OCEANCASH

ANNUAL REPORT 2018

Contents

Overview of Business and Operations

Oceancash Pacific Berhad ("OPB") is principally involved in 2 business segments: Insulation felts and Hygiene Nonwoven.

Insulation Division ("OCF")

OCF is a leading manufacturer of insulation felts in South East Asia. OCF's products are widely used in cars and air-conditioners for thermal and acoustic insulation purposes in Malaysia, Thailand, Indonesia and the Philippines. In addition, OCF also exports its products to Taiwan.

Hygiene Division ("ONW")

ONW is a leading manufacturer of hygiene nonwoven in South East Asia. ONW's products are accepted and used widely in the disposable hygiene goods industry. Besides Malaysia, ONW also exports its products to its key market in Japan as well as several other countries around the world.

REVIEW OF FINANCIAL PERFORMANCE AND BUSINESS OPERATIONS

For the financial year ended 31 December 2018, the Group recorded a drop of 5.1% in revenue, to RM85.18 million compared to the preceding year's revenue of RM89.73 million. The Group's net profit reduced by RM3.74 million to RM6.08 million compared to preceding year of RM9.82 million.

OCF

For financial year 2018, the revenue from subsidiary in Malaysia improved by 6.35%, RM1.21 million mainly from the air-conditioner market and export to Thailand. The revenue from air-conditioner market had increased by 18.2% and the export to Thailand increased by 13.8%. The revenue from the subsidiary in Indonesia showed a good increase of 16.2% for the financial year under review.

This division recorded an increase in consolidated net profit of RM0.88 million to RM4.46 million compared to preceding year of RM3.58 million of which RM0.48 million of the net profit was from OCF Malaysia and RM0.37 million of the net profit was from OCF Indonesia . For the financial year 2018, the subsidiary in Indonesia made a provision for doubtful debts and employees' retirement benefits totalling RM0.38 million.

ONW

ONW recorded a decrease of 10.42%, RM6.18 million in revenue mainly due to drop in export sales. The net profit was reduced by RM4.11 million to RM 2.36 million compared to the preceding year of RM6.47 million. The reduction in net profit was due to the drop in revenue, the reversal of deferred tax asset of RM0.57 million, and increase in production expenses.

2018 was a tough and challenging year for ONW. Export segment revenue dropped by 17.4%. However, local sales increased by 2.6% mitigating slightly the decrease in export sales. The drop in export sales was mainly due to a customer from Thailand switching to lower performance nonwoven cloth compared to our high performance premium nonwoven cloth. The export sales to Japan had also slowed down due to the decrease in our customer's export to China. During the first half of 2018, ONW suffered high production expenses especially due to labour costs, which was resolved during the end of 2018.

Prospect and Outlook

OCF

Malaysia

We see limited automotive growth potential for our felts/insulation business in Malaysia due to market saturation. Total automotive industry volume (TIV) will continue to hover around the 600,000 units per annum mark in the years to come.

Moving forward, however, we do expect an increase in felts utilisation per car as can be seen from the trend in automotive markets abroad.

We do not anticipate much volatility in the air-conditioners industry, which has been providing a steady income stream for our insulation business. Sales and production of air-conditioners have proven to be rather stable over the years.

Thailand

Thailand firmly remains as the next phase of growth for our insulation business as the TIV is more than 2 million units annually. We have recently acquired a company and also identified a piece of industrial land in the Chonburi region for our factory site.

We currently export approximately 40% of our monthly volume to Thailand and expect this volume to grow once we start local production in Thailand.

Indonesia

We foresee a tough business climate ahead in Indonesia due to increased competition. Whilst TIV remains at a healthy level of circa 1.34 million units it is still some way off against a total installed capacity of 2.2 million units.

However, in the long term, the Indonesian automotive market would still be lucrative to the Group due to the size and potential.

We have been actively seeking and exploring business opportunities in South East Asia in the past several years and are currently competing aggressively in several upcoming regional automotive projects. If successful, these new projects would expand our customer base and volume significantly, thereby further reducing our reliance on the local automotive industry. The success of these projects would also facilitate our expansion into Thailand to better serve our customers there.

ONW

Despite the drop in financial performance in 2018, ONW's prospect in 2019 looks promising as the new investments to enhance its capabilities started to bear fruits. We have started supplying perforated nonwoven cloth to a local customer. Furthermore, our spooled roll nonwoven cloth is in the trial run process in China. Spooled roll nonwoven cloth is the trend for the local, China and India hygiene market. Meanwhile, we have secured a customer in Eastern Europe and are in the process of developing additional new nonwoven cloth for them. With the enhanced capabilities in place, ONW is in a position to meet the demands and new trend in nonwoven cloth.

We foresee hygiene division sales to pick up in the second half of 2019.

DIVIDEND

The Board exercises prudence and balance in ensuring attractive returns to shareholders while retaining sufficient resources for expansion programmes. There is no fixed dividend policy at this point of time. However, the Board strives to declare a consistent dividend to shareholders. Therefore, the Board recommended, declared and paid an interim dividend of 10% (1.0 sen per share) on 31 December 2018.

APPRECIATION

We would like to express our heartfelt gratitude and appreciation to the management and staff for their dedication and pursuit of innovation these past years. We also wish to thank and express our appreciation to our customers, suppliers, regulatory authorities, bankers, and shareholders for their invaluable support and confidence in the Group.

TAN SIEW CHIN

Date: 15 April 2019

Sustainability Statement

The Board of Directors is aware of its responsibility to develop and grow the business in a sustainable and responsible manner. To achieve this, the Group is committed to ensure the sustainability of its business and the environment it operates in.

Business Sustainability – Risk Management

We are constantly fine tuning our manufacturing processes to improve efficiency and reduce wastage in order to stay competitive. We always strive to provide excellent customer service, top quality products and timely delivery at all times in our efforts to promote and encourage customer loyalty.

We regularly benchmark ourselves against other manufacturers from this region to understand our strengths and weaknesses. On top of being a reliable supplier, we are also a solution provider to our customers due to our strong technical knowledge base and expertise in the industries we operate in.

The Group is also constantly on the lookout for opportunities within and outside of our industries in order to enhance our competitiveness and risk management through growth and diversification.

Human Resource – Succession Planning

The Group recognises that our people is the core of our business. We continually identify, train and groom the next generation of successors to key positions in our organisation to ensure continuity is preserved in all circumstances.

We look after the well being of our human capital to ensure that they continue to actively contribute to the growth of this organisation.

Environment

The Group cares about the environment and is mindful of its responsibility as a corporate citizen to reduce its carbon footprint during the course of conducting its business.

We use recycled materials/waste from the textile industry and our wastes also go to other industries as raw materials. For those wastes which cannot be recycled, we always ensure that they are handled properly.

We are also very careful with energy utilisation and have invested in sustainable energy in solar power for our consumption.

Corporate Directory

BOARD OF DIRECTORS

Tan Siew Chin
Chief Executive Officer
Executive Chairman

Tan Wey Chien
Executive Director

Tan Siew Tyan
Non-Independent Non-Executive Director

Chan Soo Wah
Senior Independent Non-Executive Director

Ngiam Kee Tong
Independent Non-Executive Director

Crystal Yong Mei Yee
Independent Non-Executive Director
(Appointed on 29 October 2018)

Dr. Han Swan Kwong @ Adrian Han
Independent Non-Executive Director
(Resigned on 29 October 2018)

AUDIT AND RISK MANAGEMENT COMMITTEE

Chan Soo Wah - Chairman
Senior Independent Non-Executive Director

Ngiam Kee Tong - Member
Independent Non-Executive Director

Crystal Yong Mei Yee – Member
Independent Non-Executive Director
(Appointed on 29 October 2018)

Dr. Han Swan Kwong @ Adrian Han - Member
Independent Non-Executive Director
(Resigned on 29 October 2018)

REGISTERED OFFICE

Level 2 Tower 1 Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel No.: 03-2241 5800
Fax No.: 03-2282 5022

HEAD / MANAGEMENT OFFICE

Lot 73 Jalan P10/21
Taman Industri Selaman
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Tel No.: 03-8925 0000
Fax No.: 03-8925 5800
Email: ofsb@oceancash.com.my

COMPANY SECRETARIES

Wong Youn Kim (MAICSA 7018778)
Yip Siew Cheng (MAICSA 7006780)

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

PRINCIPAL BANKER

United Overseas Bank (Malaysia) Bhd (271809K)
1st Floor Bangunan UOB Medan Pasar
10-12 Medan Pasar
50050 Kuala Lumpur
Tel No.: 03-2772 8000
Fax No.: 03-2072 2791

REGISTRAR

Sectrars Management Sdn Bhd (1127890-P)
Lot 9-7 Menara Sentral Vista
No. 150 Jalan Sultan Abdul Samad Brickfields
50470 Kuala Lumpur
Tel No.: 03-2276 6138 / 6139 / 6130
Fax No.: 03-2276 6131

AUDITORS

Baker Tilly Monteiro Heng PLT (AF 0117)
Baker Tilly Tower
Level 10 Tower 1 Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel No.: 03-2297 1000
Fax No.: 03-2282 9980

WEBSITE

www.oceancash.com.my

TAN SIEW CHIN

Male, Aged 67, Malaysian

Executive Chairman and Chief Executive Officer

Mr. Tan Siew Chin was appointed to the Board on 29 March 2004. He is a member of the Chartered Institute of Management Accountants of United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants.

Mr. Tan joined Supreme Finance (M) Bhd in 1979. In 1982, he moved to a group of property development companies known as Mepro Holdings Bhd as an Accountant and was later appointed as Executive Director. He was formerly an Executive Director of Emtex Corporation Bhd (now known as PJ Development Bhd) from 1985 to 1987. In 1988, he started a manufacturing company, which was later known as Paragon Union Bhd. Paragon Union Bhd's core business was in the manufacturing of car components and commercial wall-to-wall carpets. He ventured into the nonwoven business through Oceancash Felts Sdn Bhd ("OFSB") after he sold his shareholdings in Paragon Union Bhd in 1997.

Mr. Tan is the husband of Madam Chen Lee Chew, a substantial shareholder of the Company, the father of Mr. Tan Wey Chien, an Executive Director and the brother of Mr. Tan Siew Tyan, a Non-Independent Non-Executive Director of the Company. Save as disclosed above, Mr Tan has no family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company nor any convictions for offences within the past five years other than traffic offences. He has fully attended all the five (5) Board of Directors' meetings held during the financial year of the Company.

CHAN SOO WAH

Female, Aged 67, Malaysian

Senior Independent Non-Executive Director

Madam Chan Soo Wah was appointed to the Board on 29 March 2004. She is the Chairman of the Audit and Risk Management Committee.

She is a fellow member of the Institute of Chartered Accountants of England and Wales and a Chartered Accountant with the Malaysian Institute of Accountants.

Madam Chan began her professional career with international accounting firms in England and Malaysia. She has held senior positions in investment companies, an investment bank and a public listed company in Malaysia.

She has no family relationship with any other director and/or substantial shareholder nor has any conflict of interest with the Company. She has not been convicted for any offences within the past five years other than traffic offences. She has attended three (3) out of the five (5) Board of Directors' meetings held during the financial year of the Company.

TAN SIEW TYAN

Male, Aged 57, Malaysian

Non-Independent Non-Executive Director

Mr. Tan Siew Tyan was appointed to the Board on 29 March 2004. He graduated with a Bachelor of Civil and Structural Engineering from Carleton University in Ottawa, Canada, 1985. He is a member of the Board of Engineers Malaysia, as well as a member of the Institute of Engineers, Malaysia since 1986.

Between 1985 and 1990, he worked as a Project Engineer in Anti Hydro Care Sdn Bhd, a specialist in waterproofing. He worked as a General Sales Manager in Forsoc Sdn Bhd, a subsidiary of Fosroc International Limited in the UK from 1991 to 2011. From January 2012 to present, he works as a Business Unit Manager in MAPEI Malaysia Sdn Bhd, a subsidiary of MAPEI in Italy. Apart from this, he was a Company Director of Paragon Union Bhd, a company listed on Second Board of Bursa Malaysia Securities Berhad, from March 1995 to June 1997.

Mr. Tan is the brother of Mr. Tan Siew Chin, a substantial shareholder, Chief Executive Officer as well as Executive Chairman of the Company. He is also the brother in-law of Madam Chen Lee Chew, a substantial shareholder of the Company and the uncle of Mr. Tan Wey Chien, an Executive Director. Save as disclosed above, Mr. Tan has no family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company nor any convictions for offences within the past five years other than traffic offences. He has fully attended all the five (5) Board of Directors' meetings held during the financial year of the Company.

TAN WEY CHIEN

Male, Aged 32, Malaysian

Executive Director

Mr. Tan Wey Chien was appointed to the Board on 25 November 2015. Mr. Tan graduated with (BA) Accounting & IT from University of Manchester, United Kingdom. He is a member of CPA-Australia and he is also a Chartered Accountant with the Malaysian Institute of Accountants. Mr. Tan started his career by joining Ernst & Young in year 2009 till June 2010. After which Mr. Tan joined Oceancash Felts Sdn Bhd as Operation Executive from June 2010 till present.

Mr. Tan Wey Chien is the son of Mr. Tan Siew Chin, a substantial shareholder, Chief Executive Office and Executive Chairman of the Company as well as the son of Madam Chen Lee Chew, a substantial shareholder of the Company and the nephew of Mr. Tan Siew Tyan, a Non-Independent Non-Executive Director of the Company. Save as disclosed above, Mr. Tan has no family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company nor any convictions for offences within the past five years other than traffic offences. He has attended four (4) out of five (5) Board of Directors' meetings held during the financial year of the Company.

NGIAM KEE TONG

Male, Aged 64, Malaysia

Independent Non-Executive Director

Mr Ngiam Kee Tong was appointed to the Board on 7 November 2017. He graduated with a LLB Honours Degree in Law from University of Malaya in 1978. He was subsequently called to the Bar in 1979 after having chambered in Messrs Shearn Delamore & Co where he became an associate. He later joined Messrs Nik Hussain & Partners and was admitted as a partner in 1983. He left to set up Messrs Khairuddin, Ngiam & Tan in 1985 and is currently the senior partner. He currently serves on the board of Saujana Resort (M) Berhad.

