substantial shareholding in Nextplus Fortune Sdn. Bhd., which ceased to be a substantial shareholder of the Company in August 2016.

* 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 6A of the Companies Act 1965.

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 emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

DIRECTORS' **REPORT** (cont'd)

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.

Signed in accordance with a resolution of the directors dated 27 October 2016

Tee Tze Chern, JP

Ong Kah Hoe

STATEMENT BY **DIRECTORS**
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT 1965

We, Tee Tze Chern, JP and Ong Kah Hoe, 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 61 to 142 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 July 2016 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 27 October 2016

Tee Tze Chern, JP

Ong Kah Hoe

STATUTORY **DECLARATION**
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, Tan Ban Tatt, being the officer primarily responsible for the financial management of O&C Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 61 to 142 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
Tan Ban Tatt,
at Kuala Lumpur
on this 27 October 2016

Tan Ban Tatt

Before me

Datin Hajah Raihela Wanchik
Commissioner for Oaths
No. W275

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF O&C RESOURCES BERHAD (INCORPORATED IN MALAYSIA)

Company No : 440503 - K

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of O&C Resources Berhad, which comprise the statements of financial position as at 31 July 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 61 to 142.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements 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 1965 in Malaysia. The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 July 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT **AUDITORS' REPORT** (cont'd)

TO THE MEMBERS OF O&C RESOURCES BERHAD (INCORPORATED IN MALAYSIA)

Company No : 440503 - K

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 143 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Chong Tuck Wai
Approval No: 3023/03/17(J)
Chartered Accountant

27 October 2016

Kuala Lumpur

STATEMENTS OF **FINANCIAL POSITION**
AT 31 JULY 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	–	–	15,077,820	11,437,730
Investment in associate	6	490,000	–	–	–
Property, plant and equipment	7	15,847,164	22,861,576	605,789	324,414
Investment property	8	1,953,669	1,995,017	1,953,669	1,995,017
Inventories	9	11,262,038	–	–	–
Trade and other receivables	10	10,584,443	–	7,000,000	7,000,000
		40,137,314	24,856,593	24,637,278	20,757,161
CURRENT ASSETS					
Inventories	9	44,609,769	5,580,592	–	–
Trade and other receivables	10	22,266,162	23,953,695	37,619,767	32,374,178
Gross amount owing by a contract customer	11	489,166	–	–	–
Current tax assets		24,545	29,680	–	–
Fixed deposits with licensed banks	12	120,000	120,000	–	–
Cash and bank balances		33,972,339	4,817,815	32,345,543	1,663,995
		101,481,981	34,501,782	69,965,310	34,038,173
TOTAL ASSETS		141,619,295	59,358,375	94,602,588	54,795,334
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13	57,120,200	51,075,450	57,120,200	51,075,450
Irredeemable convertible preference shares (“ICPS”)	14	33,070,635	–	33,070,635	–
Reserves	15	(4,627,099)	(2,552,269)	1,349,328	2,897,092
Equity attributable to owners of the Company		85,563,736	48,523,181	91,540,163	53,972,542
Non–controlling interests		(30,722)	(1,291)	–	–
TOTAL EQUITY		85,533,014	48,521,890	91,540,163	53,972,542
NON-CURRENT LIABILITIES					
Long-term borrowings	16	9,249,686	1,124,433	744,679	613,693
Deferred tax liability	17	258,000	258,000	–	–
Trade and other payables	18	30,637,989	–	500,000	–
		40,145,675	1,382,433	1,244,679	613,693
CURRENT LIABILITIES					
Trade and other payables	18	11,570,461	7,355,837	1,704,492	140,713
Short-term borrowings	19	2,910,427	305,749	113,254	68,386
Provision for taxation		66,217	40,452	–	–
Bank overdrafts	20	1,393,501	1,752,014	–	–
		15,940,606	9,454,052	1,817,746	209,099
TOTAL LIABILITIES		56,086,281	10,836,485	3,062,425	822,792
TOTAL EQUITY AND LIABILITIES		141,619,295	59,358,375	94,602,588	54,795,334

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 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
REVENUE	23	38,450,976	36,762,894	–	–
COST OF SALES		(30,162,911)	(31,083,794)	–	–
GROSS PROFIT		8,288,065	5,679,100	–	–
OTHER INCOME		1,264,892	758,007	1,313,800	60,002
		9,552,957	6,437,107	1,313,800	60,002
SELLING AND DISTRIBUTION EXPENSES		(1,421,853)	(1,082,530)	–	–
ADMINISTRATIVE EXPENSES		(9,994,170)	(8,967,960)	(3,694,635)	(1,614,103)
OTHER EXPENSES		(1,941,279)	(4,079,485)	(974,873)	(5,675,397)
FINANCE COSTS		(217,846)	(267,527)	(34,753)	(35,583)
LOSS BEFORE TAXATION	24	(4,022,191)	(7,960,395)	(3,390,461)	(7,265,081)
INCOME TAX EXPENSE	25	(62,696)	(31,801)	–	(3)
LOSS AFTER TAXATION		(4,084,887)	(7,992,196)	(3,390,461)	(7,265,084)
OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX					
Items that may be classified subsequently to profit or loss					
- Foreign currency translation		442,868	344,469	–	–
- Reclassification to profit or loss on disposal of subsidiary	28	(267,939)	–	–	–
		174,929	344,469	–	–
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR		(3,909,958)	(7,647,727)	(3,390,461)	(7,265,084)
LOSS AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(4,092,456)	(7,990,875)	(3,390,461)	(7,265,084)
Non-controlling interest		7,569	(1,321)	–	–
		(4,084,887)	(7,992,196)	(3,390,461)	(7,265,084)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-					
Owners of the Company		(3,917,527)	(7,646,406)	(3,390,461)	(7,265,084)
Non-controlling interest		7,569	(1,321)	–	–
		(3,909,958)	(7,647,727)	(3,390,461)	(7,265,084)
LOSS PER SHARE (SEN)					
- Basic	26	(1.94)	(4.20)		
- Diluted		(1.94)	(4.20)		

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

		←	Non–Distributable		→	Distributable			
The Group	**Note**	**Share Capital 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 1.8.2014		40,186,950	4,575,992	4,607,260	(96,130)	864,301	(11,053,744)	39,084,629	–	39,084,629
Loss after taxation for the financial year		–	–	–	–	–	(7,990,875)	(7,990,875)	(1,321)	(7,992,196)
Other comprehensive income for the financial year, net of tax: – Foreign currency translation		–	–	–	344,469	–	–	344,469	–	344,469
Total comprehensive expenses for the financial year		–	–	–	344,469	–	(7,990,875)	(7,646,406)	(1,321)	(7,647,727)
Balance carried forward		40,186,950	4,575,992	4,607,260	248,339	864,301	(19,044,619)	31,438,223	(1,321)	31,436,902

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

The Group	Note	Share Capital 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
			← Non–Distributable			→	Distributable			
Balance brought forward		40,186,950	4,575,992	4,607,260	248,339	864,301	(19,044,619)	31,438,223	(1,321)	31,436,902
Contributions by and distributions to owners of the Company:										
– Acquisition of a subsidiary		–	–	–	–	–	–	–	30	30
– Issuance of ordinary shares pursuant to exercise of SIS	13	2,489,150	–	–	–	–	–	2,489,150	–	2,489,150
– Issuance of ordinary shares pursuant to exercise of Warrants B		3,924,350	–	1,569,740	–	–	–	5,494,090	–	5,494,090
– Issuance of ordinary shares pursuant to private placement		4,475,000	–	4,725,600	–	–	–	9,200,600	–	9,200,600
– Expenses incurred for private placement	15	–	–	(98,882)	–	–	–	(98,882)	–	(98,882)
Transfer of share premium for:										
- SIS exercised	15	–	–	864,301	–	(864,301)	–	–	–	–
- Warrants B exercised	15	–	(1,273,145)	1,273,145	–	–	–	–	–	–
Balance at 31.7.2015		51,075,450	3,302,847	12,941,164	248,339	–	(19,044,619)	48,523,181	(1,291)	48,521,890

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (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
				← Non–Distributable			→	Distributable			
Balance at 31.7.2015/ 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)
Balance carried forward		51,075,450	–	3,302,847	12,941,164	423,268	–	(23,137,075)	44,605,654	6,278	44,611,932

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (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
			← Non-Distributable				→	Distributable			
Balance brought forward		51,075,450	–	3,302,847	12,941,164	423,268	–	(23,137,075)	44,605,654	6,278	44,611,932
Contributions by and distributions to owners of the Company:											
- Acquisition of subsidiaries	27	–	–	–	–	–	–	–	–	(41,950)	(41,950)
- Issuance of ordinary shares pursuant to exercise of Warrants B		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	15	–	–	–	(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 2016 (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
				← Non-Distributable		→	Distributable	
Balance at 1.8.2014		40,186,950	–	4,575,992	4,607,260	864,301	(6,081,835)	44,152,668
Loss after taxation/Total comprehensive expenses for the financial year		–	–	–	–	–	(7,265,084)	(7,265,084)
Contributions by and distributions to owners of the Company:								
- Issuance of ordinary shares pursuant to exercise of SIS	13	2,489,150	–	–	–	–	–	2,489,150
- Issuance of ordinary shares pursuant to exercise of Warrants B		3,924,350	–	–	1,569,740	–	–	5,494,090
- Issuance of ordinary shares pursuant to private placement		4,475,000	–	–	4,725,600	–	–	9,200,600
- Expenses incurred for private placement	15	–	–	–	(98,882)	–	–	(98,882)
Transfer of share premium for:								
- SIS exercised	15	–	–	–	864,301	(864,301)	–	–
- Warrants B exercised	15	–	–	(1,273,145)	1,273,145	–	–	–
Balance at 31.7.2015		51,075,450	–	3,302,847	12,941,164	–	(13,346,919)	53,972,542

