



CB INDUSTRIAL PRODUCT HOLDING BERHAD

199701013434 (428930-H)

# **2019 ANNUAL REPORT**



**EQUIPPING PALM OIL MILLS  
WITH GREEN AND INNOVATIVE  
TECHNOLOGIES AROUND THE WORLD**

# FINANCIAL HIGHLIGHTS

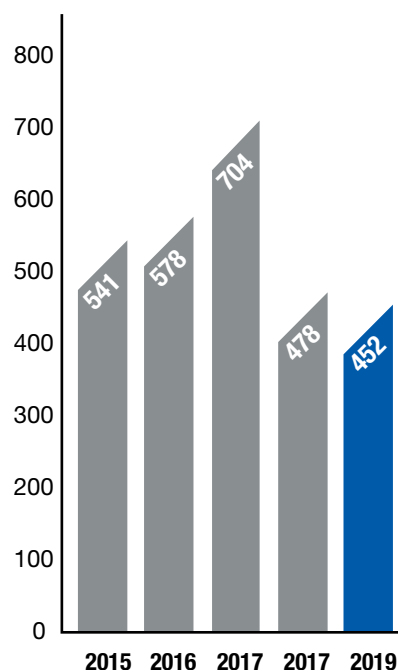
**REVENUE** **RM452m**  
**-5.4%**  
 2018:RM478m

**PROFIT BEFORE TAXATION** **RM38m**  
**-46.6%**  
 2018:RM71m

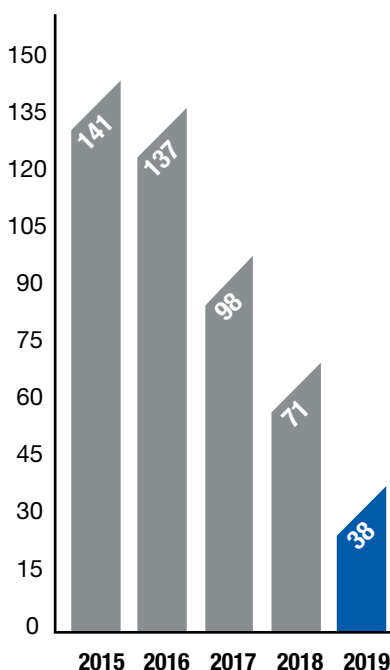
**SHAREHODERS' EQUITY** **RM726m**  
**+0.8%**  
 2018:RM720m

In RM'000	2015	2016	2017	2018	2019
Revenue	541,274	577,883	704,058	478,086	452,487
Profit Before Taxation	141,350	137,176	98,306	70,614	37,718
Profit Attributable To Shareholders	97,985	102,210	52,046	23,344	35,500
Shareholders' Equity	668,822	724,770	724,449	720,273	726,029
Earnings Per Share (Sen)	18.5	19.4	9.8	4.4	6.6

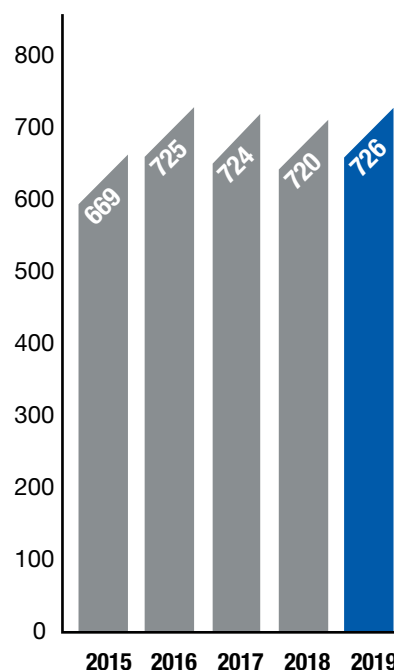
**REVENUE**  
 (RM Million)



**PROFIT BEFORE TAXATION**  
 (RM Million)



**SHAREHOLDERS' EQUITY**  
 (RM Million)



# TABLE OF CONTENTS

2	Vision & Mission
4	Chairman's Statement
7	Board of Directors
8	Profile of Directors
12	Profile of Key Senior Management
15	Management Discussion and Analysis
21	Corporate Information
22	Sustainability Statement
43	Notice of Annual General Meeting
49	Statement of Directors' Responsibilities
50	Audit Committee Report
53	Corporate Governance Overview Statement
66	Statement on Risk Management and Internal Control
69	Additional Compliance Information
73	Directors' Report
79	Statement by Directors
79	Statutory Declaration
80	Independent Auditors' Report
88	Statements of Financial Position
90	Statements of Comprehensive Income
91	Statements of Changes in Equity
94	Statements of Cash Flows
97	Notes to the Financial Statements
172	List of Properties
173	Analysis of Shareholdings
	Proxy Form
	Corporate Structure

## 23<sup>rd</sup> ANNUAL GENERAL MEETING

**Date**  
30th July 2020

**Time**  
10:00am

The 23rd Annual General Meeting will be conducted fully virtual and live-stream

**Broadcast Venue**  
Aquamarin Room  
The Saujana Hotel Kuala Lumpur  
Jalan Lapangan Terbang SAAS  
40150 Shah Alam  
Selangor Darul Ehsan



# VISION & MISSION

## OUR VISION

To be the preferred provider of innovative engineering products and solutions to the global oil palm industry and related sectors.



**SPECIAL PURPOSE VEHICLES**  
Retrofitting special purpose vehicles





## OUR MISSION

### LEADER

To be the leading global manufacturer and supplier of technologically advanced and cost effective palm oil mills.

### INNOVATOR

To be a reliable, reputable, speedy and competitive provider of quality and innovative engineering products and solutions.

### CUSTOMERS

To exceed customers expectations through our expertise, research & development and strategic collaborations.

### WORKFORCE

To develop a highly motivated, efficient and creative workforce by providing opportunities for growth and clear career path.

### CORPORATE CITIZEN

To continue to be a responsible corporate citizen who contributes towards its social and environmental responsibilities.

### SHAREHOLDERS

To continue to enhance shareholder's value.

# CHAIRMAN'S STATEMENT



**TAN SRI DATUK DR. YUSOF BIN BASIRAN**  
*Independent Non-Executive Chairman*

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board of Directors of CB Industrial Product Holding Berhad (“CBIPH” or “the Company”), I am pleased to present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2019.

## Introduction

For the financial year under review, the Group registered a lower revenue of RM452.5 million with the profit before taxation (“PBT”) recorded at RM37.7 million representing a drop of 5.4% and 46.6% as compared to the preceding financial year’s revenue of RM478.1 million and PBT of RM70.6 million respectively.

## Management Discussion and Analysis

The detailed analysis on the performance for the financial year ended 31 December 2019 is discussed in the enclosed Management Discussion and Analysis Report.

## Moving Forward

Businesses globally are facing the world’s largest economic crisis in the world’s history as most industries are being badly disrupted by the outbreak of COVID-19 which has been declared and characterised by the World Health Organisation (WHO) as a pandemic. This is not just a public health crisis, it is a crisis that every sector and every individual must be involved to help overcome the difficulties brought on by this historical event.

Despite the continuous volatile challenges and uncertainties in market forecast for the year 2020, CBIPH Group will strive through the adverse situation by adopting a cautious approach.

The Equipment and Engineering Segment anticipates a stable demand in the near future whereas the Plantation and Milling Segment foresees soft market conditions and the weak consumer sentiment will continue in year 2020. The Special Purpose Vehicles Segment expects market environment to remain tough in year 2020 amidst stiff competition on open market tendering. Overall, the Group foresees a very challenging operating environment in the year ahead. Despite anticipating such a challenging environment in the year 2020, CBIPH Group believe they are ready to face it.

## Other Developments

We managed to acquire the remaining ordinary shares in TPG Oil & Gas Sdn. Bhd. (“TPGOG”) for a total consideration of RM7 million. TPGOG’s current business activity is trading of oil commodities, among others, mainly crude palm oil, crude palm kernel oil, sludge palm oil and refined bleached deodorised palm oil.

## CHAIRMAN'S STATEMENT

In addition to the above, TPGOG owns a refinery (i.e. pre-treatment) plant with a capacity of 120,000MT/year which have been fully operational since the beginning of 2020 and a biodiesel plant with a capacity of 134,000MT/year which is currently undergoing refurbishment and it is targeted to be fully operational in July 2020 barring any unforeseen delays. A financial discussion will be more fully articulated in next year's annual report when we consolidate the financial results of TPGOG into CBIPH Group.

### Dividends

The Company has consistently paid dividends each year while allocating funds for business growth and investment. The Company paid an interim single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2019 on 8 January 2020.

The Company will endeavour to reward our shareholders with good dividend pay-out each year despite the current challenging market condition.

### Acknowledgement

The Board and I would like to take this opportunity to express our sincere thanks and appreciation to the Management and staff for their continuous valuable contribution, loyalty and dedication to the Group. We also wish to record our heartfelt gratitude to our shareholders, customers, partners, bankers, business associates and all the respected government authorities for their invaluable support and assistance, continuous trust and understanding during the year.

**Tan Sri Datuk Dr. Yusof Bin Basiran**

*JMN, PJN, PSM*

*Independent Non-Executive Chairman*



# BOARD OF DIRECTORS



**TAN SRI DATUK  
DR. YUSOF BIN BASIRAN**  
*Independent Non-Executive  
Chairman*



**DATUK LIM CHAI BENG**  
*Managing Director*



**Y.D.M. TENGKU DATO'  
ARDY ESFANDIARI BIN  
TENGKU ABDUL HAMID  
SHAH ALHAJ TENGKU SERI  
PADUKA SHAHBANDAR  
(SELANGOR)**  
*Executive Director*



**MAK CHEE MENG**  
*Executive Director*



**LIM CHAI HUAT**  
*Non-Independent  
Non-Executive Director*



**WONG CHEE BENG**  
*Senior Independent  
Non-Executive Director*



**KARPANADEVI A/P K R  
SOMASUNDRAM**  
*Independent  
Non-Executive Director*



**LIM ZEE PING**  
*Alternate Director to  
Datuk Lim Chai Beng*

# PROFILE OF DIRECTORS



**TAN SRI DATUK DR. YUSOF BIN BASIRAN**

*Independent Non-Executive  
Chairman*

**TAN SRI DATUK DR. YUSOF BIN BASIRAN**, Male, Age 71, Malaysian, was appointed to the Board on 20 February 2006.

He is also presently a Director of Sime Darby Plantation Berhad.

He is also involved in the following organisations:-

- Senior Fellow and Past President of Academy Sciences Malaysia (ASM)
- Fellow member of Malaysian Oil Scientists' and Technologists' Association (MOSTA)
- Fellow member of the Incorporated Society of Planters

His notable academic achievements are as follows:-

- In 1972, he obtained his Bachelor in Chemical Engineering Degree from the University of Canterbury, New Zealand;
- In 1974, he obtained his Post-Graduate Degree in Rubber Technology (ANCRT) from the North London Polytechnic, United Kingdom; and
- In 1976, he obtained his Masters Degree in Engineering specialising in Industrial Management (M.E.) and also in Business Administration (MBA) from the Catholic University of Leuven in Belgium.

Before he joined Palm Oil Research Institute of Malaysia (PORIM) in 1979, he held the position of Rubber Technologist/ Techno-Economist with the Rubber Research Institute (RRI)/ Malaysian Rubber Research Development Board (MRRDB).

In 1986, he completed his doctorate with a PhD in Applied Economics and Management Science from the University of Stirling, Scotland. He was later appointed as the Director-General of PORIM in 1992. He held the position for 8 years until April 2000 before assuming the role of the Director-General of Malaysia Palm Oil Board (MPOB), an organisation which existed as a result of a PORIM and Palm Oil Registration and Licensing Authority (PORLA) merger, from 1 May 2000 until 18 January 2006. He was formerly the Chief Executive Officer of the Malaysian Palm Oil Council (MPOC) and a Director of Bank Negara Malaysia.

For all these services, he was conferred the Federal Awards Darjah JOHAN MANGKU NEGARA (J.M.N.), Darjah Yang Mulia PANGLIMA JASA NEGARA (P.J.N.) and Darjah Kebesaran PANGLIMA SETIA MAHKOTA (P.S.M.).

## PROFILE OF DIRECTORS



**DATUK LIM CHAI BENG**  
*Managing Director*

**DATUK LIM CHAI BENG**, Male, Age 61, Malaysian, was appointed to the Board on 3 February 1999.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. and also the Managing Director of this subsidiary company, a position he holds until today. He is also the Managing Director of the subsidiary companies, Modipalm Engineering Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd. He has vast experience in the engineering industry. He is the driving force behind the Group's growth and responsible for the overall management and formulation of the Group's strategic plans and policies. He possesses strong inter-personal and management skills, which inculcates a good rapport with the highly motivated and dedicated workforce.

On 28 July 2009, Datuk Lim was awarded the Outstanding Entrepreneurship Award 2009 by Enterprise Asia.



**Y.D.M. TENGKU DATO' ARDY ESFANDIARI BIN TENGKU ABDUL HAMID SHAH ALHAJ TENGKU SERI PADUKA SHAHBANDAR (SELANGOR)**  
*Executive Director*

**Y.D.M. TENGKU DATO' ARDY ESFANDIARI BIN TENGKU ABDUL HAMID SHAH ALHAJ TENGKU SERI PADUKA SHAHBANDAR (SELANGOR)**, Male, Age 60, Malaysian, was appointed to the Board on 3 February 1999.

He is an established business entrepreneur with extensive networking and great public relations skills. He was previously the Director/Project Director of Worldwide Holdings Berhad for more than 8 years and was involved in the restructuring exercise of the Company in the year 1990.

He was appointed as a director of C.B. Industrial Product Sdn. Bhd. in 1994 and is responsible for the public affairs and government liaison of this subsidiary company. He is also the Managing Director of the subsidiary company, AVP Engineering (M) Sdn. Bhd., principally involved in the retrofitting of special purpose vehicles.

He was bestowed with the Darjah Kebesaran Dato'- Sultan Sharafuddin Idris Shah (D.S.I.S.) award in conjunction with the 67th birthday of the Sultan of Selangor.

## PROFILE OF DIRECTORS



**MAK CHEE MENG**  
*Executive Director*

**MAK CHEE MENG**, Male, Age 65, Malaysian, was appointed to the Board on 3 February 1999.

Prior to joining C.B. Industrial Product Sdn. Bhd. in 1994, he was the Manager (Industrial Division) from 1982 to 1989 for Centrimax Engineering Sdn. Bhd., a company principally involved in the supply of palm oil mill equipment and related services, where he was responsible for the sales and marketing division. He is the founder of AV-Ecopalms Sdn. Bhd. and Avecpalm Marketing Resources Sdn. Bhd. He is instrumental in developing the export market in the West African countries, Papua New Guinea and the South American tropical belt countries.

From 2010 to 2012, he was appointed as the Plantation Director of Sachiew Plantations Sdn. Bhd. to oversee the operations of Sachiew Plantations Sdn. Bhd. and Empresa Estate Sdn. Bhd. and Palm Oil Milling. He is currently the Managing Director of the subsidiary company, AV-Ecopalms Sdn. Bhd., managing the green field development of 32,000 ha potential landbank for oil palm cultivation in Central Kalimantan, Indonesia.



**LIM CHAI HUAT**  
*Non-Independent  
Non-Executive Director*

**LIM CHAI HUAT**, Male, Age 59, Malaysian, was appointed to the Board on 3 February 1999. He is a member of the Audit Committee and Nomination and Remuneration Committee.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. He joined Chin Beng Engineering Works in 1980 as the Operations Manager. When Chin Beng Engineering Works was incorporated into a private limited company under its present name of C.B. Industrial Product Sdn. Bhd. in 1983, he was promoted to Production Manager due to his vast experience and track record in the manufacturing division. In 1985, he was further promoted to Project Director where he headed the project team and managed the Project Division e.g. construction of the plants in Telok Panglima Garang currently housed as Head Office of CBIPH Group. He is currently acts as an advisor for palm oil mill projects and the administration of the factory and Property Division.

He is the Managing Director of Freiberg (Malaysia) Sdn. Bhd. and Freiberg Office System Sdn. Bhd., companies which were granted a license from Australia to manufacture environmental office furniture and partitions. He is also a Director of Office 2 Go (M) Sdn. Bhd. and Freiberg Properties Private Limited Company which involved in trading of office furniture and properties leasing businesses.

## PROFILE OF DIRECTORS



**WONG CHEE BENG**  
Senior Independent  
Non-Executive Director

**WONG CHEE BENG**, Male, Age 66, Malaysian, was appointed to the Board on 23 May 2002. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

He is a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He also holds a Master of Business Administration (MBA) from Brunel University, United Kingdom and is a Certified Financial Planner (CFP).

He has more than 30 years of experience in the areas of auditing, accounting, financial management, business entrepreneurship and company secretarial work.



**KARPANADEVI A/P K R SOMASUNDRAM**  
Independent  
Non-Executive Director

**KARPANADEVI A/P K R SOMASUNDRAM**, Female, Age 57, Malaysian, was appointed to the Board on 14 November 2019. She is the Chairperson of the Nomination and Remuneration Committee and a member of the Audit Committee.

She holds a Post Graduate Diploma in Law (CPE) and BA (Hons) in Law and Politics from University of North London, United Kingdom.

She has more than 27 years of working experience in United Kingdom and Asia, cross-functionally in different industries including Government sector in United Kingdom.

She has vast experience in the areas of Enterprise Risk Management, Corporate Governance, Legal and Compliance and has strong capability in identifying inherent risks in business. She has previously held several senior management positions in the areas of risk management and compliance with financial institution and listed company in Malaysia, and is currently at Peak Consulting Sdn. Bhd. providing in-house legal and strategic advice.



**LIM ZEE PING**  
Alternate Director to  
Datuk Lim Chai Beng

**LIM ZEE PING**, Male, Age 34, Malaysian, was appointed as an Alternate Director to Datuk Lim Chai Beng, the Managing Director of the Company, on 6 June 2014.

Mr Lim graduated from Monash University of Australia with a Bachelor of Engineering in the field of Mechanical Engineering. He has worked in Modipalm Engineering Sdn. Bhd. after his graduation since year 2010. Having spending his time at the production, he is currently involving in the sales & marketing department, where he oversees the overseas market such as Africa, Central America and Papua New Guinea.

# PROFILE OF KEY SENIOR MANAGEMENT

## TAN HOCK YEW

*Chief Financial Officer*  
*Male, Age 52, Malaysian.*

Mr Tan joined the Company as the Group Accountant in 1997 and later promoted as the Chief Financial Officer. Prior to joining the Company, he had worked in a public accounting firm for 4 years. He has more than 20 years of experience in the areas of auditing, accounting and finance.

He graduated with his professional qualification from the Chartered Institute of Management Accountants (“CIMA”) in 1993. He was admitted as an associate member of CIMA in 1996. He is also a member of the Malaysian Institute of Accountants since 1997.

He is also the Director of several subsidiaries of CBIPH in Indonesia.

## LIM ZEE YANG

*Corporate Development And Corporate Relation Manager*  
*Male, Age 30, Malaysian.*

Mr Lim graduated from University of Melbourne with a Bachelor in Commerce in the field of finance. Prior to joining the Company in 2013, he worked for one and a half years as an analyst in the Corporate Finance Department of Maybank Investment Bank Berhad, where he was involved in various corporate exercises ranging from take-overs, initial public offerings as well as mergers and acquisitions.

He is currently responsible for screening and evaluation of new business initiatives for the Group and also heads the investor relations department, tasked with engaging in active communication with various stakeholders of our Group.

## TAN YU HWA

*Executive Director - Engineering Segment*  
*Male, Age 61, Malaysian.*

Mr Tan graduated with B.Sc. (Hons) Mechanical Engineering from University of Sussex and Master of Business Administration from University of Hull. He was appointed as the Executive Director of C.B. Industrial Product Sdn. Bhd. on 8 August 2000. Subsequently, he was also appointed as the Executive Director of Modipalm Engineering Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd. in year 2005 and 2016 respectively. Prior to joining the Company, he had worked as Palm Oil Mill Engineer and Manager at Golden Hope Plantations Berhad and as the General Manager of Guthrie Medium Density Fiberboard Sdn. Bhd. He has more than 35 years of experience in engineering and palm oil industries.

He is currently overseeing the project and engineering segment. He is also the Director of several companies within CBIPH Group.

## PROFILE OF KEY SENIOR MANAGEMENT

### **KOO BOON HOE**

*Executive Director - Boiler Segment*

*Male, Age 62, Malaysian.*

Mr Koo was appointed as the Executive Director of Advance Boilers Sdn. Bhd. on 12 January 2006. Prior to joining the Company, he had worked with American and German based Multi-National Companies for 23 years where he responsible for the Industrial Control and Fluid Automation Division. Thereafter, he was promoted as the General Manager.

Currently, he oversees the overall operation of the boiler segment including sales and marketing.

### **DATO' KU AZHAR BIN KU AHMAD**

*Executive Director - Special Purpose Vehicles Segment*

*Male, Age 55, Malaysian.*

Dato' Ku Azhar graduated from The University of New South Wales Australia with Bachelor of Engineering in Mechanical Engineering. Before joining the Company, he had worked with UMW Engineering (M) Sdn. Bhd. and Guthrie Industries (M) Sdn. Bhd. as Assistant Design Manager and Production Manager for 6 years and 9 years respectively.

He was appointed as the Executive Director of AVP Engineering (M) Sdn. Bhd. in 2004. He is currently involving in overall marketing and production of the Special Purpose Vehicles Segment. He is also the Director of several companies within the CBIPH Group and a shareholder of AVP Engineering (M) Sdn. Bhd..

### **SITI ZAWIYAH BINTI ALIAS**

*Operation Director - Special Purpose Vehicles Segment*

*Female, Age 50, Malaysian.*

Puan Siti Zawiyah graduated from University Technology of Malaysia (UTM) with Bachelor Degree of Mechanical Engineering in Industrial. She joined AVP Engineering (M) Sdn. Bhd. as Senior Manager in 2005 and was appointed as the Operation Director of AVP Engineering (M) Sdn. Bhd. in 2017. She is also a shareholder of AVP Engineering (M) Sdn. Bhd.. Prior to joining the Company, she had worked with Wagon Engineering Sdn. Bhd. as Manager for 8 years and with Guthrie Industries Sdn. Bhd. as Head of Specialized Vehicle for 5 years.

Currently, she is responsible for the daily operation of the AVP Engineering (M) Sdn. Bhd. and managing all potential projects, projects in hand and after sales support.

## ***Notes to Directors' and Key Senior Management's Profile:***

### **1. Family Relationships**

Datuk Lim Chai Beng is a major shareholder of the Company.

Mr Lim Chai Huat is the brother of Datuk Lim Chai Beng.

Mr Lim Zee Ping and Mr Lim Zee Yang are the sons of Datuk Lim Chai Beng and nephew of Mr Lim Chai Huat.

The other Directors and Key Senior Management do not have any family relationship with any Directors and/or major shareholder of the Company.

### **2. Conflict of Interest**

None of the Directors and Key Senior Management has any conflict of interest with the Company.

### **3. Conviction of Offences**

None of the Directors and Key Senior Management has been convicted for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed on him/her by the relevant regulatory bodies during the financial year 2019.

### **4. Attendance at Board Meetings**

The detail of attendance of the Directors at the Board Meeting are set out on page 58 of this Annual Report.

### **5. Directors' Shareholdings**

The details of the Directors' Interest in the securities of the Company are set out in the Analysis of Shareholdings on page 173 of this Annual Report.