He has no family relationship with any other director and/or substantial shareholder nor has any conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences. During the financial year of the company, he has fully attended all the five (5) Board of Directors' meetings held during the financial year of the Company.

CRYSTAL YONG MEI YEE

Female, Aged 31, Malaysia

Independent Non-Executive Director

Ms. Crystal Yong Mei Yee was appointed to the Board on 29 October 2018. She is a member of CPA Australia and a Chartered Accountant with the Malaysian Institute of Accountants. Ms. Crystal holds a Bachelor of Commerce with a major in Accounting from the University of Queensland, Australia.

She began her professional career at Ernst & Young, where she led audit assignments for companies in various industries until 2014. Ms. Crystal is now the Assistant Finance Manager at a private equity firm with total Assets Under Management of more than USD1 billion.

She has no family relationships with any other director and/or substantial shareholders nor has any conflict of interest with the Company. She has not been convicted for any offences within the past five years other than traffic offences. During the financial year of the Company, she has attended one (1) out of one (1) Board of Directors' meeting held since her appointment as Director.

MAH YIT MUI

Female, Aged 58, Malaysian
Group Finance Manager

Ms Mah Yit Mui serves as the Group Finance Manager of Oceancash Pacific Berhad. She started her career as an Accounts Executive for three (3) years at Sentiasa Kuat Sdn Bhd. She then joined Union Car Carpet & Components Sdn Bhd, a wholly subsidiary of Paragon Union Berhad in 1989 until 1998. Prior to joining Oceancash Pacific Berhad in 2004, she worked in SYF Berhad (formerly known as Tomisho Holdings Berhad) for two (2) years and Oceancash Equities Sdn Bhd for three (3) years. She has held managerial positions for a number of years and has vast experience in finance and accounting.

She is a Chartered Accountant of Malaysia Institute of Accountants.

LOR SENG THEE

Male, Aged 51, Malaysian
Group General Manager

Mr. Lor Seng Thee graduated with a Bachelor of Building degree (B.BUILD) from the University of New South Wales in Sydney, Australia in 1990. He began his working career in the construction and property development industry and worked for 6 years in various capacities before joining Oceancash Felts Sdn Bhd as the Operation Manager in 1997.

Mr. Lor Seng Thee has been with the company since its formation. He is currently the Group General Manager of Oceancash Group of Companies, a position he assumed in 2006.

The Board of Directors ("Board") of Oceancash Pacific Berhad ("OCP" or "Company") remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Company.

This Corporate Governance Overview Statement should be read together with the Corporate Governance Report ("CG Report") 2018 which is available on the Company's website at www.oceancash.com.my. The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") known as Board Leadership and Effectiveness ("Principal A"), Effective Audit And Risk Management ("Principal B") and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders ("Principal C") throughout the financial year ended 31 December 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Company has an experienced Board that is primarily responsible for charting and reviewing the strategic direction of the Group and delegates the implementation of these directions to the management. The Board also ensures the implementation of appropriate risk management and internal control systems, including financial, operational and compliance to safeguard the shareholders' interest and the Group's assets.

Mr Tan Siew Chin is the Executive Chairman and Chief Executive Officer ('CEO") of the Company. The Board feels the arrangement to maintain him as Executive Chairman and CEO of the Group is in the best interest of the Group for the time being. As one of the pioneer members of the Group, the Chairman is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Group and at the same time be guided by independent advices and views from the independent Directors, who offer the necessary check and balance in the decision making process of the Board.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

The Board had appropriately delegated specific tasks to three (3) Board Committees; namely Audit & Risk Management Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as laid out in the terms of reference and to report to the board with the necessary recommendation.

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's constitution, procedures, policies and regulations are complied with. Also ensuring that, all obligations required by the regulatory and under the Listing requirements are fulfilled in a timely manner. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman together with the Management and the Company Secretaries are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board will periodically review the Board Charter and make changes wherever necessary. The Board Charter is published on the Company's corporate website at www.oceancash.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

The Company has put in place a Code of Ethics for Directors ("Code") which sets out the principles and ethics of the Group. The Code is formulated to enhance the standard of corporate governance and corporate behaviour. The Code is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at www.oceancash.com.my.

The Whistle Blowing Policy provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, loss or damage or any other retaliatory actions by the Group. The Whistle Blowing Policy is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at www.oceancash.com.my.

The Board is responsible to ensure continuing education or training for the Directors to keep abreast of relevant changes in laws and regulations and the development of the industry. The Directors will continue to undergo relevant training programmes to enhance their skills and knowledge. During the financial year ended 31 December 2018, Ms Chan Soo Wah attended the "6th CFO Innovation Malaysia Forum 2018".

The Group's sustainability initiatives reflect its continuous drive towards maximising opportunities for strong fiscal growth and optimising operational efficiency in tandem with the long term value creation based on economic, environmental and social considerations. Details of the Group's sustainability efforts are set out in its Sustainability Statement, which is on page 4 of the Company's 2018 Annual Report.

II. BOARD COMPOSITION

The Board comprises six (6) Directors i.e. three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director, one (1) Executive Director and one (1) Executive Chairman who also serves as the CEO. The members of the Board are as follows:

Name of Directors	*Directorship*
Mr Tan Siew Chin	Executive Chairman / CEO
Mr Tan Wey Chien	Executive Director
Ms Chan Soo Wah	Senior Independent Non-Executive Director
Mr Tan Siew Tyan	Non-Independent Non-Executive Director
Mr Ngiam Kee Tong	Independent Non-Executive Director
Ms Crystal Yong Mei Yee *(Appointed on 29 October 2018)*	Independent Non-Executive Director
Dr Han Swan Kwong @ Adrian Han *(Resigned on 29 October 2018)*	Independent Non-Executive Director

The Independent Non-Executive Directors satisfy the independence test under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). They constitute 50% of the Board. All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Directors and major shareholders which would interfere with the exercise of their independent judgment. The presence of the Senior Independent Non-Executive Director provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.

The Executive Chairman and the Executive Director are responsible for the identification and development of the key Senior Management as well as to review the succession planning for key management team from time to time. The Executive Chairman and Executive Director shall search for suitable candidates through established channels such as public advertisement or direct approaches being made to individuals who may be suitable or through organisations that may be able to assist in the recruitment process.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

The Board reviews from time to time the composition of the Board and considers new appointment when the need arises. The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. Appointments of new Directors are undertaken by the Board as a whole after considering the recommendations of the Nomination Committee. In searching for suitable candidates, the Nominating Committee may receive suggestions from existing Board Members, the management and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms. The Nominating Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.

According to the Company's Articles of Association, any Director appointed during the year shall retire at the Company's Annual General Meeting ("AGM") following his appointment and one-third of the Board who do not retire as aforesaid, will retire by rotation at every AGM. The Articles of Association further provide for every Director to retire once in every three (3) calendar years and all retiring Directors are eligible for re-election. The Directors seeking re-elections at the forthcoming AGM are set out on page 103 of the 2018 Annual Report.

The Board acknowledges the call by the Government and the MCCG 2017 for boards to have gender diversity and the boards of Large Companies to comprise at least 30% women on board. At present, the Company has four (4) male Directors and two (2) female Directors which represents 33% women on board. The Board is mindful that any gender representation should be in the best interest of the Company.

The Board met five (5) times during the financial year ended 31 December 2018. Details of the Directors' attendance were as follows:

Name of Directors	*Attendance*
Mr Tan Siew Chin	5/5
Mr Tan Wey Chien	4/5
Ms Chan Soo Wah	3/5
Mr Tan Siew Tyan	5/5
Mr Ngiam Kee Tong	5/5
Ms Crystal Yong Mei Yee *(Appointed as Independent Non-Executive Director on 29 October 2018)*	1/1
Dr Han Swan Kwong @ Adrian Han *(Resigned as Independent Non-Executive Director on 29 October 2018)*	2/4

The Nomination Committee consists of not less than three (3) members. All the members shall be Non-Executive Directors, majority of whom are independent. The members of the Nomination Committee are as follows:

Name of Nomination Committee Members	*Position*
Mr Ngiam Kee Tong *(Appointed as Chairman on 29 October 2018)*	Chairman
Ms Chan Soo Wah	Member
Mr Tan Siew Tyan	Member
Dr Han Swan Kwong @ Adrian Han *(Resigned as Chairman on 29 October 2018)*	Chairman

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

The Nomination Committee is responsible for the Board evaluation process covering the Board, the Board Committees and individual Directors. The Nomination Committee, upon conclusion of the evaluation exercise performed for the year 2018, was satisfied that the composition of the Board and its Board Committees possess a right blend of knowledge, expertise and experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and decision-making process.

Ms Chan Soo Wah, an Independent Non-Executive Director has served the Company for 15 years since 29 March 2004. Notwithstanding her long tenure in office as Independent Non-Executive Director and based on the review and recommendation of the Nomination Committee, the Board is of the opinion that Ms Chan Soo Wah's independence has not been impaired or compromised and the Board resolves to seek the shareholders' approval for Ms Chan Soo Wah to continue serving as an Independent Non-Executive Director of the Company.

The Nomination Committee met two (2) times during the financial year ended 31 December 2018. The details of the members' attendance were as follows:

Name of Nomination Committee Members	*Attendance*
Mr Ngiam Kee Tong *(Appointed as Chairman on 29 October 2018)*	-
Ms Chan Soo Wah	1/2
Mr Tan Siew Tyan	2/2
Dr Han Swan Kwong @ Adrian Han *(Resigned as Chairman on 29 October 2018)*	1/2

The Terms of Reference of the Nomination Committee is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at www.oceancash.com.my.

III. REMUNERATION

The Remuneration Committee consists of not less than three (3) members and comprises wholly of Non-Executive Directors. The members of the Remuneration Committee are as follows:

Name of Remuneration Committee Members	*Position*
Mr Ngiam Kee Tong *(Appointed as Chairman on 29 October 2018)*	Chairman
Ms Chan Soo Wah	Member
Mr Tan Siew Tyan	Member
Dr Han Swan Kwong @ Adrian Han *(Resigned as Chairman on 29 October 2018)*	Chairman

The Company does not have a formalised remuneration policies and procedures for Directors and Senior Management. The Remuneration Committee reviews the remuneration of the Board from time to time with a view to ensure the Company offers fair compensation. The Executive Directors reviews the remuneration of the Senior Management with a view to ensure the Company is able to attract and retain talent who can add value to the Company. Fees paid to Non-Executive Directors are tabled at the Company`s AGM for approval.

The determination of the remuneration of the Executive Directors and Non-Executive Directors is a matter decided by the Board as a whole with the Director concerned abstaining from participating in decision in respect of the individual remuneration.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION (cont'd)

The details of the Directors' remuneration for the financial year ended 31 December 2018 for Company and Group level were as follows:

COMPANY:

Non-Executive Directors (RM)

No.	*Name*	*Directors' Fee*	*Allowance*	*Total*
1.	Chan Soo Wah *(Senior Independent Non-Executive Director)*	20,000	2,400	22,400
2.	Tan Siew Tyan *(Non-Independent Non-Executive Director)*	20,000	2,700	22,700
3.	Ngiam Kee Tong *(Independent Non-Executive Director)*	20,000	3,900	23,900
4.	Crystal Yong Mei Yee *(Independent Non-Executive Director)* *(Appointed as Director on 29 October 2018)*	3,507	600	4,107
5.	Dr Han Swan Kwong @ Adrian Han *(Independent Non-Executive Director)* (Resigned as Director on 29 October 2018)	36,493	1,200	37,693

Executive Chairman/CEO/Executive Director (RM)

No.	*Name*	*Salary*	*Directors' Fee*	*Benefit-in-kind*	*Allowance*	*Total*
1.	Tan Siew Chin *(Executive Chairman/CEO)*	217,500	20,000	-	1,800	239,300
2.	Tan Wey Chien *(Executive Director)*	-	20,000	-	1,500	21,500

GROUP:

Non-Executive Directors (RM)

No.	*Name*	*Directors' Fee*	*Allowance*	*Total*
1.	Chan Soo Wah *(Senior Independent Non-Executive Director)*	20,000	2,400	22,400
2.	Tan Siew Tyan *(Non-Independent Non-Executive Director)*	20,000	2,700	22,700
3.	Ngiam Kee Tong *(Independent Non-Executive Director)*	20,000	3,900	23,900
4.	Crystal Yong Mei Yee *(Independent Non-Executive Director)* *(Appointed as Director on 29 October 2018)*	3,507	600	4,107
5.	Dr Han Swan Kwong @ Adrian Han *(Independent Non-Executive Director)* *(Resigned as Director on 29 October 2018)*	36,493	1,200	37,693

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION (cont'd)

Executive Chairman/CEO/Executive Director (RM)

No.	*Name*	*Salary*	*Directors' Fee*	*Benefit-in-kind*	*Allowance*	*Total*
1.	Tan Siew Chin *(Executive Chairman/CEO)*	217,500	20,000	35,200	1,800	274,500
2.	Tan Wey Chien *(Executive Director)*	205,500	20,000	23,716	1,500	250,716

The remuneration paid to the Senior Management of the Company for the financial year ended 31 December 2018 were as follows:

Senior Management (excluding Executive Directors)	*Number of Senior Management*
From RM200,001 to RM250,000	1
From RM250,001 to RM300,000	1
Total	2

The Remuneration Committee met once during the financial year ended 31 December 2018. The details of the members' attendance were as follows:

Name of Remuneration Committee Members	*Attendance*
Mr Ngiam Kee Tong *(Appointed as Chairman on 29 October 2018)*	-
Ms Chan Soo Wah	0/1
Mr Tan Siew Tyan	1/1
Dr Han Swan Kwong @ Adrian Han *(Resigned as Chairman on 29 October 2018)*	1/1

The Terms of Reference of the Remuneration Committee is accessible for reference on the Group's website at www.oceancash.com.my.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

The ARMC oversees the integrity of the financial statements, compliance with relevant accounting standards and the Group's risk management and internal controls.