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

The Company	Note	Share Capital RM	ICPS RM	← Non-Distributable: Warrant Reserve RM	Share Premium RM	Share Issuance Scheme Reserve RM →	Distributable: Accumulated Losses RM	Total Equity RM
Balance at 31.7.2015/1.8.2015		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:								
- Issuance of ordinary shares pursuant to exercise of Warrants B		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	15	–	–	–	(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 **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
CASH FLOWS FOR OPERATING ACTIVITIES					
Loss before taxation		(4,022,191)	(7,960,395)	(3,390,461)	(7,265,081)
Adjustments for:-					
Bad debts written off		–	1,129	435,064	–
Deposit written off		–	200,000	–	–
Depreciation of:					
- investment property		41,348	41,347	41,348	41,347
- property, plant and equipment		1,297,929	1,849,415	89,702	11,997
Goodwill written off		9,977	–	–	–
Impairment losses on:					
- investments in subsidiaries		–	–	–	4,368,000
- plant and equipment		1,540	2,524,984	–	–
- amount owing by subsidiaries		–	–	–	1,350,000
- other receivables		45,798	–	–	–
- trade receivables		186,432	826,298	–	–
Interest expense		217,846	267,527	34,753	35,583
Inventories written off		46,113	–	–	–
Plant and equipment written off		119,324	91,355	–	–
(Gain)/Loss on disposal of plant and equipment		(8,457)	104,307	–	–
Gain on disposal of subsidiaries	28	(270,856)	–	(296,240)	–
Interest income		(57,364)	(73,071)	–	–
Reversal of impairment loss on:					
- amount owing by a subsidiary		–	–	(500,000)	–
- trade receivables		(27,600)	–	–	–
- other receivables		–	(191,142)	–	–
Unrealised gain on foreign exchange		(66,206)	(10,766)	(99,800)	(95,948)
Operating loss before working capital changes		(2,486,367)	(2,329,012)	(3,685,634)	(1,554,102)
Inventories		(13,264,017)	1,551,902	–	–
Gross amount by a contract customer		(489,166)	–	–	–
Receivables		703,465	(12,838,269)	682,659	(5,070,605)
Payables		2,795,504	1,035,798	2,061,779	74,112
CASH FOR OPERATIONS		(12,740,581)	(12,579,581)	(941,196)	(6,550,595)
Net tax (paid)/ refunded		(36,931)	23,999	–	(3)
NET CASH FOR OPERATING ACTIVITIES		(12,777,512)	(12,555,582)	(941,196)	(6,550,598)

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

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalents	27	(4,981,199)	30	(5,005,092)	(74)
Acquisition of an associate		(490,000)	–	–	–
Advances to subsidiaries		–	–	(13,307,270)	(9,428,829)
Interest received		57,364	73,071	–	–
Net cash inflow from disposal of subsidiaries	28	9,089,276	–	–	–
Proceeds from disposal of:					
- plant and equipment		53,868	109,825	–	–
- subsidiaries	28	–	–	9,205,000	–
Purchase of property, plant and equipment	29	(1,682,925)	(5,021,455)	(118,077)	–
NET CASH FROM/(FOR) INVESTING ACTIVITIES		2,046,384	(4,838,529)	(9,225,439)	(9,428,903)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(217,846)	(267,527)	(34,753)	(35,583)
Proceeds from issuance of ordinary shares pursuant to:					
- exercise of SIS		–	2,489,150	–	2,489,150
- exercise of Warrants B		8,462,650	5,494,090	8,462,650	5,494,090
- private placement		–	9,200,600	–	9,200,600
Proceeds from issuance of ICPS with warrants		33,070,635	–	33,070,635	–
Expenses incurred for:					
private placement		–	(98,882)	–	(98,882)
- ICPS with warrants		(575,203)	–	(575,203)	–
Placement of fixed deposit pledged with licensed banks		–	(120,000)	–	–
(Repayment to)/Advances from directors		(68,000)	(190,015)	2,000	2,000
Repayment of:					
- bankers' acceptances		–	(137,000)	–	–
- hire purchase		(355,586)	(92,913)	(8,760)	–
- term loans		(68,386)	(64,377)	(68,386)	(64,377)
NET CASH FROM FINANCING ACTIVITIES		40,248,264	16,213,126	40,848,183	16,986,998
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29,517,136	(1,180,985)	30,681,548	1,007,497
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(4,099)	(33,450)	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,065,801	4,280,236	1,663,995	656,498
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	32,578,838	3,065,801	32,345,543	1,663,995

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is 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 27 October 2016.

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. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group 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 1965 in Malaysia.

3.1 During the financial year, the Group and the Company early adopted MFRS 15 *Revenue from Contracts with Customers.*

Adoption of this MFRS required the Group to recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. There is no material impact on the Group's financial statements on early adoption of MFRS 15.

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 issued by IASB in July 2014)	1 January 2018
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	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 until further notice
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception	1 January 2016

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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:- *Cont'd*

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
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 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

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.

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 and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

(b) Classification between Investment Properties and Owner occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

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) Property Development

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that 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 a continuous monitoring mechanism.

(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.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *Cont'd*

(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.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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 (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, viable 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.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.2 BASIS OF CONSOLIDATION *Cont'd*

(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) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss 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 are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.3 FUNCTIONAL AND FOREIGN CURRENCIES *Cont'd*

(c) Foreign Operations *Cont'd*

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

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

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

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

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

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(i) Financial Assets

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

- Financial Assets at Fair Value Through Profit or Loss

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

  Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components or other income or other operating losses.

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

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

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

- Held-to-maturity Investments

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

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

  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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(i) Financial Assets *Cont'd*

- Loans and Receivables Financial Assets

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

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

  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.

- Available-for-sale Financial Assets

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

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

  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.

Cash and cash equivalents include cash and bank balances, bank overdraft, deposits and other short term, highly liquid investment, which are readily convertible to cash and are subject to insignificant risk of changes in value with original maturity periods of three months or less.

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(ii) Financial Liabilities

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

- Financial liabilities at fair value through profit or loss

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

  Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gain or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

- Other financial liabilities

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

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

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.

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

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.4 FINANCIAL INSTRUMENTS *Cont'd*

(iii) Equity Instruments

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

(a) Ordinary Shares

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefits. Otherwise, they are charged to profit or loss.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(b) 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.

(iv) 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.

(v) 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. 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 (and 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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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

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

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

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

4.7 PROPERTY, PLAND AND EQUIPMENT

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

Freehold land is stated at cost less impairment losses, if any. Freehold land is not depreciated.

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

Leasehold land	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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.7 PROPERTY, PLAND AND EQUIPMENT *Cont'd*

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.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

4.8 INVESTMENT PROPERTIES

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.9 IMPAIRMENT *Cont'd*

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

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 equity 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.

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. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

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 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements as property, plant and equipment corresponding obligations are treated as hire purchase payables. The assets capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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 income statements 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 basis 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.

4.12 BORROWING COSTS

Borrowing costs, 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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.13 INCOME TAXES

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

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

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

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

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

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

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

4.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits 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).

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.14 EMPLOYEE BENEFITS *Cont'd*

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

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.

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 investment in subsidiary 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.

4.15 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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.16 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

4.17 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 Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

<u>Revenue from property development</u>

Revenue from property development is recognised when or as the control of the asset is transferred to the customer. Depending on the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards completed satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.17 REVENUE AND OTHER INCOME *Cont'd*

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

Revenue from property development *Cont'd*

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer (e.g.surveys or appraisals of the performance completed to date); or
- the Group's efforts or inputs to the satisfaction of the performance obligation (e.g.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).

(b) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(c) Contract Revenue

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

(d) Interest Income

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

(e) Rental Income

Rental income is recognised on an accrual basis.

4.18 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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.18 FAIR VALUE MEASUREMENTS *Cont'd*

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.

4.19 OPERATING SEGMENTS

Operating segments are defined as components if the Group that:

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

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

(c) for which discrete financial information is available.

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

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

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

(b) The absolute amount of its reported profits or loss is 10 per cent or more of the greater, in absolute amount of:

- the combined reported profit of all operating segments that did not report a loss; and
- the combined reported loss of all operating segments that reported a loss.

(c) Its assets are 10 per cent or more of the combined assets of all operating segments.

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

4.20 EARNING/LOSS PER SHARE

(a) Basic

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

(b) Diluted

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

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost		
At 1 August	32,688,465	32,688,391
Addition during the financial year	5,755,090	74
Disposal during the financial year	(5,604,000)	–
At 31 July	32,839,555	32,688,465
Accumulated impairment losses		
At 1 August	(21,250,735)	(16,882,735)
Addition during the financial year	–	(4,368,000)
Disposal during the financial year	3,489,000	–
At 31 July	(17,761,735)	(21,250,735)
	15,077,820	11,437,730
Represented by:-		
Unquoted shares		
- in Malaysia	14,228,670	8,473,581
- outside Malaysia	849,150	2,964,149
	15,077,820	11,437,730

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2016 %	Effective Equity Interest 2015 %	Principal Activities
Takaso Rubber Products Sdn. Bhd. ("TRP")	Malaysia	100	100	Manufacturing of rubber products and baby products, and trading in baby accessories, apparels and milk powder.
Japlo Healthcare Sdn. Bhd.	Malaysia	100	100	Distributing and retailing of baby products.
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.
Takaso Land Sdn. Bhd. ("TLSB")	Malaysia	100	100	Construction of residential and commercial properties and property development.
Takaso Development Kuantan Sdn. Bhd. ("TDKSB")	Malaysia	70	70	Property development and property investment.
Takaso Trading Sdn. Bhd. ("TTSB")	Malaysia	–	100	Traders of general products, computer and automobile accessories.
Benchmark Vista Sdn. Bhd. ("BVSB")	Malaysia	–	100	Recycling of glass.
Takaso SC (Thailand) Ltd. ^ ("TSC")	The Kingdom of Thailand	–	100	Dormant.
Tristar City Sdn. Bhd. ("TRCSB")	Malaysia	100	100	Construction of residential and commercial properties and property development.
Grand Superland Sdn. Bhd. ("GSSB")	Malaysia	100	–	Dormant.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

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

Name of Company	Country of Incorporation	Effective Equity Interest 2016 %	2015 %	Principal Activities
Pangkal Teguh Sdn. Bhd. (“PTSB”)	Malaysia	70	–	Dormant.
Kita Mampan Sdn. Bhd. (“KMSB”)	Malaysia	70	–	Construction of residential and commercial properties.
Masbe Coffee Sdn. Bhd. (“MCSB”)	Malaysia	50.01	–	Property development and property investment.
Subsidiary of TRP:-				
Takaso Marketing Sdn. Bhd.	Malaysia	100	100	Marketing of rubber products, baby products, and trading in baby accessories, apparels and milk powder.
Subsidiary of TIPL:-				
P.T.Takaso Indonesia Global Manufacturing# (“TIGM”)	Indonesia	51	51	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) The Company assessed the recoverable amount on certain investments in subsidiaries and determined that impairment losses were recognised as the recoverable amount is lower than the carrying amounts. The recoverable amounts of the investments in subsidiaries were determined by reference to their value in use. In the previous financial year, a total impairment loss of RM4,368,000, representing the write-down of the investments to their recoverable amounts, was recognised in “Other Expenses” line item of the statement of profit or loss and other comprehensive income. The recoverable amounts was determined based on their value in use approach and the pre-tax discount rate used was 13.87%.

(b) On 25 September 2015, the Company acquired 2 ordinary shares of RM1 each, representing 100% of the total issued and paid up share capital of GSSB for a total cash consideration of RM2.

