



**O&C Resources Berhad**  
*(formerly known as Takaso Resources Berhad)*  
**(Company No: 440503-K)**  
**(Incorporated in Malaysia)**

*Condensed Consolidated Statement of Comprehensive Income (Unaudited)*  
*For the financial quarter ended 31 July 2016*

		Individual Quarter		Cumulative Period	
		Current Year Quarter 31.07.2016 RM'000	Preceding Year Quarter 31.07.2015 RM'000	Current Year To Date 31.07.2016 RM'000	Preceding Year To Date 31.07.2015 RM'000
Note					
	Revenue	9,789	6,351	38,452	36,763
	Cost of sales	(7,998)	(5,271)	(30,163)	(31,084)
	Gross profit	1,791	1,080	8,289	5,679
	Other income	265	55	1,265	758
	Selling and distribution expenses	(326)	(231)	(1,422)	(1,082)
	Administrative expenses	(4,536)	(5,782)	(11,935)	(13,048)
	Finance costs	(54)	(77)	(218)	(267)
	Loss before tax	(2,860)	(4,955)	(4,021)	(7,960)
	Income tax expenses	B5 33	72	(63)	(32)
	<b>Loss after taxation for the financial period</b>	(2,827)	(4,883)	(4,084)	(7,992)
	<b>Other Comprehensive (Expenses)/ Income, net of Tax:</b>				
	Foreign currency translation	(239)	55	175	344
	<b>Total Comprehensive Expenses</b>	B12 (3,066)	(4,828)	(3,909)	(7,648)

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 July 2015 and the accompanying explanatory notes attached to the interim financial statements.*



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*Condensed Consolidated Statement of Comprehensive Income (Unaudited)*  
*For the financial quarter ended 31 July 2016 (Cont'd)*

		Individual Quarter		Cumulative Period	
		Current Year	Preceding Year	Current	Preceding
		Quarter	Quarter	Year To Date	Year To Date
		31.07.2016	31.07.2015	31.07.2016	31.07.2015
		RM'000	RM'000	RM'000	RM'000
<b>Loss after taxation attributable to:</b>					
Owners of the Company		(2,702)	(4,882)	(4,091)	(7,991)
Non-Controlling Interests		(125)	(1)	7	(1)
		<hr/>	<hr/>	<hr/>	<hr/>
		(2,827)	(4,883)	(4,084)	(7,992)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Comprehensive Expenses attributable to:</b>					
Owners of the Company		(2,941)	(4,827)	(3,916)	(7,647)
Non-Controlling Interests		(125)	(1)	7	(1)
		<hr/>	<hr/>	<hr/>	<hr/>
		(3,066)	(4,828)	(3,909)	(7,648)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss per share					
("LPS") (in sen)					
- Basic	B11	(1.26)	(2.39)	(1.94)	(4.20)
		<hr/>	<hr/>	<hr/>	<hr/>
- Diluted	B11	(1.26)	(2.39)	(1.94)	(4.20)
		<hr/>	<hr/>	<hr/>	<hr/>

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**O&C Resources Berhad**  
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*Condensed Consolidated Statement of Financial Position*  
*As at 31 July 2016*