The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the ARMC are as follows:

Name of ARMC Members	*Position*
Ms Chan Soo Wah	Chairman
Mr Ngiam Kee Tong	Member
Ms Crystal Yong Mei Yee *(Appointed on 29 October 2019)*	Member
Dr Han Swan Kwong @ Adrian Han *(Resigned on 29 October 2019)*	Member

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

I. AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC") (cont'd)

The Chairman of the ARMC is not the Chairman of the Board. The ARMC is chaired by the Senior Independent Director, Ms Chan Soo Wah. The ARMC comprises Independent Non-Executive Directors and at least one member fulfills qualifications prescribed by Bursa via Paragraph 15.09(1)(c) and Paragraph 7.1 of Practice Note 13 of the Main Market Listing Requirements.

The ARMC exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The ARMC also provides assurance to the Board with support and clarifications from the external auditors that the financial statements & reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position.

The Board has a formal and transparent relationship with the external auditors. The Board had private sessions through the ARMC with the external auditors, in the absence of the executive directors and the management. For the year under review, there were two (2) private meetings held with the external auditors.

The ARMC was satisfied with the suitability of the external auditors based on the quality of services and sufficiency of resources provided by them to the Group in terms of the firm and the professional staff assigned to the audit. In support of the assessment on independence, the external auditors provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. In view of the above, the ARMC recommends to the Board on the re-appointment of the external auditors which is subject to the approval of shareholders at the AGM whilst their remuneration is determined by the Board.

The ARMC ensures that the external auditors are independent of the activities they audit and reviews the contracts for non-audit services by the external auditors. During the financial year, the amount of non-audit fees paid to external auditors was RM7,600.

The ARMC met five (5) times during the financial year ended 31 December 2018. Details of the number of meetings attended by each member were as follows:

Name of ARMC Members	*Attendance*
Ms Chan Soo Wah	4/5
Mr Ngiam Kee Tong	5/5
Ms Crystal Yong Mei Yee *(Appointed as Member on 29 October 2019)*	1/1
Dr Han Swan Kwong @ Adrian Han *(Resigned as Member on 29 October 2019)*	2/4

The Terms of Reference of the ARMC is accessible for reference on the Group's website at www.oceancash.com.my.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is responsible for maintaining a sound and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.

The risk management process is executed by the Senior Management and the Executive Directors. The progress of the risk management process is periodically updated to the ARMC. The ARMC reviews the process regularly and enhances it as and when needed to ensure sustainability.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (cont'd)

The Group had outsourced its internal audit function to an independent consulting firm as part of its strategy to assure the Board on its adequacy and effectiveness of the internal control system of the Group. The professional firm will carry out internal audits to review the adequacy and effectiveness of the internal control system and to identify area of risks and report their findings and recommendations to the management and subsequently to the ARMC.

The Statement on Risk Management and Internal Control is set out on page 20 of the Company's 2018 Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognizes the importance of timely dissemination of information to shareholders or stakeholders.

The Board is accountable to shareholders as well as other stakeholders of the Company for the performances and operations of the Company. As such, the Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors.

The Board is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Group at the end of the financial year. In preparing the financial statements, the Board ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Securities, media releases, quarterly results, analyst briefings, AGM and the Group website at www.oceancash.com.my.

II. CONDUCT OF GENERAL MEETINGS

The Company's AGM is an important means of communicating with its shareholders. To ensure effective participation of and engagement with shareholders at the Fifteenth AGM of the Company held on 30 May 2018, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies except for Dr Han Swan Kwong @ Adrian Han who was absent due to health issues. The Chairman of the Board Committees and Senior Management were present to respond to any enquiry from the shareholders. The external auditors were also present to provide their professional and independent clarification on the conduct of the audit and contents of the audit report.

The Chairman of the Board chaired the Fifteenth AGM in an orderly manner and allowed the shareholders or proxies to speak at the meeting. Voting at the Fifteenth AGM was conducted by poll and the Company utilises an electronic voting system to expedite the voting.

This Corporate Governance Overview Statement was approved by the Board on 15 April 2019.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA

Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2018.

Audit and Non-Audit Fees

The Group's audit and non-audit fees payable to the External Auditors or their affiliates for the financial year ended 31 December 2018 are RM150,766 and RM24,500 respectively.

Material Contracts

There were no material contracts entered into by the Group involving directors' and substantial shareholders' interests, either still subsisting, or entered into since the end of the previous financial year.

Revaluation of Landed Properties

The Group does not adopt a policy of regular revaluation of its landed properties. During the financial year ended 31 December 2014, the Group had revalued its landed properties based on a valuation carried out by a registered valuer with an independent firm of professional valuers, using the Comparison Method of valuation. The revaluation surplus of RM 6.623 million has been recognised as revaluation surplus in the Statement of Financial Position.

Save as disclosed above, carrying values of property, plant and equipment have been brought forward without amendment from the audited financial statements for the financial year ended 31 December 2018.

Recurrent Related Party Transactions of a Revenue or Trading Nature

There was no recurrent related party transaction of a revenue or trading nature made during the financial year ended 31 December 2018.

Corporate Social Responsibility Activities or Practices

The Group did not undertake any corporate social responsibility activities or practices during the financial year ended 31 December 2018.

Audit And Risk Management Committee Report

The Board had on 26 February 2018 resolved to have the risk management of the Company to be under the purview of the Audit Committee in view of the Company's current low risk exposure. The Audit Committee was then renamed as Audit and Risk Management Committee ("ARMC").

The ARMC assume the role in overseeing the risk management functions of the Group together with the Management.

COMPOSITION

The ARMC comprises three (3) members as follows:

Chairman : Chan Soo Wah - Senior Independent Non-Executive Director

Member : Ngiam Kee Tong - Non-Independent Non-Executive Director

Member : Crystal Yong Mei Yee – Non-Independent Non-Executive Director
(Appointed as Member on 29 October 2018)

Member : Dr. Han Swan Kwong @ Adrian Han - Independent Non-Executive Director
(Resigned as Member on 29 October 2018)

The Terms of Reference of ARMC is accessible through the Group's website at www.oceancash.com.my.

SUMMARY OF ACTIVITIES

The ARMC met five (5) times during the financial year ended 31 December 2018. Details of the number of meetings attended by each member are as follows:

ARMC Members	Number of Meetings Attended
Chan Soo Wah (Chairman)	4/5
Ngiam Kee Tong (Member)	5/5
Crystal Yong Mei Yee (Member) *(Appointed on 29 October 2019)*	1/1
Dr Han Swan Kwong @ Adrian Han (Member) *(Resigned on 29 October 2018)*	2/4

The following activities were carried out by the ARMC to discharge its functions during the financial year ended 31 December 2018:

1. **Financial Reporting**

   The ARMC reviewed four (4) quarterly reports and the draft audited financial statements for the year ended 31 December 2017 to ensure the reports were prepared in compliance with the Malaysian Financial Reporting Standards ("MFRSs"), applicable accounting standards, Companies Act 2016 in Malaysia and the Main Market Listing Requirements, prior to submission to the Board for approval.

2. **External Audit**

   On 12 April 2018 and 13 August 2018, the ARMC held private meetings with the External Auditors, Messrs Baker Tilly Monteiro Heng PLT ("BTMH") without the presence of the executive directors and management to express their audit findings and the level of co-operation and assistance rendered by the management to their personnel during the course of their audit.

   The External Auditors deliberated on the potential Key Audit Matters on the provision of Deferred Tax Assets and Inventory Valuation in the financial statements for the year ended 31 December 2018.

   The ARMC was briefed on the new MFRSs which are relevant to the Group, key changes in the Companies Act 2016 and deliberated on the relevant disclosures in the annual audited financial statements for the year ended 31 December 2018. The ARMC reviewed the recurring non-audit services in respect of the review of the Statement on Risk Management and Internal Control for the financial year ended 31 December 2017. The ARMC was satisfied that BTMH are unlikely to impair their independence after considering the nature and scope of the audit fees.

SUMMARY OF ACTIVITIES (cont'd)

2. External Audit (cont'd)

The ARMC reviewed the performance of BTMH and is satisfied that BTMH has the competency to continue as the Group's External Auditors and recommended the same to the Board for approval.

3. Internal Audit

On 30 November 2018, the Internal Auditors ("IA") had a private meeting with the ARMC without the presence of the executive directors and management on the audit findings of Production Cycle, Health and Safety and Environment Law and Regulations, their recommendations on the system and control weaknesses and management's response to the recommendations.

4. Related Party Transaction ("RPT") and Conflict of Interest ("COI")

At the private meeting with BTMH, the ARMC reviewed the RPT and COI presented by the External Auditors. There were no RPT and COI other than those disclosed in the financial statements. The ARMC had also enquired from the management and executive directors on the RPT and COI other than those disclosed in the financial statements. On 30 November 2018, the ARMC deliberated on the rental agreement to be entered into between Oceancash Nonwoven Sdn Bhd and a company in which certain Directors have interests.

5. Others

The ARMC deliberated on the Statement on Risk Management and Internal Control, the Chairman's Statement and Management Discussion and Analysis and received assurance from the Chief Executive Officer and the management that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects.

INTERNAL AUDIT FUNCTION

During the year under review, the Group had outsourced its internal audit function to an independent consulting firm to assist the ARMC in discharging its duties and responsibilities.

The internal auditor reports directly to the ARMC and assists the Board in monitoring and reviewing the effectiveness of the risk management, internal control and governance processes within the Group. The internal auditor adopts a risk-based approach in planning and conducting of audits.

The scope and plan of internal audit activities are identified annually and approved by the ARMC. The ARMC receives reports of the findings of the internal audits with comments from the management and the internal auditors' recommendations. The ARMC reviews the findings with the management to ensure that the necessary corrective actions are implemented and reported to the Board.

The cost incurred for the Group's internal audit function in respect of the financial year ended 31 December 2018 was RM15,000.00.

EMPLOYEES SHARE OPTION SCHEME

No allocation of options pursuant to employees share option scheme was made during the financial year.

Statement On Risk Management And Internal Control

BOARD RESPONSIBILITIES

The Board is overall responsible for the Group's system of internal control and risk management practices which includes reviewing the adequacy and effectiveness of this system to safeguard shareholders' investment and the Group's assets. The system of internal control covers not only financial controls but also operational and compliance controls for the Group.

However, the Group's system of internal control and system of risk management are designed to manage and not eliminate the risk of failure to achieve the business objectives; hence it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has a continuous process to identify, evaluate and manage the significant risks faced by the Group to obtain a reasonable assurance that business objectives are met. This process has been in place for the year under review and is regularly reviewed by the Board.

Currently, the Group does not have an in-house internal audit function. The Board believes that the same objectives can be achieved as it has established the working structure with clearly defined lines of accountability and delegated authorities and the current key processes of the Group's internal control system are sufficient for the size and operations of the Group. The Group has outsourced its internal audit function to a professional firm as part of its strategy to further provide the Board with assurances regarding the adequacy and effectiveness of the internal control system.

The outsourced internal audit function carried out internal audits to review the adequacy and effectiveness of the internal control system and to identify areas of risks based on the audit plan that has been approved by Audit Risk and Management Committee. The internal auditors reported their findings and recommendations to the management and subsequently to the Audit Risk and Management Committee.

INTERNAL CONTROL SYSTEM

The key processes of the internal control system are as follows:

- The Group has an organisation structure with clearly defined duties, lines of responsibilities, authority and accountability;
- The management meet the key personnel every month to discuss and to monitor key operational indicators;
- Day to day affairs and operational procedures are monitored and regularly reviewed by the management;
- The executive directors receive regular reports on monthly financial statements, business performances and developments and other corporate matters; and
- Surveillance audits are conducted periodically by a certification body to ensure compliance with the ISO 9001.

RISK MANAGEMENT

The Group has an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of its business objective. Currently these processes are executed by the key personnel and executive directors. The key personnel have access to important information and key operational indicators to enable them to identify and improve on the system of internal control and system of risk management and also for decision making. The key personnel and executive directors will follow-up with the action plan to improve the weakness of the internal controls and to minimise risk of the Group. The key personnel will attend the training and seminars to ensure compliance of the regulatory bodies. The progress of the risk management process is periodically updated to the Audit Committee. The Audit Committee reviews this process regularly and enhances it as and when needed to ensure sustainability.

CONCLUSION

There were no material losses incurred by the Group during the financial year ended 31 December 2018 as a result of weaknesses in the Group's system of internal control. The Group continues to take the necessary measures to strengthen its internal controls. However, such system, no matter how well designed, implemented and monitored, does not eliminate the possibility of human error, collusion or deliberate circumvention of control procedures. The Board is of the view that the current system of risk management and internal controls are adequate for the current business environment and level of operation.

The CEO and Finance Manager have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	6,077,957	2,292,673
Attributable to:		
Owners of the Company	6,077,957	2,292,673

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single tier interim dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018, declared on 30 November 2018 and paid on 31 December 2018	2,230,000

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2018.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, 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 doubtful debts, and satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts was required.

At the date of this report, the directors are not aware of any circumstances that would render it necessary to write off any bad debts or to make any allowance for doubtful debts 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 prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had 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 of the Group and of the Company 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 method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

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

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or 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 will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures was made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chan Soo Wah	
Tan Siew Chin*	
Tan Siew Tyan	
Tan Wey Chien*	
Ngiam Kee Tong	
Crystal Yong Mei Yee	(Appointed on 29 October 2018)
Dr. Han Swan Kwong @ Adrian Han	(Resigned on 29 October 2018)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chen Lee Chew
Tan Wey Chung
Lor Seng Thee
Antonius Widanto Adi Surya
Cheong Wing Cheong

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1 January 2018	Bought	Sold	At 31 December 2018
The Company				
Direct interest:				
Chan Soo Wah	30,000	-	-	30,000
Tan Siew Chin	97,982,840	48,000	-	98,030,840
Tan Siew Tyan	1,352,420	-	-	1,352,420
Indirect interest:				
Tan Siew Chin*	33,890,340	-	-	33,890,340

* This is his spouse's interest in the ordinary shares of the Company which shall be treated as his interest in the ordinary shares of the Company.