### **6. Directorships in Public Companies and Listed Issuers**

Save as disclosed herein, none of the Directors and Key Senior Management hold any other directorship in public companies and listed issuers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2019

The historical five years financial information of CBIPH is set out below:

	2015	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	541,274	577,883	704,058	478,086	452,487
Profit before tax	141,350	137,176	98,306	70,614	37,718
Finance costs	1,350	1,462	2,324	4,650	10,990
Profit attributable to owners of the Company	97,985	102,210	52,046	23,344	35,500
Shareholders' equity	668,822	724,770	724,449	720,273	726,029
Total assets	975,933	1,020,497	1,003,437	1,082,408	1,151,992
Loans and borrowings	19,728	31,972	67,267	126,686	177,851
Debt-to-equity (%)	2.95	4.41	9.29	17.59	24.50
Basic earnings per share (sen)	18.5	19.5	9.8	4.4	6.6
Net assets per share (RM)	1.27	1.38	1.39	1.41	1.44
Dividend per share (sen)	7.0	6.0	6.0	4.0	2.0

The share performance of CBIPH during 2019 is set out below:

Year high	RM1.15
Year low	RM0.78
Year close	RM1.10
Market capitalisation as at 31 December 2019	RM555,540,000

## BUSINESS SEGMENTS

### 1) Palm Oil Equipment and Engineering Segment

Our Palm Oil Equipment and Engineering Segment has been supplying palm oil mills globally with high quality processing parts since the 1970s. Our business model is centred around the supply of machineries and turnkey construction of both the Modipalm Continuous Sterilisation and conventional palm oil mills for both the local and overseas oil palm plantation companies. We serve a wide array of clientele which includes, but not limited to Sime Darby Plantation, TH Plantations, United Plantations and PT Sinarmas in Indonesia. Besides turnkey construction, we are also involved in the sales of palm oil equipment and spare parts to the palm oil milling industry.

Our primary products among others, includes fresh fruit bunch crushers, pressure vessels and threshers. Geographically, our customers include well established companies in Indonesia, Malaysia, Papua New Guinea, Thailand, Africa and Central American region.

## MANAGEMENT DISCUSSION AND ANALYSIS

Our suppliers provide us with various raw materials used in the palm oil mill manufacturing which includes but not limited to mild steel plates, stainless steel plates, pumps and motors.

The historical five years revenue and profit before tax of the Palm Oil Equipment and Engineering Segment are set out below:

Year	Revenue	Profit Before Tax
	RM'000	RM'000
2015	415,786	112,017
2016	416,231	102,598
2017	366,175	78,686
2018	340,274	82,056
2019	394,373	87,403

Our strategy for the Palm Oil Equipment and Engineering Segment is to grow our revenue by expanding existing clientele business while developing new ones to achieve a sustainable growth path. We also target to expand our sales of palm oil equipment and spare parts business by creating and expanding our distribution network through fostering of strategic partnership with local dealers.

Continued investment in research & development remain the core of the overall strategy of the Group. We have invested our resources with the expectation of commercialising the zero-discharge technology which is an innovative solution focused on making waste management within palm oil mills, a sustainable and environmentally friendly process. We plan to commercialise this technology in the near to the medium term.

Our Palm Oil Equipment and Engineering Segment is exposed to certain risk factors affecting its business, namely lower crude palm oil prices which affects the capital expenditures of oil palm plantation companies, the depreciation of US Dollars against the Malaysian Ringgit as some of our contracts are denominated in US Dollars and also the prices of steel which is the main raw material used in the manufacture of palm oil mills and equipment.

### 2) Special Purpose Vehicles Segment

Our Special Purpose Vehicles Segment is involved in the retrofitting of special purpose vehicles wherein we supply various types of specialised vehicles which includes, among others, medium and heavy-duty trucks, fire-fighting vehicles and ambulances.

Our customer base includes various agencies such as the Ministry of Urban Wellbeing, Housing and Local Government, the Ministry of Health and the National Security Council. Currently, our market is only within Malaysia.

Our local and foreign suppliers provide us with various work in progress materials such as vehicle chassis and equipment needed to be retrofitted into the vehicles by us.

## MANAGEMENT DISCUSSION AND ANALYSIS

The historical five years revenue and profit before tax of the Special Purpose Vehicles Segment are set out below:

Year	Revenue	Profit Before Tax
	RM'000	RM'000
2015	123,356	28,956
2016	158,371	26,316
2017	327,840	35,798
2018	120,707	43,896
2019	2,757	2,395

Our strategy for the Special Purpose Vehicles Segment is to continue to pursue opportunities and grow our vehicles portfolio to meet the increasing needs for such specialised vehicles by the government bodies. This strategy will ensure a long-term growth pathway as the Special Purpose Vehicles Segment continues to strengthen and grow its capabilities. Our Special Purpose Vehicles Segment will also continue to pursue business developments with government bodies in overseas market.

Our Special Purpose Vehicles Segment is exposed to certain risk factors affecting its business, namely the depreciation of the Malaysian Ringgit against the Euro for the purchases of materials as well as the government's expenditure budget which will affect the demand of our products.

### 3) Palm Oil Plantation and Milling Segment, Associates and Joint Ventures

Our Palm Oil Plantation and Milling Segment is involved in the cultivation of oil palm in Indonesia and Sarawak. In Indonesia, we have a land bank of approximately 32,000 hectares, of which 13,400 hectares has been planted as at 31 December 2019. We have interest of approximately 7,352 hectares of mature oil palms in Sarawak through our Associates and Joint Venture companies. Our main suppliers amongst other are made up of fertiliser and chemical companies.

The historical five years revenue and profit before tax of the Palm Oil Plantation and Milling Segment and share of results of Associates and Joint Venture are set out below:

Year	Revenue	Profit Before Tax
	RM'000	RM'000
2015	2,132	(3,967)
2016	3,281	(7,557)
2017	10,043	(9,162)
2018	17,105	(8,771)
2019	50,037	(19,737)

# MANAGEMENT DISCUSSION AND ANALYSIS

Year	Share of results of Associates and Joint Venture ((Loss)/ Profit after tax)
	RM'000
2015	4,674
2016	9,016
2017	12,851
2018	(22,852)
2019	(6,856)

Our strategy for the Palm Oil Plantation and Milling Segment is to complete our new planting in Indonesia soonest possible. Our first palm oil mill has been completed and had commenced operation. With the commissioning of the new palm oil mill, the Milling Segment will add another new revenue stream to our Group which is small currently.

## OPERATIONS REVIEW

### Financial Results

For the financial year ended 31 December 2019, the Group achieved a revenue of RM452.5 million representing a year-on-year decrease of 5.4%. The decrease in revenue was mainly due to a 97.7% revenue drop in our Special Purpose Vehicles Segment, whereby there was a reduction in new contracts secured during the financial year other than the RM76.24 million contract to supply airport fire vehicles.

Correspondingly, the Group's profit before tax also reduced from RM70.6 million to RM37.7 million representing a drop of 46.6% in profit as compared to the previous financial year. The decrease in profit before tax was largely due to a few factors, namely the lower contribution of profit by Special Purpose Vehicles Segment, impairment of goodwill of RM16.3 million, additional impairment on investment in an Associate of RM15 million and further loss of RM11.0 million incurred by Palm Oil Plantation and Milling Segment.

Despite the lower revenue and profit before tax, the impact was mitigated by higher revenue and profit before tax generated from Palm Oil Equipment and Engineering Segment by RM54.1 million and RM5.4 million respectively due to higher profit margin from contracts, lower production costs and a gain from disposal of a property of RM9.1 million.

The share of results of Associates and Joint Venture posted a loss of RM6.9 million, a decrease in loss of 70% as compared to the previous financial year. The higher loss incurred in the previous financial year was due to one-off expenses such as impairment loss on receivables and property, plant and equipment of RM5.9 million and RM6.4 million respectively.

Notwithstanding the above, the Group's profit attributable to owners increased by 52.1% from RM23.3 million to RM35.5 million in the current financial year due to lower profit attributable to non-controlling interest during the financial year which mainly represents 51% of non-controlling interest party in Special Purpose Vehicles Segment (i.e. due to lower revenue and profit generated during the financial year).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and Capital Resources

The Group's cash and cash equivalents increased by 19.9% to RM134.4 million from RM112.1 million in the previous financial year mainly due to higher cash flows from operating activities of RM23.8 million and proceeds from disposal of property, plant and equipment of RM27.6 million.

The Group's loans and borrowings increased by 40.4% from RM126.7 million at the end of previous financial year to RM177.9 million mainly due to additional drawdowns of term loans undertaken in the current financial year to finance its palm oil plantation development in Indonesia. With the additional borrowings, the Group's debt/equity ratio has increased to 24.5% as compared to 17.6% at the end of previous financial year. The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders and benefits to other stakeholders. In order to meet this objective, the Group always strive to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

## Working Capital Position

As at 31 December 2019, the Group has receivables of RM302.4 million, an increase of 12% as compared to RM270.0 million as at 31 December 2018. This was mainly due to higher trade receivables as a result of higher billings towards the end of 2019 by the Palm Oil Equipment and Engineering Segment.

As at 31 December 2019, the Group has payables of RM97.0 million, a marginal decrease of 5.5% as compared to RM102.6 million as at 31 December 2018.

## RISK FACTORS

### Social, Political and Economic Risks

Similar to all other businesses, adverse developments in the economic, political and social conditions in Malaysia and other international markets in which our Group has material operations could materially and adversely affect the business and financial performance of our Group as well and cause a slowdown of the Group's growth plans. These include risks of changes in political leadership, war, expropriation, nationalisation, changes in government policies, global economic downturn, epidemic outbreaks, social unrests, changes in currency exchange rates, interest rates and accounting standards and unfavourable changes in government policies such as introduction of new regulations, interest rate hikes and increase in taxation.

Our Group continues to take corrective measures to mitigate these risks including close monitoring of the Government's masterplan in respect of long term economic and development policies so that we can stay ahead as well as capitalise on any regulatory changes in the industries that our Group operates.

### The Management Team and Experienced Personnel

The management team has the breadth and depth of expertise necessary to manage the Group. Together with a large pool of home-grown talent, the management team is well-tuned to the domestic, regional, global dynamics and challenges of the industry. Representatives of our major shareholders on our Board bring an invaluable set of expertise and relationships to guide our long-term strategic growth. Moreover, CBIPH has one of the best workforce in the industry with positive employee relations and strong employee loyalty.

## MANAGEMENT DISCUSSION AND ANALYSIS

Our Directors recognise the importance of our Group's ability to attract and retain its key personnel and retain a sufficient number of highly skilled employees. Therefore, we continue to provide our employees with long-term career prospects within our Group and job rotation opportunities to develop multiple skills. Our productivity driven reward structure motivates our employees to reach our competitive productivity standards and continuously seek for improvements.

### Price and Foreign Currency Fluctuation Risks

The price of crude palm oil and palm kernel are based on global prices, which tend to be cyclical and subject to fluctuations. Global prices are in turn affected by the availability of agricultural commodities, of which supply is affected by unpredictable factors such as weather conditions, while demand is affected by factors such as changes in population growth, changes in standard of living, bio-diesel demand and global production of substitute and competitive crops.

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The foreign currency risk is partially managed through a natural hedge between the sales and purchases in the same currencies, the remaining is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

### Competitive Environment

In its operations, CBIPH competes with many companies of various sizes. There can be no assurances that we will not be affected by our competitors especially those who operate in the palm oil milling and special purpose vehicle. However, we are confident with our competitive advantages as we are able adapt through continuous business development and innovation in order to maintain and grow our standing in both market places.

## PROSPECT MOVING FORWARD

The pandemic Covid-19 has severely disrupted the world supply chains. Performance of most businesses in 2020 are expected to be affected. However, the Group is cautiously optimistic it will be able to perform despite such a challenging environment.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Tan Sri Datuk Dr. Yusof Bin Basiran  
*Independent Non-Executive Chairman*

Datuk Lim Chai Beng  
*Managing Director*

Y.D.M Tengku Dato' Ardy Esfandiari Bin Tengku Abdul  
Hamid Shah Alhaj Tengku Seri Paduka Shahbandar (Selangor)  
*Executive Director*

Mak Chee Meng  
*Executive Director*

Lim Chai Huat  
*Non-Independent Non-Executive Director*

Wong Chee Beng  
*Senior Independent Non-Executive Director*

Karpanadevi A/P K R Somasundram  
*Independent Non-Executive Director*

Lim Zee Ping  
*Alternate Director to Datuk Lim Chai Beng*

## AUDIT COMMITTEE

Wong Chee Beng  
*Chairman, Senior Independent Non-Executive Director*

Karpanadevi A/P K R Somasundram  
*Independent Non-Executive Director*

Lim Chai Huat  
*Non-Independent Non-Executive Director*

## NOMINATION AND REMUNERATION COMMITTEE

Karpanadevi A/P K R Somasundram  
*Chairperson, Independent Non-Executive Director*

Wong Chee Beng  
*Senior Independent Non-Executive Director*

Lim Chai Huat  
*Non-Independent Non-Executive Director*

## COMPANY SECRETARIES

Teo Mee Hui (MAICSA 7050642)  
(SSM PC No. 202008001081)

Elizabeth Allison De Zilva (MAICSA 7030086)  
(SSM PC No. 202008002112)

## REGISTERED OFFICE

No. 1 Jalan Astaka U8/83  
Section 8, Bukit Jelutong  
40150 Shah Alam  
Selangor Darul Ehsan  
Telephone No.: 603-7845 4115  
Facsimile No.: 603-7845 4117  
E-mail: info@cbip.com.my  
Website: www.cbip.com.my

## SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Telephone No.: 603-7890 4700  
Facsimile No.: 603-7890 4670

## AUDITORS

Crowe Malaysia PLT  
(LLP0018817-LCA & AF 1018)  
*Chartered Accountants*  
Level 16, Tower C, Megan Avenue 2  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Malaysia  
Telephone No.: 03-2788 9999  
Facsimile No.: 03-2788 9998  
Website: www.crowe.my

## PRINCIPAL BANKERS

AmBank (M) Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of  
Bursa Malaysia Securities Berhad

Stock Name: CBIP  
Stock Code: 7076

# SUSTAINABILITY STATEMENT

## ABOUT THIS STATEMENT [102-1, 102-2, 102-6]

CB Industrial Product Holding Berhad (“CBIPH” or “the Group”) is a leading manufacturing and engineering company that manufactures palm oil mill equipment and spare parts for various mills globally. We are pleased to present to our valued stakeholders, our third sustainability statement which describes the Group’s initiatives to address the Economic, Environmental and Social (“EES”) impacts arising from our business operations. The Group is committed to continuously improve its business operations while creating sustainable value for its stakeholders.

## SCOPE OF REPORTING [102-4, 102-50]

The scope of this statement is limited to the Group’s subsidiary under the Equipment and Engineering Segment; PalmitEco Engineering Sdn Bhd (“PalmitEco”) located in Teluk Panglima Garang, Selangor as it is the main revenue contributor for the Group. Our Modipalm Engineering Sdn Bhd (“Modipalm”) operations have been excluded from the statement as the projects under this entity are almost completed with minimal activities for the reporting year which is the calendar year ended 31 December 2019.

## REPORTING FRAMEWORK

This statement has been prepared in line with the Main Market Listing Requirements (“MMLR”) for sustainability reporting and the Sustainability Reporting Guide by Bursa Malaysia Securities Berhad. We have aligned our disclosures to the indicators from the Global Reporting Initiative (“GRI”) Standards – Core Option. The relevant GRI indicator is specified in parenthesis against the respective headings throughout this statement and the GRI Content Index is available on pages 41 to 42.

## FEEDBACK [102-53]

We encourage feedback from our stakeholders on our overall approach to sustainability and on the contents of this statement. Any comment or suggestion of this nature can be directed to:

Jonathan Lai  
Investor Relations  
CB Industrial Product Holding Berhad  
jonathanlai@cbip.com.my

## SUSTAINABILITY COMMITMENT STATEMENT

The Group’s vision and mission statements reflect its ambition to become a global market leader in palm oil mill equipment manufacturing and to exceed its customers’ expectations.



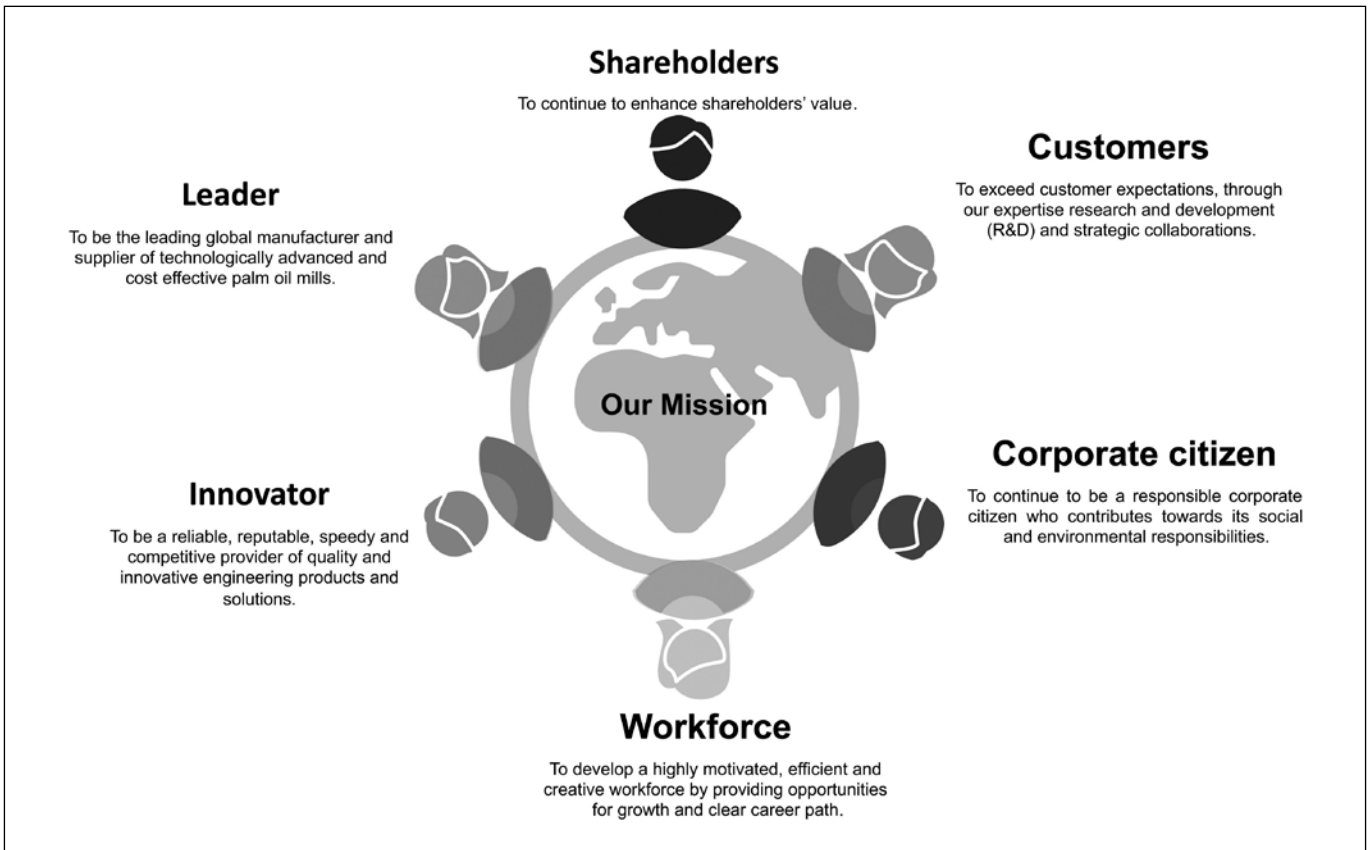
### Our Vision

To be the preferred provider of innovative engineering products and solutions to the global oil palm industry and related sectors



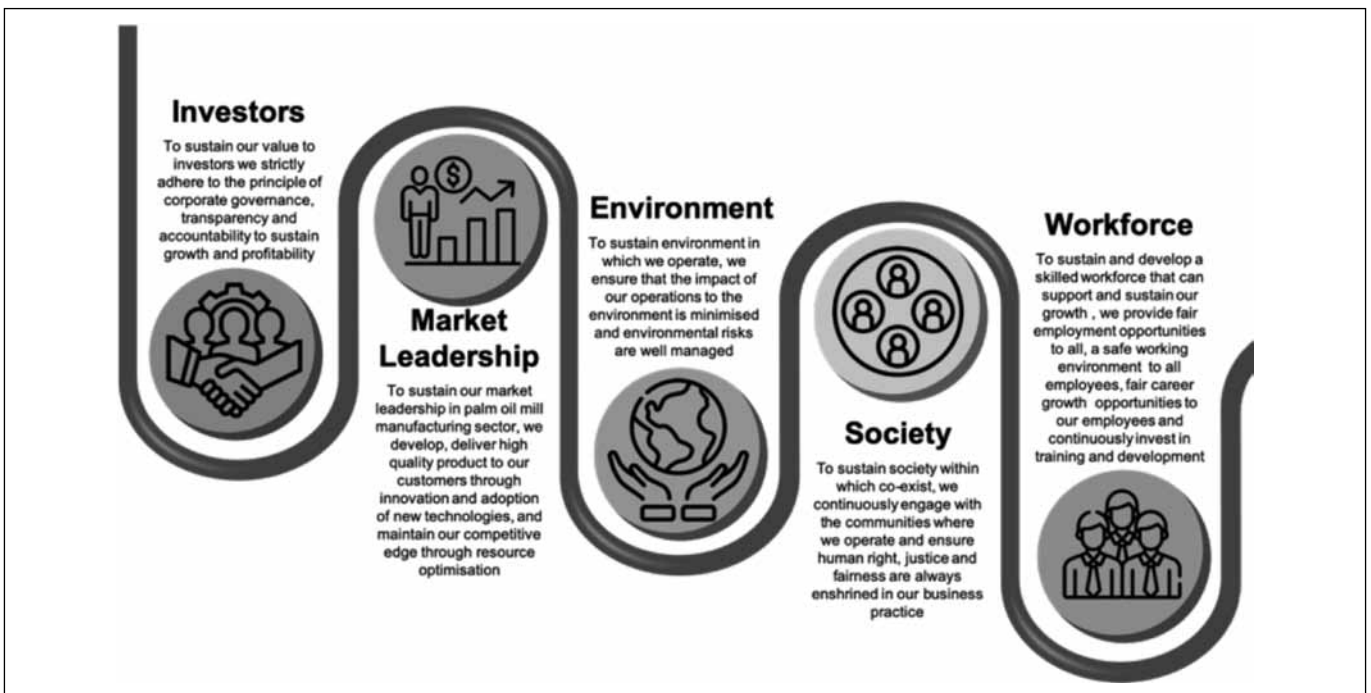


# SUSTAINABILITY STATEMENT



## SUSTAINABILITY STRATEGY

Sustainability is paramount to the Group as it underpins our approach towards the Group's business objectives in creating long-term value and improving business performance. Building upon its corporate vision and mission, the Group established the sustainability strategy to enrich the local economy, ensure environmental stewardship, promote a conducive working environment and support the local community.