	Note	As at 31.07.2016 (Unaudited) RM'000	As at 31.07.2015 (Audited) RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		15,847	22,861
Investment property		1,954	1,995
Land held for development activities		11,262	-
Investment in an associate		490	-
Other receivable		10,584	-
		<hr/> 40,137	<hr/> 24,856
<b>Current Assets</b>			
Property development cost		41,534	-
Gross amount due from contract customer		489	-
Inventories		5,196	5,580
Trade and others receivables		20,147	23,954
Current tax assets		25	30
Cash and cash equivalents		34,092	4,938
		<hr/> 101,483	<hr/> 34,502
<b>TOTAL ASSETS</b>		<hr/> <b>141,620</b>	<hr/> <b>59,358</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		57,120	51,075
Irredeemable convertible preference shares		33,071	-
Reserves		(4,627)	(2,552)
Shareholders' funds		<hr/> 85,564	<hr/> 48,523
Non-controlling interests		(31)	(1)
<b>TOTAL EQUITY</b>		<hr/> <b>85,533</b>	<hr/> <b>48,522</b>
<b>Non-Current Liabilities</b>			
Long-term bank borrowings	B8	9,250	1,124
Deferred tax liabilities		258	258
Other payable		30,638	-
		<hr/> 40,146	<hr/> 1,382
<b>Current Liabilities</b>			
Trade and other payables		11,570	7,356
Short-term borrowings	B8	4,304	2,058
Current tax liabilities		67	40
		<hr/> 15,941	<hr/> 9,454
<b>TOTAL LIABILITIES</b>		<hr/> <b>56,087</b>	<hr/> <b>10,836</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<hr/> <b>141,620</b>	<hr/> <b>59,358</b>
<b>Net assets per share attributable to ordinary equity holders of the Company (RM)</b>			
		<hr/> <b>0.37</b>	<hr/> <b>0.24</b>

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**O&C Resources Berhad**  
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*Condensed Consolidated Statement of Changes in Equity  
For the financial period ended 31 July 2016*

	<-----Attributable to owners of the company----->							
	<-----Non Distributable----->				Distributable			
	Share Capital	Share Premium	Warrant Reserve	Foreign Exchange Translati on Reserve	Irredeemable Convertible Preference Shares	Accumulated Losses	Total	Non- Controlling Interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total Equity	RM'000							
Balance as at 1 August 2015	51,075	12,941	3,303	248	-	(19,045)	48,522	(1)
(Loss)/profit after taxation for the period	-	-	-	-	-	(4,092)	(4,092)	7
Other comprehensive income for the period, net of tax								
- Foreign currency translation	-	-	-	175	-	-	175	-
Total comprehensive Income/(expenses) for the period	-	-	-	175	-	(4,092)	(3,917)	7
Transaction with owners of the company:								
Acquisition of subsidiary company	-	-	-	-	-	-	-	(37)
Issuance of ordinary share pursuant to:								
- ICPS	-	-	-	-	33,071	-	33,071	-
- Warrant C	-	-	890	-	-	(890)	-	-
- exercise of Warrant B	6,045	4,451	(1,961)	-	-	-	8,535	-
Direct expenses	-	(647)	-	-	-	-	(647)	-
Balance as at 31 July 2016	57,120	16,745	2,232	423	33,071	(24,027)	85,564	(31)

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*Condensed Consolidated Statement of Changes in Equity*  
*For the financial period ended 30 April 2015 (Cont'd)*

	< ----- -Attributable to owners of the company - ----- >								
	< -----Non Distributable ----- >				Distributable				
	Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Share Issuance Scheme Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 August 2014	40,187	4,607	4,576	(96)	864	(11,054)	39,085	-	39,085
Loss after taxation for the period	-	-	-	-	-	(7,991)	(7,991)	(1)	(7,992)
Other comprehensive Income for the period, net of tax - Foreign currency translation	-	-	-	344	-	-	344	-	344
Total comprehensive Income/(expenses) for the period	-	-	-	344	-	(7,991)	(7,647)	(1)	(7,648)
Transaction with owners of the Company:									
Issuance of ordinary share pursuant to :									
-exercise of SIS	2,489	-	-	-	-	-	2,489	-	2,489
- exercise of Warrant B	3,924	2,842	(1,273)	-	-	-	5,493	-	5,493
- private placement	4,475	4,627	-	-	-	-	9,102	-	9,102
Transfer of share premium for SIS exercised	-	864	-	-	(864)	-	-	-	-
Balance as at 31 July 2015	51,075	12,941	3,303	248	-	(19,045)	48,522	(1)	48,521

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**O&C Resources Berhad**  
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*Condensed Consolidated Statement of Cash Flows*  
*For the financial period ended 31 July 2016*