By virtue of his interest in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Tan Siew Chin is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 27(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the 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.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there were no indemnity given to or insurance effected for, any director or officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Other than those subsidiaries without audited reports as disclosed in Note 7 to the financial statements, the auditors' report on the financial statements of the subsidiaries did not contain any qualifications.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 31 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Details of significant events subsequent to the financial year are disclosed in Note 32 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....

TAN SIEW CHIN
Director

....

TAN WEY CHIEN
Director

Kuala Lumpur
Date: 15 April 2019

Statements Of Financial Position

As At 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	47,447,260	49,296,855	-	-
Land use rights	6	5,085,944	5,503,764	-	-
Investment in subsidiaries	7	-	-	22,789,679	22,789,679
Deferred tax assets	8	2,753,093	3,248,905	-	-
Total non-current assets		55,286,297	58,049,524	22,789,679	22,789,679
Current assets					
Inventories	9	8,757,296	10,854,120	-	-
Trade receivables	10	16,372,479	16,294,193	-	-
Other receivables, deposits and prepayments	11	2,320,958	2,754,043	12,708	1,700
Amount owing by a subsidiary	12	-	-	1,490,828	1,690,828
Tax recoverable		330,809	741,011	-	7,213
Other investments	13	4,579,689	532,961	2,027,092	532,961
Cash and bank balances		15,671,391	15,508,414	317,703	1,413,444
Total current assets		48,032,622	46,684,742	3,848,331	3,646,146
TOTAL ASSETS		103,318,919	104,734,266	26,638,010	26,435,825
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	26,248,670	26,248,670	26,248,670	26,248,670
Reserves	15	57,893,702	55,053,429	82,968	20,295
Total equity attributable to owners of the Company		84,142,372	81,302,099	26,331,638	26,268,965
Non-current liabilities					
Loans and borrowings	16	113,144	1,867,891	-	-
Provision for retirement benefits	17	90,647	-	-	-
Deferred tax liabilities	8	3,069,752	3,222,055	-	-
Total non-current liabilities		3,273,543	5,089,946	-	-
Current liabilities					
Loans and borrowings	16	10,720,142	13,529,912	-	-
Trade payables	18	2,877,581	2,747,755	-	-
Other payables and accruals	19	2,201,774	1,944,554	128,354	46,860
Amount owing to directors	20	103,507	120,000	103,507	120,000
Tax payable		-	-	74,511	-
Total current liabilities		15,903,004	18,342,221	306,372	166,860
TOTAL LIABILITIES		19,176,547	23,432,167	306,372	166,860
TOTAL EQUITY AND LIABILITIES		103,318,919	104,734,266	26,638,010	26,435,825

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

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Continuing operations					
Revenue	21	85,178,061	89,729,993	3,570,559	2,535,923
Cost of sales		(70,401,123)	(72,273,572)	-	-
Gross profit		14,776,938	17,456,421	3,570,559	2,535,923
Other income		1,357,704	948,342	-	-
Administrative expenses		(4,834,828)	(4,099,733)	(1,180,801)	(722,173)
Selling and distribution expenses		(3,170,160)	(2,696,641)	-	-
Operating profit		8,129,654	11,608,389	2,389,758	1,813,750
Finance costs	22	(521,977)	(777,900)	-	-
Profit before tax	23	7,607,677	10,830,489	2,389,758	1,813,750
Income tax expense	24	(1,529,720)	(1,012,734)	(97,085)	(10,849)
Profit for the financial year		6,077,957	9,817,755	2,292,673	1,802,901
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(1,007,684)	(1,976,722)	-	-
Total comprehensive income for the financial year		5,070,273	7,841,033	2,292,673	1,802,901
Profit attributable to:					
Owners of the Company		6,077,957	9,817,755	2,292,673	1,802,901
Total comprehensive income attributable to:					
Owners of the Company		5,070,273	7,841,033	2,292,673	1,802,901
Earnings per ordinary share attributable to owners of the Company (sen):					
- basic	25	2.73	4.40		
- diluted	25	2.73	4.40		

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

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 December 2018

Group	Note	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Revaluation Reserve RM	Retained Earnings RM	Total Equity RM
		Attributable to Owners of the Company					
		Non-distributable				*Distributable*	
At 1 January 2018		26,248,670	-	(647,329)	7,621,885	48,078,873	81,302,099
Total comprehensive income for the financial year							
Profit for the financial year		-	-	-	-	6,077,957	6,077,957
Other comprehensive loss for the financial year		-	-	(1,007,684)	-	-	(1,007,684)
Total comprehensive income		-	-	(1,007,684)	-	6,077,957	5,070,273
Transfer to retained earnings		-	-	-	(112,138)	112,138	-
Transaction with owners							
Dividends paid on shares	26	-	-	-	-	(2,230,000)	(2,230,000)
Total transaction with owners		-	-	-	-	(2,230,000)	(2,230,000)
At 31 December 2018		26,248,670	-	(1,655,013)	7,509,747	52,038,968	84,142,372
At 1 January 2017		22,300,000	3,948,670	1,329,393	7,733,992	39,933,011	75,245,066
Total comprehensive income for the financial year							
Profit for the financial year		-	-	-	-	9,817,755	9,817,755
Other comprehensive loss for the financial year		-	-	(1,976,722)	-	-	(1,976,722)
Total comprehensive income		-	-	(1,976,722)	-	9,817,755	7,841,033
Transfer to retained earnings		-	-	-	(112,107)	112,107	-
Transaction with owners							
Dividends paid on shares	26	-	-	-	-	(1,784,000)	(1,784,000)
Total transaction with owners		-	-	-	-	(1,784,000)	(1,784,000)
Transition to no-par value regime	14	3,948,670	(3,948,670)	-	-	-	-
At 31 December 2017		26,248,670	-	(647,329)	7,621,885	48,078,873	81,302,099

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

Company	Note	*Attributable to Owners of the Company* *Non-distributable* Share Capital RM	Share Premium RM	*Distributable* Retained Earnings RM	Total Equity RM
At 1 January 2017		22,300,000	3,948,670	1,394	26,250,064
Profit and total comprehensive income for the financial year		-	-	1,802,901	1,802,901
Transaction with owners					
Dividends paid on shares	26	-	-	(1,784,000)	(1,784,000)
Total transaction with owners		-	-	(1,784,000)	(1,784,000)
Transition to no-par value regime	14	3,948,670	(3,948,670)	-	-
At 31 December 2017		26,248,670	-	20,295	26,268,965
Profit and total comprehensive income for the financial year		-	-	2,292,673	2,292,673
Transaction with owners					
Dividends paid on shares	26	-	-	(2,230,000)	(2,230,000)
Total transaction with owners		-	-	(2,230,000)	(2,230,000)
At 31 December 2018		26,248,670	-	82,968	26,331,638

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

Statements Of Cash Flows

For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from operating activities					
Profit before tax		7,607,677	10,830,489	2,389,758	1,813,750
Adjustments for:					
Depreciation of property, plant and equipment		3,681,725	3,650,695	-	-
(Gain)/Loss on disposal of property, plant and equipment		(5,052)	11,867	-	-
Property, plant and equipment writte off		42,789	-	-	-
Amortisation of land use rights		166,152	186,812	-	-
Finance cost		521,977	777,900	-	-
Interest income		(95,040)	(113,888)	-	-
Dividend income		(323,328)	(130,837)	(3,090,559)	(2,055,923)
Expected credit loss on trade receivable		287,599	-	-	-
Provision for retirement benefits		88,997	-	-	-
Net unrealised foreign exchange loss		219,070	326,433	-	-
Operating profit/(loss) before changes in working capital		12,192,566	15,539,471	(700,801)	(242,173)
Changes in working capital:					
Inventories		2,096,824	(1,426,366)	-	-
Trade and other receivables		113,394	(904,877)	(11,009)	1,544
Trade and other payables		350,003	670,007	65,002	(2,201)
Bills payables		(3,349,084)	375,667	-	-
Net cash flows generated from/(used in) operations		11,403,702	14,253,902	(646,808)	(242,830)
Interest paid		(279,319)	(229,843)	-	-
Interest received		95,040	113,888	-	-
Income tax paid		(1,100,796)	(1,273,803)	(15,360)	(15,360)
Income tax refund		327,469	1,109,178	-	817
Net cash flows generated from/(used in) operating activities		10,446,096	13,973,322	(662,168)	(257,373)
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(2,658,595)	(1,330,780)	-	-
Proceeds from disposal of property, plant and equipment		83,599	13,000	-	-
Repayment by a subsidiary		-	-	200,000	1,200,000
Dividends received		323,328	130,837	3,090,559	2,055,923
(Placement)/redemption of other investments		(4,046,728)	130,244	(1,494,132)	130,244
Net cash flows (used in)/generated from investing activities		(6,298,396)	(1,056,699)	1,796,427	3,386,167

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from financing activities				
Interest paid	(242,658)	(548,057)	-	-
Dividends paid	(2,230,000)	(1,784,000)	(2,230,000)	(1,784,000)
Repayment to directors	-	(2,646,509)	-	-
Repayment of finance lease liabilities	(219,404)	(215,350)	-	-
Repayment of term loans	(1,900,743)	(2,071,247)	-	-
Net cash flows used in financing activities	(4,592,805)	(7,265,163)	(2,230,000)	(1,784,000)
Net increase/(decrease) in cash and cash equivalents	(445,105)	5,651,460	(1,095,741)	1,344,794
Cash and cash equivalents at the beginning of the financial year	15,234,958	10,381,490	1,413,444	68,650
Effect of exchange rate changes on cash and cash equivalents	151,155	(811,534)	-	-
Translation differences	(51,784)	13,542	-	-
Cash and cash equivalents at the end of the financial year	14,889,224	15,234,958	317,703	1,413,444
Analysis of cash and cash equivalents:				
Cash and bank balances	15,671,391	15,508,414	317,703	1,413,444
Bank overdrafts	(782,167)	(273,456)	-	-
	14,889,224	15,234,958	317,703	1,413,444

(a) Purchase of property, plant and equipment:

	Group 2018 RM	Group 2017 RM
Purchase of property, plant and equipment	2,658,595	1,330,780
Cash payments on purchase of property, plant and equipment	2,658,595	1,330,780

(b) Reconciliation of liabilities arising from financing activities:

	At 1 January 2018 RM	Cash flows RM	*Non-cash* Foreign exchange movement RM	At 31 December 2018 RM
Finance lease liabilities	301,606	(219,404)	-	82,202
Term loans	3,641,596	(1,900,743)	22,012	1,762,865
	3,943,202	(2,120,147)	22,012	1,845,067

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

1. CORPORATE INFORMATION

Oceancash Pacific Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. On 26 October 2018, the Company transferred the listing of and quotation for its entire issued shares from the ACE market to the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at Lot 73, Jalan P10/21, Taman Industri Selaman, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 April 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

<u>New IC Int</u>

IC Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 9 Financial Instruments (cont'd)

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables that does not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

<u>Impact of the adoption of MFRS 9 (cont'd)</u>

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.
- Quoted debt instruments previously classified as Available-for-sale ("AFS") financial assets under MFRS 139 as at 31 December 2017 are classified and measured as debt instruments at fair value through other comprehensive income ("FVOCI") beginning 1 January 2018. The Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group's quoted debt instruments are regular government and corporate bonds that passed the solely payments of principal interest test.
- Equity investments in non-listed companies previously classified as AFS financial assets as at 31 December 2017 are classified and measured as equity instruments designated at FVOCI beginning 1 January 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as these investments are not held for trading.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassification as at 1 January 2018:

		MFRS 9 measurement category	
MFRS 139 measurement category	RM	Fair value through profit or loss RM	Amortised cost RM
Financial assets			
Group			
Loans and receivables			
Other investment	532,961	532,961	-
Trade receivables	16,294,193	-	16,294,193
Other receivables and deposit	149,753	-	149,753
Cash and cash equivalents	15,508,414	-	15,508,414
	32,485,321	532,961	31,952,360
Company			
Loans and receivables			
Other investment	532,961	532,961	-
Deposits	1,000	-	1,000
Amount owing by a subsidiary	1,690,828	-	1,690,828
Cash and cash equivalents	1,413,444	-	1,413,444
	3,638,233	532,961	3,105,272

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

Impact of the adoption of MFRS 9 (cont'd)

(i) Classification and measurement (cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassification as at 1 January 2018 (cont'd):

MFRS 139 measurement category		MFRS 9 measurement category	
	RM	Fair value through profit or loss RM	Amortised cost RM
Financial liabilities			
Group			
Other financial liabilities			
Loans and borrowings	(15,397,803)	(15,397,803)	-
Trade payables	(2,747,755)	(2,747,755)	-
Other payables and accruals	(1,942,371)	(1,942,371)	-
Amount owing to directors	(120,000)	(120,000)	-
	(20,207,929)	(20,207,929)	-
Company			
Other financial liabilities			
Other payables and accruals	(44,677)	(44,677)	-
Amount owing to directors	(120,000)	(120,000)	-
	(164,677)	(164,677)	-

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Accordingly, the Group recognised impairment losses on its trade receivables of RM287,599 at the date from application of simplified approach to record lifetime expected credit losses.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	*Customer Loyalty Programmes*
IC Interpretation 15	*Agreements for the Construction of Real Estate*
IC Interpretation 18	*Transfers of Assets from Customers*
IC Interpretation 131	*Revenue – Barter Transactions Involving Advertising Services*

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 January 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any effect on the financial statements of the Group and the Company.

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective: (cont'd)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (cont'd)		
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 32	Intangible Assets – Web Site Costs	1 January 2020*

* Amendments to References to the Conceptual Framework in MFRS Standards
\# Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

(a) The Group and the Company plan to adopt the above applicable new MFRSs, amendments/ improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

(a) The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. (cont'd)

MFRS 16 Leases (cont'd)

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2. BASIS OF PREPARATION (cont'd)

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently to all the financial years presented in the financial statements of the Group and of the Company:

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(a) Subsidiaries and business combination (cont'd)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following: (cont'd)

- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b).