(c) On 30 October 2015, the Company acquired 51 ordinary shares of RM1 each, representing 51% of the total issued and paid up share capital of MCSB for a cash consideration of RM5,000,000. On 15 April 2016, the Company further subscribed for an additional 4,950 ordinary shares of RM1 each in MCSB for a cash consideration of RM4,950. Following the share subscription, the Company’s equity interest in MCSB stands at 50.01%. The details of the acquisition is disclosed in Note 27 to the financial statements.

(d) On 9 March 2016, the Company further subscribed for 749,998 ordinary shares of RM1 each issued by its wholly-owned subsidiary, TLSB for a total consideration of RM749,998 to retain its equity interest of 100%.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES *Cont'd*

(e) On 26 July 2016, the Company acquired 70 ordinary shares of RM1 each, representing 70% of the total issued and paid up share capital of PTSB for a total cash consideration of RM70.

(f) On 28 July 2016, the Company acquired 70 ordinary shares of RM1 each, representing 70% of the total issued and paid up share capital of KMSB for a total cash consideration of RM70.

(g) During the financial year, the Company has disposed of its entire equity interest in TTSB, BVSB and TSC. The details of the disposal are disclosed in Note 28 to the financial statements.

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

	Effective Equity Interest		The Group	
	2016	2015	2016	2015
	%	%	RM	RM
TDKSB	30	30	3,027	1,291
PTSB	30	–	1,982	–
KMSB	30	–	3,014	–
MCSB	49.99	–	22,699	–
			30,722	1,291

The summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interest is not presented as the non-controlling interest is immaterial to the Group.

6. INVESTMENT IN ASSOCIATE

	The Group	
	2016	2015
	RM	RM
Unquoted shares in Malaysia, at cost	490,000	–

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

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2016	2015	
		%	%	
<u>Associate of KMSB</u>				
AES Builders Sdn. Bhd. ("AES")	Malaysia	34.3	–	Construction of residential and commercial properties.

(b) The results of this associate has not been equity accounted as the amounts involved is insignificant as the associate is dormant and the intended activities are contractor of residential and commercial properties.

(c) The summarised financial information of the associate is not presented as the carrying value is immaterial to the Group.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

7. **PROPERTY, PLANT AND EQUIPMENT**

The Group	At 1.8.2015 RM	Additions RM	Written Disposals RM	Depreciation Off (Note 24) RM	Impairment Charges (Note 24) RM	Disposal of Loss (Note 24) RM	Subsidiaries (Note 28) RM	Currency Translation Difference RM	At 31.7.2016 RM
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)	446,547	15,847,164

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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

The Group	At 1.8.2014 RM	Additions RM	Disposals RM	Written Off (Note 24) RM	Depreciation Charges (Note 24) RM	Impairment Loss (Note 24) RM	Currency Translation Difference RM	At 31.7.2015 RM
2015								
Net Book Value								
Freehold land	5,861,186	–	–	–	–	–	153,295	6,014,481
Leasehold land	1,261,137	–	–	–	(39,225)	–	–	1,221,912
Buildings	6,124,649	–	–	–	(135,600)	–	–	5,989,049
Motor vehicles	936,332	313,732	(32,398)	–	(253,132)	–	41,052	1,005,586
Plant and machinery	734,040	–	–	–	(483,797)	(128,685)	–	121,558
Renovation, furniture and fittings	767,203	200,000	(150,594)	(91,154)	(194,069)	–	9,600	540,986
Tools and equipment	5,616,034	58,481	(31,140)	(201)	(743,592)	(2,396,299)	–	2,503,283
Capital work-in-progress	830,741	4,449,242	–	–	–	–	184,738	5,464,721
	22,131,322	5,021,455	(214,132)	(91,355)	(1,849,415)	(2,524,984)	388,685	22,861,576

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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

The Group	At Cost RM	Accumulated Depreciation RM	Accumulated Impairment Losses RM	Net Book Value RM
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
2015				
Freehold land	6,014,481	–	–	6,014,481
Leasehold land	1,569,000	(347,088)	–	1,221,912
Buildings	6,780,000	(790,951)	–	5,989,049
Motor vehicles	2,556,528	(1,550,942)	–	1,005,586
Plant and machinery	19,092,873	(17,842,630)	(1,128,685)	121,558
Renovation, furniture and fittings	4,472,488	(3,670,502)	(261,000)	540,986
Tools and equipment	15,225,371	(10,325,789)	(2,396,299)	2,503,283
Capital work-in-progress	5,464,721	–	–	5,464,721
	61,175,462	(34,527,902)	(3,785,984)	22,861,576

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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

The Company	At 1.8.2015 RM	Additions RM	Depreciation Charges (Note 24) RM	At 31.7.2016 RM
2016				
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

	At 1.8.2014 RM	Transfer From A Subsidiary RM	Depreciation Charges (Note 24) RM	At 31.7.2015 RM
2015				
Net Book Value				
Motor vehicle	–	155,764	(6,231)	149,533
Renovation, furniture and fittings	1	180,646	(5,766)	174,881
	1	336,410	(11,997)	324,414

The Company	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
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
2015			
Motor vehicle	155,764	(6,231)	149,533
Renovation, furniture and fittings	182,475	(7,594)	174,881
	338,239	(13,825)	324,414

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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

(a) Included in the property, plant and equipment of the Group at the end of the reporting period were motor vehicles and plant and machinery with a total net book value of RM1,816,932 and Nil (2015: RM679,065 and RM144,638), 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 RM3,034,543 (2015: RM3,085,618) are pledged to a licensed bank for credit facilities granted to the Group.

(c) Capital work-in-progress mainly represent building under construction and which are not ready for commercial use.

(d) Included in motor vehicles of the Group with a carrying amount of RM176,540 (2015: RM209,642) is held in trust under the name of directors of a subsidiary.

(e) In the previous financial year, the Group carried out a review of the recoverable amount of its plant and equipment because the manufacturing segment had been making losses. An impairment loss of RM2,524,984, representing the write-down of the plant and equipment to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 24 to the financial statements. The recoverable amount of plant and equipment was based on its value in use and the pre-tax discount rate used was 13.87%.

8. INVESTMENT PROPERTY

The Group/The Company	**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

	At 1.8.2014 RM	**Depreciation Charge (Note 24) RM**	**At 31.7.2015 RM**
Net Book Value			
Freehold land and building	2,036,364	(41,347)	1,995,017

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

8. INVESTMENT PROPERTY *Cont'd*

The Group/The Company	At Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
2016			
Freehold land and building	2,067,375	(113,706)	1,953,669
2015			
Freehold land and building	2,067,375	(72,358)	1,995,017

	The Group/ The Company 2016 RM	2015 RM
Fair Value	2,300,000	2,399,000

(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 directors have opted for the cost model in determining the carrying amount of the investment property.

The fair value of this property at the end of the reporting period was determined by the directors by reference to market prices of similar properties at the end of the reporting period and after having considered specific factors such as locality and availability of amenities.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

9. INVENTORIES

	The Group	
	2016 RM	2015 RM
Non-current		
Land held for development (Note 9 (a))	11,262,038	–
Current		
Property development costs (Note 9 (b))	39,413,981	–
Trading goods (Note 9 (c))	5,195,788	5,580,592
	44,609,769	5,580,592
	55,871,807	5,580,592

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

	The Group	
	2016 RM	2015 RM
At 1 August	–	–
Leasehold land	9,316,165	–
Development costs	1,945,873	–
At 31 July	11,262,038	–

Included in the land cost of the Group, the title of a piece of leasehold land with a carrying value of RM9,316,165 (2015: Nil) is in the process of being issued to the Company by the relevant authorities.

(b) Property development costs (current)

	The Group	
	2016 RM	2015 RM
At 1 August		
Arising from acquisition of a subsidiary (Note 27):		
- freehold land	35,177,263	–
- development costs	2,318,800	–
	37,496,063	–
Development cost:		
- costs incurred during the financial year	1,917,918	–
	39,413,981	–

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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"), MCSB, 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 RM30,137,989 has been included in the property development costs. As of 31 July 2016, RM30,137,989 (2015: Nil) has been recognised as part of land cost payable in Note 18.

(c) Trading goods

	The Group	
	2016 RM	2015 RM
At cost:-		
Raw materials	1,168,731	1,354,218
Work-in-progress	1,030,018	1,104,869
Finished goods	2,997,039	3,121,505
	5,195,788	5,580,592

The amount of inventories recognised as an expense in cost of sales was RM23,292,429 (2015: RM25,331,904).

10. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Non-current					
Other receivables:-					
Amount owing by a subsidiary	(a)	–	–	7,000,000	7,000,000
Third party	(b)	10,584,443	–	–	–
Total non-current portion		10,584,443	–	7,000,000	7,000,000

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

10. TRADE AND OTHER RECEIVABLES *Cont'd*

		The Group		The Company	
		2016	2015	2016	2015
		RM	RM	RM	RM
Current					
Trade receivables:-	(c)				
Third parties		7,878,322	9,923,778	–	–
Related party		1,182,979	–	–	–
Retention sum		562,331	–	–	–
		9,623,632	9,923,778	–	–
Less: Allowance for impairment losses:-					
At 1 August		(852,877)	(26,579)	–	–
Addition		(186,432)	(826,298)	–	–
Disposal of subsidiaries		184,353	–	–	–
Reversal		27,600	–	–	–
Currency translation difference		(14,629)	–	–	–
At 31 July		(841,985)	(852,877)	–	–
		8,781,647	9,070,901	–	–
Other receivables:-					
Third parties	(d)	4,884,289	910,859	4,384,950	–
Less: Allowance for impairment losses		(45,798)	–	–	–
		4,838,491	910,859	4,384,950	–
Amount owing by subsidiaries:-	(e)				
Gross		–	–	34,013,467	28,585,219
Less: Allowance for impairment losses:-					
At 1 August		–	–	(1,350,000)	–
Addition		–	–	–	(1,350,000)
Reversal		–	–	500,000	–
At 31 July		–	–	(850,000)	(1,350,000)
		–	–	33,163,467	27,235,219
Deposits	(f)	6,247,052	9,723,151	67,302	3,066,829
Prepayments	(g)	2,398,972	4,248,784	4,048	2,072,130
Total current portion		22,266,162	23,953,695	37,619,767	32,374,178

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

10. TRADE AND OTHER RECEIVABLES *Cont'd*

(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 MCSB, 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.

(c) The Group's normal trade credit terms range from cash term to 120 days (2015: 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) is an amount of RM109,170 (2015: RM348,428) in the Group, being advance payments made to suppliers for future supply of goods; and

(ii) an amounting of RM4,200,000 (2015: Nil) in the Group and the Company which is receivable from purchasers in relation to sale proceeds from the disposal of subsidiaries. The amounts are interest-free and subject to fixed receivable terms which are to be settled in cash.