# SUSTAINABILITY STATEMENT

## OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

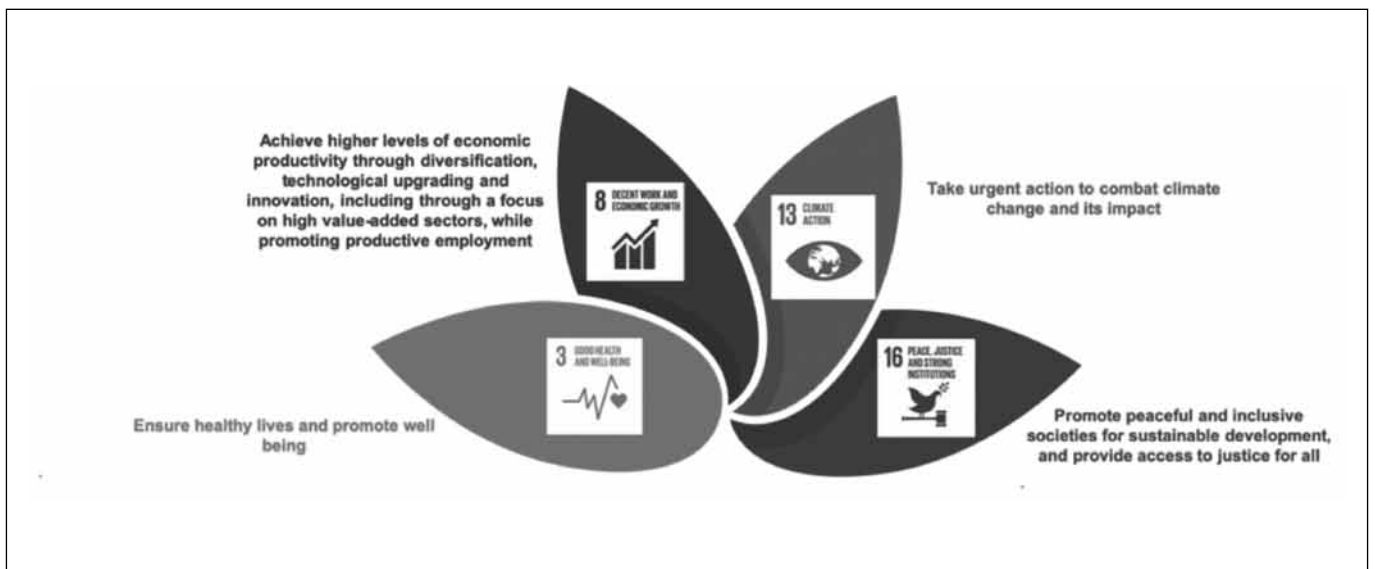
### United Nations Sustainable Development Goals (UN SDGs)

In 2015, the United Nations (“UN”) announced the UN Agenda 2030 and the 17 Sustainable Development Goals that aim to address challenges faced globally in tandem with creating opportunities for economic prosperity, environmental preservation and peace.



Malaysia’s commitment to the UN Agenda 2030 is described in the nation’s sustainable development agenda in the Eleventh Malaysia Plan (2016-2020). As a business operating in the country, we believe that it is our responsibility to contribute to the national sustainable development agenda.

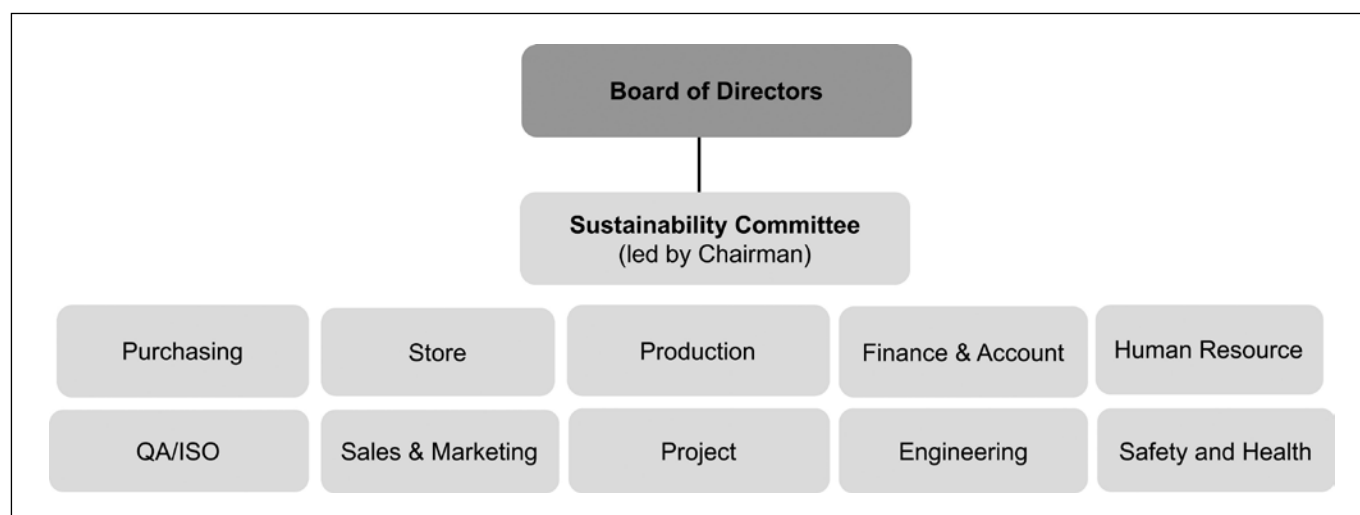
We have adopted four SDGs that are relevant to our business operations and reflect aspects of our business that we prioritise to build a sustainable business.



# SUSTAINABILITY STATEMENT

## SUSTAINABILITY GOVERNANCE STRUCTURE [102-18, 102-20, 102-26, 102-32]

We acknowledge that a sound governance structure is a vital element of our management approach to instil a culture that focuses on sustainable development. Our governance structure is a two-tier structure, with the Board of Directors (“the Board”) at the apex, and assisted by the Sustainability Committee (“SC”). The SC which is led by the Chairman comprises the Heads of Department from Purchasing, Store, Production, Finance and Account, Human Resource, QA/ISO, Sales & Marketing, Project, Engineering, and Safety and Health.



## ROLES AND RESPONSIBILITIES







The roles and responsibilities of the SC and the Board which ensures CBIPH’s continuous effort to implement its sustainability strategy are outlined below.

Board of Directors	<ul style="list-style-type: none"> <li>Review the Group’s sustainability strategy and initiatives recommended by the SC</li> <li>Oversee implementation of sustainability strategy, plans and targets</li> <li>Approve sustainability statement and its content</li> </ul>
Chairman of SC	<ul style="list-style-type: none"> <li>Oversee the implementation of sustainability initiatives</li> <li>Recommend initiatives, goals and targets that foster sustainable development</li> <li>Propose sustainability statement and its content</li> </ul>
Sustainability Committee (“SC”)	<ul style="list-style-type: none"> <li>Identify relevant EES risks and opportunities</li> <li>Recommend sustainability initiatives, standards and procedures to address the identified EES risks and opportunities</li> <li>Implement sustainability initiatives as approved by the Board</li> <li>Monitor and report progress of sustainability initiatives periodically</li> <li>Prepare sustainability statement and its content</li> </ul>

# SUSTAINABILITY STATEMENT

## ENGAGING OUR STAKEHOLDERS [102-40,102-43,102-44]

We maintain frequent and transparent communication with our stakeholders to gain their feedback on our business operations and understand their expectations. This helps us identify, prioritise and address the sustainability risks and opportunities relevant to our business operations.

Stakeholder Groups	Areas of Interest	Engagement Methods	Frequency of Engagement
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Performance management</li> <li>• Career development</li> <li>• Competency training</li> <li>• Workplace safety and health</li> </ul>	<ul style="list-style-type: none"> <li>• Management discussions on targeted issues</li> <li>• Staff appraisal</li> <li>• Training programmes</li> <li>• Circulation of internal policies</li> <li>• Engagement sessions and staff activities</li> <li>• Career fairs</li> <li>• Website</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Annually</li> <li>• Annually</li> <li>• Annually</li> <li>• As and when required</li> <li>• Annually</li> <li>• Throughout the year</li> </ul>
<b>Regulatory Agencies</b> 	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Labour practice</li> <li>• Occupational safety and health</li> <li>• Environmental management and compliance</li> <li>• Ethical business conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection by local authority</li> <li>• Annual report</li> <li>• General meeting with local regulators</li> </ul>	<ul style="list-style-type: none"> <li>• As and when required</li> <li>• Annually</li> <li>• As and when required</li> </ul>
<b>Shareholders and Investors</b> 	<ul style="list-style-type: none"> <li>• Group financial performance</li> <li>• Global business strategy</li> <li>• Corporate governance and compliance</li> <li>• Ethical business conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Investor meetings</li> <li>• Annual general meetings</li> <li>• Annual report</li> <li>• Investors relations (company website)</li> </ul>	<ul style="list-style-type: none"> <li>• As and when required</li> <li>• Annually</li> <li>• Annually</li> <li>• As and when required</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>• Efficient complaints resolution</li> <li>• Customer-company relationship management</li> <li>• Product safety</li> <li>• Service and maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Direct engagements</li> <li>• Feedback sessions</li> <li>• Company website</li> <li>• Tradeshows and exhibitions</li> <li>• Visits to sites</li> </ul>	<ul style="list-style-type: none"> <li>• As and when required</li> <li>• Monthly</li> <li>• As and when required</li> <li>• Annually</li> <li>• As and when required</li> </ul>
<b>Suppliers</b> 	<ul style="list-style-type: none"> <li>• Transparent procurement practice</li> <li>• Payment schedule</li> <li>• Pricing of raw material used in manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation and performance reviews</li> <li>• Contract negotiation</li> <li>• Vendors registration</li> <li>• Open tenders</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• As and when required</li> <li>• As and when required</li> <li>• As and when required</li> </ul>
<b>Local Communities</b> 	<ul style="list-style-type: none"> <li>• Social issues</li> <li>• Impact of business operation</li> <li>• Transparency and accountability</li> <li>• Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Community engagement</li> <li>• Corporate Social Responsibility programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually</li> </ul>

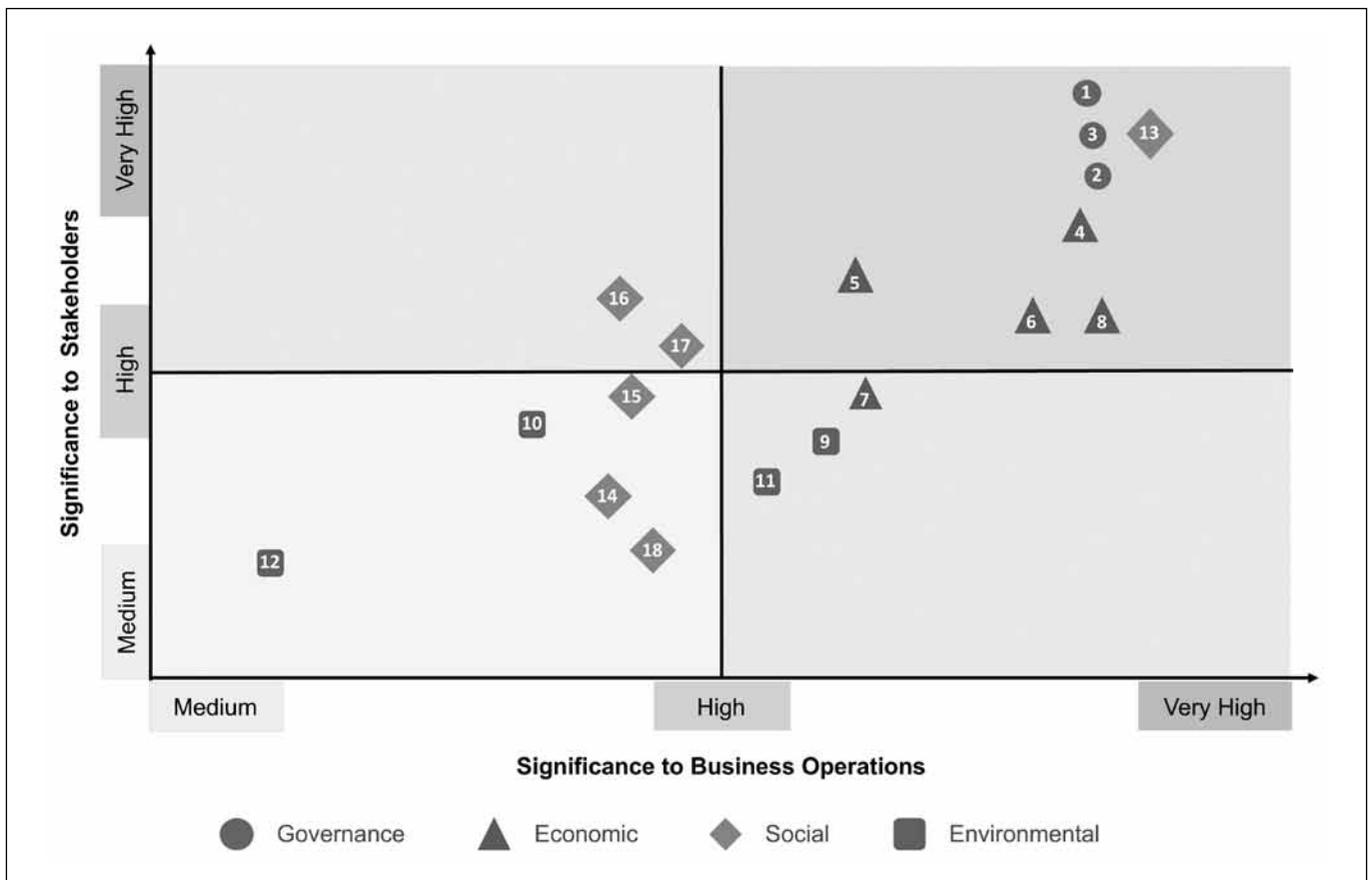
# SUSTAINABILITY STATEMENT

## MATERIAL SUSTAINABILITY MATTERS

Material sustainability matters refer to the EES risks and opportunities, which are important both to the business operations and stakeholders. In our previous report (2018), we identified 20 material sustainability matters in terms of EES resulted from our business operations as well as areas of concern to our stakeholders. In 2019, we reviewed the list of material matters and decided on combining and renaming few material matters identified in 2018. The material matter “Code of Ethics” and “Anti-Corruption” are combined and renamed as “Ethics and Integrity”. “Hazardous Waste Management and “Waste and Effluent” are renamed as “Waste Management”. From this exercise we came out with total of 18 material matters. These material matters have been further re-categorised into the following sustainability pillars; governance, economic, environmental and social.

### Materiality Matrix [102-47]

The matrix generated below illustrates the priority of each material sustainability matter based on its significance to our stakeholders and our business operations. The material matters located towards the top right corner are the most material and hold the highest importance to the Group and its stakeholders.



#### Governance

- 1 Corporate Governance and Transparency
- 2 Regulatory Compliance
- 3 Ethics and Integrity

#### Economic

- 4 Financial Performance
- 5 Investor Relations
- 6 Product Innovation
- 7 Supply Chain Management
- 8 Product Quality Management

#### Environmental

- 9 Waste Management
- 10 Air Emission
- 11 Water Management
- 12 Energy Management
















#### Social

- 13 Occupational Safety and Health
- 14 Customer Satisfaction
- 15 Employee Benefit and Well Being
- 16 Employee Right and Labour Practices
- 17 Capacity Building
- 18 Local Community

# SUSTAINABILITY STATEMENT

## MAPPING OUR MATERIAL SUSTAINABILITY MATTERS

To understand the relevance of the 18 material sustainability matters, we have mapped each of them to the applicable GRI indicators, stakeholders and UN SDGs.

Material Sustainability Matters	Relevant Stakeholders	Corresponding GRI Indicators	SDG
<b>Governance</b>			
<b>Corporate Governance and Transparency</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Regulatory Agencies</li> <li>Customers</li> </ul>	102: General Disclosure 103: Management Approach	 
<b>Regulatory Compliance</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Regulatory Agencies</li> <li>Suppliers</li> <li>Employees</li> <li>Customers</li> </ul>	103: Management Approach	 
<b>Ethics and Integrity</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Regulatory Agencies</li> <li>Customers</li> </ul>	102: General Disclosure 103: Management Approach 205: Anti-Corruption	 
<b>Economic</b>			
<b>Financial Performance</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Regulatory Agencies</li> <li>Customers</li> </ul>	201: Economic Performance	
<b>Investor Relations</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> </ul>	103: Management Approach	
<b>Product Innovation</b>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Customers</li> </ul>	103: Management Approach	
<b>Supply Chain Management</b>	<ul style="list-style-type: none"> <li>Suppliers</li> </ul>	103: Management Approach 204: Procurement Practices	
<b>Product Quality Management</b>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Customers</li> </ul>	103: Management Approach	
<b>Environment</b>			
<b>Waste Management</b>	<ul style="list-style-type: none"> <li>Regulatory Agencies</li> <li>Local Community</li> </ul>	103: Management Approach 306: Effluents and Waste	
<b>Air Emission</b>	<ul style="list-style-type: none"> <li>Regulatory Agencies</li> <li>Local Community</li> </ul>	103: Management Approach 305: Emissions	
<b>Water Management</b>	<ul style="list-style-type: none"> <li>Regulatory Agencies</li> <li>Local Community</li> </ul>	103: Management Approach 303: Water and Effluents	
<b>Energy Management</b>	<ul style="list-style-type: none"> <li>Regulatory Agencies</li> <li>Local Community</li> </ul>	103: Management Approach 302: Energy	

# SUSTAINABILITY STATEMENT

Material Sustainability Matters	Relevant Stakeholders	Corresponding GRI Indicators	SDG
<b>Social</b>			
<b>Occupational Health and Safety</b>	<ul style="list-style-type: none"> <li>Employees</li> <li>Regulatory Agencies</li> </ul>	103: Management Approach 403: Occupational Health and Safety	 
<b>Employee Benefit and Well Being</b>	<ul style="list-style-type: none"> <li>Employees</li> </ul>	103: Management Approach 401: Employment	 
<b>Employee Rights and Labour Practices</b>	<ul style="list-style-type: none"> <li>Employees</li> <li>Regulatory Agencies</li> </ul>	103: Management Approach	 
<b>Capacity Building</b>	<ul style="list-style-type: none"> <li>Employees</li> </ul>	103: Management Approach 404: Training and Education	
<b>Local Community</b>	<ul style="list-style-type: none"> <li>Local Community</li> </ul>	103: Management Approach 413: Local Communities	

## IMPLEMENTING GOOD GOVERNANCE



### Corporate Governance and Transparency [102-16]

The Board is at apex of the Group’s corporate governance structure and is conclusively responsible for its overall performance as well as oversees the Group’s corporate governance practices. The Board sets the Group’s values and standards to make sure that its obligations to its stakeholders are understood and met.

The Malaysian Code on Corporate Governance (“MCCG”) 2017 is the voluntary guideline we use to embed good governance practices throughout the organisation. The MMLR and the Companies Act 2016, on the other hand, are two regulations that manage corporate governance and we adhere to them at all levels and all times.

The Board members of CBIPH are responsible to its shareholders and other stakeholders for the manner in which the affairs of the Group are managed.

# SUSTAINABILITY STATEMENT

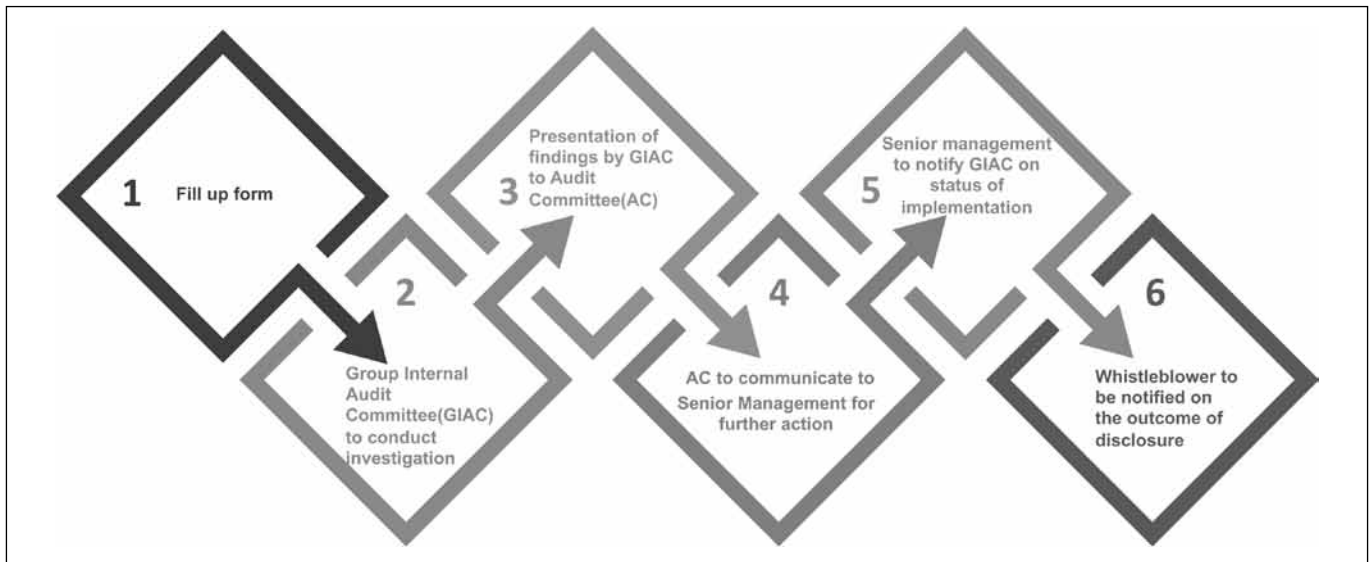
## Ethics and Integrity [102-16, 102-17, 205-1, 205-2]

The Group is committed to a high standard of integrity and accountability in the conduct of its business and operations. We do not condone any form of corruption in our business.

We are fully aware of the importance of fair and transparent business dealings to promote corporate ethical conduct and to ensure this, we have established various policies. The Group’s Whistleblowing Policy is one such policy and it protects the organisation from a wide gamut of wrongful acts and behaviour, including:

- Financially and economically dishonest, mishandling or fraud
- Falsification and fabrication of records and documents
- Failure to comply with any law and regulation
- Accepting gifts and bribes for personal interest
- Misuse and theft of inventory or asset
- Serious breach of the company’s policies and procedures
- Truancy during working hours
- Any attempt to cover any misconduct by whosoever
- Criminal and unhealthy activities
- Any act of harassment
- Any matter or conduct subjected to the absolute discretion of the Audit Committee

In the case of any suspected or known incident of wrongdoing, the Whistleblowing Policy encourages employees or other stakeholders to report by completing the whistle-blower form and submitting it to the Audit Committee. The process of reporting is described below.



We comply with the Malaysian Anti-Corruption Commission (MACC) Act 2009. Our Anti-Corruption and Bribery Policy which we regularly review and update is in alignment with the regulations of the MACC Act 2009. The Policy discourages CBIPH employees from accepting gifts that can influence decision making and from making any charitable donations to political parties.

We perform regular corruption risk assessment on our operations and also conduct anti-corruption training for employees working in areas of the organisation that have been identified to be at high risk or susceptible to corruption. Moreover, the company ensures that the employees are aware of grievance mechanism formulated to address any grievances. Concerns should be escalated directly to the immediate superior or Human Resource Department.



# SUSTAINABILITY STATEMENT

## Regulatory Compliance

Public trust is fundamental to running a successful business and we recognise the negative impact of non-compliances can have on this trust that we have built over the years with our stakeholders. By virtue of our strict adherence to the local laws and regulations that are applicable to our business, we ensured our business operations complied with prevailing laws and regulations including:

- Main Market Listing Requirements
- Malaysian Anti-Corruption Commission (MACC) Act 2009
- Companies Act 2016
- Capital Market and Services Act 2007
- Environmental Quality (Clean Air) Regulations 2014
- Environmental Quality (Scheduled Wastes) Regulations 2005
- Occupational Safety and Health Act 1994

## CONTRIBUTING TO ECONOMIC GROWTH

8 DECENT WORK AND  
ECONOMIC GROWTH



## Financial Performance [201-3]

Sustainability helps create value for all stakeholders, including employees, shareholders, supply chains and civil society. The economic value of our business is indicative of long-term growth and shareholder profitability. We contribute the equivalent of 12%-13% of an employee's salary to their Employee Provident Fund, which we believe is important because it benefits our employees in the long run.

As a business, we aim to deliver stable income distribution and achieve long-term growth in the net asset value of the Group through sustainable management practices.

Further details on the Group's financial performance in 2019 is available on page 90 of this Annual Report.