	<b>Current Year to date 31.07.2016 RM'000</b>	<b>Preceding Year to date 31.07.2015 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
<b>Loss before tax</b>	<b>(4,021)</b>	<b>(7,960)</b>
Adjustments for:		
Non-cash items	(120)	5,285
Non-operating items	111	194
<i>Operating loss before working capital changes</i>	<b>(4,030)</b>	<b>(2,481)</b>
Net change in current assets	(23,681)	(10,641)
Net change in current liabilities	5,110	231
<i>Cash used in operations</i>	<b>(22,601)</b>	<b>(12,891)</b>
Tax refund	41	73
Tax paid	(26)	(53)
<i>Net cash used in operating activities</i>	<b>(22,586)</b>	<b>(12,871)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(1,763)	(5,205)
Proceeds from disposal of property, plant and equipment	43	446
Interest income	18	73
Net cash inflows from disposal of investment in subsidiaries	9,794	-
Acquisition of subsidiaries	(5,341)	-
Acquisition of an associate	(490)	-
<i>Net cash used in investing activities</i>	<b>2,261</b>	<b>(4,686)</b>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(218)	(267)
Proceeds from issuance of ordinary shares pursuant to:		
-SIS, net of expenses	-	2,489
- exercised of warrants	8,534	5,493
Private placements, net of expenses	-	9,102
Proceeds from issuance of irredeemable convertible preference shares, net of expense	32,424	-
Drawdown /(Repayment) of bank borrowings	9,812	(321)
Repayment of hire purchase payable	(232)	(224)
<i>Net cash generated from financing activities</i>	<b>50,320</b>	<b>16,272</b>
<i>Net cash increased / (decreased) in cash and cash equivalents</i>	<b>29,995</b>	<b>(1,285)</b>
<i>Effects of exchange rate changes on cash and cash equivalents</i>	<b>(597)</b>	<b>70</b>
<i>Cash and cash equivalents at beginning of the financial year</i>	<b>3,186</b>	<b>4,281</b>
<i>Cash and cash equivalents at end of the financial period</i>	<b>32,584</b>	<b>3,066</b>

*The Condensed Consolidated Statement of Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 July 2015 and the accompanying explanatory notes attached to the interim financial statements.*



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*Condensed Consolidated Statement of Cash Flows*  
*For the period ended 31 July 2016 (Cont'd)*

	<b>Current Year To Date 31.07.2016 RM'000</b>	<b>Preceding Year To Date 31.07.2015 RM'000</b>
<b>Analysis of cash and cash equivalents:</b>		
Fixed deposits with licensed banks	120	120
Cash and bank balances	33,978	4,818
Bank overdrafts	(1,394)	(1,752)
	<hr/> 32,704	<hr/> 3,186
Less: Fixed deposit pledged to licensed banks	(120)	(120)
	<hr/> 32,584	<hr/> 3,066

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## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER

### PART A EXPLANATORY NOTES PURSUANT TO MFRS 134

#### 1. Change of Name

The Company has changed its name from Takaso Resources Berhad to O&C Resources Berhad on 1 October 2015.

#### 2. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134, Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 July 2015.

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted in the latest audited financial statements for the financial year ended 31 July 2015.

The adoption of the MFRSs and Amendments to MFRSs that came into effect after 1 August 2014 did not have any significant impact on the interim financial statements upon their initial application.

The following standards were issued by the Malaysian Accounting Standards Board but are not yet effective and have not been applied by the Group:

#### Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to MFRS 116 And MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture- Bearer Plants
Amendments to MFRS 127 (2011)	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle	





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**PART A**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**

**2. Basis of Preparation (Cont'd)**

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107                      Disclosure Initiative

Effective for financial periods beginning on or after 1 January 2018

MFRS 9    Financial Instruments (IFRS 9 issued by IASB in July 2014)  
MFRS 15    Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16    Leases

Deferred until further notice

Amendments to MFRS 10                      Sale or Contribution of Assets between an Investor and its Associate or  
and MFRS 128 (2011)                      Joint Venture

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

**3. Status of Audit Qualifications**

The audited financial statements of the Group for the financial year ended 31 July 2015 was not subject to any audit qualification.