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign currency transactions and operations (cont'd)

(b) Translation of foreign operations (cont'd)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

<u>Accounting policies applied from 1 January 2018</u>

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- Amortised cost

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- Fair value through other comprehensive income (FVOCI)

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.11(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- Fair value through profit or loss (FVPL)

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Equity instruments (cont'd)

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(c) Regular way purchase or sale of financial assets

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 convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Accounting policies applied until 31 December 2017

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a). Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a).

(ii) Financial liabilities

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(c) Regular way purchase or sale of financial assets

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(e) Offsetting of financial instruments

Same accounting policies applied until 31 December 2017 and from 1 January 2018.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b).

Cost of assets, includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

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

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Property, plant and equipment (cont'd)

(c) Depreciation

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal annual depreciation rates are as follows:

	Useful lives (years)
Leasehold land	84 years
Buildings	5 - 50 years
Plant and machinery	3 - 10 years
Factory and office equipment	5 -10 years
Furniture and fittings	10 years
Motor vehicles	5 years
Renovation	3 - 10 years

The long term leasehold lands are amortised on a straight line basis over the lease term.

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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

3.6 Revaluation of assets

Leasehold land and buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on buildings and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed at least once every five years to ensure that the fair value of the leasehold land and buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

3.7 Land use rights

Land purchased in Indonesia classified as land use rights is initially measured at cost. Following initial recognition, land use rights is measured at costs less accumulated amortisation and any accumulated impairment losses. The land use rights is amortised over its lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.10 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and bank balances. Cash and cash equivalents are presented net of bank overdrafts.

3.11 Impairment of assets

(a) Impairment of financial assets and contract assets

<u>Accounting policies applied from 1 January 2018</u>

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset 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 shall not be reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of assets (cont'd)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Employee benefits (cont'd)

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Other long-term employee benefits

The Group's and the Company's other long-term employee benefits include long term paid absences, long term disability benefits and other long service benefits.

Liability recognised in respect of other long term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group and the Company in respect of services provided by employees up to the reporting date. The net total of the following amounts should be recognised in profit or loss, except to the extent that another MFRS requires or permits their inclusion in the cost of an asset:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of the net defined benefit liability or asset.

3.14 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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

3.15 Revenue and other income

<u>Accounting policies applied from 1 January 2018</u>

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Revenue and other income (cont'd)

Accounting policies applied from 1 January 2018 (cont'd)

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

(a) Sale of goods

Revenue from sale of goods is recognised upon customer obtaining control of the good. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Management fee

Management fee is recognised on an accrual basis.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

Accounting policies applied until 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Management fee

Management fee is recognised on an accrual basis.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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

3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Income tax (cont'd)

(b) Deferred tax (cont'd)

Deferred tax is 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 tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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 transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3.18 Earnings per ordinary shares

The Group presents basic and diluted earnings per ordinary share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.19 Operating segments

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

3.20 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Fair value measurements (cont'd)

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

4.1 Classification between operating lease and finance lease for leasehold land

The Group has developed certain criteria based on MFRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

The Group had judged that the leasehold land of the Group is in substance finance leases and had reclassified the leasehold land to property, plant and equipment.

4.2 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance and taxable profits of the subsidiaries.

The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 8.

4.3 Write-down of obsolete or slow moving inventories

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

The carrying amount of the Group's inventories are disclosed in Note 9.

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land RM	Buildings RM	Plant and Machinery RM	Factory and Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Renovation RM	Total RM
Group								
2018								
Cost/Valuation								
At 1 January 2018	14,700,000	13,638,310	50,157,900	3,243,947	325,338	1,292,212	619,917	83,977,624
Additions	-	-	2,003,536	167,609	14,252	254,163	219,035	2,658,595
Disposals	-	-	(48,420)	(1,650)	-	(145,410)	-	(195,480)
Written off	-	-	(295,000)	(309)	-	-	-	(295,309)
Exchange differences	-	(241,280)	(649,150)	(12,986)	(1,457)	(4,149)	-	(909,022)
At 31 December 2018	14,700,000	13,397,030	51,168,866	3,396,611	338,133	1,396,816	838,952	85,236,408
Representing								
- cost	-	5,097,030	51,168,866	3,396,611	338,133	1,396,816	838,952	62,236,408
- valuation	14,700,000	8,300,000	-	-	-	-	-	23,000,000
	14,700,000	13,397,030	51,168,866	3,396,611	338,133	1,396,816	838,952	85,236,408
Accumulated depreciation and impairment loss								
At 1 January 2018	611,283	1,305,821	29,637,134	2,051,848	229,797	601,211	243,675	34,680,769
Depreciation charge for the financial year	174,652	467,584	2,412,166	363,490	18,164	187,549	58,120	3,681,725
Disposals	-	-	(39,873)	(1,650)	-	(75,410)	-	(116,933)
Written off	-	-	(252,263)	(257)	-	-	-	(252,520)
Exchange differences	-	(19,742)	(172,700)	(8,316)	(763)	(2,372)	-	(203,893)
At 31 December 2018	785,935	1,753,663	31,584,464	2,405,115	247,198	710,978	301,795	37,789,148
Carrying amount								
At 1 January 2018	14,088,717	12,332,489	20,520,766	1,192,099	95,541	691,001	376,242	49,296,855
At 31 DecemberR 2018	13,914,065	11,643,367	19,584,402	991,496	90,935	685,838	537,157	47,447,260
Representing								
- cost	-	4,332,477	19,584,402	991,496	90,935	685,838	537,157	26,222,305
- valuation	13,914,065	7,310,890	-	-	-	-	-	21,224,955
	13,914,065	11,643,367	19,584,402	991,496	90,935	685,838	537,157	47,447,260

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold Land RM	Buildings RM	Plant and Machinery RM	Factory and Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Renovation RM	Total RM
Group								
2017								
Cost/Valuation								
At 1 January 2017	14,700,000	14,242,688	50,943,868	3,004,391	292,994	1,256,851	602,277	85,043,069
Additions	-	-	834,670	398,018	37,091	43,361	17,640	1,330,780
Disposals	-	-	-	(109,000)	-	-	-	(109,000)
Written off	-	-	-	(16,329)	(913)	-	-	(17,242)
Exchange differences	-	(604,378)	(1,620,638)	(33,133)	(3,834)	(8,000)	-	(2,269,983)
At 31 December 2017	14,700,000	13,638,310	50,157,900	3,243,947	325,338	1,292,212	619,917	83,977,624
Representing								
- cost	-	5,338,310	50,157,900	3,243,947	325,338	1,292,212	619,917	60,977,624
- valuation	14,700,000	8,300,000	-	-	-	-	-	23,000,000
	14,700,000	13,638,310	50,157,900	3,243,947	325,338	1,292,212	619,917	83,977,624
Accumulated depreciation and impairment loss								
At 1 January 2017	436,631	852,006	27,632,239	1,833,131	217,361	458,209	183,992	31,613,569
Depreciation charge for the financial year	174,652	498,727	2,419,131	334,341	15,157	149,004	59,683	3,650,695
Disposals	-	-	-	(84,133)	-	-	-	(84,133)
Written off	-	-	-	(11,399)	(913)	-	-	(12,312)
Exchange differences	-	(44,912)	(414,236)	(20,092)	(1,808)	(6,002)	-	(487,050)
At 31 December 2017	611,283	1,305,821	29,637,134	2,051,848	229,797	601,211	243,675	34,680,769
Carrying amount								
At 1 January 2017	14,263,369	13,390,682	23,311,629	1,171,260	75,633	798,642	418,285	53,429,500
At 31 December 2017	14,088,717	12,332,489	20,520,766	1,192,099	95,541	691,001	376,242	49,296,855
Representing								
- cost	-	4,804,478	20,520,766	1,192,099	95,541	691,001	376,242	27,680,127
- valuation	14,088,717	7,528,011	-	-	-	-	-	21,616,728
	14,088,717	12,332,489	20,520,766	1,192,099	95,541	691,001	376,242	49,296,855

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Assets under finance leases

Included in property, plant and equipment of the Group are assets acquired under finance lease agreements and term loan arrangements with the following net carrying amount:

	Group	
	2018 RM	2017 RM
Plant and machinery	7,615,743	8,718,720
Motor vehicles	92,956	105,714
Factory equipment	-	59,810
	7,708,699	8,884,244

A motor vehicle of the Group is registered under a key management personnel's name and it is being held in trust by the key management personnel.

(b) Assets pledged as security

Included in property, plant and equipment of the Group are assets pledged to the licensed banks to secure credit facilities granted to the subsidiaries as stated in Note 16 to the financial statements with the following net carrying amount:

	Group	
	2018 RM	2017 RM
Leasehold land	13,914,065	14,088,717
Buildings	7,310,890	7,528,009
	21,224,955	21,616,726

The title of the leasehold land of a subsidiary is in the process of being transferred to the name of the subsidiary.

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) Revaluation of leasehold land and buildings

The leasehold land and buildings were revalued in 2014 based on a valuation report dated 5 August 2014. The valuation was carried out by an independent professional firm of valuers using the open market value basis.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

	Cost RM	Accumulated depreciation RM	Carrying amount RM
Group			
2018			
Leasehold land	5,900,366	(1,075,088)	4,825,278
Buildings	7,179,506	(2,293,612)	4,885,894
	13,079,872	(3,368,700)	9,711,172
2017			
Leasehold land	5,900,366	(1,014,520)	4,885,846
Buildings	7,179,506	(2,150,022)	5,029,484
	13,079,872	(3,164,542)	9,915,330

(d) Fair value information

Fair value of the leasehold land and buildings are categorised as follows:

	Fair value measurement using		
	Level 1	Level 2	Level 3
Group	RM	RM	RM
2018			
Leasehold land	-	13,914,065	-
Buildings	-	7,310,890	-
	-	21,224,955	-
2017			
Leasehold land	-	14,088,717	-
Buildings	-	7,528,009	-
	-	21,616,726	-

The fair value of the leasehold land and buildings has been determined by independent external valuers using a comparison method of valuation. The comparison method entails comparison of the subject property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. The characteristics, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to reflect the differences and arrive at the value of the subject property.

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(d) Fair value information (cont'd)

The significant input into this valuation approach is price per square feet of comparable properties.

Transfer between levels of fair value hierarchy

There is no transfers between levels of fair value hierarchy during the financial year ended 31 December 2018 and 31 December 2017.

Highest and best use

The Group's properties are currently office and factory buildings. The office and factory buildings are at its highest and best use as they are located on the prime land for building that are ideal for warehouse and factories.

6. LAND USE RIGHTS

	Group	
	2018	2017
	RM	RM
Cost		
At 1 January	5,503,764	6,323,986
Amortisation for the financial year	(166,152)	(186,812)
Exchange diferrences	(251,668)	(633,410)
At 31 December	5,085,944	5,503,764

The Group has land use rights over a land located in the Republic of Indonesia with a remaining tenure of 30 years (2017: 31 years).

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	2017
	RM	RM
Unquoted shares, at cost	22,789,679	22,789,679
Less: Impairment loss	-	-
	22,789,679	22,789,679

7. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Group's Effective Ownership Interest 2018 %	2017 %	Principal Activities
Direct subsidiaries				
Oceancash Nonwoven Sdn. Bhd. ("ONSB")	Malaysia	100	100	Manufacturing and trading of non-woven products
Oceancash Felts Sdn. Bhd. ("OFSB")	Malaysia	100	100	Manufacturing and distribution of resinated felts
Indirect subsidiary held through OFSB 99.9% and through ONSB 0.01%				
PT Oceancash Felts ("PTOF")*	Indonesia	100	100	Manufacturing and distribution of felts and manufacturing of parts and accessories for vehicles with four or more wheels

* Audited by auditors other than Baker Tilly Monteiro Heng PLT.

8. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities after appropriate offsetting are as follows:

	Group 2018 RM	2017 RM
Deferred tax assets, net	2,753,093	3,248,905
Deferred tax liabilities, net	(3,069,752)	(3,222,055)
	(316,659)	26,850

The directors are of the opinion that the Group will, to the extent that it is probable, produce more than enough taxable profits to realise the deferred tax assets based on three years cash flows projection which incorporates increased sales volume.

8. DEFERRED TAXATION (cont'd)

The net movement in deferred taxation credited and charged to the profit and loss are as follows:

	Group	
	2018 RM	2017 RM
At 1 January	26,850	49,367
Recognised in profit or loss (Note 24)		
- property, plant and equipment	31,803	18,949
- revaluation of leasehold land and buildings	32,879	32,879
- post employment benefits	22,272	-
- unutilised capital allowance	-	(708,186)
- unutilised reinvestment allowance	(47,873)	1,129,465
- unutilised tax losses	(262,972)	(194,431)
- other items	(933)	(276,122)
- prior year	(108,690)	-
	(333,514)	2,554
Foreign currency translation reserve	(9,995)	(25,071)
At 31 December	(316,659)	26,850

The deferred tax assets and liabilities are made up of temporary differences arising from:

	Group	
	2018 RM	2017 RM
Deferred tax assets		
Deferred tax assets (before offsetting)		
Unabsorbed allowances on:		
- unutilised tax losses	667,137	991,719
- unutilised capital allowance	306,751	254,525
- unutilised reinvestment allowance	3,725,166	3,477,960
Provision for retirement benefit	22,662	-
	4,721,716	4,724,204
Offsetting	(1,968,623)	(1,475,299)
Deferred tax assets (after offsetting)	2,753,093	3,248,905
Deferred tax liabilities		
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	(2,724,691)	(2,251,690)
- revaluation of leasehold land and buildings	(2,366,229)	(2,399,109)
- other items	52,545	(46,555)
	(5,038,375)	(4,697,354)
Offsetting	1,968,623	1,475,299
Deferred tax liabilities (after offsetting)	(3,069,752)	(3,222,055)

9. INVENTORIES

	Group 2018 RM	Group 2017 RM
At Cost		
Machinery parts	1,082,497	847,834
Raw materials and packing materials	4,488,742	8,193,765
Work-in-progress	494,012	264,348
Finished goods	2,692,045	1,548,173
	8,757,296	10,854,120

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM53,165,285 (2017: RM56,341,562).