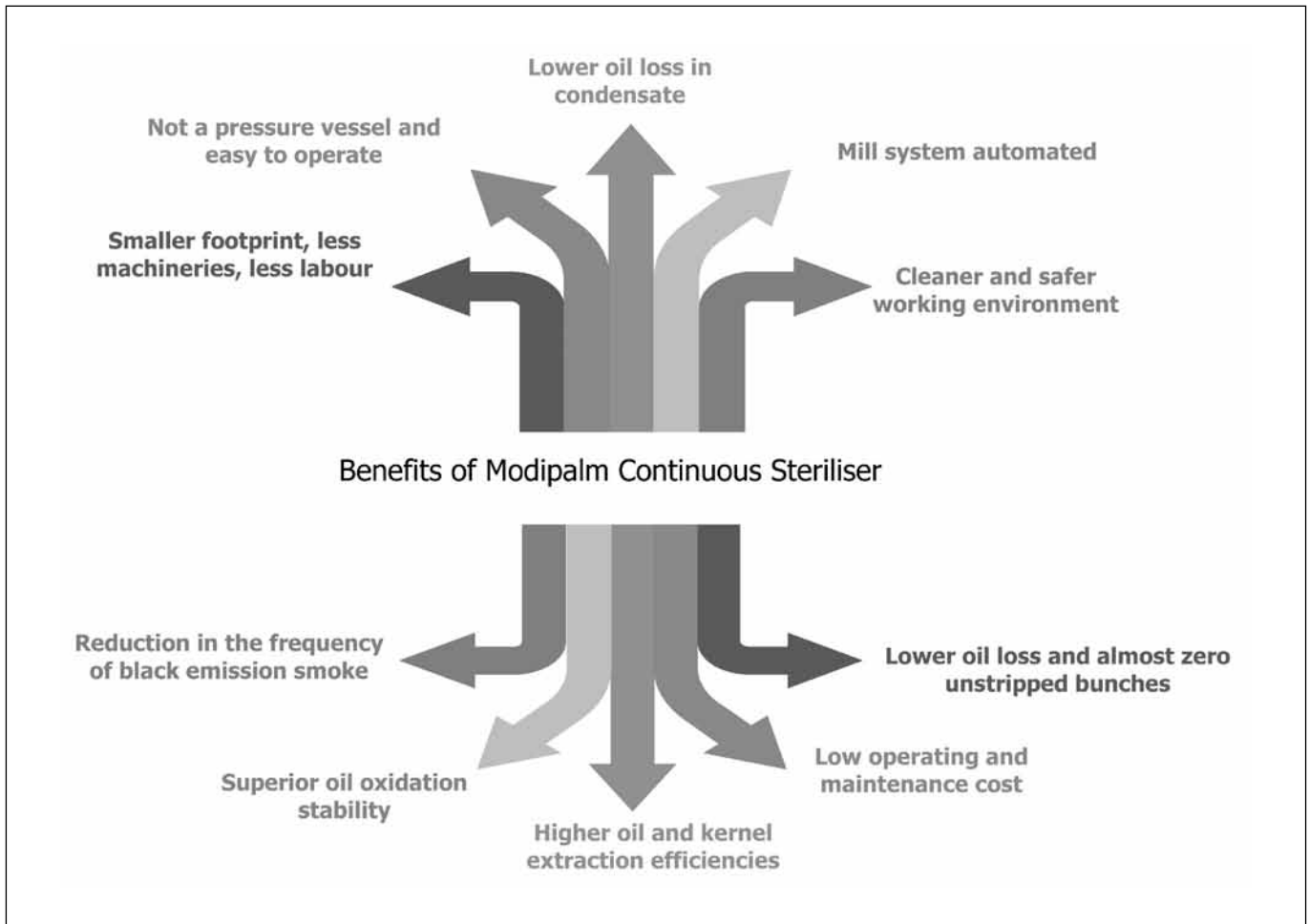
## Investor Relations

Investor relations play a vital role in the success of the Group and it is of utmost importance to maintain strong and transparent relations with CBIPH's investors. We engage with our investors at annual general meetings and investor meetings, and provide them with relevant business updates using platforms such as the company website. The investor relations section of our website outlines key information such as Investor Presentation, Bursa Announcements, Annual Report, Quarterly Reports and Corporate Governance.

## Product Innovation

The Group continuously seek for innovative technology and business practices as this is important to ensure the company's business remain relevant to the palm oil milling industry. One of our innovative products is Modipalm Continuous Steriliser which is known within the palm oil milling industry for its higher oil extraction rate. The continuous steriliser has lower oil loss in the steriliser condensate due to more effective air removal and heat transfer.

# SUSTAINABILITY STATEMENT



Technology and product innovation in our line of business can provide opportunities for saving energy, resource and cost, which not only benefits our customers’ business but also mitigates their environmental footprint.

## Supply Chain Management [204-1]

We source raw materials locally where possible and in fact, most of our key suppliers (i.e. raw material suppliers and sub-contractors) are local. The Group monitors and evaluates supplier performance by inspecting the quality and timeliness of receiving the goods. In 2019, RM56 million (95%) of the Group’s total procurement expenditure was on local procurement.

## Product Quality Management

The Group is highly dedicated in producing and manufacturing products that meet or exceed customer expectation. A minute defect in our machinery can lead to serious consequences hence, we carry out a rigid quality assurance process. Our incoming materials or products, sub-contracted parts, plating and completed products are inspected in advance to ensure product quality and compliance to all relevant specifications.

We are certified with ISO 9001:2015 Quality Management System which is accredited by the United Kingdom Accreditation Service (UKAS). By conforming with the quality management system, we are guided in providing products and services that meets customer expectation.

# SUSTAINABILITY STATEMENT

The Group has established the Quality Control Plan to ensure quality of our products is assured throughout manufacturing processes. Inspection is conducted in the areas of our business processes which covers project planning, inspection at receiving areas, handling, storing and preserving materials, production, quality assurance or quality control (QA/QC) and shipping.

## PROTECTING THE ENVIRONMENT

13 CLIMATE ACTION



### Waste Management [306-2, 306-4]

Proper waste management is important to ensure that waste generated from our operations do not pollute the surrounding environment. Our operations generate both scheduled (hazardous) and non-scheduled waste. With respect to the scheduled wastes, the Group ensures the contractors we engage for its collection, treatment and disposal are licensed by the Department of Environment (DOE) and that it is collected once every 4 months. The types and amount of each category of scheduled waste that was generated from our operations in 2019 are listed below:

Types of waste	Description	Weight (MT)
SW307	Used coolant	26.24
SW410	Used rags and glove	0.38

Non-scheduled waste such as office waste comprising paper and plastics which do not have any significant toxic characteristics, is collected for recycling. In addition, we also generate recyclable waste from our manufacturing facilities such as scrap metal and stainless steel. The types and respective amount of recyclable waste that was generated from our operations in 2019 are listed in the table below:

Types of waste	Weight (MT)
Paper	2.77
Plastics	0.76
Scrap metals	432.25
Stainless steel	29.08
Metal dust	0.23

### Air Emission [305-7]

To ensure compliance to the Environmental Quality (Clean Air) Regulations 2014, we abide to the air emission limits consistently and isokinetic air emission monitoring is conducted annually to evaluate our air emission performance. The monitoring evaluates parameters such as nitrogen dioxide, sulphur dioxide, hydrogen sulphide and hydrogen fluoride.

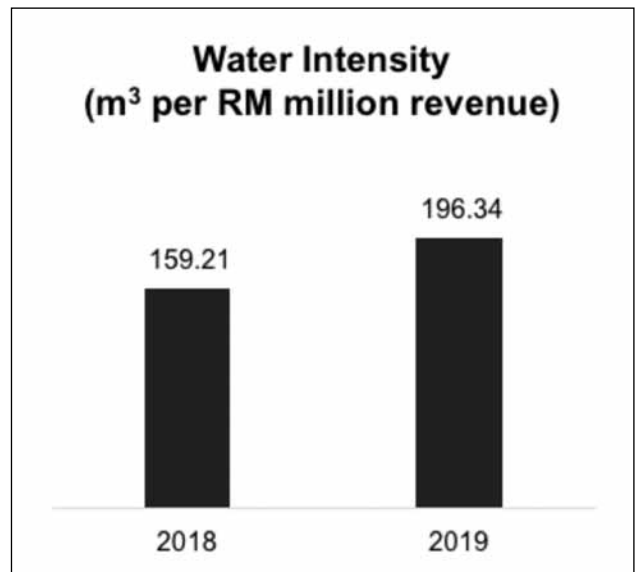
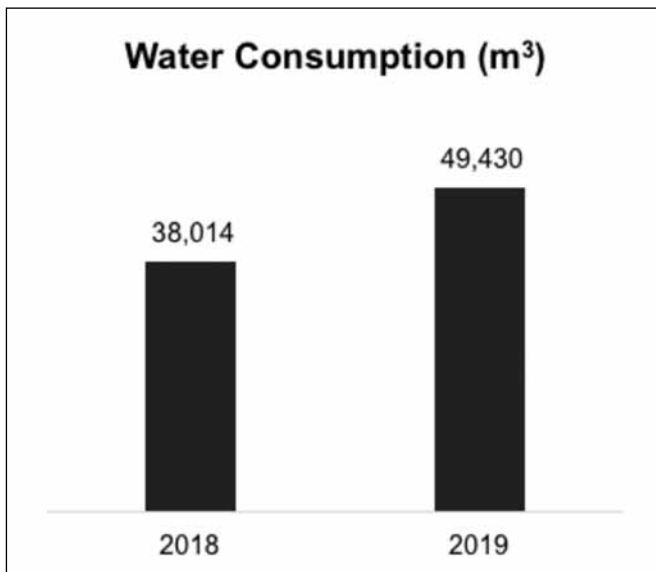
In 2019, the air emission concentration level was well within DOE's permissible limits.

# SUSTAINABILITY STATEMENT

## Water Management [303-5]

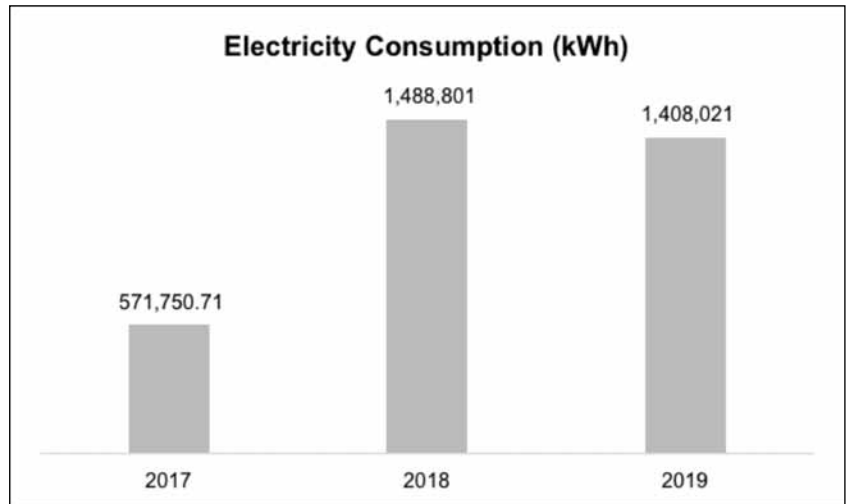
Water is an important component of CBIPH's operations and water wastage can affect operational cost as well as the availability of this natural resource. We commenced rigorous tracking and monitoring of our consumption in 2018 to establish a consumption pattern that served as a guide in planning water conservation initiatives.

However, this year, we recorded an increment of 23% in water intensity (water consumption per RM million revenue) as compared to the intensity recorded in 2018. This was largely due to increase in contracts which lead to increase of activities, whereas revenue generated from these contracts will only be recognised in the next reporting year.



## Energy Management [302-1, 302-4]

Electricity consumption is an environmental material sustainability matter identified by the Group that we actively address. Our dependency on electricity generated from a non-renewable source has an indirect impact on the environment in terms of carbon emissions. We keep track of electricity consumption at the offices and at the manufacturing facilities, to make note of any decrease or increase in year to year consumption levels.

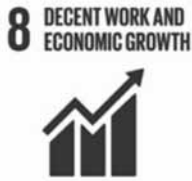


In 2019, we are pleased to announce a decrease of 5% in electricity consumption as compared to 2018. The reduction is attributed to the positive outcome of our continuous energy conservation efforts which involve creating awareness and repeated reminders via internal memos on energy conservation practices across all departments.

This year, we expanded the scope of our disclosure on energy consumption to include joules as a measuring unit to calculate the amount of energy used. Our energy consumption in 2019 was 5.07 TJ. Our energy intensity was 0.02 TJ per kg of RM million revenue.

# SUSTAINABILITY STATEMENT

## PROVIDING A CONDUCTIVE WORKPLACE



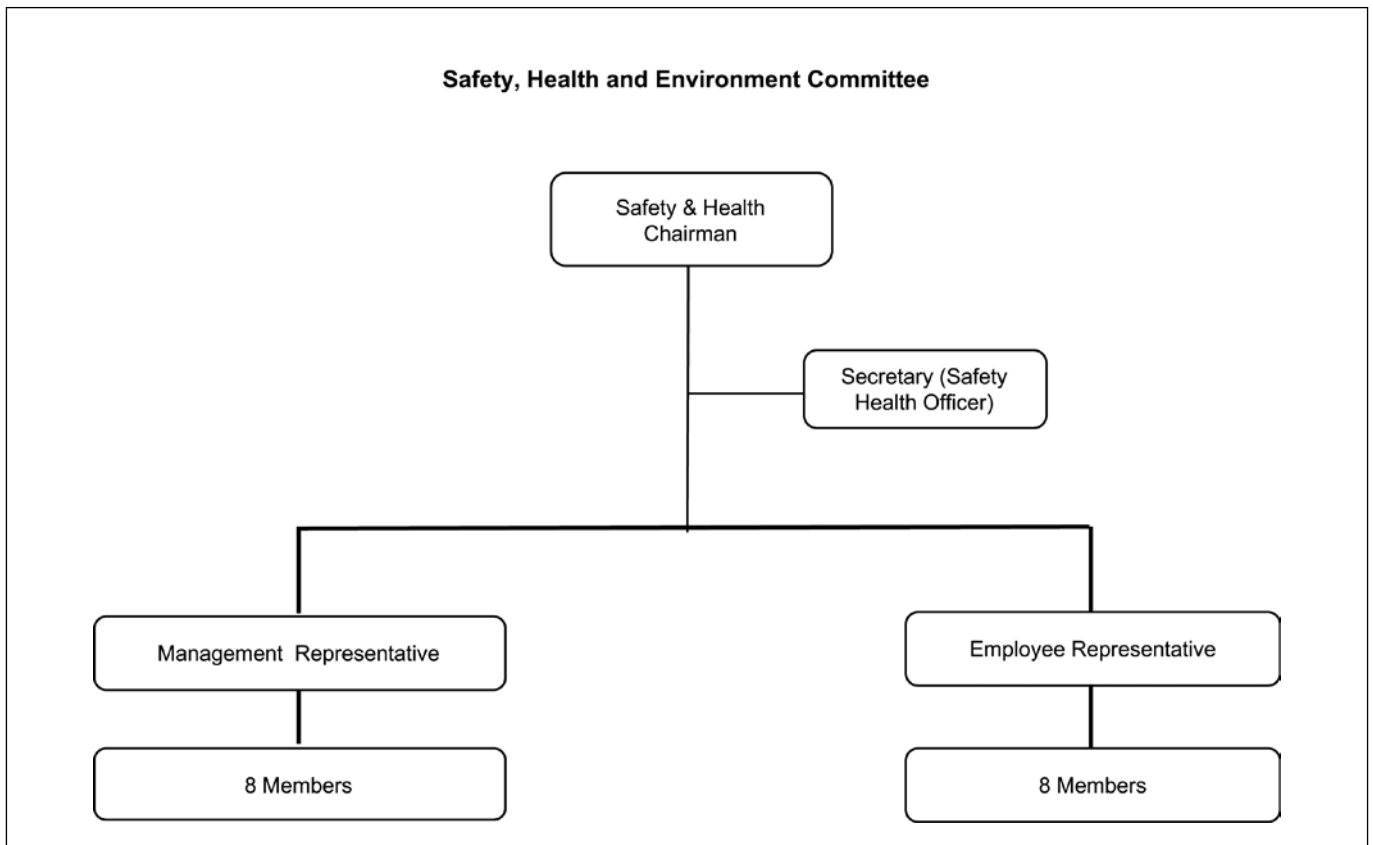
### Occupational Safety and Health [403-1, 403-2, 403-4,403-9]

Occupational safety and health are important aspects of our day-to-day operations and corporate culture. The measures we have to ensure a safe working environment for our employees including setting up a Safety, Health and Environmental (“SHE”) department in charge of Occupational Safety and Health (“OSH”) issues and its roles and responsibilities include:

1. Maintaining sufficient inventory of emergency response equipment
2. Ensuring maintenance and inspection of emergency response equipment
3. Training emergency response team members
4. Providing assistance to develop and carry out emergency response plans

In addition, we have established a SHE committee responsible for the development of safety and health regulations, and promoting a safe work system at the workplace.

Below is CBIPH’s SHE Committee Organisational Chart in 2019.



# SUSTAINABILITY STATEMENT

The roles and responsibilities of our SHE committee include:

1. Reviewing the effectiveness of safety and health programmes
2. Carrying out studies in the trends of accidents, near-miss accidents, dangerous occurrences, occupational poisoning or occupational disease which occurs at the workplace
3. Reporting unsafe or unhealthy conditions or practices at the workplace together with the recommendations for corrective actions
4. Reviewing the safety and health policies at the workplace and making recommendation for any revisions

Moreover, we have established Emergency Response and Preparedness (ERP) guidelines to identify and manage potential incidents, accidents and emergencies occurring within the Group and at manufacturing facilities.

We also conduct Hazard Identification, Risk Assessment and Risk Control (HIRARC) assessments. By undertaking these assessments, the potential harm or danger in the workplace is identified and its magnitude and risk are analysed, so that appropriate action can be implemented. Listed below are the examples of risks identified along with the control measures undertaken to address them.

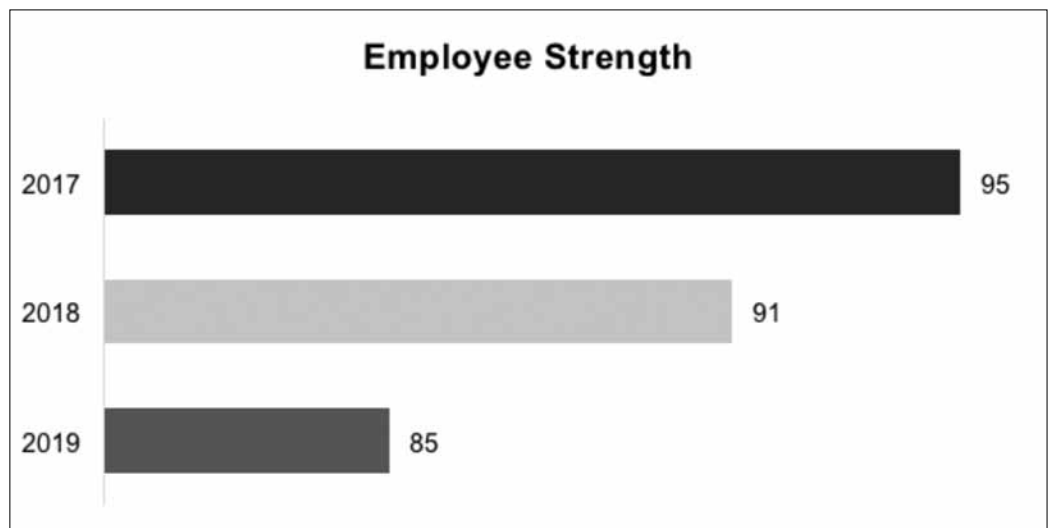
Risks	Control measures
Lack of safety concern and awareness at site	To enhance site safety awareness among the project team members by circulating relevant regulations and summary of relevant contents
Lack of working instruction that lead to accidents	To review all work instructions and integrate with safety practices
No designated vehicle during emergency	To provide company’s emergency vehicle
Non-compliance to noise limit	To conduct noise assessment to check on noise level

We monitor incidents and accidents that occur at our workplace. Throughout the reporting period, we recorded zero work related injuries throughout 488,618 manhours (as at October 2019).

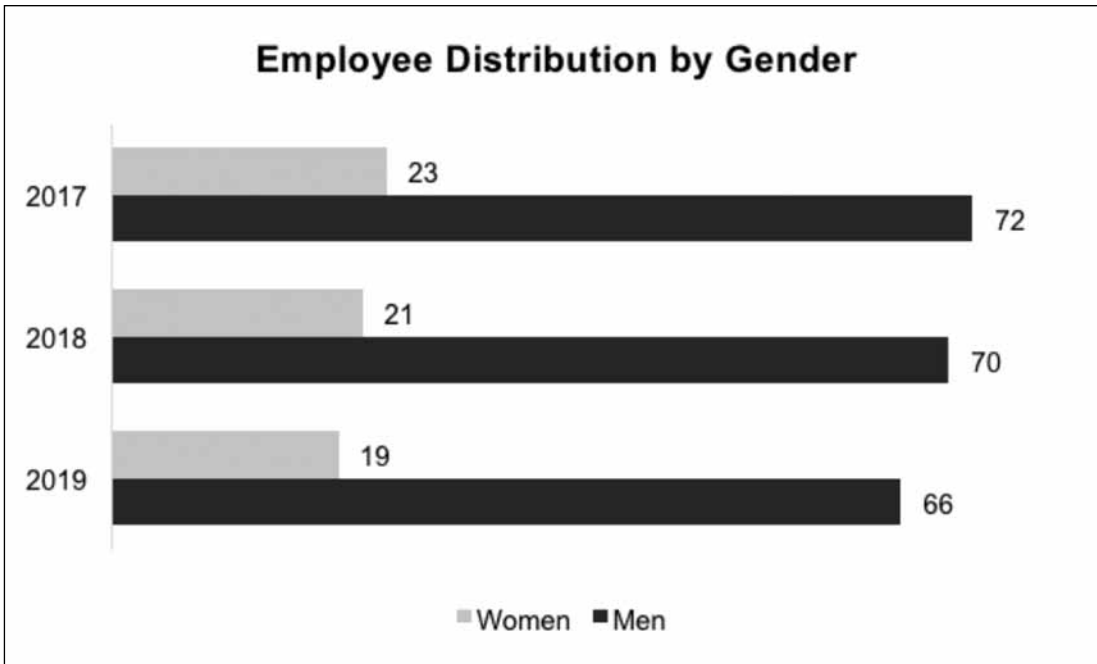
## Diversity [405-1]

At CBIPH, we embrace diversity and we do not tolerate any form of discrimination based on culture, race, religion, age or gender. Number of employees had remained constant since 2017 with minimal decrease throughout the years. Our employees are hired based on merit and in 2019, we have 85 employees comprising 66 men and 19 women across the entire organisation including our subsidiaries. Majority of our employees are men due to technicality of our business operations in the manufacturing industry.