**4. Seasonality or Cyclicity of Operations**

There were no material seasonal or cyclical factors that have affected the financial performance of the Group. However, the demand of the Group's products is generally dependent on consumer demand of baby products and medical contraceptive condoms.

**5. Unusual Items**

Save for the information disclosed in this interim financial report, there are no unusual items affecting assets, liabilities, equity, net income, or cash flows.

**6. Changes in Estimates**

There were no significant changes in the estimates of amounts reported during this quarter and in prior quarters or prior financial year that have a material effect in the current quarter.



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**PART A**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**

**7. Issuances, Cancellation, Repurchases, Resale & Repayments Of Debts And Equity Securities**

- (i) On 16 May 2016, 31 May 2016, 3 June 2016, 6 June 2016, 8 June 2016, 13 June 2016, 17 June 2016, 21 June 2016, 28 June 2016, 11 July 2016, 14 July 2016, 22 July 2016 there are allotments of a total of 16,495,300 new ordinary shares of RM0.25 each at an exercise price of RM0.35 each per share for cash pursuant to the conversion of Warrant B by warrant holders of the Company.
- (ii) On 27 July 2016, the Company announced that the rights issue of irredeemable convertible preference share ("ICPS") with warrants has been completed with the listing of 661,412,697 ICPS with free detachable 66,141,269 Warrants ("Warrant C") on the Main Market of Bursa Securities.

Save for the above, there were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities during the financial period-to-date.

**8. Dividend**

There were no dividends paid during the current quarter.



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**PART A**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**

**9. Segment Information**

The following is an analysis of the revenue and consolidated result of the Group by segment of its operating activities for the current quarter ended 31 July 2016: -

31 July 2016	Manufacturing RM'000	Trading RM'000	Construction RM'000	Property Development RM'000	Others RM'000	Elimination RM'000	Consolidation RM'000
External Sales	4,329	5,854	2,727	-	-	(3,121)	9,789
Segment Results (EBITDA)	(369)	74	(123)	(216)	(1,516)	(326)	(2,476)
Finance Cost	(33)	(10)	-	-	(11)	-	(54)
Depreciation and Amortisation	(115)	(161)	(10)	-	(44)	-	(330)
<b>Consolidated Loss Before Tax</b>							<b>(2,860)</b>
<b>ASSETS</b>							
Segment Assets	20,897	9,745	4,145	63,610	94,603	(51,380)	141,620
<b>LIABILITIES</b>							
Segment Liabilities	13,802	11,388	3,704	63,812	3,069	(39,688)	56,087
<b>OTHER INFORMATION</b>							
Capital Expenditure	339	302	-	-	44	-	685
Depreciation and Amortisation	881	259	1	-	148	-	1,289
Other Non Cash Expenses/(Income)	100	-	-	-	-	-	100



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**PART A**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**

**9. Segment Information (Cont'd)**

31 July 2015	Manufacturing RM'000	Trading RM'000	Construction RM'000	Property Development RM'000	Others RM'000	Elimination RM'000	Consolidation RM'000
External Sales	2,597	4,652	-	-	-	(898)	6,351
Segment Results (EBITDA)	(5,861)	(891)	(187)	(7)	(6,030)	8,590	(4,386)
Finance Cost	(43)	(22)	-	-	(12)	-	(77)
Depreciation and Amortisation	(358)	(106)	-	-	(28)	-	(492)
<b>Consolidated Loss Before Tax</b>							<b>(4,955)</b>
<b>ASSETS</b>							
Segment Assets	24,590	9,038	1,020	7,037	63,546	(45,873)	59,358
<b>LIABILITIES</b>							
Segment Liabilities	15,893	11,499	1,362	7,042	7,700	(32,660)	10,836
<b>OTHER INFORMATION</b>							
Capital Expenditure	19	1	-	-	1,309	-	1,329
Depreciation and Amortisation	358	106	-	-	28	-	492
Other Non Cash Expenses/(Income)	2,883	661	-	-	-	-	3,544