(e) The amount owing by subsidiaries represents unsecured interest-free advances and payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

(f) Included in deposits at the end of reporting period:-

(i) is an amount of RM5 million (2015: RM5 million) in the Group which represents deposit paid by TDKSB 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; and

(ii) is an amount of RM936,007 (2015: 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.

At the end of the previous reporting period, included in deposit was an amount of RM3,000,000 in the Group and the Company which represents earnest deposit paid in respect of the acquisition of a 51% equity interest in MCSB. The total purchase consideration of the acquisition is RM5 million. During the financial year, the amount of RM3,000,000 was transferred to investment in subsidiaries upon completion of the transaction.

(g) Included in prepayments at the end of the reporting period is an amount of RM2,032,500 (2015: 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.

At the end of the previous reporting period was an amount of RM2 million in the Group and the Company which represented prepayment made for technical support and authorities liaison services in relation to property development activities for a project.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

11. GROSS AMOUNT OWING BY CONTRACT CUSTOMER

	The Group 2016 RM	The Group 2015 RM
Construction costs incurred to date	5,172,920	–
Attributable profits	502,225	–
	5,675,145	–
Progress billings	(5,185,979)	–
Gross amount due from contract customer	489,166	–

12. FIXED DEPOSITS WITH LICENSED BANKS

The effective interest rate of the deposits at the end of the reporting period was 3.30% (2015: 3.30%) per annum. The deposits have a maturity period of 12 months (2015: 12 months).

The fixed deposit with a licensed bank of the Group at the end of the reporting period has been pledged to the licensed bank as security for banking facilities granted to a subsidiary.

13. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

	The Company			
	2016	2015	2016	2015
	Number Of Shares		RM	RM
Authorised				
Ordinary shares of RM0.25 each				
At 1 August	400,000,000	400,000,000	100,000,000	100,000,000
Created during the financial year	1,200,000,000	–	300,000,000	–
At 31 July	1,600,000,000	400,000,000	400,000,000	100,000,000
Issued And Fully Paid-Up				
Ordinary Shares of RM0.25 each				
At 1 August	204,301,799	160,747,799	51,075,450	40,186,950
Issuance of shares pursuant to:-				
- SIS	–	9,956,600	–	2,489,150
- Warrants B	24,179,000	15,697,400	6,044,750	3,924,350
- private placement	–	17,900,000	–	4,475,000
At 31 July	228,480,799	204,301,799	57,120,200	51,075,450

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

13. SHARE CAPITAL *Cont'd*

During the financial year:-

(a) the Company increased its authorised share capital from RM100,000,000 to RM500,000,000 by the creation of 1,200,000,000 new ordinary shares of RM0.25 each and 2,000,000,000 irredeemable convertible preference shares of RM0.05 each; and

(b) the Company increased its issued and paid-up ordinary shares from RM51,075,450 to RM57,120,200 by the issuance of 24,179,000 new ordinary shares of RM0.25 each resulting from the conversion of Warrants B at the exercise price of RM0.35 per share. The new ordinary shares were issued for cash consideration.

All new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

14. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

	The Group/The Company			
	2016	2015	2016	2015
	Number Of Shares		RM	RM
Authorised				
ICPS of RM0.05 each				
At 1 August	–	–	–	–
Created during the financial year	2,000,000,000	–	100,000,000	–
At 31 July	2,000,000,000	–	100,000,000	–
Issued And Fully Paid-Up				
ICPS of RM0.05 each				
At 1 August	–	–	–	–
Issuance of new shares for cash	661,412,697	–	33,070,635	–
At 31 July	661,412,697	–	33,070,635	–

During the 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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

14. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") *Cont'd*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

15. RESERVES

		The Group		The Company	
		2016	2015	2016	2015
		RM	RM	RM	RM
Warrant reserve	(a)	2,232,125	3,302,847	2,232,125	3,302,847
Share premium	(b)	16,744,909	12,941,164	16,744,909	12,941,164
Foreign exchange translation reserve	(c)	423,268	248,339	–	–
Accumulated losses		(24,027,401)	(19,044,619)	(17,627,706)	(13,346,919)
		(4,627,099)	(2,552,269)	1,349,328	2,897,092

(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.

(b) Share Premium

The movement of the share premium of the Group and of the Company are as follows:

	The Group/ The Company	
	2016	2015
	RM	RM
At 1 August	12,941,164	4,607,260
Issuance of shares pursuant to:		
- Warrants B	2,417,900	1,569,740
- private placement	–	4,725,600
Transfer of share premium for:		
- SIS exercised	–	864,301
- Warrants B exercised	1,961,048	1,273,145
Expenses incurred for:		
- private placement	–	(98,882)
- ICPS	(575,203)	–
At 31 July	16,744,909	12,941,164

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

16. LONG-TERM BORROWINGS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Hire purchase payables (Note 21)	1,211,384	510,740	204,377	–
Term loans (Note 22)	8,038,302	613,693	540,302	613,693
	9,249,686	1,124,433	744,679	613,693

17. DEFERRED TAX LIABILITY

	The Group	
	2016 RM	2015 RM
At 31 July	258,000	258,000

No deferred tax assets are recognised in respect of the following items:-

	The Group	
	2016 RM	2015 RM
Accelerated capital allowances	(7,101,500)	(6,722,000)
Unutilised tax losses	17,339,000	17,149,000
Unabsorbed capital allowances	13,528,000	12,526,000
Unabsorbed reinvestment allowances	5,710,000	5,710,000
Other deductible timing differences	8,388,000	8,656,000
	37,863,500	37,319,000

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

18. TRADE AND OTHER PAYABLES

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Non-current					
Other payables:-					
Third parties	(a)	500,000	–	500,000	–
Land cost payable	9(b)	30,137,989	–	–	–
		30,637,989	–	500,000	–
Current					
Trade payables:-	(b)				
Third party		4,538,435	2,430,065	–	–
Related party		747,759	570,249	–	–
Retention sum		498,483	–	–	–
		5,784,677	3,000,314	–	–
Other payables:-					
Third parties	(a)	4,073,555	3,087,328	1,094,001	92,368
Amount owing to directors	(c)	468,066	536,066	14,000	12,000
Accruals		1,244,163	732,129	596,491	36,345
		5,785,784	4,355,523	1,704,492	140,713
		11,570,461	7,355,837	1,704,492	140,713

(a) Included in other payables at the end of the reporting period, there is an amount of RM1,500,000 (2015: Nil) in the Group and the Company payable to a seller in relation to the balance of purchase consideration for acquisition of a subsidiary. The amount is interest free and subject to fixed repayment terms which is to be 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 (2015: 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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

19. SHORT-TERM BORROWINGS

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Hire purchase payables (Note 21)	335,036	237,363	39,863	–
Term loans (Note 22)	2,575,391	68,386	73,391	68,386
	2,910,427	305,749	113,254	68,386

The short-term borrowings of the Group and the Company are secured by a fixed charge over the property, plant and equipment and investment property with a total carrying amount of RM3,034,543 and RM1,953,669 respectively (2015: RM3,085,618 and RM1,995,017) as disclosed in Note 7 and Note 8 to the financial statements. These borrowings are also guaranteed by the Company.

20. BANK OVERDRAFTS

The bank overdrafts bore a weighted average effective interest rate of 9.31% (2015: 9.31%) per annum as at the end of the reporting period.

The bank overdrafts of the Group are secured by a fixed charge over the property, plant and equipment with a total carrying amount of RM3,034,543 (2015: RM3,085,618) as disclosed in Note 7 to the financial statements. These bank overdrafts are also guaranteed by the Company.

21. HIRE PURCHASE PAYABLES

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Minimum hire purchase payments:				
- not later than one year	404,180	272,105	53,386	–
- later than one year and not later than five years	1,179,331	536,572	160,158	–
- later than five years	195,793	32,480	75,291	–
	1,779,304	841,157	288,835	–
Less: Future finance charges	(232,884)	(93,054)	(44,595)	–
Present value of hire purchase payables	1,546,420	748,103	244,240	–
Current portion (Note 19):				
- not later than one year	335,036	237,363	39,863	–
Non-current portion (Note 16):				
- later than one year and not later than five years	1,065,783	510,740	175,425	–
- later than five years	145,601	–	28,952	–
	1,211,384	510,740	204,377	–
	1,546,420	748,103	244,240	–

The hire purchase payables of the Group and the Company bore effective interest rates ranging from 4.62% to 7.14% (2015: 4.62% to 7.33%) and 2.67% to 3.30% (2015: Nil) per annum at the end of the reporting period.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

22. TERM LOANS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current (Note 16):				
- later than one year and not later than five years	7,828,126	309,185	330,126	309,185
- later than five years	210,176	304,508	210,176	304,508
	8,038,302	613,693	540,302	613,693
Current (Note 19):				
- not later than one year	2,575,391	68,386	73,391	68,386
	10,613,693	682,079	613,693	682,079

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 2016 RM	The Group Amount outstanding 2015 RM	The Company 2016 RM	The Company 2015 RM
1	4.65% (2015: 4.85%)	120	8,330	1 October 2013	613,693	682,079	613,693	682,079
2	7.81%	24	417,000	10 February 2017	10,000,000	–	–	–
					10,613,693	682,079	613,693	682,079

The term loan 1 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.