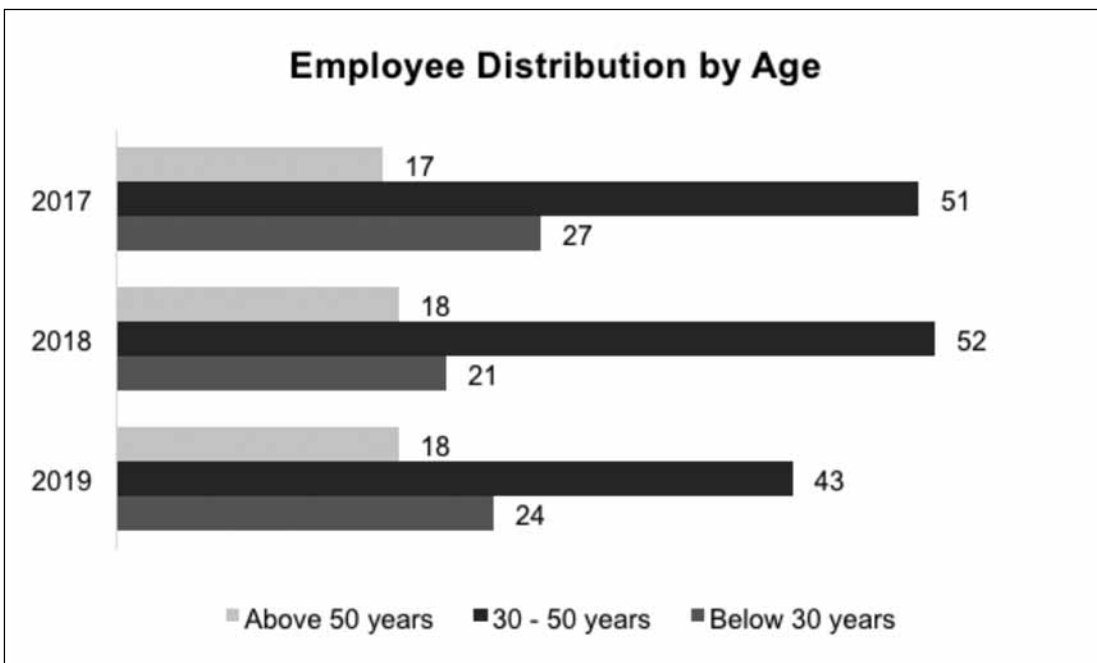
Breakdown of employee distribution is shown below. The breakdown excludes foreign workers who are hired on a contract basis.



# SUSTAINABILITY STATEMENT

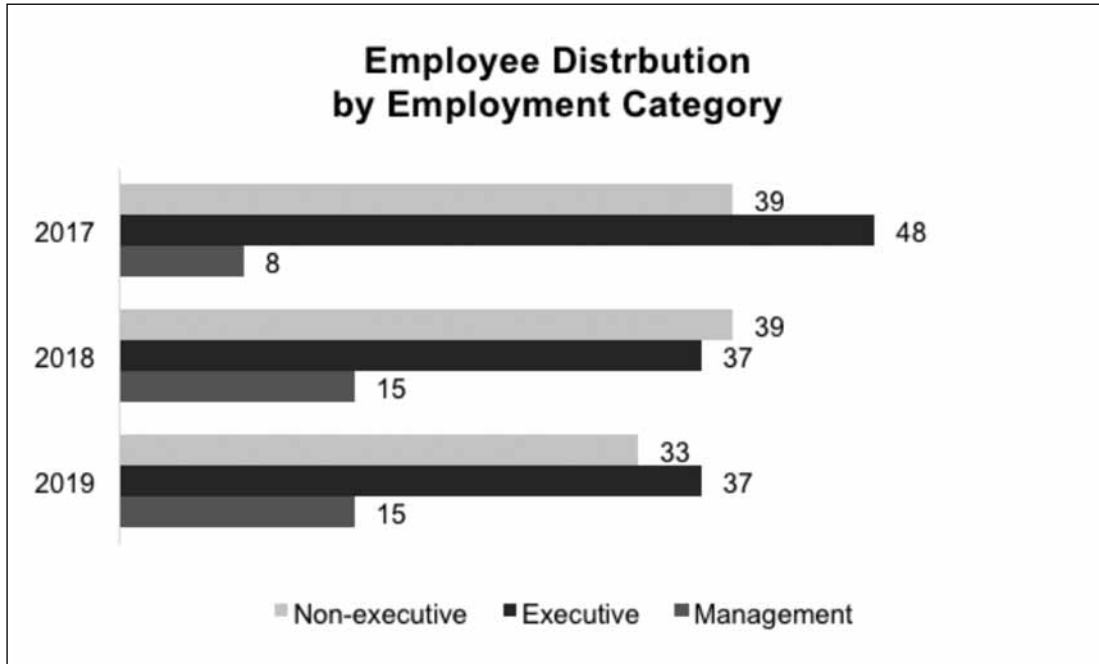


In terms of age group distribution, majority of our employees fall within the 30 to 50 year age bracket. Employees within this age bracket are usually experienced and bring value to our business because of their industry know-how. This is followed by employees in the below 30 years age group with employees above 50 years forming the smallest group. At CBIPH, we groom talented young candidates to prepare them for leadership positions and equip them with the necessary skills to run a thriving business in the long run.



# SUSTAINABILITY STATEMENT

As shown below, Executive employees make up the majority, followed by Non-executive and the Management group was the smallest.



## Employee Right and Labour Practices

We recognise the importance of creating a workplace that is conducive and encourages employees to realise their full potential during their tenure with CBIPH. The minimum wage offered to our workers is in line with Malaysia’s Minimum Wages Order 2020. The remuneration packages we offer employees at executive level and above are competitive and on par with the market benchmark.

We also ensure our foreign workers’ rights to basic necessities are provided while working for the company. We provide decent living quarters with potable water supply, proper sanitary facility and electricity supply for our foreign workers as we are concern of their well-being.

## Employee Benefit and Well Being [401-2]

The standard set of benefits we provide employees with cover personal health insurance and basic healthcare needs. We also offer bonuses and other incentives, for which we take into consideration the position, performance and contribution of the employee as well as the Group’s overall performance.

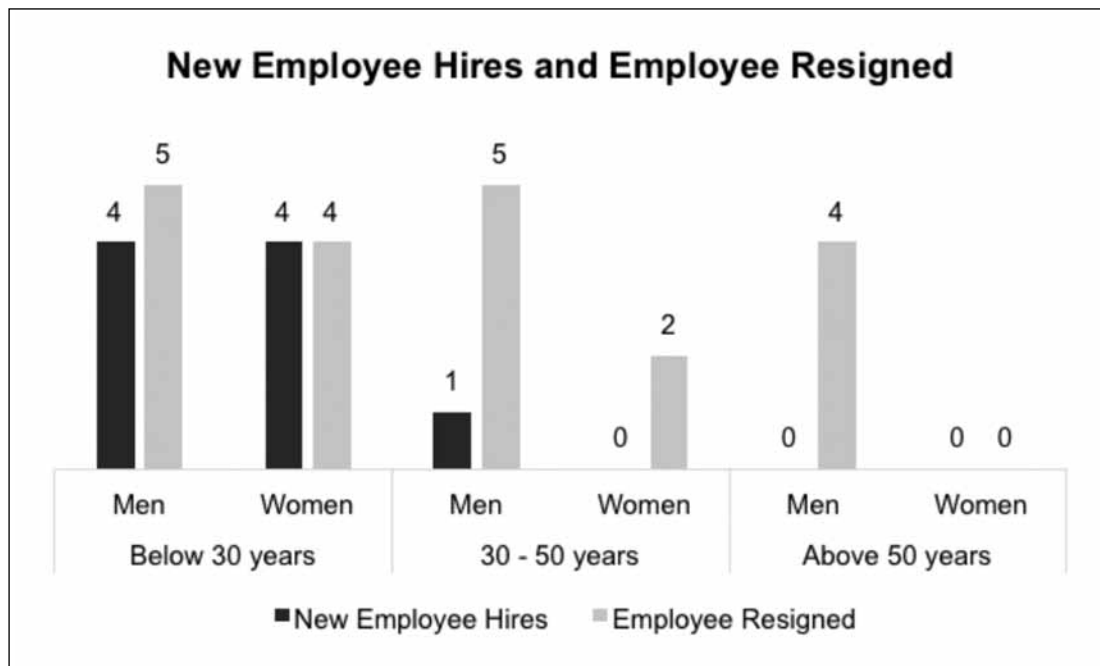
The Group also organised employee engagement programme such as festive celebrations to strengthen relationships among our employees.



# SUSTAINABILITY STATEMENT

## Talent Retention [401-1]

In 2019, 20 employees left the company and nine new hires joined the CBIPH team. Some of the employees who leave each year are early in their career and continue to grow in other positions elsewhere. The Group promotes work-life balance by providing employees with safe, comfortable and conducive working environment to ensure working hours are used in a productive and effective manner. Other employee's welfare incentives are also provided such as annual employees' engagement activities, medical benefits and group insurance.



## Capacity Building [404-1, 404-2]

We believe that employee knowledge and development is crucial for the growth of a business. Our employees are provided with both internal and external training depending on availability of such courses.

Listed below are the relevant training programmes provided to our employees in 2019.

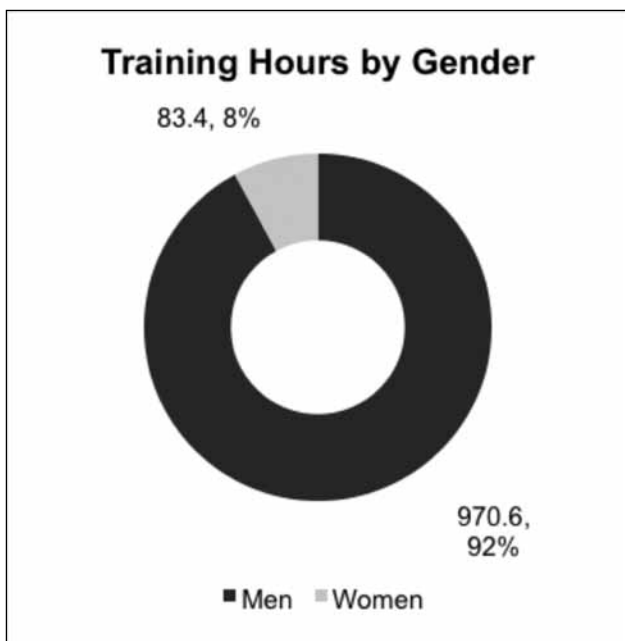
- Employee Induction Training
- Safety Training
- Elements in Quality Control System
- Dynamics of Negotiation for Purchasing
- QMS Process, ITP and QC Procedure
- Fire Protection System
- Essential HR & Employment Act
- Year-End Returns and Other Income Tax Reporting
- Shipping Documentation & Malaysian Customs Procedure
- Microsoft Project
- Hazard Identification Risk Assessments Risk Control
- Effective Cash Flow Management Workshop
- Structural Design for Non-Structural Engineers
- Effective Logistic Management
- 7 Strategies for Building High Performance Team
- The Essentials of Budgeting Preparation Cash Flow
- Measuring Materials Formability
- The Establishment of Safety Committee Based on Legal Regulations
- ISO Training

# SUSTAINABILITY STATEMENT

- Window Server Security
- Intercom Shipping and Import
- Pengurusan Risiko Dalam Pembinaan (Risk Management in Construction)
- Training Competency Calibre and Micro Calibration

Opportunities to attend relevant training programmes are provided to all our employees based on necessity to fulfil job requirements.

The total training hours clocked in 2019 was 1,054 hours with an average training hours per employee was 4.39. Men received more training hours due to the higher number of men (92%) compared to women (8%) in the workforce. In terms of employment category, training hours for employees in the Non-executive positions were highest followed by Executive and Management as the number of employees in the non-executive group which includes foreign workers is higher than the total employees in the Executive and Management category.



\*Training hours include training provided to foreign workers

## ENGAGING OUR CUSTOMERS AND LOCAL COMMUNITIES



### Customer Satisfaction [102-43]

The Group endeavours to deliver best services and products to our customers. Our sales team carries out verbal customer satisfaction feedback and we continuously engage with our clients to understand areas that need improvement regarding our products. For this reporting period, the Group received zero complaints about our products and services.

# SUSTAINABILITY STATEMENT

## Local Community [413-1]

We are committed to provide support to society through donations and having a positive impact on local communities. During the reporting year, CBIPH contributed to the MPOB (Malaysian Palm Oil Board) International Palm Oil Congress and Exhibition (PIPOC), as well as donated to several organisations such as Berita Kesatuan Pekerja Bomba, Klang Chinese Chamber and Kelab Rekreasi Kesenian Kuala Lumpur and Selangor.

## CONCLUSION

In conclusion, as a Group we are making progress towards becoming a sustainable operation. Moving forward, we will endeavour to continuously improve our performance in developing sustainability initiatives that effectively address EES risks and opportunities.

## GRI CONTENT INDEX [102-55]

### GRI 102: GENERAL DISCLOSURES

### GRI 103: MANAGEMENT APPROACH

Disclosure	Description	Page reference
Organisational Profile		
102-1	Name of the organisation	22
102-2	Activities, brands, products, and services	22
102-4	Location of operations	22
102-6	Market served	22
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	29, 30
102-17	Mechanisms for advice and concerns about ethics	30
Governance		
102-18	Governance structure	25
102-20	Executive-level responsibility for economic, environmental and social topics	25
102-26	Role of highest governance body in setting purpose, values, and strategy	25
102-32	Highest governance body's role in sustainability reporting	25
Stakeholder Engagement		
102-40	List of stakeholder groups	26
102-43	Approach to stakeholder engagement	26, 40
102-44	Key topics and concerns raised	26
Reporting Practice		
102-47	List of material topics	27
102-50	Reporting period	22
102-53	Contact point for questions regarding the report	22
102-55	GRI content index	41
Management Approach		
103-1	Explanation of the material topic and its Boundary	Scope of reporting
103-2	The management approach and its components	Throughout the report
103-3	Evaluation of the management approach	Throughout the report

# SUSTAINABILITY STATEMENT

## GRI 200: ECONOMIC

GRI Standard	Description	Page reference
Economic Performance		
201-3	Defined benefit plan obligations and other retirement plans	31
Procurement Practices		
204-1	Proportion of spending on local suppliers	32
Anti-Corruption		
205-1	Operations assessed for risks related to corruption	30
205-2	Communication and training about anti-corruption policies and procedure	30

## GRI 300: ENVIRONMENTAL

GRI Standard	Description	Page reference
Energy		
302-1	Energy consumption within the organisation	34
302-3	Energy intensity	34
302-4	Reduction of energy consumption	34
Water and Effluents		
303-5	Water consumption	34
305-7	Nitrogen oxides, sulfur oxides, and other significant air emissions	33
Effluents and Waste		
306-2	Waste by type and disposal method	33
306-4	Transport of hazardous waste	33

## GRI 400: SOCIAL

GRI Standard	Description	Page reference
Employment		
401-1	New employee hires and employee turnover	39
401-2	Benefits provided to full-time employees	38
Occupational Health and Safety		
403-1	Occupational health and safety management system	35
403-2	Hazard identification, risk assessment, and incident investigation (HIRARC)	35
403-4	Worker participation, consultation, and communication on occupational health and safety	35
403-9	Work-related injuries	35
Training and Education		
404-1	Average hours of training per year per employee	40
404-2	Programs for upgrading employee skills and transition assistance programs	39, 40
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	36
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	41

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting (“23rd AGM”) of CB INDUSTRIAL PRODUCT HOLDING BERHAD will be conducted as a **fully virtual and live-stream** from the broadcast venue at Aquamarin Room, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10:00 a.m. for the following purposes:-

## AGENDA

- |    |   |   |
|----|---|---|
| 1. | To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.     | <b>(Please refer to Explanatory Note 1)</b> |
| 2. | To re-elect the following Directors who retire in accordance with Clause 97 of the Constitution of the Company and being eligible, offer themselves for re-election:          |   |
|    | (a) Wong Chee Beng  | <b>Ordinary Resolution 1</b>                |
|    | (b) Mak Chee Meng   | <b>Ordinary Resolution 2</b>                |
| 3. | To re-elect Karpanadevi A/P K R Somasundram, who retires in accordance with Clause 104 of the Constitution of the Company, and being eligible, offer herself for re-election. | <b>Ordinary Resolution 3</b>                |
| 4. | To approve the payment of Directors’ Remuneration amounting to RM570,000 for the financial period from 1 July 2020 until 30 June 2021.  | <b>Ordinary Resolution 4</b>                |
| 5. | To re-appoint Messrs. Crowe Malaysia PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 5</b>                |

## AS SPECIAL BUSINESSES

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

- |    |  |                              |
|----|--|------------------------------|
| 6. | <b>AUTHORITY TO ISSUE AND ALLOT SHARES</b><br>“THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot not more than ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act 2016 and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.” | <b>Ordinary Resolution 6</b> |
|----|--|------------------------------|

# NOTICE OF ANNUAL GENERAL MEETING

## 7. PROPOSED AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY

## Ordinary Resolution 7

“THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under an employee share scheme or as purchase consideration.

THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting (“AGM”) following the general meeting at which such resolution was passed at which time it will lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends or transfer the shares under an employee share scheme or as purchase consideration) in accordance with the Constitution of the Company and the requirements and/or guidelines of Main Market Listing Requirements of Bursa Securities and all other relevant governmental and/or regulatory authorities.”

# NOTICE OF ANNUAL GENERAL MEETING

## 8. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

### Ordinary Resolution 8

"THAT, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions as specified in Section 1.3 of Part A of the Circular to Shareholders dated 30 June 2020, provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out on arm's length basis, in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

AND THAT the authority conferred by this resolution shall commence upon passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the next AGM; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

## 9. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – TAN SRI DATUK DR. YUSOF BIN BASIRAN**

### Ordinary Resolution 9

"THAT authority be and is hereby given to Tan Sri Datuk Dr. Yusof Bin Basiran who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company."

# NOTICE OF ANNUAL GENERAL MEETING

10. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – WONG CHEE BENG**

**Ordinary Resolution 10**

“THAT authority be and is hereby given to Wong Chee Beng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company.”

11. To transact any other business of which due notice shall have been given.

By Order of the Board

TEO MEE HUI (MAICSA 7050642) / SSM PC No.: 202008001081  
ELIZABETH ALLISON DE ZILVA (MAICSA 7030086) / SSM PC NO.: 202008002112  
Company Secretaries

Selangor Darul Ehsan  
30 June 2020

**Notes:-**

1. In support of the Government of Malaysia's (the Government) ongoing efforts to contain the spread of the Coronavirus (Covid-19) and the Government's advice of social distancing and not having mass gatherings, the Company would like to leverage on technology advancement by conducting the Twenty-Third Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at <https://web.lumiagm.com/> or you may download the free "Lumi AGM" app from the Apple App Store or Google Play Store. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually via the Boardroom's LUMI AGM solution.
2. The main and only venue of the virtual Meeting is strictly to serve as the broadcast venue where the chairman of the Meeting is physically present and **no shareholders/proxies shall be physically present at the broadcast venue**. The Meeting will be in compliance with Section 327(2) of the Companies Act 2016 which provides that the main venue of the AGM shall be in Malaysia and the chairperson must be present at the main venue of the AGM. The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to Covid-19 and best health practices.
3. A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, speak and vote in his/her stead, in accordance with the Administrative Details.
4. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.
5. A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.



# NOTICE OF ANNUAL GENERAL MEETING

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
9. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Online Portal at <http://www.boardroomlimited.my> (please refer to Section E of the Administrative Details for details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
10. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
11. Shareholders/proxies/corporate representatives would need to register as a member of Boardroom Smart Investor Online Portal first before they can request for the Remote Participation User identification number and password to virtually attend, participate, speak and vote at the above Meeting via Boardroom's LUMI AGM solution, in accordance with the Administrative Details.
12. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 23 July 2020 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

## **Explanatory notes on Ordinary and Special Business**

### **Item 1 of the Agenda**

#### **Audited Financial Statements for the financial year ended 31 December 2019.**

This Agenda is meant for discussion only as the provision of Section 248 and Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

### **Ordinary Resolution 4**

#### **Directors' Remuneration of the Company**

Pursuant to Section 230(1) of the Companies Act 2016, the fee of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 23rd AGM on the Directors' remuneration for the financial period from 1 July 2020 until 30 June 2021.

The Directors' remuneration comprises the fee, allowances and benefit-in-kind payable to the Directors of the Company as follows:

	<b><u>Fee (RM)</u></b>	<b><u>*Other Emolument (RM)</u></b>
Executive Directors	-	90,000
Non-Executive Directors	294,000	186,000
<b>Total</b>	<b>294,000</b>	<b>276,000</b>

Note:

\* Inclusive of meeting allowance, travelling allowance, and benefit-in-kind.

In determining the estimated total amount of the Directors' remuneration, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

Payment of Directors' remuneration will be made by the Company on a monthly basis and/or as and when incurred if the proposed Resolution 4 has been passed at the 23rd AGM. The Board is of the view that it is just and equitable for the Directors to be paid such payment on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the period as stated herein.

# NOTICE OF ANNUAL GENERAL MEETING

## **Ordinary Resolution 6**

### **Authority to Issue and Allot Shares**

The proposed resolution is primarily to give flexibility to the Board of Directors to issue and allot shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next AGM of the Company.

This is a new mandate and the purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

The previous mandate was not utilised and accordingly no proceeds were raised. The previous mandate will be lapsed on 30 June 2020.

## **Ordinary Resolution 7**

### **Proposed Authority for Purchase of Own Shares by the Company.**

The proposed resolution, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained earning of the Company.

For further information, please refer to Share Buy-Back Statement dated 30 June 2020.

## **Ordinary Resolutions 8**

### **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

The proposed resolution, if passed, will allow the Group enter into the Recurrent Related Party Transactions made on arm's length basis and normal commercial term and which is not prejudice to the minority shareholders.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 30 June 2020.

## **Ordinary Resolutions 9 and 10**

### **Continuing in Office as Independent Non-Executive Directors**

The Board has assessed the independence of Tan Sri Datuk Dr. Yusof Bin Basiran and Wong Chee Beng, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended them to continue act as an Independent Non-Executive Directors of the Company based on the following justifications:-

- a. they fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would be able to bring an element of objectivity to the Board;
- b. they have been with the Company for more than 9 years and were familiar with the Company's business operations;
- c. they have vast and diverse range of experiences and therefore would be able to provide constructive opinion, independent judgment and to act in the best interest of the Company and shareholders;
- d. they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
- e. they have continue to exercised their due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their professional duties in the interest of the Company and shareholders.

The Board considered Tan Sri Datuk Dr. Yusof Bin Basiran and Wong Chee Beng to be independent based on the above justifications and recommended them to be retained as Independent Non-Executive Directors of the Company.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standard and the provision of the Companies Act 2016 so as to give a true and fair view of the financial position of the Group and of the Company as at the end of financial year end and of financial performance and cash flow of the Group and the Company for the financial year then ended.

In preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2019, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible to ensure that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are also responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

# AUDIT COMMITTEE REPORT

The Board of Directors (“Board”) is pleased to present the following Report of the Audit Committee and its activities for the financial year ended 31 December 2019.

## COMPOSITION AND MEETINGS

The Audit Committee consists of three (3) members, all of whom are Non-Executive Directors with majority of Independent Directors.

The composition of the Audit Committee complies with Paragraph 15.09(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). Mr Wong Chee Beng, the Chairman of the Audit Committee, is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). Therefore, the requirement of Paragraph 15.09(c) of the MMLR of Bursa Securities where at least one (1) member of the Audit Committee must be a qualified accountant has been complied with.

During the financial year ended 31 December 2019, six (6) Audit Committee meetings were held. The Audit Committee and the details of their attendance at the Audit Committee meetings are as follows:-

Members/Designation	Number of Meetings Attended
Wong Chee Beng <i>Chairman/Senior Independent Non-Executive Director</i>	6/6
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab <i>Member/Independent Non-Executive Director (Resigned on 1 December 2019)</i>	6/6
Lim Chai Huat <i>Member/Non-Independent Non-Executive Director</i>	6/6
Karpanadevi A/P K R Somasundram <i>Member/Independent Non-Executive Director (Appointed on 22 November 2019)</i>	N/A*

\* Ms Karpanadevi A/P K R Somasundram was appointed as a member of the Audit Committee after the last Audit Committee meeting for the financial year ended 31 December 2019 held on 22 November 2019. However, she was invited to the said meeting to observe the meeting proceedings.