**GEOGRAPHICAL SEGMENT**

The following table provides an analysis of the Group's revenue, segment assets and capital expenditure by geographical segments:

	Revenue by location of customers		Segments assets by location of assets		Capital expenditure by location of assets	
	31 July 2016 RM'000	31 July 2015 RM'000	31 July 2016 RM'000	31 July 2015 RM'000	31 July 2016 RM'000	31 July 2015 RM'000
Malaysia	4,953	1,781	133,641	44,179	383	355
Other Asian Countries	4,836	4,355	7,979	15,179	302	974
European Countries	-	-	-	-	-	-
African Countries	-	21	-	-	-	-
Others	-	194	-	-	-	-
<b>Total</b>	<b>9,789</b>	<b>6,351</b>	<b>141,620</b>	<b>59,358</b>	<b>685</b>	<b>1,329</b>



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**PART A**

**EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**

**10. Valuation of Property, Plant and Equipment**

There was no valuation of the property, plant and equipment in the current quarter under review.

**11. Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the reporting period up to 19 September 2016, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, that have not been reflected in the financial statements for the current quarter ended 31 July 2016 except for the followings:

- (a) On 24 August 2016, the Company has acquired the entire share capital of Sunrise Meadow Sdn. Bhd. comprising of two (2) ordinary shares of RM1.00 each fully paid up for a total consideration of RM2.00;
- (b) On 8 September 2016, Pangkal Teguh Sdn. Bhd., 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
- (c) On 8 September 2016, the Company has announced to offer of options to eligible persons to subscribe for new ordinary shares of RM0.25 each in the Company ("OCR shares") under the Share Issuance Scheme ("SIS") of the Company.

Details of the SIS offered to eligible persons of the Company are as set out as follows:-

No.	Description of SIS offered	
1.	Date of Offer	8 September 2016
2.	Exercise Price	RM0.3312
3.	Number offered	11,160,000
4.	Volume weighted average market price for five (5) market days immediately preceding to Date of Offer	RM0.3681
5.	Vesting period	The SIS shall be exercisable from the date of acceptance until the expiry of the SIS.



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**EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**

**12. Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current quarter ended 31 July 2016 except for the followings:

- (a) On 26 July 2016, the Company has acquired 70 ordinary shares of RM1.00 each representing 70% equity interest in the capital of Pangkal Teguh Sdn. Bhd. ("PTSB") for a cash consideration of RM70.00. Consequently, PTSB became a 70% owned subsidiary of OCR; and
- (b) On 28 July 2016, the Company has acquired 70 ordinary shares of RM1.00 each representing 70% equity interest in the capital of Kita Mampan Sdn. Bhd. ("KMSB") (formerly known as Damokles Sdn. Bhd.) for a cash consideration of RM70.00. Consequently, KMSB became a 70% owned subsidiary of OCR.

**13. Changes in Contingent Liabilities or Contingent Assets since the Last Annual Balance Sheet Date**

Since the last annual balance sheet date, there were no material changes in contingent liabilities for the Group as at 19 September 2016, being the last practicable date from the date of issue of this quarterly report that are expected to have an operational or financial impact on the Group.

The changes in contingent liabilities of the Company are as follows:-

	<b>Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>31.07.2016</b>	<b>31.07.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantees extended:		
- to financial institutions for credit facilities granted		
to a subsidiary	1,394	1,752

There were no contingent assets since the last annual balance sheet as at 31 July 2015.



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**EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONT'D)**

**14. Capital Commitments**

Save from the following, there were no capital commitments in the current quarter under review:

	As at 31.07.2016 RM'000	As at 31.7.2015 RM'000
Contracted but not provided for: Acquisition of new subsidiaries	3,491	2,000