10. TRADE RECEIVABLES

	Group 2018 RM	Group 2017 RM
Trade receivables	16,660,078	16,294,193
Less : Allowance for impairment loss	(287,599)	-
	16,372,479	16,294,193

Trade receivables that are non-interest bearing and the normal trade credit terms offered by the Group range from 30 days to 60 days (2017: 30 days to 60 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Other receivables	60,558	51,784	-	-
Deposits	70,224	97,969	1,000	1,000
Prepayments	1,571,667	1,872,335	-	700
GST refundable	618,509	731,955	11,708	-
	2,320,958	2,754,043	12,708	1,700

12. AMOUNT OWING BY A SUBSIDIARY

The amounts owing by a subsidiary represent advances and payments made on behalf, which are unsecured, interest free and are repayable on demand.

13. OTHER INVESTMENTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Financial assets at fair value through profit or loss				
- Investment in unit trust, unquoted in Malaysia	4,579,689	532,961	2,027,092	532,961
Market value of unquoted unit trust	4,579,689	532,961	2,027,092	532,961

14. SHARE CAPITAL

		Group and Company			
		Number of ordinary share		Amount	
	Note	2018 Units	2017 Units	2018 RM	2017 RM
Issued and fully paid:					
At 1 January		223,000,000	223,000,000	26,248,670	22,300,000
Transition to no-par value regime:					
- share premium	(a)	-	-	-	3,948,670
At 31 December		223,000,000	223,000,000	26,248,670	26,248,670

(a) Share Premium

The Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM3,948,670 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM3,948,670 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM3,948,670 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital in the prior year.

15. RESERVES

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Non-distributable					
Revaluation reserve	(a)	7,509,747	7,621,885	-	-
Foreign currency translation reserve	(b)	(1,655,013)	(647,329)	-	-
		5,854,734	6,974,556	-	-
Distributable					
Retained earnings	(c)	52,038,968	48,078,873	82,968	20,295
		57,893,702	55,053,429	82,968	20,295

(a) Revaluation reserve

The revaluation reserve represents the surplus on revaluation of leasehold land and buildings of the Group and are not available for distribution to the shareholders by way of dividends.

(b) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

(c) Retained earnings

Under the single tier system, all the Company's retained earnings are distributable by way of dividend and tax on the Company's profit is the final tax and dividend distributed to shareholders will be exempted from tax.

16. LOANS AND BORROWINGS

		Group 2018 RM	Group 2017 RM
Non-current			
Secured			
Term loans	(a)	98,645	1,785,689
Finance lease liabilities	(b)	14,499	82,202
		113,144	1,867,891
Current			
Secured			
Term loans	(a)	1,664,220	1,855,907
Finance lease liabilities	(b)	67,703	219,404
Bank overdraft	(c)	782,167	273,456
Bill payables	(d)	8,206,052	10,934,646
Revolving credit	(e)	-	246,499
		10,720,142	13,529,912
Total loans and borrowings:			
Term loans	(a)	1,762,865	3,641,596
Finance lease liabilities	(b)	82,202	301,606
Bank overdraft	(c)	782,167	273,456
Bill payables	(d)	8,206,052	10,934,646
Revolving credit	(e)	-	246,499
		10,833,286	15,397,803

(a) Term loans

Term loan 1 of a subsidiary of RM 1,196,333 (2017: RM2,277,346) bears interest at 11.5% (2017: 11.5%) per annum and is repayable by monthly instalments of RM98,277 equivalent to IDR341,240,979 over 5 years commencing from the day of first drawdown and is secured and supported as follows:

(i) Corporate guarantee of a subsidiary of the Company.

Term loan 2 of a subsidiary of RM566,532 (2017: RM1,364,250) bears interest at 3.6% (2017: 3.6%) per annum and is repayable by monthly instalments of RM72,380 equivalent to USD17,500 over 3 years commencing from the day of first drawdown and is secured and supported as follows:

(i) Specific debenture over the machinery of a subsidiary; and
(ii) Corporate guarantee of the Company.

16. LOANS AND BORROWINGS (cont'd)

(b) Finance lease liabilities

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	Group 2018 RM	Group 2017 RM
Minimum lease payments:		
- Not later than one year	69,474	231,870
- Later than one year and not later than 5 years	14,768	84,242
	84,242	316,112
Less: Future finance charges	(2,040)	(14,506)
Present value of minimum lease payments	82,202	301,606
Present value of minimum lease payments:		
- Not later than one year	67,703	219,404
- Later than one year and not later than 5 years	14,499	82,202
	82,202	301,606

The finance lease liabilities bear interest at rates ranging from 2.7% to 3.5% (2017: 2.7% to 6.8%) per annum.

(c) Bank overdraft

The bank overdraft bears interest at the rate of 8.3% (2017: 8.2%) per annum.

(d) Bills payables

The bills payable bear interest at rates ranging from 3.6% to 4.1% (2017: 2.1% to 11.8%) per annum.

(e) Revolving credit

The revolving credit bear interest at the rate of Nil (2017: 11.0% to 11.8%) per annum.

(f) The bills payables, bank overdraft and revolving credit are secured by way of:

(i) Third party third and fourth legal charges over the leasehold land and buildings of a subsidiary as disclosed in Note 5(b) to the financial statements; and
(ii) Corporate guarantee of the Company.

17. PROVISION FOR RETIREMENTS BENEFIT

The Group operates unfunded defined retirement benefit plans for some of its employees.

The total amount recognised in the statements of financial position are as follows:

	Group	
	2018 RM	2017 RM
Present value of unfunded obligation	90,647	-

The following table shows a reconciliation from the opening balance to the closing balance for the retirement benefit plan:

	Group	
	2018 RM	2017 RM
At 1 January	-	-
Included in the profit or loss:		
- Current service cost	83,100	-
- Interest cost	5,897	-
	88,997	-
Other		
Effects of changes in foreign exchange rates	1,650	
At 31 December	90,647	-

The principal actuarial assumptions used as follows:

	Group	
	2018	2017
Discount rate	8.5%	0%
Future salary growth	5.0%	0%
Pension retirement age	55	-

Assumptions regarding future mortality are based on published statistics and mortality tables.

17. PROVISION FOR RETIREMENT BENEFIT (cont'd)

Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	Effect on defined benefit obligation	
	Increase	Decrease
Group	**RM**	**RM**
2018		
Increase/Decrease of 1% discount rate	78,287	105,565
Increase/Decrease of 1% expected rate of salary increase	106,524	77,374

18. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 120 days (2017: 30 days to 120 days).

19. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Other payables	1,536,592	1,742,780	99,150	23,623
Accruals	360,938	199,591	29,204	21,054
GST payable	-	2,183	-	2,183
SST payable	304,244	-	-	-
	2,201,774	1,944,554	128,354	46,860

Other payables are non-interest bearing and are normally settled on 30 days to 60 days terms (2017: 30 days to 60 days).

20. AMOUNT OWING TO DIRECTORS

Group and Company

The amount owing to directors represent director fees, which is unsecured, interest-free and repayable on demand.

21. REVENUE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Sales of non-woven products	53,096,544	59,274,917	-	-
Sales of resinated felt for heat and sound insulation	32,021,583	30,429,777	-	-
Management fees	-	-	480,000	480,000
Dividend income	59,934	25,299	3,090,559	2,055,923
	85,178,061	89,729,993	3,570,559	2,535,923

The revenue from sales of goods is recognise upon the goods transferred at a point in time.

22. FINANCE COSTS

	Group 2018 RM	Group 2017 RM
Interest expenses on:		
- term loans	(230,259)	(393,235)
- finance lease liabilities	(12,399)	(28,318)
- bank overdraft	(10,227)	(11,034)
- bills payables	(243,858)	(190,462)
- other loans	(25,234)	(154,851)
	(521,977)	(777,900)

23. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Auditors' remuneration:				
- Malaysian operations				
- current year	92,500	81,450	30,800	28,000
- prior year	11,050	10,450	2,800	5,500
- Overseas operation				
- current year	58,266	62,933	-	-
Amortisation charges on land use rights	166,152	186,812	-	-
Depreciation of property, plant and equipment	3,681,725	3,650,695	-	-
(Gain)/Loss on disposal of property, plant and equipment	(5,052)	11,867	-	-
Property, plant and equipment written-off	42,789	-	-	-

23. PROFIT BEFORE TAX (cont'd)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax: (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Expected credit loss on trade receivable	287,599	-	-	-
Rental of premises	364,416	408,026	-	-
Dividend income from short term investment	(263,394)	(105,538)	-	-
Interest income from loan and receivables	(95,040)	(113,888)	-	-
Net foreign exchange (gain)/loss:				
- realised	(1,068,593)	(834,125)	-	-
- unrealised	219,070	326,433	-	-
Remeasurement gain of the net defined benefit liability	88,997	-	-	-
Directors' remuneration (Note 27(c)):				
- fees	140,000	120,000	120,000	120,000
- salaries, allowances and bonuses	1,068,936	999,795	251,600	234,300
- defined contribution plans	99,660	94,834	26,100	26,100
Staff costs:				
- salaries, allowances and bonuses	7,316,313	6,369,798	-	-
- defined contribution plans	736,673	524,717	-	-
- socso	66,723	54,155	-	-
- other staff related expenses	225,781	188,258	-	-

24. INCOME TAX EXPENSE

The major component of income tax expense are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current income tax:				
- current year	1,218,907	867,125	100,150	6,867
- prior year	(22,701)	148,163	(3,065)	3,982
	1,196,206	1,015,288	97,085	10,849
Deferred tax (Note 8):				
- current year	224,824	8,421	-	-
- prior year	108,690	(10,975)	-	-
	333,514	(2,554)	-	-
Total income tax expenses	1,529,720	1,012,734	97,085	10,849

24. INCOME TAX EXPENSE (cont'd)

Domestic income tax is calculated at the Malaysia statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

The corporate tax rate applicable to the Indonesia subsidiary of the Group was 25% for the year assessment 2018 (2017: 25%).

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

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	7,607,677	10,830,489	2,389,758	1,813,750
Tax at Malaysian statutory income tax rate of 24% (2017: 24%)	1,825,842	2,599,317	573,542	435,300
Tax effects arising from:				
- non-deductible expenses	345,530	25,724	268,342	64,988
- double deduction	(1,460)	(2,305)	-	-
- non-taxable income	(308,411)	(261,756)	(741,734)	(493,421)
- origination of deferred tax arising from reinvestment allowance	(381,779)	(74,906)	-	-
- utilisation of previously unrecognised deferred tax assets	-	(1,373,847)	-	-
- different tax rate in foreign jurisdiction	(3,111)	(3,802)	-	-
- crystallisation of deferred tax	(32,879)	(32,879)	-	-
- (under)/over accrual in prior years	85,988	137,188	(3,065)	3,982
Tax expense for the financial year	1,529,720	1,012,734	97,085	10,849

25. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	2018 RM	2017 RM
Profit attributable to owners of the Company	6,077,957	9,817,755

	2018	2017
Weighted average number of ordinary shares for basic earnings per share	223,000,000	223,000,000
Basic earnings per ordinary share (sen)	2.73	4.40

Diluted earnings per ordinary share

The diluted earnings per share of the Group for the financial year ended 31 December 2018 and 31 December 2017 are equivalent to the basic earnings per share as the Group does not have any dilutive potential shares.

26. DIVIDENDS

	Group and Company	
	2018 RM	2017 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
Single tier interim dividend of 1 sen per ordinary share, declared on 30 November 2018 and paid on 31 December 2018	2,230,000	-
Single tier interim dividend of 0.8 sen per ordinary share, declared on 23 November 2017 and paid on 29 December 2017	-	1,784,000

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2018.

27. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identification 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 the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationships with:

(i) its direct and indirect subsidiaries;

(ii) the key management personnel which comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and

(iii) company in which certain directors have substantial financial interest.

(b) Significant related party transactions

Significant related party transactions during the financial year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Subsidiaries				
- Dividend income received	-	-	3,030,625	2,030,625
- Management fee received/receivable	-	-	480,000	480,000
Company in which certain directors have substantial interest *				
- Rental expenses paid/payable	72,000	72,000	-	-

* Oceancash Felts Sdn. Bhd., a wholly-owned subsidiary of the Company, had entered into a lease agreement with Oceancash Holdings Sdn. Bhd., a company in which certain directors have interests for a vacant land at a monthly rental of RM6,000. The lease is to facilitate the expansion of the said subsidiary.

27. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' remuneration (Note 23)				
- fees	140,000	120,000	120,000	120,000
- salaries, allowances and bonuses	1,068,936	999,795	251,600	234,300
- defined contribution plans	99,660	94,834	26,100	26,100
Other key management personnel:				
- short term employee benefits	765,687	843,623	-	-
	2,074,283	2,058,252	397,700	380,400

The estimated monetary value of other benefits, not included in the above, received by the directors and other key management personnel of the Group and of the Company were RM100,650 and Nil (2017: RM100,650 and Nil) respectively.

28. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business segments which is based on the internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

Insulation	:	Manufacturing and distribution of insulation products.
Hygiene	:	Manufacturing and trading of hygiene products.
Investment holding	:	Investment holding and provision of management services.

Measurement of reportable segments

Segment profit

Segment performance is used to measure performance as Group's chief operating decision maker believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

28. OPERATING SEGMENTS (cont'd)

Segment assets

The total of segment asset is measured based on all assets of a segment other than current and deferred tax assets.

The amounts of addition to non-current assets is excluding financial instruments and deferred tax assets.

Segment liabilities

The total of segment liability is measured based on all liabilities of a segment other than current and deferred tax liabilities.

Geographical information

Revenue and non-current assets information on the basis of geographical segments information are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Major customers

Major customers' information are revenues from transactions with a single external customer, the amount of which is ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer.

Factors used to identify reportable segments

The factors used to identify the entity's reportable segments are based on each subsidiary's principal activities and the products manufactured.