Senior Management staff and the Group Internal Auditors were invited to attend the Audit Committee meetings. The agenda of the meetings and relevant information were distributed to the Audit Committee members 7 days before the meeting to allow the members to have sufficient time to review the information in order to discharge their duties and responsibilities diligently and effectively in compliance with MMLR of Bursa Securities and its Terms of Reference. The Audit Committee may inspect the minutes of the Committee at the registered office.

The Audit Committee has been given adequate resources to discharge its functions and has full and unrestricted access to and co-operation of Management. The Audit Committee also has full discretion to invite Senior Management, Chief Financial Officer, employees of the Group, External Auditors and Internal Auditors to attend and brief the members on specific issues during the Audit Committee meetings.

In addition, the Audit Committee had meetings with the External Auditors without the presence of Management where they are given the opportunities to raise any concern or professional opinion and thus, to be able to exert its functions independently.

The Company Secretary is the Secretary of the Audit Committee and is responsible, together with the Committee Chairman, to draft the agenda and circulating it prior to each meeting. The Secretary was also present to record the proceedings of the Audit Committee meetings.

# AUDIT COMMITTEE REPORT

The Terms of Reference of the Audit Committee is accessible through the Company's website at <https://www.cbip.com.my/investor-relations/corporate-governance>. The Audit Committee had discharged its function and carried out its duties and works as set out in the Terms of Reference.

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

The work carried out by the Audit Committee in discharging its duties and functions with respect to their responsibilities during the financial year ended 31 December 2019 were summarised as follows:

### Financial Reporting

The Audit Committee reviewed the quarterly and annual financial statements required by Bursa Securities prior to recommendation to the Board for approval. The review focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with MMLR of Bursa Securities and other requirements.

The Audit Committee keeps itself abreast of changes in accounting policies and guidelines through regular updates by the External Auditors.

### External Audit

The Audit Committee discussed with the External Auditors on its audit plan, and the report on the audit of the year-end financial statements and reviewed the External Auditor's engagement letter and Management's responses thereto and the External Auditors' objectivity and independence.

In assessing the independence of the External Auditors, the Audit Committee reviewed the fees paid to the External Auditors, including fees paid for non-audit services during the year. The Audit Committee ensures the reasonableness of the fee charge against the size and complexity of the Group so that the auditors' independence has not been compromised and is suitable for re-appointment.

The Audit Committee held two (2) private sessions with the External Auditors without the presence of the Management during the financial year in order to provide the External Auditors with an avenue to candidly express any concerns they may have, including those relating to their ability to perform their work without restraint or interference, and to notify the Audit Committee on any issues such as major financial and control issue encountered during the audit of the Group.

The Audit Committee evaluated the External Auditors' suitability, independence and objectivity taking into consideration their technical competencies, audit quality and manpower resource sufficiency to perform the audit of the Group. After carrying out the evaluation of the performance and independence of the External Auditors, recommended to the Board to propose to shareholders the re-appointment of the External Auditors at the Annual General Meeting of the Company.

### Internal Audit

The Audit Committee reviewed the adequacy of the scope of functions and competency of the Internal Audit Function, the internal audit work and its audit plan, the major findings during the year and Management's responses thereto and the progress of action plans implemented by the Management; reviewed the effectiveness and efficiency of the internal controls systems in place and the risk factors affecting the Company as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system; and assisted the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.

# AUDIT COMMITTEE REPORT

## Related Party Transactions

The Audit Committee reviewed related party transactions entered into by the Group and any conflict of interest situation that may arise within the Group on a quarterly basis to ensure that all transactions are made on arms length's basis. It was noted that there were no material related party transactions during the financial year.

The Audit Committee also reviewed the recurrent related party transactions of a revenue or trading nature and any outstanding amount due/owing to the Group by its related parties on a quarterly basis to ensure the amounts transacted were within the approved shareholders' mandate as well as the circular to shareholders in respect of the recurrent related party transactions prior to recommending it for the Board's approval to seek shareholders' mandate at the Annual General Meeting of the Company.

## Others

The Audit Committee reviewed the Statement on Risk Management and Internal Control, Audit Committee Report, Corporate Governance Overview Statement and Terms of Reference to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.

## **SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION**

The Company has an Internal Audit Function that reports directly to the Audit Committee. The role of the Internal Audit Function is to assist the Board via the Audit Committee in providing independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes of the Group. The activities of the Internal Audit Function during the financial year ended 31 December 2019 were as follows:

- (a) Development of the Internal Audit Plan for 2019 for the Audit Committee's approval.
- (b) Execution of the approved 2019 internal audit plan and ad-hoc assignments.
- (c) Presentation of the internal audit and risk management findings at Audit Committee meetings. All findings raised by the Internal Audit Function had been directed to Management for appropriate actions.
- (d) Performance of follow-up reviews to ensure previously established action plans had been adequately implemented by Management within the agreed timelines.

The total cost incurred for the Internal Audit Function for the year 2019 was RM202,876.

The internal audits conducted did reveal some weaknesses but were not expected to result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

Further details of the Internal Audit Functions are set out in the Statement on Risk Management and Internal Control on pages 66 to 68.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is committed to ensure that the principles of corporate governance are practiced throughout the Group so that its affairs are conducted in the best interests of the Group and its shareholders. This statement provides an insight into the corporate governance practices of the Group pursuant to the three (3) key principles as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) throughout the financial year ended 31 December 2019.

This Statement is prepared in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and it is to be read together with the Corporate Governance Report of the Company which is available on the Company’s website at [www.cbip.com.my/investor-relations/aggm](http://www.cbip.com.my/investor-relations/aggm).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### PART I – BOARD RESPONSIBILITIES

#### Strategic Aims, Values and Standards

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The Board’s key roles in charting the strategic direction, development and control of the Group includes reviewing and monitoring of matters on strategy to promote sustainability, performance, evaluation, resource allocation, standard of conduct, financial matters, succession planning, corporate disclosure, effectiveness and adequacy of the Group’s system of internal controls and risk management practices.

The Board delegates and confers some of its authorities and discretion to the Chairman, Executive Directors and Management as well as to properly constituted Board Committees comprising exclusively of Non-Executive Directors which operate within clearly defined Terms of Reference.

The Board Committees, comprising the Audit Committee and Nomination and Remuneration Committee, are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. However, it should be noted that the Board retains collective oversight over the Board Committees at all times. At each Board meeting, minutes are presented to keep the Board informed and the Chairmen of the relevant Board Committees also report to the Board on key issues deliberated at their respective meetings.

In addition to the Board Committees, a Risk Management Committee comprising the respective Heads of Subsidiaries headed by the Managing Director (“MD”) was established as part of the Company’s risk management and internal control framework for the purpose of managing risks affecting the Group.

The Key Matters Reserved for the Board’s approval include the annual business plan and budget, capital management and investment policies, authority limits/levels, risk management practices, new businesses/projects, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

During the financial year ended 31 December 2019, the Board, in addition to the above matters, has reviewed policies and procedures to be in line with the Companies Act 2016, MCCG 2017 and revisions to the MMLR and implemented the following as part of its continuous efforts in enhancing corporate governance:-

- (1) adopted a new Constitution of the Company; and
- (2) amended/ updated the:-
  - a. Board Charter which includes the Whistleblower Policy, Corporate Disclosure Policy, Board Diversity Policy, and Group Remuneration Policy;
  - b. Terms of Reference of Audit Committee; and
  - c. Terms of Reference of Nomination and Remuneration Committee;

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

- (3) Established policies and procedures on anti-corruption and bribery as guided by the “Guidelines on Adequate Procedures” issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018).
- (4) Revamped the Company’s website into a user-friendly environment for all devices allowed the stakeholders to access latest information of the Company.
- (5) Formation of Investment Committee at the Management level with responsible to review and propose any potential investment within the Group and established of Investment Policy.

Looking ahead to 2020, the priorities of the Board will be in the following areas:-

1. To have at least 50% Independent Directors on the Board.
2. To achieve 30% women representation at the Board.
3. To review the prevailing risk management framework with a view of reflecting the rationalised strategic direction of the Group.
4. Leverage on technology to broaden its channel of dissemination of information and to enhance the quality of engagement with the shareholders.

The Board regularly reviews the strategic direction of the Company and the progress of the Company’s operations, taking into account changes in the business and political environment and risk factors.

## Chairman

Tan Sri Datuk Dr. Yusof Bin Basiran, the Chairman of the Company, is an Independent Non-Executive Director. The Chairman leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates any discussion. Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by Management. He chairs the meetings of the Board and the shareholders and thus ensuring effective communication with the shareholders as well as the relevant stakeholders.

## Separation of the Positions of the Chairman and MD

The positions of the Chairman and the MD are held by different individuals. Tan Sri Datuk Dr. Yusof Bin Basiran, an Independent Non-Executive Director, is the Chairman whereas Datuk Lim Chai Beng is the MD.

The Board recognises the importance of having a clear separation of responsibilities of the Chairman and the MD to promote accountability and ensure appropriate balance of roles, facilitates division of responsibilities between them so that no one individual can influence the Board’s discussions and decision making. The distinct and separate roles of the Chairman and MD ensure appropriate balance of roles, responsibilities and accountability at Board level.

The distinct roles of the Chairman and the MD are mentioned in the Board Charter of the Company, which is available on the Company’s website.

## Qualified and Competent Secretaries

In performing their duties, all Directors have access to advice and services of suitably qualified Company Secretaries. The Company Secretaries play an advisory role and ensures good information flow within the Board, Board Committees and Management. The Company Secretaries attend all meetings of the Board and Board Committees and advises the Directors on the issues relating to corporate governance matters, requirements encapsulated in the Company’s Constitution and legislative promulgations such as the Companies Act 2016, MMLR, etc. The Company Secretaries shall continue to guide the Directors on the requirement to be observed arising from new regulation and guidelines issued by authorities.

The Company Secretaries are entrusted to record the Board’s deliberations, in terms of issues discussed and ensure that the deliberations at Board and Board Committee meetings are well documented, and subsequently



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

communicated to Management for appropriate actions. The minutes of the previous Board and Board Committees meetings are distributed to the Directors/ Committee prior to the meeting for their perusal before confirmation of the minutes at the commencement of the following Board and Board Committees meetings. The Directors may comment or request for clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. Management provides Directors with complete and timely information prior to meetings and on-going basis to enable informed decision making.

## Access to Information and Advice

All Directors may seek independent professional advice at the Company's expense on specific issues to enable them to discharge their duties, where necessary.

The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. All Board members have full and unrestricted access to all information pertaining to the Group's business and affairs, including amongst others, major financial, operational and corporate matters as well as activities and performance of the Group to enable them to discharge their duties effectively.

## Board Charter

The Board had formalised a Board Charter which sets out the roles, functions, compositions, operation and processes of the Board.

The Board Charter serves to ensure that all Board members are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with Corporate Governance principles.

The Board Charter will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the corporate governance practices of the Company and the responsibilities of the Board in discharging its governance function.

The Board Charter is made available on the Company's website and was last reviewed on 22 November 2018.

## Code of Ethics and Conduct

The Group is committed to achieving and monitoring high standards of behaviour at work.

The Board adheres strictly to the Corporate Code of Business Conduct and Work Ethics Policy for Directors, Senior Management and Employees ("Corporate Code") in discharging its oversight role effectively. The Corporate Code requires all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and to act in good faith in the best interests of the Group and its shareholders.

The Corporate Code is available on the Company's website.

## Whistleblower Policy

The Board has adopted a Whistleblower Policy for the Group as a measure to promote the highest standard of corporate governance. The Whistleblower Policy outlines the avenues for the Directors, employees and stakeholders to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective action and measure to resolve them effectively.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Any party who has reasonable belief that there is serious malpractice relating to any matter disclosed, may direct such complaint and report to the Senior Independent Non-Executive Director, who is also the Chairman of the Audit Committee in writing. Management will ensure that any employee of the Company who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.

The Whistleblower Policy is available on the Company's website.

## Anti-Corruption and Bribery Policy

The Board was apprised and updated on the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act 2009") especially Section 17A of the Corporate Liability Provisions. In addition to the "No Gift Policy" stipulated in the Corporate Code, the Board has adopted an Anti-Corruption and Bribery Policy which was drafted based on the Principles detailed in the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act 2009.

The Anti-Corruption and Bribery Policy is available on the Company's website.

## PART II – BOARD COMPOSITION

### Board Composition

The Board consists of seven (7) members, comprising one (1) Independent Non-Executive Chairman, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

The three (3) Independent Non-Executive Directors fulfilled the criteria of independence as defined in the MMLR. The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remained in a position whereby they are able to fulfill their responsibility and act independently to provide checks and balances to the Board.

The Board composition is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities but it did not meet with the requirement of Practice 4.1 of MCCG 2017 for a Board constituting half of the Independent Directors subsequent to the departure of an Independent Director in December 2019. However, the Board was still able to facilitate greater checks and balances during the Board discussion and decision making and will constantly searching for suitably qualified personnel to increase the representation of Independent Director on the Board. The Company is helmed by an experience Board comprising members of high calibre with integrity and capable to provide a wealth of diverse knowledge, experience and skills in the key areas of accountancy, finance, business operations and development, legal and compliance, corporate governance, risk management and oil palm plantation know-how amongst others.

### Tenure of Independent Director

The Nomination and Remuneration Committee carries out the evaluation of independence on each independent director annually.

The Nomination and Remuneration Committee had undertaken a review and assessment of the level of independence of the Independent Directors during the financial year 2019 and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board during the review of Directors' independence as part of the annual assessment carried out by the Nomination and Remuneration Committee.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board, through the Nomination and Remuneration Committee, had assessed Tan Sri Datuk Dr. Yusof Bin Basiran and Wong Chee Beng, the two (2) Independent Directors who had served the Company for a cumulative term of more than nine (9) years and more than twelve (12) years respectively and, concluded that they have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they would be able to function as checks and balances and bring an element of objectivity to the Board.

Accordingly, the Board agreed with the above proposed re-appointment of Tan Sri Datuk Dr. Yusof Bin Basiran and Wong Chee Beng as Independent Directors of the Company and will seek shareholders' approval through a two-tier voting process at the forthcoming 23rd Annual General Meeting ("AGM") to retain them as Independent Directors of the Company.

## Policy of Independent Director's Tenure

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will need to justify and seek shareholders' approval at an AGM in the event it retains such director as an Independent Director. If the Board continues to retain the Independent Director after the 12th years, the Board needs to seek shareholders' approval through a two-tier voting process in accordance with the MCCG 2017.

## Diverse Board and Senior Management Team

The Board acknowledges the importance of a diverse Board and Senior Management. The Group adhered strictly to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, in the selection of Board members and Senior Management. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the needs of the Company. The Group will endeavor to meet the diversity at the Senior Management level and the composition of the Key Senior Management of the Group comprises a mixture of both genders.

The Board has established a Board Diversity Policy where the Board will endeavor to achieve 30% women directors as soon as practicable and suitable. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Board continues to work towards addressing this as and when vacancies arise and suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skills-set, experience and knowledge of the candidate. The Company's prime responsibility on new appointments is always to select the best candidates available.

Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.

Presently, there is one (1) female Director on the Board and one (1) female representation at the Senior Management level. The Board will endeavour to increase the number of female representation at the Board and Senior Management level if there are appropriate candidates available when vacancies arise.

## Board's Commitment

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board Meeting and Board Committee Meetings to deliberate on matters under their purview. Board Meeting and Audit Committee meeting are held at quarterly intervals with additional meetings convened when necessary. During the financial year, the Board has deliberated on business strategies and issues concerning the Group including business plan, annual budget, financial results, etc.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The attendance record of the Directors at Board and Board Committees meetings during the financial year under review is set out as follows:-

Director	Meeting Attendance			
	Board	Audit Committee	Nomination and Remuneration Committee	AGM
Tan Sri Datuk Dr. Yusof Bin Basiran	5/5	-	-	1/1
Datuk Lim Chai Beng	5/5	-	-	1/1
Y.D.M. Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah	5/5	-	-	1/1
Mak Chee Meng	4/5	-	-	1/1
Lim Chai Huat	5/5	6/6	2/2	1/1
Wong Chee Beng	5/5	6/6	2/2	1/1
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab*	5/5	6/6	2/2	1/1
Karpanadevi A/P K R Somasundram^	1/1	-	-	-

\* *Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab resigned from the Board on 1 December 2019.*

^ *Karpanadevi A/P K R Somasundram was appointed to the Board on 14 November 2019.*

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold more than five (5) directorships in public listed companies and shall notify the Chairman, before accepting any new directorships.

The Directors shall remain fully committed in carrying of their duties and responsibilities by:-

- (1) ensuring the total number of directorship held by each Directors are below the maximum number set by the Board; and
- (2) the time commitment in the full attendance at the Board Meetings.

During the financial year ended 31 December 2019, all the Directors have attended the following training, seminars, conferences and exhibitions to keep themselves abreast with the changes in laws and regulation, business environment and corporate governance development:-

DIRECTOR	COURSE/ PROGRAMME ATTENDED
Tan Sri Datuk Dr. Yusof Bin Basiran	<ul style="list-style-type: none"> <li>• Half Day In-house Seminar: Annual Report &amp; Sustainability Statement – What Shareholders Want to Know (23 May 2019)</li> <li>• Palm Oil Supply and Demand Outlook Conference (POSDOC) and Indonesian and Malaysian CEOs Forum (IMCEOF) organised by Council of Palm Oil Producing Countries (CPOPC) (22 October 2019)</li> </ul>
Datuk Lim Chai Beng	<ul style="list-style-type: none"> <li>• Seminar &amp; Launch of “Love My Palm Oil” Campaign by MPOC (8 January 2019)</li> <li>• Half Day In-house Seminar: Annual Report &amp; Sustainability Statement – What Shareholders Want to Know (23 May 2019)</li> <li>• Palm Oil Supply &amp; Demand Outlook Conference by Council of Palm Oil Producing Countries (CPOPC) (22 October 2019)</li> <li>• MPOB International Palm Oil Congress and Exhibition (PIPOC) 2019 (19 – 21 November 2019)</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTOR	COURSE/ PROGRAMME ATTENDED
Y.D.M. Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah	<ul style="list-style-type: none"> <li>Half Day In-house Seminar: Annual Report &amp; Sustainability Statement – What Shareholders Want to Know (23 May 2019)</li> </ul>
Mak Chee Meng	<ul style="list-style-type: none"> <li>Half Day In-house Seminar: Annual Report &amp; Sustainability Statement – What Shareholders Want to Know (23 May 2019)</li> <li>Palm Oil Supply &amp; Demand Outlook Conference by Council of Palm Oil Producing Countries (CPOPC) (22 October 2019)</li> </ul>
Lim Chai Huat	<ul style="list-style-type: none"> <li>Half Day In-house Seminar: Annual Report &amp; Sustainability Statement – What Shareholders Want to Know (23 May 2019)</li> </ul>
Wong Chee Beng	<ul style="list-style-type: none"> <li>Half Day In-house Seminar: Annual Report &amp; Sustainability Statement – What Shareholders Want to Know (23 May 2019)</li> <li>Palm Oil Supply &amp; Demand Outlook Conference by Council of Palm Oil Producing Countries (CPOPC) (22 October 2019)</li> <li>Big Data Analytics for Accountant by MICPA (4 December 2019)</li> <li>Cyber Threat Awareness by MICPA (5 December 2019)</li> </ul>
Karpanadevi A/P K R Somasundaram	<ul style="list-style-type: none"> <li>Introduction to Corporate Directorship by Institute of Corporate Directors Malaysia (ICDM) (29 – 30 January 2019)</li> <li>Improving Gender Balance on Corporate Boards by Malaysian Alliance of Corporate Directors (MACD) (6 March 2019)</li> <li>The Role of the Board in Strategy and Risk Management Oversight by ICDM (29 April 2019)</li> <li>The Role of the Board in Risk Management of Legal Issues during Mergers and Acquisitions by ICDM (5 September 2019)</li> <li>International Directors Summit by ICDM (14 – 15 October 2019)</li> <li>Governance 4.0 &amp; Digital Transformation Era for Corporate Leaders by ICDM (December 2019)</li> <li>Shaping the Boards of Tomorrow by ICDM (2 December 2019)</li> </ul>
Lim Zee Ping	<ul style="list-style-type: none"> <li>Palm Oil Supply &amp; Demand Outlook Conference by Council of Palm Oil Producing Countries (CPOPC) (22 October 2019)</li> <li>MPOB International Palm Oil Congress and Exhibition (PIPOC) 2019 (19 – 21 November 2019)</li> </ul>

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

The Company Secretaries together with the Management undertake the role as the co-ordinator to manage and co-ordinate the Director's training requirement.

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training related to their functions or roles to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Nomination and Remuneration Committee (“NRC”)

The NRC consists of entirely Non-Executive Directors with a majority being Independent Directors, as follows:-

Chairperson	Karpanadevi A/P K R Somasundram <i>(Independent Non-Executive Director)</i>
Members	Wong Chee Beng <i>(Senior Independent Non-Executive Director)</i> Lim Chai Huat <i>(Non-Independent Non-Executive Director)</i>

Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab ceased to be the Chairman of the NRC ipso facto his resignation as Director of the Company on 1 December 2019. In place thereof, Karpanadevi A/P K R Somasundram was appointed as the Chairperson of the NRC on 1 December 2019.

The NRC's Terms of Reference is available on the Company's website.

In regard to the nomination function, the NRC is responsible for new appointments, assessing the adequacy and appropriateness of the board composition, identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine the skill matrix to support the strategic direction and needs of the Company.

The NRC evaluates the qualification and experience of the candidate against the Board's requirements, including its gender diversity policy and where appropriate recommends to the Board for appointment.

During the financial year 2019, the NRC held two (2) meetings and the work carried out by the NRC in discharging its functions and duties were as follows: -

- reviewed and considered the appointment of Karpanadevi A/P K R Somasundram as Independent Director.
- evaluated the balance of skills, knowledge, experience and diversity on the Board;
- assessed the effectiveness of the Board as a whole and the contribution of each individual Director;
- reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- reviewed and assessed the performance of the Chief Financial Officer (“CFO”);
- reviewed the re-election and re-appointment of retiring Directors;
- assessed and evaluated the level of independence of Independent Directors;
- assessed Directors' training needs;
- reviewed the terms of office of the Audit Committee and each member of the Audit Committee;
- reviewed the remuneration of Executive Directors based on the key performance indicators achieved;
- reviewed the Directors' fee and benefit payable to the Non-Executive Directors from 1 July 2019 to 30 June 2020.

In August 2019, the NRC through an independent source namely, Malaysian Alliance of Corporate Directors, had nominated the appointment of Karpanadevi A/P K R Somasundram as an Independent Non-Executive Director of the Company to the Board, after assessing and reviewing her skill, knowledge, expertise and experience. The Board, upon the recommendation of the NRC, approve the appointment of Karpanadevi A/P K R Somasundram as an Independent Non-Executive Director of the Company on 14 November 2019.

## Annual Evaluation

The Board through the NRC, reviews and evaluates its own performance and the performance of the Board Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Director Self-Assessment and an Assessment of Independence of the Independent Directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's roles and responsibilities. As for the Individual Director Self-Assessment, the assessment criteria include contribution to interaction, quality of input, understanding of role and time commitment.

The results of the assessment would form the basis of the NRC's recommendation to the Board for the re-election of the retiring Directors at the next AGM.

In addition, the NRC reviews and evaluates the performance of the CFO on an annual basis.

Based on the results of the assessments, the NRC was satisfied with the existing Board composition and was of the view that the Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. All assessments and evaluations carried out by the NRC in the discharge of its functions were properly documented.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board meeting by attending all of the Board and Board Committees meetings as shown in the details of attendance of Directors at the meetings held during the financial year.

## Re-election of Retiring Director

In accordance with the Company's Constitution, one third of the Directors (with the exception of the Alternate Director) are subject to retirement by rotation annually and all Directors shall retire from office once at least every three years.