**15. Significant Inter Company and Related Party Transactions**

	Group Current Year To Date 31.07.2016 RM'000	Preceding Year To Date 31.07.2015 RM'000
<b><u>Inter Company Transactions</u></b>		
<b>Sales by Takaso Rubber Products Sdn Bhd to:-</b>		
Takaso Marketing Sdn Bhd	3,082	2,704
Japlo Healthcare Sdn Bhd	1	6
<b>Sales by Takaso Marketing Sdn Bhd to:-</b>		
Takaso Rubber Products Sdn Bhd	-	35
Japlo Healthcare Sdn Bhd	22	25
		-
<b><u>Related Parties Transactions</u></b>		
Professional services rendered by a company in which a director has a substantial financial interest	-	62
Purchases from a company in which a director has a substantial financial interest	1,627	930
Sales to a company in which a director has a substantial financial interest	907	-
Project revenue recognized from a contract awarded by a company in which a director has a substantial financial interest	5,675	-

The Directors are of the opinion that all inter-segment transactions have been entered into the normal courses of business and are based on negotiated terms.



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**EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE BURSA MAIN MARKET LISTING REQUIREMENTS**

**1. Detailed Analysis of the Performance of all Operating Segments**

	<b>Individual Quarter</b>		<b>Cumulative Period</b>	
	<b>31.07.2016</b>	<b>31.07.2015</b>	<b>31.07.2016</b>	<b>31.07.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	9,789	6,351	38,452	36,763
Loss before tax	(2,860)	(4,955)	(4,021)	(7,960)

For the current quarter and cumulative period under review, the Group's revenue increased by 54.13% and 4.59% respectively compared to the corresponding quarter and cumulative period ended 31 July 2015. The increase in revenue was mainly due to increase in sales for trading of electrical & mechanical products and progressive recognition of revenue from construction business.

For the current quarter and cumulative period under review, the Group registered loss before tax of RM2.9 million and RM4.0 million respectively as compared to loss before tax of RM5.0 million and RM8.0 million in the corresponding quarter and cumulative period ended 31 July 2015. The reduced loss before tax for the current quarter and cumulative period ended 31 July 2016 were mainly due to the improvement of margin in manufacturing of rubber products & baby products business and trading of electrical & mechanical products business for the better results in the current quarter and cumulative quarter under review.

Further Analysis by Segments

Manufacturing Segment

The revenue has decreased by approximately RM0.5 million in the current quarter under review compared to the previous corresponding quarter ended 31 July 2015. The decrease in revenue is mainly due to slowdown in sales of rubber products and baby products.

Trading Segment

The revenue has increased by approximately RM1.2 million in the current quarter under review compared to the previous corresponding quarter ended 31 July 2015. The increase in revenue is mainly due to increase in trading business of computer and automobile accessories.

Construction Segment

The revenue has increased by approximately RM2.7 million in the current quarter under review compared to the previous corresponding quarter ended 31 July 2015. The increase in revenue is a result of revenue recognition from a construction contract.





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**EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE BURSA MAIN MARKET LISTING REQUIREMENTS (CONT'D)**

**2. Comments on Material Changes in the Profit Before Tax for the Quarter Reported as Compared with the Preceding Quarter**

	<b>Individual Quarter</b>	
	<b>31.07.2016</b>	<b>30.04.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	9,789	8,596
Loss before tax	(2,860)	(1,499)

The Group recorded loss before tax of RM2.9 million for the current quarter as compared to the immediate preceding quarter loss before tax of RM1.5 million.

The increase in loss before tax of approximately RM1.4 million was mainly due to higher administrative expenses incurred and lower unrealised foreign exchange gain recognised in the current quarter under review.

**3. Current Year Prospects**

The Group has been facing challenges in its core business of manufacturing and marketing of condoms and baby products, in view of rising raw material prices and operational costs for the past few years. Taking cognisance of this, the Group has made efforts to improve our financial performance and position which include, among others, the Group's acceptance of a construction contract which led to our Group's diversification of business to include the construction business. At the same time of maintaining on the existing business undertakings, the Group has also expanded its initial foray in the construction business to include the property development business as well.