The term loan 2 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) An individual guarantee by a former director of a subsidiary.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

23. REVENUE

	The Group	
	2016 RM	2015 RM
Sales of goods	32,775,831	36,762,894
Contract revenue	5,675,145	–
	38,450,976	36,762,894

24. LOSS BEFORE TAXATION

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Loss before taxation is arrived at after charging/(crediting):-				
Audit fee:				
- statutory audit				
- current financial year	131,605	129,947	34,000	31,000
- underprovision in the previous financial year	1,000	–	–	–
- non-statutory audit	23,500	46,800	23,500	46,800
Bad debts written off	–	1,129	435,064	–
Deposit written off	–	200,000	–	–
Depreciation of:				
- property, plant and equipment (Note 7)	1,297,929	1,849,415	89,702	11,997
- investment property (Note 8)	41,348	41,347	41,348	41,347
Directors' remuneration (Note 31 (a))	927,370	1,335,435	615,355	140,800
Goodwill written off	9,977	–	–	–
Impairment losses on:				
- amount owing by subsidiaries (Note 10)	–	–	–	1,350,000
- investments in subsidiaries (Note 5)	–	–	–	4,368,000
- plant and equipment (Note 7)	1,540	2,524,984	–	–
- trade receivables (Note 10)	186,432	826,298	–	–
- other receivables (Note 10)	45,798	–	–	–

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

24. LOSS BEFORE TAXATION *Cont'd*

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Loss before taxation is arrived at after charging/(crediting) *Cont'd*:-				
Interest expense on financial liabilities not at fair value through profit or loss:				
- bank overdrafts	113,643	171,553	–	–
- bankers' acceptances	–	250	–	–
- hire purchase	24,237	44,737	3,179	–
- term loans	79,966	35,583	31,574	35,583
- others	–	15,404	–	–
Inventories written off	46,113	–	–	–
(Gain)/Loss on disposal of plant and equipment	(8,457)	104,307	–	–
(Gain)/Loss on foreign exchange:				
- realised	132,614	(33,457)	–	–
- unrealised	(66,206)	(10,766)	(99,800)	(95,948)
Rental of:				
- motor vehicles	–	30,505	–	–
- premises	544,104	1,180,561	133,728	67,353
Staff costs:				
- defined contribution benefits	541,609	696,518	167,709	57,615
- short term employee benefits	5,073,948	6,360,083	1,480,371	489,689
Plant and equipment written off (Note 7)	119,324	91,355	–	–
Gain on disposal of subsidiaries (Note 28)	(270,856)	–	(296,240)	–
Interest income	(57,364)	(73,071)	–	–
Rental income	(33,000)	(83,534)	(9,000)	(59,500)
Reversal of impairment loss on:				
- amount owing by subsidiaries (Note 10)	–	–	(500,000)	–
- trade receivables (Note 10)	(27,600)	–	–	–
- other receivables	–	(191,142)	–	–

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

25. INCOME TAX EXPENSE

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Income tax:				
- Foreign tax	65,584	35,705	–	–
- (Over)/Underprovision of income tax in the previous financial year	(2,888)	(3,904)	–	3
	62,696	31,801	–	3

A reconciliation of income tax expense applicable to the 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 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Loss before taxation	(4,022,191)	(7,960,395)	(3,390,461)	(7,265,081)
Tax at the statutory tax rate of 24% (2015: 25%)	(965,326)	(1,990,099)	(813,711)	(1,816,270)
Tax effects of:-				
Non-deductible expenses	1,417,878	133,308	1,067,957	1,816,270
Non-taxable income	(464,089)	(100,470)	(289,200)	–
Deferred tax assets not recognised during the financial year	152,164	2,029,746	34,954	–
Differential in tax rates	(75,043)	(36,780)	–	–
(Over)/Underprovision in the previous financial year:				
- income tax	(2,888)	(3,904)	–	3
Income tax expense for the financial year	62,696	31,801	–	3

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

26. LOSS PER SHARE

	The Group 2016	The Group 2015
Loss attributable to owners of the Company (RM)	(4,092,456)	(7,990,875)
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 August	204,301,799	160,747,799
Effect of SIS	–	8,265,342
Effect of Warrants B	6,372,810	9,957,976
Effect of private placement	–	11,475,616
Weighted average number of ordinary shares at 31 July	210,674,609	190,446,733
Basic loss per share (Sen)	(1.94)	(4.20)

The diluted loss per share is equal to the basic loss per share as there is an anti-dilutive effect arising from the assumed conversion of the ICPS and exercise of the warrants.

27. 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 RM
Property development cost	37,496,063
Other receivables	10,173,852
Cash and bank balances	18,943
Other payables	(32,740,643)
Term loan	(10,000,000)
Net identifiable assets	4,948,215
Add: Non-controlling interest, measured at the proportionate share of fair value of the net identifiable net assets	41,950
Add: Goodwill on acquisition	9,977
Purchase consideration – to be settled by cash	5,000,142
Less: Cash and cash equivalents of subsidiaries acquired	(18,943)
Net cash outflow of acquisition of subsidiaries	4,981,199

The acquired subsidiaries have contributed the following results to the Group:-

	RM
Loss after taxation	(3,781)

If the acquisition had taken place at the beginning of the financial year, the Group's loss after taxation for the financial year would have been RM4,105,420.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

28. 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, 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 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, TTSB for a total cash consideration of RM50,000 and consequently TTSB ceased to be a subsidiary of the Company.

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cost of property, plant and equipment purchased	2,836,828	5,021,455	371,077	–
Amount financed through hire purchase	(1,153,903)	–	(253,000)	–
Cash disbursed for purchase of property, plant and equipment	1,682,925	5,021,455	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	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed deposits with licensed banks	120,000	120,000	–	–
Cash and bank balances	33,972,339	4,817,815	32,345,543	1,663,995
Bank overdrafts (Note 20)	(1,393,501)	(1,752,014)	–	–
	32,698,838	3,185,801	32,345,543	1,663,995
Less: fixed deposit pledged to licensed banks (Note 12)	(120,000)	(120,000)	–	–
	32,578,838	3,065,801	32,345,543	1,663,995

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Directors				
Directors of the Company				
Executive Directors				
Short-term employee benefits:				
- fees	72,000	65,000	72,000	65,000
- salaries, bonuses and other benefits	537,655	379,220	397,655	2,000
	609,655	444,220	469,655	67,000
Defined contribution benefits	60,000	21,000	43,200	–
	669,655	465,220	512,855	67,000
Non-executive Directors				
Short-term employee benefits:				
- fees	100,000	72,000	100,000	72,000
- other benefits	2,500	1,800	2,500	1,800
	102,500	73,800	102,500	73,800
	772,155	539,020	615,355	140,800
Directors				
Directors of the Subsidiaries				
Executive Directors				
Short-term employee benefits:				
- salaries, bonuses and other benefits	138,655	684,853	–	–
Defined contribution benefits	16,560	111,562	–	–
	155,215	796,415	–	–
Total director remuneration (Note 24)	927,370	1,335,435	615,355	140,800
Other Key Management Personnel				
Short-term employee benefits	138,655	134,380	–	408,860
Defined contribution benefits	16,560	20,760	–	32,669
	155,215	155,140	–	441,529

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

31. KEY MANAGEMENT PERSONNEL COMPENSATION *Cont'd*

(b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	2016	2015
	Number of Directors	
Executive Directors		
Below RM50,000	1	1
RM150,000 – RM200,000	1	–
RM200,000 – RM250,000	–	2
RM300,000 – RM350,000	1	–
Non-executive Directors		
Below RM50,000	5	3
	8	6

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, 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		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Transfer of equipment from a subsidiary	–	–	–	336,410
Sales to a company which is connected to a director of the Company	906,984	682,749	–	–
Professional services rendered by a company in which a director has a substantial financial interest	–	43,950	–	43,950

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

32. SIGNIFICANT RELATED PARTY DISCLOSURES *Cont'd*

(b) Significant Related Party Transactions and Balances *Cont'd*

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Purchases from a company in which a director has a substantial financial interest	1,812,941	931,517	–	–
Progress billing to a company which is connected to a director of the Company	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, infant milk and toiletries, recycling, trading of general products, 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, baby products and moulds and recycling of glass.
Trading	:	Trading and retailing in rubber products, baby apparels, infant milk formula, toiletries, consumable products, electrical and mechanical products.
Construction	:	Construction of residential and commercial properties.
Property development	:	Property development.
Others	:	Consist of investment holding company and a subsidiary which is dormant.

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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS

	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 2016 (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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

	Manufacturing RM	Trading RM	Construction RM	Property Development RM	Others RM	Group RM
2015						
Revenue						
External revenue	9,197,641	27,565,253	–	–	–	36,762,894
Inter-segment revenue	2,710,070	59,509	–	–	–	2,769,579
	11,907,711	27,624,762	–	–	–	39,532,473
Consolidation adjustments and eliminations						(2,769,579)
Consolidated revenue						36,762,894
Results						
Results before the following adjustments	(2,309,552)	2,031,813	(341,685)	(7,404)	(1,652,289)	(2,279,117)
Consolidation adjustments and eliminations	(10,281)	–	–	–	–	(10,281)
Other material items of income (Note a)	239,102	(3,737)	–	–	–	235,365
Depreciation of investment property	–	–	–	–	(41,347)	(41,347)
Depreciation of property, plant and equipment	(1,462,510)	(362,830)	(182)	–	(23,893)	(1,849,415)
Other material items of expenses (Note b)	(2,883,379)	(864,694)	–	–	–	(3,748,073)
Segment results	(6,426,620)	800,552	(341,867)	(7,404)	(1,717,529)	(7,692,868)
Finance costs						(267,527)
Income tax expense						(31,801)
Consolidated loss after taxation						(7,992,196)

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

	Manufacturing RM	Trading RM	Construction RM	Property Development RM	Others RM	Group RM
2015						
Assets						
Segment assets	23,391,452	10,008,900	1,020,220	9,034,830	15,873,293	59,328,695
Current tax assets	25,430	4,250	–	–	–	29,680
Consolidated total assets	23,416,882	10,013,150	1,020,220	9,034,830	15,873,293	59,358,375
Liabilities						
Segment liabilities	6,284,709	2,191,467	74,041	13,250	1,974,566	10,538,033
Deferred tax liability	258,000	–	–	–	–	258,000
Provision for taxation	–	40,452	–	–	–	40,452
Consolidated total liabilities	6,542,709	2,231,919	74,041	13,250	1,974,566	10,836,485
Other segment items						
Additions to non-current assets other than financial instruments:-						
- property, plant and equipment	56,331	382,932	2,930	–	4,579,262	5,021,455

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

33. OPERATING SEGMENTS *Cont'd*

BUSINESS SEGMENTS *Cont'd*

(a) Other material items of income consist of the following:-

	The Group	
	2016 RM	2015 RM
Gain on disposal of plant and equipment	16,931	–
Gain on disposal of subsidiaries	270,856	–
Reversal of impairment losses on trade receivables	27,600	191,142
Realised gain on foreign exchange	–	33,457
Unrealised gain on foreign exchange	66,206	10,766
	381,593	235,365

(b) Other material items of expenses consist of the following:-

	The Group	
	2016 RM	2015 RM
Allowance for impairment losses on:		
- trade receivables	186,432	826,298
- other receivables	45,798	–
Bad debts written off	–	1,129
Deposit written off	–	200,000
Impairment loss of plant and equipment	1,540	2,524,984
Inventories written off	46,113	–
Loss on disposal of plant and equipment	8,474	104,307
Plant and equipment written off	119,324	91,355
Realised loss on foreign exchange	132,614	–
	540,295	3,748,073

GEOGRAPHICAL INFORMATION

	Revenue		Non-current Assets	
Group	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	7,357,650	14,628,599	39,220,864	16,819,713
Other Asian countries	29,924,048	20,668,960	916,450	8,036,880
European countries	21,532	52,305	–	–
African countries	120,201	545,203	–	–
Others	1,027,545	867,827	–	–
	38,450,976	36,762,894	40,137,314	24,856,593