28. OPERATING SEGMENTS (cont'd)

Reportable segments and major customers

	Insulation RM	Hygiene RM	Investment holding RM	Inter-segment eliminations RM	Note	Total RM
2018						
Revenue:						
External customers	32,021,583	53,096,544	59,934	-		85,178,061
Inter-segment	-	-	3,510,625	(3,510,625)		-
Total revenue	32,021,583	53,096,544	3,570,559	(3,510,625)	a	85,178,061
Results:						
Interest income						95,040
Interest expense						521,977
Depreciation						(3,681,725)
Amortisation						(166,152)
Segment profit	5,518,809	2,729,717	2,389,758	(3,030,607)	b	7,607,677
Income tax expense	(1,062,189)	(370,446)	(97,085)	-		(1,529,720)
Profit for the financial year	4,456,620	2,359,271	2,292,673	(3,030,607)		6,077,957
Additions to non-current assets	411,657	2,246,938	-	-		2,658,595
Segment assets	46,449,524	54,684,423	26,638,011	(27,536,941)	c	100,235,017
Segment liabilities	4,352,684	16,269,511	231,861	(4,747,261)	d	16,106,795
Major customers	-	40,424,489	-	-		40,424,489
Major customers (in number)	-	2	-	-		2

28. OPERATING SEGMENTS (cont'd)

Reportable segments and major customers (cont'd)

	Insulation RM	Hygiene RM	Investment holding RM	Inter-segment eliminations RM	Note	Total RM
2017						
Revenue:						
External customers	30,429,777	59,274,917	25,299	-		89,729,993
Inter-segment	668	-	2,510,625	(2,511,293)		-
Total revenue	30,430,445	59,274,917	2,535,924	(2,511,293)	a	89,729,993
Results:						
Interest income						113,888
Interest expense						777,900
Depreciation						(3,650,695)
Amortisation						(186,812)
Segment profit	4,431,396	6,615,967	1,813,751	(2,030,625)	b	10,830,489
Income tax expense	(851,447)	(150,438)	(10,849)	-		(1,012,734)
Profit for the financial year	3,579,949	6,465,529	1,802,902	(2,030,625)		9,817,755
Additions to non-current assets	416,959	913,821	-	-		1,330,780
Segment assets	44,956,720	58,162,313	3,638,932	(6,013,615)	c	100,744,350
Segment liabilities	4,887,770	21,169,098	166,859	(6,013,615)	d	20,210,112
Major customers	-	41,488,411	-	-		41,488,411
Major customers (in number)	-	2	-	-		2

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

(a) Inter-segment revenues are eliminated on consolidation;

(b) Inter-segment expenses and other incomes are eliminated on consolidation;

(c) Inter-segment assets are eliminated on consolidation; and

(d) Inter-segment liabilities are eliminated on consolidation.

28. OPERATING SEGMENTS (cont'd)

Geographical information

	Revenue 2018 RM	Revenue 2017 RM	Non-current assets 2018 RM	Non-current assets 2017 RM
Malaysia	33,483,407	31,978,042	34,087,217	34,124,805
Indonesia	11,790,518	11,582,301	18,445,987	20,675,814
Japan	26,487,158	29,209,213	-	-
Thailand	11,788,391	13,765,653	-	-
Others	1,628,587	3,194,784	-	-
	85,178,061	89,729,993	52,533,204	54,800,619

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018:
(i) Fair value through profit or loss ("FVPL")
(ii) Amortised cost

On or before 31 December 2017:
(i) Loans and receivables ("L&R")
(ii) Fair value through profit or loss ("FVTPL")
- Held for trading ("HFT")
(iii) Other financial liabilities ("FL")

	Carrying amount RM	Amortised cost RM	FVTPL RM
At 31 December 2018			
Financial assets			
Group			
Other investments	4,579,689	-	4,579,689
Trade receivables	16,372,479	16,372,479	-
Other receivables and deposits*	130,782	130,782	-
Cash and bank balances	15,671,391	15,671,391	-
	36,754,341	32,174,652	4,579,689
Company			
Other investments	2,027,092	-	2,027,092
Deposits	1,000	1,000	-
Amount owing by a subsidiary	1,490,828	1,490,828	-
Cash and bank balances	317,703	317,703	-
	3,836,623	1,809,531	2,027,092

29. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (continued):

	Carrying amount RM	Amortised cost RM	FVTPL RM
At 31 December 2018			
Financial liabilities			
Group			
Loans and borrowings	(10,833,286)	(10,833,286)	-
Trade payables	(2,877,581)	(2,877,581)	-
Other payables and accruals^	(1,897,530)	(1,897,530)	-
Amount owing to directors	(103,507)	(103,507)	-
	(15,711,904)	(15,711,904)	-
Company			
Other payables and accruals	(128,354)	(128,354)	-
Amount owing to directors	(103,507)	(103,507)	-
	(231,861)	(231,861)	-

	Carrying amount RM	L&R/ (FL) RM	FVTPL- HFT RM
At 31 December 2017			
Financial assets			
Group			
Other investment	532,961	-	532,961
Trade receivables	16,294,193	16,294,193	-
Other receivables and deposits*	149,753	149,753	-
Cash and bank balances	15,508,414	15,508,414	-
	32,485,321	31,952,360	532,961
Company			
Other investment	532,961	-	532,961
Deposits	1,000	1,000	-
Amount owing by a subsidiary	1,690,828	1,690,828	-
Cash and bank balances	1,413,444	1,413,444	-
	3,638,233	3,105,272	532,961

29. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (continued):

	Carrying amount RM	L&R/ (FL) RM	FVTPL- HFT RM
At 31 December 2017			
Financial liabilities			
Group			
Loans and borrowings	(15,397,803)	(15,397,803)	-
Trade payables	(2,747,755)	(2,747,755)	-
Other payables and accruals^	(1,942,371)	(1,942,371)	-
Amount owing to directors	(120,000)	(120,000)	-
	(20,207,929)	(20,207,929)	-
Company			
Other payables and accruals^	(44,677)	(44,677)	-
Amount owing to directors	(120,000)	(120,000)	-
	(164,677)	(164,677)	-

* Exclude GST refundable and prepayments
^ Exclude GST payable

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company use derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit Risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

29. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(i) Credit Risk (cont'd)

Trade and other receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2018		2017	
	RM	% of total	RM	% of total
By country:				
Malaysia	9,803,999	60%	9,965,239	61%
Indonesia	3,095,921	19%	1,974,690	12%
Japan	1,955,089	12%	2,378,276	15%
Thailand	1,517,470	9%	1,975,988	12%
	16,372,479	100.0%	16,294,193	100.0%

The Group and the Company apply the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

29. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

The information about the credit risk exposure on the Group's and Company's trade receivables using provision matrix are as follows:

	I---------------------- Trade receivables ----------------------I				
Group	**Current**	**1-30 days past due**	**31-60 days past due**	**> 61 days past due**	**Total**
At 31 December 2018					
Gross carrying amount at default rate	11,018,256	4,278,258	680,826	395,139	16,372,479
Allowance for impairment loss	-	-	-	(287,599)	(287,599)

Other financial assets

For other financial assets (including cash and bank balances and other investments), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

29. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are incorporated (continued):

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantees

The Company is exposed to credit risk in relation to financial guarantee given to banks in respect of banking facilities granted to a subsidiary. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risk amounts to RM9,636,953 (2017: RM12,809,404) representing the maximum amount the Company could pay if the guarantee is called on. As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee as there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

29. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

The Group and the Company maintain a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		|----------- Contractual cash flows ----------|		
	Carrying amount RM	On demand or within 1 Year RM	Between 1 - 5 Years RM	Total RM
2018				
Group				
Trade payables	2,877,581	2,877,581	-	2,877,581
Other payables and accruals^	1,897,530	1,897,530	-	1,897,530
Amount owing to directors	103,507	103,507	-	103,507
Loans and borrowings	10,833,286	10,721,913	113,413	10,835,326
	15,711,904	15,600,531	113,413	15,713,944
Company				
Other payables and accruals^	128,354	128,354	-	128,354
Amount owing to directors	103,507	103,507	-	103,507
	231,861	231,861	-	231,861
2017				
Group				
Trade payables	2,747,755	2,747,755	-	2,747,755
Other payables and accruals^	1,942,371	1,942,371	-	1,942,371
Amount owing to directors	120,000	120,000	-	120,000
Loans and borrowings	15,397,803	13,542,378	1,869,931	15,412,309
	20,207,929	18,352,504	1,869,931	20,222,435
Company				
Other payables and accruals^	44,677	44,677	-	44,677
Amount owing to directors	120,000	120,000	-	120,000
	164,677	164,677	-	164,677

^ Exclude SST & GST payable

29. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases, cash and bank balances and borrowings are denominated in a foreign currency) and the Group's net investments in foreign subsidiary. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Thai Baht ("THB").

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group's and the Company's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Financial assets and liabilities not held in functional currency		
United States Dollar		
Trade receivables	3,472,421	4,346,948
Cash and bank balances	7,931,572	5,171,891
Trade payables	(632,191)	(834,741)
Other payables	(159,452)	(159,981)
Borrowings	(8,772,584)	(11,450,804)
Thai Baht		
Trade payables	(448,191)	(424,702)

Sensitivity analysis for foreign currency risk

A 1% strengthening of the USD against the Group's functional currency at the reporting date would increase the profit net of tax by RM13,982. This analysis assumes that all other variables remain constant.

A 1% weakening of the USD against the Group's functional currency at the reporting date would have an equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

The exposure to currency risk of the Group other than USD is not material and hence, sensitivity analysis is not presented.

29. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

The Group manage the net exposure to interest rate risks by monitoring the exposure to such risks on an ongoing basis. The Group do not use derivative financial instruments to hedge its risk.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed rate instruments				
Financial liabilities	(82,202)	(301,606)	-	-
Floating rate instruments				
Financial liabilities	(10,751,084)	(15,096,197)	-	-

Financial instruments subject to floating interest rates are repriced regularly. Financial instruments at fixed rates are fixed until the maturity of the instruments.

Sensitivity analysis for interest rate risk
An increase in market interest rates by 1% on financial liabilities of the Group which have variable interest rates at the reporting date would decrease the profit net of tax of the Group by RM81,708 This analysis assumes that all other variables remain constant.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the reporting date would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

29. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short term receivables, other investments and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The fair value of the finance lease liabilities is calculated based on the present value of estimated settlement amounts.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed. The different levels have been defined as follows:

		Fair value of financial instruments not carried at fair value			
Group	**Carrying amount RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
2018					
Financial liabilities					
Finance lease liabilities	82,202	-	82,202	-	82,202
2017					
Financial liabilities					
Finance lease liabilities	301,606	-	301,606	-	301,606

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the Group may adjust the dividend payment to shareholders.

There were no changes in the Group's approach to capital management during the financial year.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Total loans and borrowings (Note 16)	10,833,286	15,397,803	-	-
Less: Cash and bank balances	(15,671,391)	(15,508,414)	(317,703)	(1,413,444)
Net (cash)/debt	(4,838,105)	(110,611)	(317,703)	(1,413,444)
Total equity attibutable to the owners of the Company	84,142,372	81,302,099	26,331,638	26,268,965
Capital and net debts	79,304,267	81,191,488	26,013,935	24,855,521
Gearing ratio	-	-	-	-

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 26 October 2018, the listing of and quotation for the entire issued share capital of Oceancash has been transferred from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad, marking the completion of the transfer.

(b) On 30 November 2018, the Company announced to undertake a proposed bonus issue of 22,300,000 new ordinary shares in Oceancash Pacific Berhad ("OPB") on the basis of one (1) bonus share for every ten (10) existing ordinary shares held on an entitlement date that was later determined to be 23 January 2019.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

(a) On 7 January 2019, Oceancash Pacific Berhad ("OPB") acquired 30,000 ordinary shares, representing 100% equity interest in the issued and paid-up share capital of Oceancash (Thailand) Co. Ltd for a total consideration of 2,724,907 Baht, equivalent to RM350,600.

(b) On 24 January 2019, the Company announced to undertake a proposed bonus issue of 22,300,00 new ordinary shares in the Company on the basis of one (1) bonus share for every ten (10) existing ordinary shares of the Company held on 23 January 2019 ("entitlement date").

Statement By Directors
(Pursuant to Section 251(2) of the Companies Act 2016)

We, **TAN SIEW CHIN** and **TAN WEY CHIEN**, being two of the directors of Oceancash Pacific Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 25 to 93 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

....

TAN SIEW CHIN
Director

....

TAN WEY CHIEN
Director

Kuala Lumpur

Date: 15 April 2019

Statutory Declaration
(Pursuant to Section 251(1) of the Companies Act 2016)

I, **MAH YIT MUI**, being the officer primarily responsible for the financial management of Oceancash Pacific Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 25 to 93 are 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.

....

MAH YIT MUI

MIA Membership No.: 8792

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 15 April 2019.

Before me,

....

Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oceancash Pacific Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 93.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Group

Inventories (Note 4.3 and 9 to the financial statements)

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

The Group's inventories are measured at the lower of cost and net realisable value. The review of the saleability and valuation of the inventories at the lower of cost and net realisable value by the Group requires estimations.

Our audit response:

Our audit procedures included, among others:
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on selected inventory items;
- reviewing whether the inventories have been written-down to their net realisable value for inventory items with net realisable value lower than their cost; and
- reviewing the inventory ageing prepared by the management.

Key Audit Matters (Cont'd)

Deferred tax assets (Note 4.2 and 8 to the financial statements)

As at 31 December 2018, the Group has recognised deferred tax assets for unused tax losses and deductible temporary differences that it believes are recoverable. The recoverability of recognised deferred tax assets is dependent on whether there will be sufficient future taxable profits against which the unused tax losses and the deductible temporary differences can be utilised.

We focused on this area because the realisation of these deferred tax assets is often dependent on future taxable profits and there are inherent uncertainties involved in projecting the amount.

Our audit response:

Our audit procedures focused on evaluating the profit projections and the Group's forecasting procedures which included, among others:

- comparing the actual results with previous projections to assess the performance of the business and historical accuracy of the projections;
- reviewing the profit projections by comparing the assumptions as well as our assessments in relation to key inputs such as growth rate, inflation rate and profit margins; and
- testing the mathematical accuracy of the profit projection calculations.