The following are the plans to be undertaken by the Group to strengthen our financial performance and position in the medium and long term, the Group

- (a) had entered into a conditional joint venture agreement to undertake a proposed mixed development project in Kuantan;
- (b) had entered into a Share Sale Agreement to acquire 51% equity interest in Masbe Coffee Sdn. Bhd. ("MCSB") to facilitate to undertake a proposed residential or mixed development project at Jalan Yap Kwan Seng, Kuala Lumpur; subsequently, on 15 April 2016, the Company had subscribed for additional 4,950 ordinary shares of RM1.00 each in the capital of MCSB for a cash consideration of RM4,950.00. Following to the share subscription, the Company's equity interest in MCSB stands at 50.01%;



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**3. Current Year Prospects (Cont'd)**

- (c) had entered into a conditional Sale and Purchase Agreement to acquire the Melaka Land to be developed into a mixed development project;
- (d) had acquired 70 ordinary shares of RM1.00 each representing 70% equity interest in the capital of Pangkal Teguh Sdn. Bhd. ("PTSB") for a cash consideration of RM70.00 on 26 July 2016. Subsequently, on 8 September 2016, PTSB 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
- (e) had acquired 70 ordinary shares of RM1.00 each representing 70% equity interest in the capital of Kita Mampan Sdn. Bhd. ("KMSB") for a cash consideration of RM70.00 on 28 July 2016. Subsequently, on 29 July 2016, KMSB through its associate company, AES Builders Sdn. Bhd., has entered into a Master End-Block Purchase Agreement with PR1MA and Mampan ESA (Melaka) Sdn. Bhd. 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 block of 12 storey at a total contract value of approximately RM101,077,300.00. The duration for the said contract is over a period of 3 years.

Through efforts such as brand building and business development activities in future, we hope the market will be aware of the existence of a new niche construction and property player making waves in the Klang Valley.

Notwithstanding the secured construction works and those announced proposals in relate to development projects, the Group is also aggressively taking steps to source and negotiate for more new business opportunities for the future construction and property development sector.

With those efforts undertaken by the Group, our management is of the opinion that the prospects of the Group will improve in the future.

**4. Variances Between Actual Profit and Forecast Profit**

There was no profit forecast or guarantee made public for the financial period under review.

**5. Tax Expense**

The effective tax rate of the Group for the current quarter and financial year-to-date under review is lower than statutory tax rate due to tax payable is only applicable for certain profitable subsidiaries.



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**EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE BURSA MAIN MARKET LISTING REQUIREMENTS (CONT'D)**

**6. Status of Corporate Proposals**

Save from the following, there were no corporate proposals announced but not completed as at 19 September 2016, being the last practicable date from the date of the issue of this report.

Takaso Development (Kuantan) Sdn Bhd had on 1 June 2015 entered into a joint venture agreement with SSPP Development Sdn Bhd to undertake a proposed mixed development project in Kuantan.

**7. Utilisation Of Proceeds**

Right issue of ICPS with warrants

On 27 July 2016, right issue of ICPS with warrants was completed with the listing of 661,412,697 ICPS with free detachable 66,141,269 Warrants ("Warrant C") on the Main Market of Bursa Securities and the proceeds raised from the right issue of ICPS with warrants is utilised as follows:

Description	Proposed/ Revised Utilisation RM'000	Actual Utilisation as at 31.7.2016 RM'000	Timeframe for Utilisation	Remaining balance RM'000          %		Explanation
Construction works	3,000	982	Within 18 months	2,018	67.27	^
Property development	28,744#	11,740	Within 24 months	17,004	59.16	^
Staff costs	680	540	Within 6 months	140	20.59	^
Expenses in relation to the Proposals	647#	647	Within 2 weeks	-	-	
	<b>33,071</b>	<b>13,909</b>				

Notes:

# The variation of the actual expenses for the proposals is adjusted against the property development of the Company

^ Pending utilisation



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**EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE BURSA MAIN MARKET LISTING REQUIREMENTS (CONT'D)**

**8. Borrowings and Debt Securities**

The Group's borrowings as at the end of the reporting period are as follows: -

	<b>As at 31.07.2016 RM'000</b>
Secured:	
Current liabilities	
- Bank overdrafts	1,394
- Term loan	2,575
	<hr/> 3,969
Non-current liabilities	
- Term loan	8,038
	<hr/> 8,038
Unsecured:	
Current liabilities	
- Hire purchase payable	335
	<hr/> 335
Non-current liabilities	
- Hire purchase payable	1,211
	<hr/> 1,211
Total Borrowings	<hr/> 13,553 <hr/>

The portion of borrowings that is repayable within one year is included in current liabilities. Whereas, the portion that is repayable after the next 12 months is included in long-term liabilities.