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

33. OPERATING SEGMENTS *Cont'd*

MAJOR CUSTOMER

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

	The Group		
	2016 RM	2015 RM	Segment
Customer#1	–	4,046,370	Trading
Customer#2	5,675,145	–	Construction

34. CONTINGENT LIABILITY

	The Company	
	2016 RM	2015 RM
Corporate guarantees given: - to financial institutions for credit facilities granted to a subsidiary	1,393,501	1,752,014

35. CAPITAL COMMITMENT

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
<u>Contracted but not provided for</u> Acquisition of new subsidiaries	2,063,100	3,946,925	–	2,000,000

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, Singapore Dollar, and Thai Baht. 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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (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*

The Group's exposure to foreign currency is as follows:-

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*

The Group	**United States Dollar RM**	**Singapore Dollar RM**	**Thai Baht RM**	**Others RM**	**Ringgit Malaysia RM**	**Total RM**
2015						
Financial Assets						
Trade and other receivables	106,392	3,919,045	1,169,070	56,024	14,454,380	19,704,911
Fixed deposits with licensed banks	–	–	–	–	120,000	120,000
Cash and bank balances	625,711	805,553	101,549	85	3,284,917	4,817,815
	732,103	4,724,598	1,270,619	56,109	17,859,297	24,642,726
Financial Liabilities						
Hire purchase payables	–	441,872	80,356	–	225,875	748,103
Term loans	–	–	–	–	682,079	682,079
Trade and other payables	1,644,231	1,313,555	862,774	66,277	3,469,000	7,355,837
Bank overdrafts	–	–	–	–	1,752,014	1,752,014
	1,644,231	1,755,427	943,130	66,277	6,128,968	10,538,033
Net financial (liabilities)/assets	(912,128)	2,969,171	327,489	(10,168)	11,730,329	14,104,693
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	–	(2,969,171)	(327,489)	–	(11,730,329)	(15,026,989)
Currency Exposure	(912,128)	–	–	(10,168)	–	(922,296)

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (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*

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (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*

The Company	**Singapore Dollar RM**	**Thai Baht RM**	**Ringgit Malaysia RM**	**Total RM**
2015				
Financial Assets				
Trade and other receivables	2,055,646	5,934,302	22,312,100	30,302,048
Cash and bank balances	–	–	1,663,995	1,663,995
	2,055,646	5,934,302	23,976,095	31,966,043
Financial Liabilities				
Trade and other payables	–	–	140,713	140,713
Term loans	–	–	682,079	682,079
	–	–	822,792	822,792
Net financial assets	2,055,646	5,934,302	23,153,303	31,143,251
Less: Net financial assets denominated in the entity's functional currency	–	–	(23,153,303)	(23,153,303)
Currency Exposure	2,055,646	5,934,302	–	7,989,948

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (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 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects on Loss After Taxation				
United States Dollar:				
- strengthened by 10%	+79,142	+68,410	–	–
- weakened by 10%	-79,142	-68,410	–	–
Singapore Dollar:				
- strengthened by 10%	–	–	-126,684	-154,173
- weakened by 10%	–	–	+126,684	+154,173
Thai Baht:				
- strengthened by 10%	–	–	–	-445,073
- weakened by 10%	–	–	–	+445,073
Effects on Other Comprehensive Expenses				
United States Dollar:				
- strengthened by 10%	+79,142	+68,410	–	–
- weakened by 10%	-79,142	-68,410	–	–
Singapore Dollar:				
- strengthened by 10%	–	–	-126,684	+154,173
- weakened by 10%	–	–	+126,684	-154,173
Thai Baht:				
- strengthened by 10%	–	–	–	+445,073
- weakened by 10%	–	–	–	-445,073

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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 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 12, 20, 21 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects on Loss After Taxation				
Increase of 100 basis points	+89,154	+17,356	+4,664	+5,116
Decrease of 100 basis points	-89,154	-17,356	-4,664	-5,116
Effects on Other Comprehensive Expenses				
Increase of 100 basis points	+89,154	-17,356	-4,664	-5,116
Decrease of 100 basis points	-89,154	+17,356	+4,664	+5,116

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(a) Market Risk *Cont'd*

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(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 20% 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	
	2016	**2015**
	RM	**RM**
Malaysia	3,645,000	5,119,226
Other Asian Countries	5,040,986	3,869,566
European Countries	72,660	69,611
African Countries	23,001	12,498
	8,781,647	9,070,901

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(b) Credit Risk *Cont'd*

(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).

(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
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
- more than 6 months	969,526	(841,985)	–	127,541
	9,623,632	(841,985)	–	8,781,647
2015				
Not past due	4,285,381	–	–	4,285,381
Past due:				
- less than 3 months	1,657,463	–	–	1,657,463
- 3 to 6 months	457,452	(122,150)	–	335,302
- over 6 months	3,523,482	(730,727)	–	2,792,755
	9,923,778	(852,877)	–	9,070,901

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.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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.

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
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
2015						
Non-derivative Financial Liabilities						
Hire purchase payables	4.62 - 7.33	748,103	841,157	272,105	536,572	32,480
Term loans	4.85	682,079	816,298	99,960	399,840	316,498
Trade and other payables	–	7,355,837	7,355,837	7,355,837	–	–
Bank overdrafts	9.31	1,752,014	1,752,014	1,752,014	–	–
		10,538,033	10,765,306	9,479,916	936,412	348,978

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.1 FINANCIAL RISK MANAGEMENT POLICIES *Cont'd*

(c) Liquidity Risk *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
2016						
Non-derivative Financial Liabilities						
Trade and other payables	–	2,204,492	2,204,492	1,704,492	–	500,000
Hire purchase payables	2.67 -3.30	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	560,912	794,746
2015						
Non-derivative Financial Liabilities						
Trade and other payables	–	140,713	140,713	140,713	–	–
Term loans	4.85	682,079	816,298	99,960	399,840	316,498
		822,792	957,011	240,673	399,840	316,498

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

36. FINANCIAL INSTRUMENTS *Cont'd*

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:-

	The Group	
	2016 RM	2015 RM
Hire purchase payables (Note 21)	1,546,420	748,103
Term loans (Note 22)	10,613,693	682,079
Bank overdrafts (Note 20)	1,393,501	1,752,014
	13,553,614	3,182,196
Less: Fixed deposits with licensed banks (Note 12)	(120,000)	(120,000)
Less: Cash and bank balances	(33,972,339)	(4,817,815)
Net debt	–	–
Total Equity	85,533,014	48,521,890
Debt-to-equity ratio	Not applicable	Not applicable

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

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

36. FINANCIAL INSTRUMENTS *Cont'd*

36.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial Asset				
Loans and Receivables Financial Assets				
Trade and other receivables (Note 10)	30,451,633	19,704,911	37,615,719	30,302,048
Fixed deposits with licensed banks (Note 12)	120,000	120,000	–	–
Cash and bank balances	33,972,339	4,817,815	32,345,543	1,663,995
	64,543,972	24,642,726	69,961,262	31,966,043
Financial Liability				
Other Financial Liabilities				
Hire purchase payables (Note 21)	1,546,420	748,103	244,240	–
Term loans (Note 22)	10,613,693	682,079	613,693	682,079
Trade and other payables (Note 18)	42,208,450	7,355,837	2,204,492	140,713
Bank overdrafts (Note 20)	1,393,501	1,752,014	–	–
	55,762,064	10,538,033	3,062,425	822,792

36.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. These fair values are determined by discounting the relevant cash flows at rates equal to the current market interest rate plus appropriate credit rating, where necessary. The fair values are included in level 2 of the fair value hierarchy.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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 carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
The Group								
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
2015								
Financial Liabilities								
Hire purchase payables	–	–	–	–	748,103	–	748,103	748,103
Term loan	–	–	–	–	682,079	–	682,079	682,079

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 carried at fair value and those not carried at fair value at the end of the reporting period:- *Cont'd*

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
The Company								
2016								
Financial Liabilities								
Hire purchase payables	–	–	–	–	244,240	–	244,240	244,240
Term loan	–	–	–	–	613,693	–	613,693	613,693
2015								
Financial Liability								
Term loan	–	–	–	–	682,079	–	682,079	682,079

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 13 August 2015, TRCSB, a wholly-owned subsidiary of the Company had entered into a conditional Sale and Purchase Agreement ("SPA") with Mega Irama Enigma Sdn. Bhd., to acquire a piece of leasehold land held under Pajakan Negeri No. Hakmilik 2176, Lot No.475, Kawasan Bandar XXXIX, Daerah Melaka Tengah, Negeri Melaka for a purchase consideration of RM9,316,165.

On 29 July 2016, both parties had fulfilled the precedent conditions of the said SPA. The said transaction was completed.

(b) On 29 September 2015, the Company had entered into a conditional Share Sale Agreement to acquire 125,000 ordinary shares of RM1 each representing 50% of the issued and paid-up share capital of A.W. Impian Land Sdn. Bhd. from Mr. Tan Teck Ang and Mr. Chen Ling Wah, for a cash consideration of RM6,000,000.

On 22 July 2016, the Company had terminated the Share Sale Agreement ("SSA") dated 29 September 2015 on the basis that the seller had failed to fulfil the Conditions Precedent as stated in Clause 3A of the SSA on or before the Extended Cut-Off Date, i.e. 28 April 2016. The Seller had on 22 July 2016 agreed that the deposit of RM900,000 be refunded by nine monthly instalments by way of nine (9) post-dated cheques, ranging from 31 August 2016 to 30 April 2017.

(c) On 29 July 2016, the Company's 70% equity subsidiary, KMSB through its associated company, AES Builders Sdn. Bhd., entered into a Master En-Bloc Purchase Agreement with PR1MA and Mampan ESA (Melaka) Sdn. Bhd. to build and develop "PR1MA @ Sri Gading" at Alor Gajah, Melaka, comprising 554 residential units with 5 apartment blocks of 11 storey each and 1 apartment block of 12 storey at a total contract value of approximately RM101,077,300. The duration for the said Contract is over a period of 3 years.

38. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 17 August 2016, 26 August 2016, 1 September 2016, 6 September 2016 and 9 September 2016, allotments totalling 237,798,719 new ordinary shares of RM0.25 each at an exercise price of RM0.35 each per share for cash pursuant to the conversion of Warrants B by warrants holders of the Company;

(b) On 24 August 2016, the Company has acquired the entire share capital of Sunrise Meadow Sdn. Bhd. comprising two ordinary shares of RM1.00 each fully paid up for a total consideration of RM2;

(c) 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 of Komplek Yayasan Pahang, Tanjung Lumpur, 26060 Kuantan, Pahang for its project, Affordable Housing Development Scheme, in the state of Pahang which consist of approximately 25,000 units of residential properties; and

(d) On 8 September 2016, the Company has announced to offer of share options to eligible persons to subscribe for new ordinary shares of RM0.25 each in the Company under the SIS of the Company.