Company

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Ng Boon Hiang
No. 02916/03/2020 J
Chartered Accountant

Kuala Lumpur

Date: 15 April 2019

SHARE CAPITAL

Total Number of Issued Shares	:	245,300,000
Types of Shares	:	Ordinary share
Voting Rights	:	One vote per ordinary share on a poll
No. of Shareholders	:	2,209

ANALYSIS OF SHAREHOLDINGS

Size of shareholdings	No. of Holders	%	Holdings	%
less than 100	11	0.4980	491	0.0002
100 – 1,000	96	4.3459	32,381	0.0132
1,001 - 10,000	1,005	45.4957	3,531,932	1.4398
10,001 - 100,000	960	43.4586	25,791,200	10.5141
100,001 – less than 5% of issued shares	135	6.1114	70,830,698	28.8751
5% and above of issued shares	2	0.0905	145,113,298	59.1575
Total	2,209	100.0000	245,300,000	100.0000

LIST OF SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares held			
Name	Direct	%	Indirect	%
Tan Siew Chin	107,833,924	43.9600	37,279,374 (1)	15.1975
Chen Lee Chew	37,279,374	15.1975	107,833,924 (2)	43.9600

Notes:

(1) Deemed interested pursuant to Section 197 of the Companies Act 2016 by virtue of the shareholdings of his wife, Chen Lee Chew.

(2) Deemed interested pursuant to Section 197 of the Companies Act 2016 by virtue of the shareholdings of her husband, Tan Siew Chin.

LIST OF DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' HOLDINGS

	No. of Shares held			
Name	Direct	%	Indirect	%
Tan Siew Chin	107,833,924	43.9600	37,279,374 (1)	15.1975
Tan Siew Tyan	1,487,662	0.6065	-	-
Chan Soo Wah	33,000	0.0135	-	-
Tan Wey Chien	-	-	-	-
Ngiam Kee Tong	-	-	-	-
Crystal Yong Mei Yee	-	-	-	-

Notes:

(1) Deemed interested pursuant to Section 197 of the Companies Act 2016 by virtue of the shareholdings of his wife, Chen Lee Chew.

LIST OF 30 LARGEST HOLDERS OF SHARES

No.	Name	No. of shares	Percentage
1.	Tan Siew Chin	107,833,924	43.9600
2.	Chen Lee Chew	37,279,374	15.1975
3.	Lor Eng Huat	5,103,760	2.0806
4.	Lor Moong Thing	5,048,435	2.0581
5.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund	3,730,000	1.5206
6.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,322,880	1.3546
7.	Tan Chin Ming	2,550,944	1.0399
8.	Cartaban Nominees (Tempatan) Sdn Bhd Icapital.Biz Berhad	2,453,000	1.0000
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lor Seng Thee (7001275)	2,200,000	0.8969
10.	Lor Seng Thee	2,145,044	0.8745
11.	Lor Moong Sih	2,079,880	0.8479
12.	Yeo Kim Huat	2,035,500	0.8298
13.	Lee Seong Kar	1,832,803	0.7472
14	Wong Yoon Tet	1,650,000	0.6726
15.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Asia-Pacific Dividend Fund	1,617,000	0.6592
16	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Dana Makmur	1,586,000	0.6466
17.	Tan Siew Tyan	1,487,662	0.6065
18.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liberty Alliance (M) Sdn Bhd (8092710)	1,453,200	0.5924
19	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Kaf Vision Fund	1,430,000	0.5830
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund	1,248,500	0.5090
21	Wong Yoon Chyuan	990,000	0.4036
22.	Chen Hean Tin	906,400	0.3695
23.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Dana Maa'rof	766,000	0.3123
24.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Boon Howe (Penang-CL)	700,000	0.2854

No.	Name	No. of shares	Percentage
25.	Kok Wai Leng	654,500	0.2668
26.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Boo Chye Heng	605,000	0.2466
27.	Mercsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Beow Soon	550,000	0.2242
28.	Poh Kee Huat	546,960	0.2230
29.	Sing Kiap Enterprise Sendirian Berhad	523,600	0.2135
30.	Shee Kai Hing	506,000	0.2063
	TOTAL	194,836,366	79.4278

List Of Properties

Registered Owner	Beneficial Owner	Title No./ Location	Description and existing use	Tenure/Date of Expiry of Leasehold Land	Approximate Age of Building (Years)	Land Area (Sq.ft)	NBV As at 31 December 2018 RM	Date Of Last Revaluation
Oceancash Holdings Sdn Bhd ①	Oceancash Nonwoven Sdn Bhd (ONW)	H.S. (D) 52918 P.T. No. 41067 Town of Bandar Baru Bangi, District of Ulu Langat, State of Selangor/	Two-storey office block and two single-storey factory building	Leasehold 99 years/ 19 August 2098	15	214,720	21,769,977	31 July 2014
		Lot 73 Jalan P10/21, Taman Industri Selaman, Seksyen 10 43650 Bandar Baru Bangi, Selangor	Single-storey factory separated into two (2) sections by a metal road					
	PT Oceancash Felts	Greenland International Industrial Center (GIIC) Kota Deltamas Blok CD No. 16, Desa Pasirranji Kec. Cikarang Pusat Kabupaten Bekasi Provinsi Jawa Barat Indonesia	Factory and warehouse buildings	Valid up to Jan 2029 and is extendable for 20 years in accordance with the laws of The Republic of Indonesia `Peraturan Pemerintah Republik' Indonesia Nomor 40 Tahun 1996 Tentang Hak Guna Usaha, Hak Guna Bangunan Dan Hak Pakai Atas Tanah, under Article 25 paragraph (1) expiry of right to build: 11.01.2029 and 16.01.2029 (up to January 2029)	4	97,434	9,418,418	-

① *Note: The title of the leasehold land is in the process of being transferred to the name of the subsidiary.*

List Of Subsidiary Companies

Name of Company	2017	2018	Principal Activities
Oceancash Nonwoven Sdn Bhd (501722-K)	100%	100%	Manufacturing and trading of nonwoven products
Oceancash Felts Sdn Bhd (383427-W)	100%	100%	Manufacturing and distribution of resinated felts
PT Oceancash Felts	100%	100%	Manufacturing and distribution of felts and manufacturing of parts and accessories for vehicles with four or more wheels

Statement Accompanying Notice Of Sixteenth Annual General Meeting

1. The Directors seeking re-election at the Sixteenth Annual General Meeting of the Company are as follows:

   1.1 Article 94 of the Company's Articles of Association:
   (i) Mr Tan Siew Tyan
   (ii) Ms Chan Soo Wah

   1.2 Article 101 of the Company's Articles of Association:
   (i) Ms Crystal Yong Mei Yee

   The profiles of the Directors seeking re-election are set out on pages 6 and 7 of this Annual Report.

2. The details of attendance of the Directors at Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018 are disclosed in the Corporate Governance Overview Statement set out on pages 9 to 16 of this Annual Report.

3. The details of the Sixteenth Annual General Meeting are as follows:

Date of Meeting	Time of Meeting	Place of Meeting
Thursday, 30 May 2019	12.00 noon	Raya Room Level 2 Hotel Bangi-Putrajaya Off Persiaran Bandar 43650 Bandar Baru Bangi Selangor Darul Ehsan

Notice Of Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of Oceancash Pacific Berhad ("Oceancash" or "Company") will be held at Raya Room, Level 2, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Thursday, 30 May 2019 at 12.00 noon for the following purposes:

AGENDA

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note 1*

2. To approve the payment of Directors' fees of RM140,000.00 for the financial year ended 31 December 2018. **Resolution 1** *Please refer to Explanatory Note 2*

3. To approve the payment of meeting allowances to be paid to Non-Executive Directors from 31 May 2019 until the conclusion of the next Annual General Meeting. **Resolution 2** *Please refer to Explanatory Note 2*

4. To re-elect the following Directors who retire pursuant to Article 94 of the Company's Articles of Association and being eligible, offer themselves for re-election:
   (a) Mr Tan Siew Tyan **Resolution 3**
   (b) Ms Chan Soo Wah **Resolution 4**

5. To re-elect Ms Crystal Yong Mei Yee who retires pursuant to Article 101 of the Company's Articles of Association and being eligible, offers herself for re-election. **Resolution 5**

6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS:

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

7. **Ordinary Resolution**
   Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

   "**THAT** subject to Sections 75 and 76 of the Companies Act, 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being. **Resolution 7** *Please refer to Explanatory Note 3*

   AND THAT such authority shall commence immediately upon passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **Ordinary Resolution**
Retention of Independent Director of the Company

"**THAT** subject to the passing of Resolution 4 and pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Ms Chan Soo Wah be and is hereby retained as Independent Non-Executive Director of the Company and she shall continue to act as Independent Non-Executive Director notwithstanding that she has been on the Board of Directors of the Company for a cumulative term of more than twelve (12) years since 29 March 2004."

Resolution 8
Please refer to Explanatory Note 4

9. **Special Resolution**
Proposed Adoption of New Constitution of the Company ("Proposed Adoption")

"**THAT** the existing Memorandum and Articles of Association of the Company be revoked with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix "A" accompanying the Company's 2018 Annual Report be adopted as the new Constitution of the Company with immediate effect.

AND THAT the Directors of the Company be authorised to do all acts and things and take all such steps that may be necessary and/or expedient to give effect to the Proposed Adoption with full power to assent to any modification, variation and/or amendment as may be required by the relevant authorities."

Special Resolution 1
Please refer to Explanatory Note 5

ANY OTHER BUSINESS:

10. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
YIP SIEW CHENG (MAICSA 7006780)
Company Secretaries

Kuala Lumpur
Dated : 30 April 2019

NOTES:

1. A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.

2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.

3. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

6. Only members whose names appear in the Record of Depositors on 24 May 2019 shall be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

EXPLANATORY NOTES:

1. **Audited Financial Statements For The Financial Year Ended 31 December 2018**

   This item of the Agenda is meant for discussion only. The provision of Section 340(1) of the Companies Act, 2016 requires that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this item of the Agenda is not a business which requires a resolution to be put to vote by shareholders.

2. **Directors' Remuneration**

   Section 230(1) of the Companies Act, 2016 provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

   In this respect, the Board wishes to seek shareholders' approval for the following payments to the Non-Executive Directors of the Company at the Sixteenth Annual General Meeting in 2 separate resolutions as stated below:

   Ordinary Resolution 1 seeks approval for payment of Directors' fees of RM140,000.00 for the financial year ended 31 December 2018.

   Ordinary Resolution 2 seeks approval for payment of meeting allowances of RM300.00 per meeting per person to be paid to Non-Executive Directors from 31 May 2019 until the conclusion of the next Annual General Meeting of the Company.

3. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   The proposed **Ordinary Resolution 7** is a renewal of the previous year's mandate and if passed, will authorise the Directors of the Company to issue new shares up to a maximum of 10% of the total number of issued shares (excluding treasury shares) of the Company at the time of issue, for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   As at the date of notice of meeting, no shares have been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company.

   This mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. This mandate is also meant for any possible fund raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investments, working capital and/or acquisitions.

4. **Retention of Independent Director of the Company**

The proposed **Ordinary Resolution 8** is to seek shareholders' approval to retain Ms Chan Soo Wah as Independent Non-Executive Director of the Company. She has served the Company as Independent Non-Executive Director for 15 years since 29 March 2004 and she has expressed her intention to seek re-appointment as Independent Non-Executive Director of the Company. If the Board continues to retain independent director after 12 years pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process. The Nomination Committee had assessed the independence of Ms Chan Soo Wah and recommended to the Board that she be retained as Independent Non-Executive Director of the Company based on her ability to maintain independent judgement and to express unbiased views without any influence. She is familiar with the Group's business operations and has devoted time and commitment and has exercised due care in discharging her duties and responsibilities as Independent Non-Executive Director. She has fulfilled the criteria under the definition of Independent Director as defined in the Listing Requirements of Bursa Malaysia Securities Berhad.

5. **Proposed Adoption of New Constitution of the Company ("Proposed Adoption")**

The proposed **Special Resolution 1** is undertaken to align the Constitution of the Company with the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The details are set out in Appendix "A" accompanying the Company's 2018 Annual Report.

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FORM OF PROXY
OCEANCASH PACIFIC BERHAD (590636-M)

*I/We .... *NRIC/Company No ....
(Block Letters)

of ....

being a *member/members of the abovenamed Company, hereby appoint ....

*NRIC/Company No .... of ....

or failing *him/her .... *NRIC/Company No ....

of ....

or failing *him/her, the CHAIRMAN of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at Raya Room, Level 2, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Thursday, 30 May 2019 at 12.00 noon and at any adjournment thereof in the manner indicated below :

No	Resolutions	For	Against
ORDINARY RESOLUTIONS			
1.	To approve the payment of Directors' fees of RM140,000.00 for the financial year ended 31 December 2018.		
2.	To approve the payment of meeting allowances to be paid to Non-Executive Directors from 31 May 2019 until the conclusion of the next Annual General Meeting.		
3.	To re-elect Mr Tan Siew Tyan who retires pursuant to Article 94 of the Company's Articles of Association and being eligible, offers himself for re-election.		
4.	To re-elect Ms Chan Soo Wah who retires pursuant to Article 94 of the Company's Articles of Association and being eligible, offers herself for re-election.		
5.	To re-elect Ms Crystal Yong Mei Yee who retires pursuant to Article 101 of the Company's Articles of Association and being eligible, offers herself for re-election.		
6.	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7.	Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016.		
8.	Retention of Independent Non-Executive Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance – Ms Chan Soo Wah.		
SPECIAL RESOLUTION:			
1.	Proposed Adoption of New Constitution.		

*Please indicate with an "X" in the appropriate box against the resolution on how you wish your proxy to vote. If no specific instruction as to voting is given, the proxy will vote at *his/her discretion.*

Number of Shares	
CDS Account No	
Date	

....
Signature

Notes :

1. *A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless *he/she specifies the proportions of *his/her shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or *his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
6. *Only members whose names appear in the Record of Depositors on 24 May 2019 shall be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*

**Delete where inapplicable*

Fold this line for sending

Affix
Stamp

OCEANCASH PACIFIC BERHAD
(Company No : 590636-M)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

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OCEANCASH PACIFIC BERHAD (590636-M)
Lot 73, Jalan P10/21, Taman Industri Selaman, 43650 Bandar Baru Bangi, Selangor, Malaysia.

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