The currency exposure profile of the Group's borrowings and other facilities are as follows:

	<b>As at 31.07.2016 RM'000</b>
Ringgit Malaysia	12,739
Singapore Dollar	814
Total Borrowings	<hr/> 13,553 <hr/>



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**EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE BURSA MAIN MARKET LISTING REQUIREMENTS (CONT'D)**

**9. Material Litigation**

Since the date of the last annual statement of financial position, there was no pending material litigation as at 19 September 2016, being the last practicable date from the date of issue of this quarterly report.

**10. Dividend**

No dividend has been proposed for the financial period under review.

**11. Loss Per Share**

	<b>Individual Quarter</b>		<b>Cumulative Period</b>	
	<b>Current Year</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Year To Date</b>	<b>Period</b>
	<b>31.07.2016</b>	<b>31.07.2015</b>	<b>31.07.2016</b>	<b>31.07.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Basic loss per share</b>				
Net loss for the period	(2,702)	(4,882)	(4,091)	(7,991)
Weighted average number of ordinary shares in issue ('000)	214,223	204,302	210,675	190,447
Basic loss per share (sen)	(1.26)	(2.39)	(1.94)	(4.20)
<b>(b) Fully diluted loss per share</b>				
Net loss for the period	(2,702)	(4,882)	(4,091)	(7,991)
Weighted average number of ordinary shares in issue ('000)	214,223	204,302	210,675	190,447
Effects of dilution:				
Warrants ('000)	2,605	14,356	45,200	13,732
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	216,828	218,658	255,874	204,178
Diluted loss per share (sen)	(1.26)	(2.39)	(1.94)	(4.20)

The fully diluted loss per share for the preceding year corresponding quarter ended 31 July 2015 is not disclosed as the effects on the assumed exercised of the share options under warrants and SIS are anti-dilutive.



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**EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE BURSA MAIN MARKET LISTING REQUIREMENTS (CONT'D)**

**12. Notes to the Statement of Comprehensive Income**

	<b>Group</b>	
	<b>Current Year</b>	<b>Current</b>
	<b>Quarter</b>	<b>Year to date</b>
	<b>31.07.2016</b>	<b>31.07.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income	-	(18)
Other income	(265)	(464)
Interest expense	54	218
Depreciation and amortisation	330	1,289
Loss/(gain) on disposal of property, plant and equipment	7	(19)
Gain on foreign exchange difference	(348)	(253)
Reversal of provision for impairment of receivables	-	(141)
Written off of property, plant and equipment	2	125
Gain on disposal of subsidiaries	(271)	(271)
Bad debts recover	-	(28)

**13. Fair Value Changes for Financial Liabilities**

There were no gains/losses arising from fair value changes for financial liabilities for the current quarter and financial year-to-date under review.



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**EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE BURSA MAIN MARKET LISTING REQUIREMENTS (CONT'D)**

**14. Disclosure of Realised and Unrealised Accumulated Losses**

The Group's realised and unrealised accumulated losses disclosure is as follows:-

	As at 31.07.2016 RM'000	As at 31.07.2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(27,234)	(42,829)
- Unrealised	(458)	(151)
	(27,692)	(42,980)
Less: Consolidation adjustments	3,665	23,936
	(24,027)	(19,044)

The determination of realised and unrealised profits/losses is compiled based on Guidance of 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*, issued by the Malaysian Institute of Accountants on 20 December 2010.

By order of the Board  
O&C Resources Berhad

Ong Kah Hoe  
Group Managing Director  
26 September 2016