NOTES TO **THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 JULY 2016 (cont'd)

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**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total accumulated losses of the Company and its subsidiaries				
- realised	(23,835,605)	(18,797,385)	(17,727,506)	(13,442,867)
- unrealised	(191,796)	(247,234)	99,800	95,948
At 31 July	(24,027,401)	(19,044,619)	(17,627,706)	(13,346,919)

LIST OF **PROPERTIES**
AS AT 31 JULY 2016

Location	Description	Tenure	Existing use, Age of Building and Building up Area	Net Book Value as at 31-07-2016 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 unexpired term of 34 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.	3,982,860	30 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 34 years)	A 16 years two-storey factory building.	2,034,543	30 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	30 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).	4,138,733	30 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.	1,953,669	–

ANALYSIS OF **SHAREHOLDINGS**
AS AT 18.10.2016

Authorised Capital	:	1,600,000,000 ordinary shares of RM0.25 each
Total number issued	:	237,798,719 ordinary shares of RM0.25 each
Class of securities	:	Ordinary shares of RM0.25 each
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.
Number of shareholders	:	1,750

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	110	6.29	4,667	0.00
100 – 1,000	116	6.63	63,173	0.03
1,001 - 10,000	742	42.40	4,042,502	1.70
10,001 - 100,000	598	34.17	22,437,588	9.44
100,001 – 11,889,934 *	181	10.34	142,763,775	60.03
11,889,935 and above **	3	0.17	68,487,014	28.80
Total	**1,750**	**100.00**	**237,798,719**	**100.00**

Notes:

* *means less than 5% of issued and paid-up share capital*
** *means 5% and above of issued and paid-up share capital*

SUBSTANTIAL SHAREHOLDERS AS AT 18 OCTOBER 2016

Substantial shareholders (holding 5% or more of the capital) based on the Register of Substantial Shareholdings of the Company as at 18 October 2016 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	13.13	–	–
Innofarm Sdn. Bhd.	27,812,300	11.70	–	–
Teoh Hwa Peng	14,285,714	6.01	–	–
Ong Kah Hoe	18,627,300	7.83	(1)41,378,800	17.401

ANALYSIS OF **SHAREHOLDINGS**
AS AT 18.10.2016 (cont'd)

DIRECTORS' SHAREHOLDINGS AS AT 18.10.2016

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	18,627,300	7.83	[1]41,378,800	17.401	48,261,900	7.30	[2]123,536,400	18.68	4,826,190	7.30	[3]12,353,640	18.68
Tee Tze Chern, JP	88	0.00	–	–	–	–	–	–	–	–	–	–
Dato' Lim Heng Ee	–	–	–	–	–	–	–	–	–	–	–	–
Lee Chin Cheh	–	–	–	–	–	–	–	–	–	–	–	–
Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria	–	–	–	–	–	–	–	–	–	–	–	–
Abdullah Bin Abdul Rahman												

Notes:-

(1) *Deemed interested by virtue of Mr. Ong Kah Hoe's interest in OCR Land Holdings Sdn. Bhd., pursuant to Section 6A of the Companies Act, 1965 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 6A of the Companies Act, 1965 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 6A of the Companies Act, 1965 and Mr. Ong Kah Hoe's parents and siblings' direct warrant holdings.*

ANALYSIS OF **SHAREHOLDINGS**
AS AT 18.10.2016 (cont'd)

THIRTY LARGEST SHAREHOLDERS AS AT 18 OCTOBER 2016

No.	Shareholders	No. of Shares	%
1	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR OCR LAND HOLDINGS SDN. BHD.*	31,215,000	13.13
2	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN. BHD.*	22,986,300	9.67
3	TEOH HWA PENG	14,285,714	6.01
4	THAM KIN FOONG (JOHN)	10,226,400	4.30
5	MAYBANK INVESTMENT BANK BERHAD IVT (10)	10,200,000	4.29
6	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (020) (THIRD PARTY)*	9,405,400	3.96
7	SU MING YAW	8,631,100	3.63
8	M & A NOMINEE (ASING) SDN. BHD. *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	6,000,000	2.52
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KHOR JAN YEOW (8083119)	4,000,000	1.68
10	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR INNOFARM SDN. BHD. (MARGIN)*	3,810,000	1.60
11	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM SHAVE HUAT (MARGIN)*	3,571,386	1.50
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (6000713)*	3,500,000	1.47
13	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH WEE*	3,181,900	1.34
14	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE*	3,181,900	1.34
15	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG YEW MING*	3,181,900	1.34
16	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED	2,746,600	1.16
17	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN POO YOT (MARGIN)*	2,600,000	1.09

ANALYSIS OF **SHAREHOLDINGS**
AS AT 18.10.2016 (cont'd)

THIRTY LARGEST SHAREHOLDERS AS AT 18 OCTOBER 2016 *Cont'd*

No.	Shareholders	No. of Shares	%
18	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG (08HE101Q1-008)*	2,600,000	1.09
19	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN WEI CHOONG (SJ10)*	2,210,000	0.93
20	BIMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ZULKARNIN BIN ARIFFIN (M02034)*	2,200,000	0.93
21	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR WONG HOI MENG (SJ10)*	2,190,000	0.92
22	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YAP CHOR HOW (YAP2107M)*	2,100,000	0.88
23	ANG CHYAU CHIN	2,000,000	0.84
24	WARISAN HARTA SABAH SDN. BHD.	1,946,000	0.82
25	TEH YOKE ANN	1,788,000	0.75
26	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR GAN BOON GUAT (028)*	1,775,000	0.75
27	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR WONG SAU BING (MARGIN)*	1,725,600	0.73
28	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN YOKE MING (SJ10)*	1,700,000	0.71
29	YEO BOON LEONG	1,419,100	0.60
30	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR THOO SOON HUAT (MARGIN)*	1,100,000	0.46
		167,477,300	**70.44**

ANALYSIS OF IRREDEEMABLE **CONVERTIBLE PREFERENCE SHAREHOLDINGS**
AS AT 18.10.2016

Authorised Capital	:	2,000,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.05 each
Total number issued	:	661,412,697 ICPS of RM0.05 each
Class of securities	:	ICPS of RM0.05 each
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 during the winding-up at the Company until and unless such holders convert their ICPS into new shares.
Number of ICPS Holders	:	445

DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	%	No. of ICPS	%
1 – 99	0	0.00	0	0.00
100 – 1,000	2	0.45	1,300	0.00
1,001 - 10,000	47	10.56	277,594	0.04
10,001 - 100,000	215	48.31	10,366,145	1.57
100,001 – 33,070,633 *	176	39.56	219,852,300	33.24
33,070,634 and above **	5	1.12	430,915,358	65.15
Total	**445**	**100.00**	**661,412,697**	**100.00**

Notes:

* *means less than 5% of ICPS of the Company*
** *means 5% and above of ICPS of the Company*

THIRTY LARGEST IRREDEEMABLE CONVERTIBLE PREFERENCE SHAREHOLDERS AS AT 18 OCTOBER 2016

No.	Shareholders	No. of Shares	%
1	LEE LIN FONG	191,006,458	28.88
2	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR OCR LAND HOLDINGS SDN. BHD. (MARGIN)*	93,645,000	14.16
3	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR GOH SU-CHIA (MARGIN)*	49,001,000	7.41
4	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN YOKE MING (MARGIN)*	49,001,000	7.41
5	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (MARGIN)*	48,261,900	7.30
6	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN WEI CHOONG (SJ10)*	25,500,000	3.86
7	M & A NOMINEE (ASING) SDN. BHD. *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	18,000,000	2.72
8	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG (08HE101Q1-008)*	16,000,000	2.42

ANALYSIS OF IRREDEEMABLE **CONVERTIBLE PREFERENCE SHAREHOLDINGS**
AS AT 18.10.2016 (cont'd)

THIRTY LARGEST IRREDEEMABLE CONVERTIBLE PREFERENCE SHAREHOLDERS AS AT 18 OCTOBER 2016 *Cont'd*

No.	Shareholders	No. of Shares	%
9	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN YOKE MING (SJ10)*	12,400,000	1.87
10	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH WEE (MARGIN)*	9,545,700	1.44
11	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG YEW MING (MARGIN)*	9,545,700	1.44
12	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM GIM LEONG*	8,535,000	1.29
13	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN POO YOT (MARGIN)*	7,800,000	1.18
14	WONG CHEN HOONG	7,292,900	1.10
15	LOW KIN KOK	4,553,100	0.69
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN POW CHOO @ WONG SENG ENG (6000090)*	4,500,000	0.68
17	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR WONG WENG KUNG*	4,450,000	0.67
18	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN SUN PING*	3,000,000	0.45
19	OOI PHUAY GIM	2,724,800	0.41
20	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR JEREMY CHIA PEI CHAI (E-TCS)*	2,700,000	0.41
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR MICHAEL HENG CHUN HONG (6000108)*	2,400,000	0.36
22	LEE AH BENG	2,400,000	0.36
23	ZAKARIA BIN ARSHAD	2,300,000	0.35
24	RHB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHOKE YOON LOO*	2,140,300	0.32
25	GAN WEN GUANG	2,050,000	0.31
26	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PANG MEI CHEA @ SEE KIEW	2,000,000	0.30
27	PANG MIEU LIN	2,000,000	0.30
28	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KIM CHONG @ ONG HWEE CHOO (MARGIN)*	1,800,000	0.27
29	TAN TIONG HWA	1,635,000	0.25
30	NG HOOI LING	1,600,000	0.24
		587,787,858	**88.85**

ANALYSIS OF WARRANT C (OCR-WC) HOLDINGS
AS AT 18.10.2016

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 of RM0.25 each at the Exercise Price.
Number of Warrant C Holders	:	371

DISTRIBUTION OF WARRANT C HOLDING

Size of Holdings	No. of Warrant C Holders	%	No. of Warrants C	%
1 – 99	4	1.08	201	0.00
100 – 1,000	43	11.59	24,946	0.04
1,001 – 10,000	172	46.36	729,056	1.10
10,001 – 100,000	113	30.46	4,728,190	7.15
100,001 – 3,307,062 *	34	9.16	17,567,340	26.56
3,307,063 and above **	5	1.35	43,091,536	65.15
Total	**371**	**100.00**	**66,141,269**	**100.00**

Notes:

* *means less than 5% of the total Warrant C of the Company*
** *means 5% and above of the total Warrant C of the Company*

THIRTY LARGEST WARRANT C (OCR-WC) HOLDERS AS AT 18 OCTOBER 2016

No.	Warrant C Holders	No. of Warrant C	%
1	LEE LIN FONG	19,100,646	28.88
2	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR OCR LAND HOLDINGS SDN. BHD. (MARGIN)*	9,364,500	14.16
3	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR GOH SU-CHIA (MARGIN)*	4,900,100	7.41
4	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN YOKE MING (MARGIN)*	4,900,100	7.41
5	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (MARGIN)*	4,826,190	7.30
6	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN WEI CHOONG (SJ10)*	2,550,000	3.86
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN POW CHOO @ WONG SENG ENG (6000090)*	2,000,000	3.02
8	M & A NOMINEE (ASING) SDN. BHD. *EXEMPT AN FOR SANSTON FINANCIAL GROUP LIMITED (ACCOUNT CLIENT)*	1,800,000	2.72

ANALYSIS OF WARRANT C **(OCR-WC) HOLDINGS**
AS AT 18.10.2016 (cont'd)

THIRTY LARGEST WARRANT C (OCR-WC) HOLDERS AS AT 18 OCTOBER 2016 *Cont'd*

No.	Warrant C Holders	No. of Warrant C	%
9	SJ SEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHAN YOKE MING (SJ10)*	1,240,000	1.87
10	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG (08HE101Q1-008)*	1,069,500	1.62
11	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG KAH WEE (MARGIN)*	954,570	1.44
12	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR ONG YEW MING (MARGIN)*	954,570	1.44
13	JF APEX NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN POO YOT (MARGIN)*	780,000	1.18
14	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR KWONG MING MEAN (PB)*	500,000	0.76
15	EIK CHU YEW	500,000	0.76
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR MICHAEL HENG CHUN HONG (6000108)*	400,000	0.60
17	TAN HOU BU	320,000	0.48
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN ENG HOCK (100100)*	300,000	0.45
19	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)*	300,000	0.45
20	KRISTIN CHOO MEI LEE	300,000	0.45
21	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN SUN PING*	300,000	0.45
22	TAY AH HOCK @ TEE TIAM HOCK	270,100	0.41
23	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHIN LIH LIH*	260,000	0.39
24	ZAKARIA BIN ARSHAD	230,000	0.35
25	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHOW YEE CHIN (KEBUN TEH – CL)*	200,000	0.30
26	KENANGA NOMINEES (TEMPATAN) SDN. BHD. LIM SOH WOON	200,000	0.30
27	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PANG MEI CHEA @ SEE KIEW	200,000	0.30
28	PANG MIEU LIN	200,000	0.30
29	QUEK JIN ANG	200,000	0.30
30	YAP KOW CHAI	192,500	0.29
		59,312,776	**89.65**

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Nineteenth 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, 14 December 2016, 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 2016 together with the Directors' and Auditors' Reports thereon. ***(Please refer Explanatory Note 1)***

2. To approve the payment of Directors' fees of not exceeding RM500,000 for the financial year ending 31 July 2017. ***(Ordinary Resolution 1)***

3. To re-elect the following Directors who retire in accordance with Article 92 and Article 98 of the Company's Articles of Association and being eligible, had offered themselves for re-election:-

   i) Ong Kah Hoe (Article 92) ***(Ordinary Resolution 2)***
   ii) Dato' Lim Heng Ee (Article 98) ***(Ordinary Resolution 3)***
   iii) Lee Chin Cheh (Article 98) ***(Ordinary Resolution 4)***

4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. ***(Ordinary Resolution 5)***

AS SPECIAL BUSINESS: -

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

5. **As Ordinary Resolution**
   Proposed Authority to Directors to Issue New Ordinary Shares Pursuant to Section 132D of the Companies Act, 1965

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue new ordinary shares in the Company from time to time and upon such terms and conditions to such persons and for such purposes 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 nominal value of the total issued and paid up share capital (excluding treasury shares) of the Company and that such authority shall unless revoked or varied by an ordinary resolution by the shareholders of the Company in general meeting, commence upon the passing of this resolution until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."
   (Ordinary Resolution 6)

6. **As Ordinary Resolution**
   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

   "THAT, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association 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 specified in Section 2.4(i) (the "Proposed Renewal of Shareholders' Mandate") of the Circular to Shareholders dated 22 November 2016 ("Circular") provided that such transactions and/or arrangements are in the ordinary course of business which are necessary for the day-to-day operations of the Group, on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

NOTICE OF **ANNUAL GENERAL MEETING** (cont'd)

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 will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act [but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or

(c) revoked or varied by resolution passed by the shareholders at 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 such documents as may be required) 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 2.4(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 7)***

7. **As Ordinary Resolution**
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions

"THAT, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association 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 specified in Section 2.4(ii) (the "Proposed New Shareholders' Mandate") of the Circular to Shareholders dated 22 November 2016 ("Circular") provided that such transactions and/or arrangements are in the ordinary course of business which are necessary for the day-to-day operations of the Group, on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

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 will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act [but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or

(c) revoked or varied by resolution passed by the shareholders at 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 such documents as may be required) 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 2.4(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 8)***

NOTICE OF **ANNUAL GENERAL MEETING** (cont'd)

8. To transact any other business of which due notice have been given in accordance with the Companies Act, 1965.

By order of the Board,
O&C RESOURCES BERHAD

LAM SOOK CHING (MAICSA 7006942)
NG BEE LIAN (MAICSA 7041392)
Company Secretaries

Melaka
22 November 2016

NOTES:

1. Depositors whose names appear in the Record of Depositors as at 8 December 2016 are entitled to attend, speak and vote at the meeting.

2. Where a member of the Company who is entitled to attend and vote at the meeting is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies failing which, the appointment(s) shall be invalid.

5. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.

6. The instrument appointing a proxy or proxies, in the case of an individual, shall be signed by the appointer or his/her attorney and in the case of a corporation, either under seal or under the hand of a duly authorised officer or attorney.

7. If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the Form of Proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/her proxy.

8. To be valid, the instrument appointing a proxy or proxies shall be deposited at the Registered Office of the Company at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

Explanatory Notes on Ordinary and Special Business:-

Shareholders are advised to refer to the Circular to Shareholders dated 22 November 2016 which will be circulated together with the Annual Report 2016 when considering Resolutions No. 7 and No. 8.

1. Item 1 of the Agenda

The Audited Financial Statements in Agenda Item 1 is meant for discussion only as the approval of shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda item is not put forward for voting by the shareholders of the Company.

NOTICE OF **ANNUAL GENERAL MEETING** (cont'd)

2. *Item 3 of the Agenda*

   Encik Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria is scheduled for retirement by rotation as Director of the Company in accordance with Article 92 of the Company's Articles of Association at the 19th AGM.

   As Encik Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria has notified vide his letter to the Company of his intention not to seek for re-election, he shall retire as Director of the Company at the conclusion of the 19th AGM of the Company.

3. *Item 5 of the Agenda*

   Ordinary Resolution 6 proposed under Item 5 of the Agenda is to renew the general mandate obtained from the shareholders at the last Annual General Meeting ("AGM") of the Company held on 17 December 2015 (the "General Mandate").

   The proposed Ordinary Resolution 6 is a renewal of the General Mandate obtained from the members at the last AGM of the Company.

   The proposed Ordinary Resolution 6, if passed, would provide flexibility to the Directors to undertake fund raising activities including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this mandate does not exceed ten percent (10%) of the nominal value of the total issued and paid-up share capital (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

4. *Item 6 of the Agenda*

   This is a renewal of the mandate obtained from the members at the last AGM of the Company held on 17 December 2015.

   *The proposed Ordinary Resolution 7, if passed, will **renew** the authority given to the Company and its subsidiaries (the 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.*

5. *Item 7 of the Agenda*

   *The proposed Ordinary Resolution 8, 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.*

ANNUAL REPORT 2016 OF THE COMPANY

The Annual Report 2016 of the Company is in CD-ROM format.

A printed copy of the Annual Report 2016 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 2016 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 2016.

STATEMENT ACCOMPANYING THE
NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

1. Directors Standing for Re-election Pursuant to the Articles of Association of the Company are:-

(i) Ong Kah Hoe (Article 92)
(ii) Dato' Lim Heng Ee (Article 98)
(iii) Lee Chin Cheh (Article 98)

Details of the above Directors who are standing for re-election at the Nineteenth Annual General Meeting of the Company are set out in the Directors' profile appearing on pages 6 to 10 of this Annual Report while their securities holdings are listed in the Analysis of Shareholdings – Directors' Shareholdings on page 146 of this Annual Report.

Encik Ahmad Ruslan Zahari Bin Dato' Dr. Zakaria, who is an Independent Non-Executive Director of the Company, will retire at the conclusion of the 19th AGM in accordance with Article 92 of the Company's Articles of Association and he will not be seeking for re-election as conveyed in his letter to the Company.

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 2016, details of the Directors' attendances at Board meetings are set out on page 19 of this Annual Report.

3. Date, Time and Place of the Annual General Meeting

Date	:	Wednesday, 14 December 2016
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 Nineteenth 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, 14 December 2016, 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 2016 together with the Directors’ and Auditors’ Reports thereon.			
		Resolution	**FOR**	**AGAINST**
2.	To approve Directors’ fees of not exceeding RM500,000 for the financial year ending 31 July 2017.	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 Articles of Association:-			
	i) Ong Kah Hoe (Article 92)	2		
	ii) Dato’ Lim Heng Ee (Article 98)	3		
	iii) Lee Chin Cheh (Article 98)	4		
4.	To re-appoint Messrs. Crowe Horwath as auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	5		
5.	To approve the Proposed Authority to Directors to Issue New Ordinary Shares Pursuant to Section 132D of the Companies Act, 1965.	6		
6.	To approve the Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions.	7		
7.	To approve the Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions.	8		

* Strike out whichever not applicable.

As witness *my/our hand this __________ day of ______________________ , 2016

Telephone number during office hours:

____

____

Signature of member/Common Seal

Fold this flap for sealing

NOTES:

1. Depositors whose names appear in the Record of Depositors as at 8 December 2016 are entitled to attend, speak and vote at the meeting.
2. Where a member of the Company who is entitled to attend and vote at the meeting is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
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5. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia.
6. The instrument appointing a proxy or proxies, in the case of an individual, shall be signed by the appointer or his/her attorney and in the case of a corporation, either under seal or under the hand of a duly authorised officer or attorney.
7. If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the Form of Proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/her proxy.
8. To be valid, the instrument appointing a proxy or proxies shall be deposited at the Registered Office of the Company at 49-B,Jalan Melaka Raya 8, Taman Melaka Raya,75000 Melaka not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

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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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O&C RESOURCES BERHAD (440503-K)

8.01, 8th Floor, Persoft Tower, 6B Persiaran Tropicana,
Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor

Tel : +603 7806 3003 Fax : +603 7880 4003

www.ocrbhd.com