The Directors to retire each year are the Directors who have been longest in office since their last appointment on re-election. The Directors appointed during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election.

Pursuant to Clause 97 of the Company's Constitution, Wong Chee Beng and Mak Chee Meng are subject to retirement by rotation whilst Karpanadevi A/P K R Somasundram appointed during the financial year 2019 is subject to retirement pursuant to Clause 104 of the Company's Constitution at the forthcoming 23rd AGM and they have expressed their willingness to seek for re-election at the 23rd AGM.

## PART III - REMUNERATION

### Remuneration Policy

The NRC and the Board ensure that the Company's remuneration remains supportive of the Company's corporate objectives and is in tune with the market rate and further that the remuneration packages of Directors and Key Senior Management are sufficiently attractive to attract and to retain persons of high calibre.

The Company's Remuneration Policy recognises the need for the Company to attract, motivate and retain qualified members of the Board and Management as well as to align the interests of the Board and Management with the interest of the Company's shareholders. As such, the Remuneration Policy adopted by the Board embodies the following principles:

- Providing fair, consistent and competitive rewards to attract and retain high calibre executives.
- Motivating the Company's Directors and executives to achieve superior performance.
- A remuneration framework that incorporates both short and long-term incentives linked to the Company performance and total shareholders' returns.

The Remuneration Policy is published on the Company's website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Remuneration of Directors and Senior Management

The NRC reviews annually the performance of the Executive Directors (“EDs”) and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year and their achievement of the goals and/or quantified organisational targets set at the beginning of each year.

The key performance indicators (“KPIs”) of the EDs are tailored to their specific business segments. To ensure that the EDs work together to contribute towards the success of the overall group, their KPIs also include some of the group’s KPIs.

The Board as a whole determines the Director’s fee of the Non-Executive Directors (“NEDs”) and recommends the same for the shareholders’ approval.

The remuneration package of the EDs consists of monthly salary, allowance, bonus and benefits-in-kind (“BIK”) such as company car and coverage under the Directors and Officers Liability Insurance in respect of any significant liability arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

The aggregate remuneration of Directors received from the Company and on Group basis for the financial year ended 31 December 2019 are as follows:

Director	Company		Group		
	Fee (RM'000)	Other Emolument and BIK <sup>∨</sup> (RM'000)	Fee (RM'000)	Other Emolument and BIK <sup>∨</sup> (RM'000)	Defined Contribution Plan (RM'000)
<b>Executive Directors*</b>					
Datuk Lim Chai Beng	-	29	72	1,152	60
Y.D.M. Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah	-	29	-	466	43
Mak Chee Meng	-	32	6	576	32
<b>Non-Executive Directors</b>					
Tan Sri Datuk Dr. Yusof Bin Basiran	87	62	87	62	-
Wong Chee Beng	53	30	53	30	-
Lim Chai Huat	49	30	49	30	-
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab <sup>#</sup>	45	24	45	24	-
Karpanadevi A/P K R Somasundram <sup>^</sup>	6	1	6	1	-

\*The remuneration paid to the EDs were in respect of their employment with the Company/Group.

<sup>#</sup>Datuk Mohammad Nageeb Bin Ahmad Abdul Wahab was resigned on 1 December 2019.

<sup>^</sup>Karpanadevi A/P K R Somasundaram was appointed to the Board on 14 November 2019.

<sup>∨</sup> Other emolument and BIK consists of salary, allowance and benefits-in-kind.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Remuneration of Top Five (5) Senior Management

The number of top five (5) Senior Management whose remuneration (comprising salary, bonus, BIK and other emoluments) for the financial year ended 31 December 2019 within the successive bands of RM50,000 are as follows:

Range of Remuneration	Top Five Senior Management
RM350,001 to RM400,000	2
RM450,001 to RM500,000	1
RM600,001 to RM650,000	1
RM850,001 to RM900,000	1

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### PART I – AUDIT COMMITTEE

The Audit Committee (“AC”) is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The AC also undertakes to provide oversight on the risk management framework of the Group.

The AC is chaired by a Senior Independent Non-Executive Director, who is distinct from the Chairman of the Board and all members of the AC are financially literate. The composition of the AC, including its roles and responsibilities as well as a summary of its activities carried out in year 2019, are set out in the AC Report on pages 50 to 52 of this Annual Report.

The AC has adopted a policy that requires any Director who is a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and the said policy has been incorporated in the Terms of Reference of the AC which is published on the Company’s website.

### External Auditors

Annually, the AC also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment at the AGM. The AC would convene meeting with the External Auditors without the presence of the EDs and employees of the Group as and when necessary. As part of the AC’s review processes, the AC has obtained assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Having satisfied with Messrs. Crowe Malaysia PLT’s performance, technical competency and audit independence, the AC recommended the re-appointment of Messrs. Crowe Malaysia PLT to the Board, upon which the shareholders’ approval will be sought at the AGM.

Based on the AC’s assessment of the External Auditors, the Board is satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for financial year 2019. In view thereof, the Board has recommended the re-appointment of the External Auditors for the approval of shareholders at the forthcoming 23rd AGM.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Internal Auditors

The Group's Internal Audit Department was established to support the Board through the AC in discharging its duties and governance responsibilities of maintaining a sound internal control system within the Group. The Group Internal Auditors has an independent status within the Group and reports directly and functionally to the AC, and also independent of the functions and activities that it audits and performs its duties in accordance with the Internal Audit Plan approved by the AC.

The Group Internal Audit ("GIA") Department is staffed with 4 Internal Auditors who are free from any relationship or conflict of interest, which would impair their objectivity and independence.

The GIA Department is headed by Mr Chua Chin Keat. He holds a Bachelor Degree with double major in Economics and Finance from RMIT University, Australia and has more than 20 years of internal audit experiences in banking, finance, franchise, agriculture, manufacturing and construction sectors. He is a member of The Institute of Internal Auditors Malaysia (IIAM).

The GIA Department has adopted professional guides such as International Professional Practices Framework (IPPF) and COSO's Internal Control—Integrated Framework as references during the conduct of assignments.

Details of the Internal Audit Function and activities are presented in the AC Report on page 52 of this Annual Report.

## PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The AC is assigned by the Board to oversee the risk management of the Group and advise the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plans implemented and makes relevant recommendations to the Board to manage residual risks.

The Company has established a formal risk management framework to oversee the risk management of the Group. The Risk Management Committee ("RMC") comprising of the Head of Subsidiaries was established to assist the Board to identify, assess, manage, monitor and report underlying risks and the Board through the AC and the RMC obtained assurance that the system of risk management and internal control of the Group are functioning effectively.

The Statement on Risk Management and Internal Control included on pages 66 to 68 of this Annual Report provides the overview of the Internal Control Framework adopted by the Company during the financial year ended 31 December 2019.

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

### PART I – COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. The Board has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws. The Corporate Disclosure Policy is published on the Company's website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company's website provides all relevant corporate information and it is accessible by the public. The Company's website includes Annual Report, financial results, share price information and all corporate announcements made by the Company. Where possible and applicable, the Group provides additional disclosures on a voluntary basis. The Board believes that on-going communication with shareholders is vital to the shareholders and the investors to make informed investment decisions.

The Company encourages effective, transparent and regular communication with the shareholders and the stakeholders including employees and any queries can be directed to the Corporate's website by an e-mail address: info@cbip.com.my. The Company has also identified Wong Chee Beng as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

## **PART II – CONDUCT OF GENERAL MEETINGS**

The AGM is the principal forum for dialogue and interaction with shareholders and provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Groups' business and corporate developments.

In line with good corporate governance practice, the notice of the 23rd AGM, the Form of proxy and Annual Report are dispatched to the shareholders at least 28 days before the date of AGM. All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The proceedings of the AGM will include the briefing on the Company's overall performance for the year under review and future prospect by the Head of Investor Relations. A Questions and Answers session will be held where the Chairman will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The Directors, the CFO and the External Auditors will be in attendance to respond to the shareholders' queries.

At the 22nd AGM held on 31 May 2019, all the Directors were present in person to engage directly with shareholders and responded to all questions raised and provided clarification as enquired by the shareholders. A summary of key matters discussed at the AGM is published on the Company's website.

This Corporate Governance Overview Statement was approved by the Board on 22 June 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board is committed towards ensuring that a sound risk management framework and system of internal control exists in order to safeguard the Group's assets and minimise its losses and liabilities.

The Board is pleased to present this statement on the state of risk management and internal control of the Group prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("Guidelines") and the Malaysian Code on Corporate Governance 2017.

## BOARD RESPONSIBILITIES

The Board recognises the importance of sound framework for risk management and internal control as a platform to good corporate governance. The Board acknowledges its responsibility and re-affirms its commitment in maintaining sound systems of risk management and internal control to safeguard shareholders' investments and the Group's assets as well as for reviewing its adequacy and effectiveness of these systems.

The Board has delegated the reviewing of the adequacy and integrity of the internal control system to the Audit Committee. Through the Audit Committee, the Board is kept informed of all significant issues on risk management and internal control brought to the attention of the Audit Committee by Management, the Internal Auditors and the External Auditors.

Due to inherent limitations in any system of internal control and risk management, the Board recognises that such systems are designed to manage rather than to eliminate all the risks that may hinder the Group from achieving its business objectives, and as such, can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Board remains responsible for the governance of risk and for all the actions of the Board Committees with regard to the execution of delegated oversight responsibilities.

## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

### 1. Control Environment

- **Organisation Structure & Authorisation Procedures**

The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Group's Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various operations.

- **Periodic Performance Review**

Actual performance of the Group is monitored against plans to identify and to address significant variances during every quarterly meeting.

- **Group Policies and Procedures**

The Group has documented policies and procedures that are reviewed and updated periodically to ensure that these are effective and efficient and continue to support the Group's business activities at all times as the Group continues to grow.

- **Site Visits and Operational Meetings**

Factory/site visits are conducted by members of the Management team, the Internal Auditors and the Audit Committee.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 2. Risk Management Framework and its Implementation

Risk management is regarded by the Board to be an integral part of managing business operations. There is a Risk Management Committee comprising of the respective Heads of Subsidiary who are responsible for managing risks related to their functions on a day-to-day basis with the responsibility at the Group level by the Managing Director. The Board through the Audit Committee obtained the assurance that the Risk Management Committee is functioning effectively.

Management meetings are held to ensure that risks faced by the Group are discussed, monitored and appropriately addressed. It is at these meetings that key risks and corresponding controls implemented are communicated amongst the Management team. Significant risks identified are subsequently brought to the attention of the Board at their scheduled meetings.

The abovementioned practices and initiatives by Management serve as an ongoing process used to identify, assess and manage key business, operational and financial risks faced by the Group.

In addition, the Internal Auditor updates the Audit Committee quarterly on the status of implementation of previously identified management action plans to mitigate significant business/operating risks of the Group.

These processes have been in place for the financial year under review and the Board has given approval for this statement to be included in the Annual Report.

## 3. Internal Audit Function

The Group's Internal Audit Department is independent from the day-to-day operations of the Group. The duties of the Internal Auditors is performed with professional care and without prejudice which provide the Audit Committee and the Board with an assurance and independent assessment in respect of the adequacy, efficiency and effectiveness of the risk management practices and system of internal control.

The Internal Auditors reports directly to the Audit Committee and the internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage. Based on internal policies, procedures and frameworks as well as Committee of Sponsoring Organization of the Treadway Commission (COSO), the Internal Auditors assesses the Group's internal control based on the following five interrelated control elements:

- a. Control environment;
- b. Risk assessment;
- c. Control activities;
- d. Information and communication; and
- e. Monitoring activities.

This is documented in the Audit Committee Report on pages 50 to 52 of this Annual Report.

On a quarterly basis, the Group's Internal Auditors tables the results of their review of the business processes of different operating units to the Audit Committee. The status of the implementation of corrective actions to address control weaknesses are also followed up by the Internal Auditors to ensure that these actions have been satisfactorily implemented.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses or liabilities that would require a separate disclosure in this Annual Report.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 4. Information and Communication

Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Management's attention are highlighted for review, deliberation and decision on a timely basis.

## 5. Monitoring and Review

- **Business Planning and Budgeting Review**

The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group. Business plan and annual budget prepared by Management are tabled to the Board for their review and approval.

- **Financial and Operational Review**

The quarterly financial statements containing key financial results and operational performance results are monitored against budgets/plans to identify and address significant variances quarterly and these are presented to the Board for their review, consideration and approval.

## ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Managing Director and the Chief Financial Officer, have provided assurance to the Board that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

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

Pursuant to Paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report. Their review was performed in accordance with recommended Practice Guide (RPG) 5 (revised 2015): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants.

Based on their review, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines to be set out, nor is factually inaccurate.

## CONCLUSION

The Board is of the view that the Group's system of risk management and internal control is adequate and effective to safeguard the Group's assets and minimise its losses and liabilities. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will continue to enhance the risk management and internal control system of the Group.

This Statement on Risk Management and Internal Control was approved by the Board on 22 June 2020.

# ADDITIONAL COMPLIANCE INFORMATION

## (i) Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year.

## (ii) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid and payable to the External Auditors and their affiliates by the Company and the Group for the financial year ended 31 December 2019 are as follows:

	Company (RM)	Group (RM)
Audit fees	85,000	454,000
Non-audit fees	7,664	147,558

## (iii) Material Contracts

Except for what is disclosed in the Related Party Transaction as stated below, there were no other material contracts entered into by the Group involving the interest of the Directors, chief executive who is not a Director or Major Shareholder either still subsisting as at 31 December 2019 or entered into since the end of the previous financial year.

## (iv) Recurrent Related Party Transaction (“RRPT”) of Revenue or Trading Nature

At the Twenty-Second Annual General Meeting held on 31 May 2019, the Company had obtained a mandate from its shareholders to enter into RRPT with a person who is considered being a Related Party as defined in Chapter 10 of the Main Market Listing Requirements. Details of the RRPT during the financial year ended 31 December 2019 pursuant to the Shareholders’ Mandate are as follows:-

Transacting Parties	Interested Director, Major Shareholder and/or Person Connected	Nature of Transaction	Actual Transacted Values (RM)
<b>Provider:</b> Advance Boilers Sdn. Bhd.  <b>Recipient:</b> Resourcecity Sdn. Bhd.	<u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(1b)</sup>  <u>Interested Directors</u> 1) Lim Zee Ping <sup>(10a)&amp;(10b)</sup> 2) Lim Chai Huat <sup>(5)&amp;(9)</sup>  <u>Interested Person Connected</u> 1) Lim Chai Guan <sup>(6b)&amp;(9)</sup>	Sale of boiler and spare parts.	28,100
<b>Recipient:</b> Advance Boilers Sdn. Bhd.  <b>Provider:</b> Tzen Plantation Ltd	<u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(1b)</sup>  <u>Interested Directors</u> 1) Lim Zee Ping <sup>(10a)&amp;(10b)</sup> 2) Lim Chai Huat <sup>(5)&amp;(9)</sup>  <u>Interested Person Connected</u> 1) Lim Chai Guan <sup>(6b)&amp;(9)</sup>	Sale of boiler and spare parts.	1,324,000

## ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Interested Director, Major Shareholder and/or Person Connected	Nature of Transaction	Actual Transacted Values (RM)
<p><b>Recipient:</b> Avecpalm Marketing Resources Sdn. Bhd.</p> <p><b>Provider:</b> Presspalm Engineering Sdn. Bhd.</p>	<p><u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(9)</sup></p> <p><u>Interested Directors</u> CBIPH 1) Lim Chai Huat<sup>(5)&amp;(9)</sup> 2) Lim Zee Ping<sup>(10a)&amp;(10b)</sup></p> <p><u>Interested Person Connected</u> 1) Lim Chai Tiong<sup>(8)&amp;(9)</sup> 2) Lim Chai Guan<sup>(6b)&amp;(9)</sup></p>	Purchase of palm oil mills spare parts/ machining items.	479,412
<p><b>Provider:</b> Avecpalm Marketing Resources Sdn. Bhd.</p> <p><b>Recipient:</b> Presspalm Engineering Sdn. Bhd.</p>	<p><u>Interested Directors/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(9)</sup></p> <p><u>Interested Directors</u> CBIPH 1) Lim Chai Huat<sup>(5)&amp;(9)</sup> 2) Lim Zee Ping<sup>(10a)&amp;(10b)</sup></p> <p><u>Interested Person Connected</u> 1) Lim Chai Tiong<sup>(8)&amp;(9)</sup> 2) Lim Chai Guan<sup>(6b)&amp;(9)</sup></p>	Sale of palm oil mills spare parts.	3,661
<p><b>Provider:</b> CBIP (PNG) Ltd</p> <p><b>Recipient:</b> East New Britain Palm Oil Limited</p>	<p><u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(1b)</sup></p> <p><u>Interested Directors</u> 1) Lim Zee Ping<sup>(10a)</sup> 2) Lim Chai Huat<sup>(5)&amp;(9)</sup></p> <p><u>Interested Person Connected</u> 1) Lim Chai Guan<sup>(6b)&amp;(9)</sup></p>	Sale of palm oil mills equipment, spare parts and engineering works.	228,854
<p><b>Recipient:</b> PalmitEco Engineering Sdn. Bhd.</p> <p><b>Provider:</b> PW Biotech Engineering Sdn. Bhd.</p>	<p><u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(1b)</sup></p> <p><u>Interested Directors</u> CBIPH 1) Mak Chee Meng<sup>(3)</sup> 2) Lim Zee Ping<sup>(10a) &amp;(10b)</sup> 3) Lim Chai Huat<sup>(5)&amp;(9)</sup></p> <p><u>Subsidiaries</u> 4) Tan Yu Hwa<sup>(4a)&amp;(4b)</sup> 5) Lim Chai Guan<sup>(6a),(6b)&amp;(9)</sup></p> <p><u>Interested Person Connected</u> 1) Lim Sim Tong<sup>(7)</sup></p>	Purchase of effluent treatment system, parts and engineering works.	18,600



## ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Interested Director, Major Shareholder and/or Person Connected	Nature of Transaction	Actual Transacted Values (RM)
<p><b>Recipient:</b> PalmitEco Engineering Sdn. Bhd.</p> <p><b>Provider:</b> Presspalm Engineering Sdn. Bhd.</p>	<p><u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(9)</sup></p> <p><u>Interested Directors</u> <u>CBIPH</u> 1) Lim Chai Huat<sup>(5)&amp;(9)</sup> 2) Lim Zee Ping<sup>(10a)&amp;(10b)</sup></p> <p><u>Subsidiaries</u> 3) Lim Chai Guan<sup>(6a),(6b)&amp;(9)</sup></p> <p><u>Interested Person Connected</u> 1) Lim Chai Tiong<sup>(8)&amp;(9)</sup></p>	Sale of palm oil mills spare parts.	46,535
<p><b>Recipient:</b> PalmitEco Engineering Sdn. Bhd.</p> <p><b>Provider:</b> PW Eco Biotech Sdn. Bhd.</p>	<p><u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(1b)</sup></p> <p><u>Interested Directors</u> <u>CBIPH</u> 1) Mak Chee Meng<sup>(3)</sup> 2) Lim Zee Ping<sup>(10a)&amp;(10b)</sup> 3) Lim Chai Huat<sup>(5)&amp;(9)</sup></p> <p><u>Subsidiaries</u> 4) Tan Yu Hwa<sup>(4a)&amp;(4b)</sup> 5) Lim Chai Guan<sup>(6a),(6b)&amp;(9)</sup></p> <p><u>Interested Person Connected</u> 1) Lim Sim Tong<sup>(7)</sup></p>	Purchase of effluent treatment system, parts and engineering works.	4,884,880
<p><b>Provider:</b> PalmitEco Engineering Sdn. Bhd.</p> <p><b>Recipient:</b> East New Britain Palm Oil Limited</p>	<p><u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(1b)</sup></p> <p><u>Interested Directors</u> <u>CBIPH</u> 1) Lim Zee Ping<sup>(10a)&amp;(10b)</sup> 2) Lim Chai Huat<sup>(5)&amp;(9)</sup></p> <p><u>Subsidiaries</u> 3) Lim Chai Guan<sup>(6a),(6b)&amp;(9)</sup></p>	Sale of palm oil mills equipment, spare parts and engineering works.	2,355,405
<p><b>Provider:</b> PalmitEco Engineering Sdn. Bhd.</p> <p><b>Recipient:</b> Resourcecity Sdn. Bhd.</p>	<p><u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng<sup>(1a)&amp;(1b)</sup></p> <p><u>Interested Directors</u> <u>CBIPH</u> 1) Lim Zee Ping<sup>(10a)&amp;(10b)</sup> 2) Lim Chai Huat<sup>(5)&amp;(9)</sup></p> <p><u>Subsidiaries</u> 3) Lim Chai Guan<sup>(6a),(6b)&amp;(9)</sup></p>	Sale of palm oil mills equipment, spare parts and engineering works.	1,800,007

## ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Interested Director, Major Shareholder and/or Person Connected	Nature of Transaction	Actual Transacted Values (RM)
<b>Provider:</b> PalmitEco Engineering Sdn. Bhd.  <b>Recipient:</b> Tzen Plantation Ltd	<u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(1b)</sup>  <u>Interested Directors</u> CBIPH 1) Lim Zee Ping <sup>(10a)&amp;(10b)</sup> 2) Lim Chai Huat <sup>(5)&amp;(9)</sup>  <u>Subsidiaries</u> 3) Lim Chai Guan <sup>(6a),(6b)&amp;(9)</sup>	Sale of palm oil mills equipment, spare parts and engineering works.	110,000
<b>Provider:</b> PalmitEco Engineering Sdn. Bhd.  <b>Recipient:</b> Presspalm Engineering Sdn. Bhd.	<u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(9)</sup>  <u>Interested Directors</u> CBIPH 1) Lim Chai Huat <sup>(5)&amp;(9)</sup> 2) Lim Zee Ping <sup>(10a)&amp;(10b)</sup>  <u>Subsidiaries</u> 3) Lim Chai Guan <sup>(6a),(6b)&amp;(9)</sup>  <u>Interested Person Connected</u> 1) Lim Chai Tiong <sup>(8)&amp;(9)</sup>	Sale of palm oil mills spare parts.	258,530

### Explanatory Notes:

- 1a. Datuk Lim Chai Beng is a Director and a Major Shareholder of the Company.
- 1b. Datuk Lim Chai Beng is also the Directors and Major Shareholders of PW Biotech Engineering Sdn. Bhd., PW Eco Biotech Sdn. Bhd., Resourcecity Sdn. Bhd., Tzen Plantation Ltd, East New Britain Palm Oil Limited and Glory Jade Investment Limited.
2. Tzen Plantation Ltd and East New Britain Palm Oil Limited are the wholly-owned subsidiaries of Glory Jade Investment Limited.
3. Mak Chee Meng is a Director of the Company and has direct interest of 3.32% in Company. He is also a Major Shareholder of PW Biotech Engineering Sdn. Bhd. and PW Eco Biotech Sdn. Bhd.
- 4a. Tan Yu Hwa has direct interest of 1.75% in the Company. He is also a Director and a Major Shareholder of PW Biotech Engineering Sdn. Bhd. and PW Eco Biotech Sdn. Bhd.
- 4b. Tan Yu Hwa is Director of PalmitEco Engineering Sdn. Bhd.
5. Lim Chai Huat is a Director of the Company and has direct interest of 4.51% in Company.
- 6a. Lim Chai Guan is a Director of PalmitEco Engineering Sdn. Bhd.
- 6b. Lim Chai Guan has direct interest of 5.30% and indirect interest of 0.21% through the shares held by his spouse in the Company.
7. Lim Sim Tong is the daughter of Datuk Lim Chai Beng and has direct interest of 0.47% in the Company. She is also a Director of PW Biotech Engineering Sdn. Bhd. and PW Eco Biotech Sdn. Bhd.
8. Lim Chai Tiong is the brother of Datuk Lim Chai Beng and has direct interest of 0.99% in the Company. He is a Director and Major Shareholder of Presspalm Engineering Sdn. Bhd.
9. Datuk Lim Chai Beng, Lim Chai Huat, Lim Chai Guan and Lim Chai Tiong are siblings.
- 10a. Lim Zee Ping is the Alternate Director to Datuk Lim Chai Beng and has direct interest of 0.95% in CBIPH. He is deemed interested in the Shareholders' Mandate.
- 10b. Lim Zee Ping is a Director of Advance Boilers Sdn. Bhd., Avecpalm Marketing Resources Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd.

# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019. All values shown in this report are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	35,500	6,906
- Non-controlling interests	(146)	-
	<u>35,354</u>	<u>6,906</u>

## DIVIDENDS

Since the end of the previous financial year, the Company paid the following interim dividends:

	RM'000
- Second interim single tier dividend of 2 sen per ordinary share in respect of financial year ended 31 December 2018, paid on 18 April 2019	10,215
- First interim single tier dividend of 2 sen per ordinary share in respect of financial year ended 31 December 2019, paid on 8 January 2020	10,101
	<u>20,316</u>

The directors do not propose any final dividend in respect of the current financial year.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

## SHARE OPTIONS

The Company did not grant any share options during the financial year.

# DIRECTORS' REPORT

## **BAD AND DOUBTFUL DEBTS**

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

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

## **CURRENT ASSETS**

Before the financial statements 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 the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

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

## **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or 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 the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

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

# DIRECTORS' REPORT

## 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 which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

## DIRECTORS

The names of directors who served during the financial year and up to the date of this report are as follows:-

### Directors of the Company

Tan Sri Datuk Dr. Yusof Bin Basiran  
 Datuk Lim Chai Beng  
 Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah  
 Mak Chee Meng  
 Wong Chee Beng  
 Lim Chai Huat  
 Lim Zee Ping (Alternate to Datuk Lim Chai Beng)  
 Karpanadevi A/P K R Somasundram (Appointed on 14.11.2019)  
 Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab (Resigned on 1.12.2019)

### Directors of Subsidiaries (Other than Directors of the Company)

Ahmad Aminnurdin Bin Dinyati  
 Dato' Ku Azhar Bin Ku Ahmad  
 Guruge Elmo Lakshman Perera  
 Koo Boon Hoe  
 Lim Chai Guan  
 Lim Cheng Heng  
 Ng Ah Teh  
 Siti Zawiyah Binti Alias  
 Tan Boon Hoe  
 Tan Hock Yew  
 Tan Yu Hwa  
 Tengku Ezrique Ezzuddean Bin Tengku Ardy Esfandiari  
 Satyanarayana Jampa Veera Venkata (Resigned on 28.02.2020)

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

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

Name of Director	Number of Ordinary Shares			Balance at 31.12.2019
	Balance at 1.1.2019	Bought	Sold	
Tan Sri Datuk Dr. Yusof Bin Basiran				
- Indirect <sup>(a)</sup>	800,000	-	-	800,000
Datuk Lim Chai Beng				
- Direct	166,385,420	2,000,000	2,500,000	165,885,420
- Indirect <sup>(a)</sup>	9,375,000	2,500,000	-	11,875,000
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah				
- Direct	3,360,000	-	-	3,360,000
Mak Chee Meng				
- Direct	16,376,660	-	-	16,376,660
Lim Chai Huat				
- Direct	22,222,222	-	-	22,222,222
Lim Zee Ping				
- Direct	3,684,000	1,000,000	-	4,684,000

<sup>(a)</sup> Deemed interest by virtue of shares held by family members (who are not directors of the Company)

By virtue of his shareholdings in the Company, Datuk Lim Chai Beng is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full - time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 31 to the financial statements.

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

## DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 26 to the financial statements.

# DIRECTORS' REPORT

## **INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

There was no indemnity given to any director or officer of the Group or the Company during the financial year. The Group maintains a liability insurance of RM5,000,000 for directors and officers and the insurance costs incurred during the financial year amounted to RM18,000.

## **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

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

The significant events during the financial year are disclosed in Note 38 to the financial statements.

## **SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

The significant event occurring after the reporting period is disclosed in Note 39 to the financial statements.

# DIRECTORS' REPORT

## AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 25 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 29 JUNE 2020**

**Datuk Lim Chai Beng**

**Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah**



# STATEMENTS BY DIRECTORS

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

We, Datuk Lim Chai Beng and Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah, being two of the directors of CB Industrial Product Holding Berhad, state that, in the opinion of the directors, the financial statements set out on pages 88 to 171 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 29 JUNE 2020**

**Datuk Lim Chai Beng**

**Tengku Dato' Ardy Esfandiari  
Bin Tengku A. Hamid Shah**

# STATUTORY DECLARATION

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

I, Tan Hock Yew, (MIA membership no.: 11747) being the officer primarily responsible for the financial management of CB Industrial Product Holding Berhad, do solemnly and sincerely declare that the financial statements set out on pages 88 to 171 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Tan Hock Yew, at Klang  
in the State of Selangor Darul Ehsan  
on this 29 June 2020

**Tan Hock Yew**

Before me  
**Nadzrul Azali Bin Abdul Aziz (No. B548)**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## Report on the Audit of the Financial Statements

### *Qualified Opinion*

We have audited the financial statements of CB Industrial Product Holding Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and 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 88 to 171.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *Basis for Qualified Opinion*

Audit of Joint Venture - Gulf Lubes Malaysia Sdn. Bhd. ("GLM")

As disclosed in Note 10 and Note 10 (c)(iii) to the financial statements, the audited financial statements and auditors' report of the said joint venture are not available and the Group has not performed a Purchase Price Allocation for the acquisition of the joint venture. The audited financial statements of the Group have been consolidated using the unaudited management accounts of the joint venture for the financial year ended 31 December 2019.

We were unable to perform appropriate audit procedures to obtain sufficient and appropriate audit evidence that we considered necessary for the said joint venture during our audit of the financial statements of the Group. Therefore, we could not determine whether any adjustments were necessary in respect of the unaudited management accounts of the joint venture and the effects, if any, on the financial position of the Group as at 31 December 2019 or on its financial performance and cash flows for the financial year then ended.

Further, we draw your attention to Note 10 (c)(ii) and Note 15 to the financial statements, that discloses the circumstances and consideration of the Directors in reporting the carrying amount of the receivable of RM49.203 million in respect of advances made to the said joint venture.

We were unable to obtain sufficient and appropriate audit evidence on the veracity of the advances made to GLM totalling RM49.203 million and impairment assessment of the abovementioned receivables. The Group is unable to reliably perform impairment assessment in accordance with MFRS 9: Financial Instruments due to the circumstances and consideration disclosed under Note 10 (c)(ii) and Note 38 (b) to the financial statements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

### *Basis for Qualified Opinion (Cont'd)*

#### Audit of Associates and Joint Venture

As disclosed in the notes to the financial statements, the audited financial statements and auditors' report of the said associates (Note 9) and joint venture (Note 10(b)) are not available. The audited financial statements of the Group have been consolidated using the unaudited management accounts of the associates and joint venture for the financial year ended 31 December 2019. The Group's investments in associates and joint venture amounting to RM82.748 million and RM8.092 million respectively as at 31 December 2019, and the Group's share of losses of the associates and joint venture for the financial year ended 31 December 2019 amounted to RM1.173 million and RM4.351 million respectively.

We were unable to perform appropriate audit procedures to obtain sufficient and appropriate audit evidence that we considered necessary for the said associates and joint venture during our audit of the financial statements of the Group. Therefore, we could not determine whether any adjustments were necessary in respect of the unaudited management accounts of the associates and joint venture and the effects, if any, on the financial position of the Group as at 31 December 2019 or on its financial performance and cash flows for the financial year then ended.

#### Impairment Loss on Bearer Plants

As disclosed in Note 36 to the financial statements, that discloses the circumstances and consideration of the Directors in reporting contingent liabilities and the carrying amount of the bearer plant of RM7.668 million. No impairment loss is being provided on carrying amount of the said bearer plant under dispute as at 31 December 2019.

We were unable to obtain sufficient and appropriate audit evidence on the impairment assessment of the abovementioned carrying amount of the said bearer plant as the Group is unwilling to perform impairment assessment in accordance with MFRS 136. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

#### *Independence and Other Ethical Responsibilities*

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

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and 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 the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
<p><u>Impairment of goodwill (Refer to Notes 3 and 7 to the financial statements)</u></p> <p>The Group carries significant goodwill. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances.</li> <li>• Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method.</li> <li>• Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc.</li> <li>• Performing stress tests and sensitivity analysis to assess the impacts of those key assumptions and inputs on the measurement of the recoverable amount.</li> </ul>
<p><u>Impairment of investments in associates (Refer to Notes 3 and 9 to the financial statements)</u></p> <p>The carrying amounts of the Group's investments in its associates, namely Bahtera Bahagia Sdn. Bhd. and Kumpulan Kris Jati Sdn. Bhd. include significant amount of goodwill. As the carrying amounts of the investments exceed the Group's share of the associates' net assets, there is an indication of impairment. Accordingly, the Group performed impairment tests which involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances.</li> <li>• Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method.</li> <li>• Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc.</li> <li>• Performing stress tests and sensitivity analysis to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

<i>Key Audit Matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Valuation of inventories (Refer to Notes 3 and 13 to the financial statements)</u></p> <p>The Group carries significant inventories. Management periodically reviews the inventories for potential write-downs by considering their aging profile, estimation of market price fluctuations and net realisable value. These reviews involve judgements and estimation uncertainty in forming expectations about future consumptions, sales and demands.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>• the Group's inventory management process;</li> <li>• how the Group identifies and assesses inventory write-downs; and</li> <li>• how the Group ascertains the accounting estimates for inventory write down.</li> </ul> </li> <li>• Reviewing the ageing analysis of inventories and testing the reliability thereof.</li> <li>• Examining the perpetual records for inventories movements and to identify slow moving aged items.</li> <li>• Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.</li> <li>• Reviewing net realisable value of major inventories.</li> <li>• Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.</li> </ul>
<p><u>Impairment of receivables (Refer to Notes 3 and 15 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposures. The assessment of credit risk involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>• the Group's control over the receivable collection process;</li> <li>• how the Group identifies and assesses the impairment of receivables; and</li> <li>• how the Group makes the accounting estimates for impairment.</li> </ul> </li> <li>• Reviewing ageing analysis of receivables and testing the reliability thereof.</li> <li>• Reviewing subsequent cash collections for major receivables and overdue amounts.</li> <li>• Making inquiries of management regarding the action plans to recover overdue amounts.</li> <li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections, current conditions and forecasts of future economic conditions.</li> <li>• Examining other evidences including customer correspondences, proposed settlement plans, etc.</li> <li>• Evaluate reasonableness and adequacy of the allowance for impairment recognised for identified exposures.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

<i>Key Audit Matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Construction contracts (Refer to Notes 3 and 16 to the financial statements)</u></p> <p>The Group considers the effects of variable consideration in determining the transaction price of a performance obligation satisfied over time, and recognises revenue accordingly by measuring the progress towards complete satisfaction of the performance obligation (i.e. by reference to the stage of completion of the contract activity). These procedures involve judgements and estimation uncertainty in predicting the outcome of the performance obligation based on past experience and continuous monitoring mechanism.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>• the Group's budgeting process; and</li> <li>• how the Group estimates the total costs and outcome of the contract activity.</li> </ul> </li> <li>• Reviewing the contract budgets and evaluating the reasonableness thereof by examining supporting documentation such as contracts, letters of award, variation orders, quotations, etc.</li> <li>• Verifying major costs incurred to supporting documentation such as progress claims, invoices, etc.</li> </ul>
<p><u>Impairment of bearer plants (Refer to Notes 3 and 4 to the financial statements)</u></p> <p>The Group carries significant bearer plants included in the carrying amount of property, plant and equipment. The Group reviewed its bearer plants for indications of impairment and where such indications exist, the Group performed impairment test which involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances.</li> <li>• Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method.</li> <li>• Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc.</li> <li>• Performing stress tests and sensitivity analysis to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount.</li> </ul>

We have determined that there are no key audit matters to communicate in our report in respect of 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 the Company and our auditors' report thereon.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

### *Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)*

Our opinion on the financial statements of the Group and 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 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 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's and the Company's investments in associates and joint ventures as at 31 December 2019 and Group's share of associates and joint ventures net income for the financial year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

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

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 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 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 the Company, including the disclosures, and whether the financial statements of the Group and 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.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

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

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

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 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 content of this report.

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

**Ong Beng Chooi**  
03155/05/2021 J  
Chartered Accountant

29 June 2020

Kuala Lumpur

# STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	31.12.2019 RM'000	Group 31.12.2018 RM'000 (Restated)	1.1.2018 RM'000	31.12.2019 RM'000	Company 31.12.2018 RM'000	1.1.2018 RM'000
<b>ASSETS</b>							
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	4	369,517	348,903	274,255	1,277	1,407	945
Land use rights	5	-	70,397	68,424	-	-	-
Right-of-use assets	6	86,761	-	-	119	-	-
Goodwill on consolidation	7	-	16,341	16,341	-	-	-
Investments in subsidiaries	8	-	-	-	36,943	35,443	35,443
Investments in associates	9	82,748	98,921	109,333	49,430	49,430	49,430
Investments in joint ventures	10	10,784	12,443	27,019	24,211	20,187	20,187
Investments in club memberships, at cost		471	471	471	-	-	-
Other investments	11	30,921	30,546	19,987	-	-	-
Deferred tax assets	12	779	987	1,065	-	-	-
		581,981	579,009	516,895	111,980	106,467	106,005
<b>CURRENT ASSETS</b>							
Inventories	13	47,591	30,020	33,050	-	-	-
Produce growing on bearer plants	14	5,553	1,916	1,447	-	-	-
Receivables	15	302,383	270,027	153,447	388,296	371,089	367,795
Contract assets	16	61,237	71,276	134,357	-	-	-
Other investments	11	-	3,803	26,604	-	3,803	26,604
Prepayments		294	1,080	1,001	10	10	10
Current tax assets		18,565	13,105	2,191	5	137	37
Cash and cash equivalents	17	134,388	112,172	134,445	2,028	1,363	892
		570,011	503,399	486,542	390,339	376,402	395,338
<b>TOTAL ASSETS</b>		<b>1,151,992</b>	<b>1,082,408</b>	<b>1,003,437</b>	<b>502,319</b>	<b>482,869</b>	<b>501,343</b>

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

# STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	31.12.2019 RM'000	Group 31.12.2018 RM'000 (Restated)	1.1.2018 RM'000	31.12.2019 RM'000	Company 31.12.2018 RM'000	1.1.2018 RM'000
<b>EQUITY AND LIABILITIES</b>							
<b>EQUITY</b>							
Share capital	18	271,044	271,044	271,044	271,044	271,044	271,044
Treasury shares		(56,307)	(49,863)	(37,791)	(56,307)	(49,863)	(37,791)
Reserves		511,292	499,092	491,196	62,645	76,055	103,334
Equity attributable to owners of the Company		726,029	720,273	724,449	277,382	297,236	336,587
Non-controlling interests	19	78,089	75,195	61,239	-	-	-
<b>TOTAL EQUITY</b>		<b>804,118</b>	<b>795,468</b>	<b>785,688</b>	<b>277,382</b>	<b>297,236</b>	<b>336,587</b>
<b>NON-CURRENT LIABILITIES</b>							
Loans and borrowings	20	135,812	96,932	17,477	-	163	250
Lease liabilities	21	1,309	-	-	55	-	-
Retirement benefits	22	7,182	4,982	5,228	-	-	-
Deferred tax liabilities	12	639	729	267	-	-	-
		144,942	102,643	22,972	55	163	250
<b>CURRENT LIABILITIES</b>							
Payables	23	97,019	102,606	92,581	187,866	166,339	129,581
Dividend payable		10,101	-	15,683	10,101	-	15,683
Loans and borrowings	20	39,983	29,754	49,790	26,807	19,131	19,242
Lease liabilities	21	747	-	-	108	-	-
Contract liabilities	16	54,246	45,110	30,591	-	-	-
Provisions for warranty obligations		-	-	4,269	-	-	-
Current tax liabilities		836	6,827	1,863	-	-	-
		202,932	184,297	194,777	224,882	185,470	164,506
<b>TOTAL LIABILITIES</b>		<b>347,874</b>	<b>286,940</b>	<b>217,749</b>	<b>224,937</b>	<b>185,633</b>	<b>164,756</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,151,992</b>	<b>1,082,408</b>	<b>1,003,437</b>	<b>502,319</b>	<b>482,869</b>	<b>501,343</b>

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Revenue	24	452,487	478,086	2,005	2,500
Cost of sales		(341,531)	(334,788)	-	-
Gross profit		110,956	143,298	2,005	2,500
Other income		31,808	23,302	10,528	759
Administrative and other operating expenses		(79,855)	(64,402)	(4,098)	(19,018)
Net impairment losses on financial assets		(7,345)	(4,082)	-	-
Finance costs		(10,990)	(4,650)	(1,378)	(1,121)
Share of loss of joint ventures		(5,683)	(15,606)	-	-
Share of loss of associates		(1,173)	(7,246)	-	-
Profit/(Loss) before tax	25	37,718	70,614	7,057	(16,880)
Tax (expense)/income	27	(2,364)	(30,046)	(151)	53
Profit/(Loss) for the financial year		35,354	40,568	6,906	(16,827)
Other comprehensive income/(loss):-					
<i>Items that will not be reclassified to profit or loss:</i>					
- Remeasurements of defined benefit liability		(234)	1,061	-	-
- Deferred tax effects thereof		55	(265)	-	-
<i>Item that may be reclassified subsequently to profit or loss:</i>					
- Currency translation differences for foreign operations		3,522	(7,429)	-	-
		3,343	(6,633)	-	-
		38,697	33,935	6,906	(16,827)
Profit/(Loss) attributable to:					
- Owners of the Company		35,500	23,344	6,906	(16,827)
- Non-controlling interests		(146)	17,224	-	-
		35,354	40,568	6,906	(16,827)
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		39,071	16,537	6,906	(16,827)
- Non-controlling interests		(374)	17,398	-	-
		38,697	33,935	6,906	(16,827)
Earning per share:	28				
- Basic (sen)		6.60	4.40		
- Diluted (sen)		6.60	4.40		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Non-distributable		Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Currency translation reserve	Retained profits	Company	RM000		
Balance at 1 January 2018	271,044	(37,791)	(6,924)	498,120	724,449	61,239	785,688	
- As previously reported	-	-	-	1,811	1,811	-	1,811	
- Prior year adjustment (Note 40)	-	-	-	-	-	-	-	
As restated	271,044	(37,791)	(6,924)	499,931	726,260	61,239	787,499	
Remeasurements of defined benefit liability	-	-	-	968	968	93	1,061	
Deferred tax effects thereof	-	-	-	(242)	(242)	(23)	(265)	
Currency translation differences for foreign operations	-	-	(7,533)	-	(7,533)	104	(7,429)	
Other comprehensive (loss)/income for the financial year	-	-	(7,533)	726	(6,807)	174	(6,633)	
Profit for the financial year	-	-	-	41,282	41,282	17,224	58,506	
- As previously reported	-	-	-	(17,938)	(17,938)	-	(17,938)	
- Prior year adjustment (Note 40)	-	-	-	23,344	23,344	17,224	40,568	
As restated	-	-	(7,533)	24,070	16,537	17,398	33,935	
Total comprehensive (loss)/income for the financial year	-	-	(7,533)	24,070	16,537	17,398	33,935	
Purchase of own shares	-	(12,072)	-	-	(12,072)	-	(12,072)	
Dividends to owners of Company (Note 29)	-	-	-	(10,452)	(10,452)	-	(10,452)	
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	(887)	(887)	
Dividends to non-controlling interests	-	-	-	-	-	(2,555)	(2,555)	
Total transactions with owners	-	(12,072)	-	(10,452)	(22,524)	(3,442)	(25,966)	
Balance at 31 December 2018	271,044	(49,863)	(14,457)	513,549	720,273	75,195	795,468	

Group

Balance at 1 January 2018

- As previously reported

- Prior year adjustment (Note 40)

As restated

Remeasurements of defined benefit liability

Deferred tax effects thereof

Currency translation differences for foreign operations

Other comprehensive (loss)/income for the financial year

Profit for the financial year

- As previously reported

- Prior year adjustment (Note 40)

As restated

Total comprehensive (loss)/income for the financial year

Purchase of own shares

Dividends to owners of Company (Note 29)

Acquisition of additional equity interest in subsidiary

Dividends to non-controlling interests

Total transactions with owners

Balance at 31 December 2018

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

**STATEMENTS OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Non-distributable		Distributable		Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Currency translation reserve	Retained profits	RM'000	RM'000		
Balance at 1 January 2019	271,044	(49,863)	(14,457)	513,549	720,273	75,195	795,468	
Remeasurements of defined benefit liability	-	-	-	(209)	(209)	(25)	(234)	
Deferred tax effects thereof	-	-	-	55	55	-	55	
Currency translation differences for foreign operations	-	-	3,725	-	3,725	(203)	3,522	
Other comprehensive income/(loss) for the financial year	-	-	3,725	(154)	3,571	(228)	3,343	
Profit/(Loss) for the financial year	-	-	-	35,500	35,500	(146)	35,354	
Total comprehensive income/(loss) for the financial year	-	-	3,725	35,346	39,071	(374)	38,697	
Purchase of own shares	-	(6,444)	-	-	(6,444)	-	(6,444)	
Dividends to owners of Company (Note 29)	-	-	-	(20,316)	(20,316)	-	(20,316)	
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	(1,258)	(1,258)	
Effects arising from changes in composition of the Group (Note 8)	-	-	-	(6,555)	(6,555)	7,076	521	
Dividends to non-controlling interests	-	-	-	-	-	(2,550)	(2,550)	
Total transactions with owners	-	(6,444)	-	(26,871)	(33,315)	3,268	(30,047)	
Balance at 31 December 2019	271,044	(56,307)	(10,732)	522,024	726,029	78,089	804,118	

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

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Share capital RM'000	Treasury shares RM'000	<u>Distributable</u>	Total equity RM'000
			Retained profits RM'000	
Balance at 1 January 2018	271,044	(37,791)	103,334	336,587
Loss (representing total comprehensive loss) for the financial year	-	-	(16,827)	(16,827)
Purchase of own shares	-	(12,072)	-	(12,072)
Dividends (Note 29)	-	-	(10,452)	(10,452)
Total transactions with owners	-	(12,072)	(10,452)	(22,524)
Balance at 31 December 2018	271,044	(49,863)	76,055	297,236
Profit (representing total comprehensive income) for the financial year	-	-	6,906	6,906
Purchase of own shares	-	(6,444)	-	(6,444)
Dividends (Note 29)	-	-	(20,316)	(20,316)
Total transactions with owners	-	(6,444)	(20,316)	(26,760)
Balance at 31 December 2019	271,044	(56,307)	62,645	277,382

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(FOR)					
OPERATING ACTIVITIES					
Profit/(loss) before tax		37,718	70,614	7,057	(16,880)
Adjustments for:-					
Bad debts written off		275	5	-	-
Deposit forfeited		-	50	-	-
Depreciation of property, plant and equipment		14,778	10,490	28	129
Depreciation of right-of-use assets		1,330	-	119	-
Dividend income		(814)	(2,567)	(1,963)	(2,455)
Fair value (gain)/loss on financial instruments mandatorily at fair value through profit or loss		(928)	2,180	(940)	2,180
Fair value changes in produce growing on bearer plants		(3,532)	(547)	-	-
Impairment loss of goodwill on consolidation		16,341	-	-	-
Impairment loss of investment in an associate		15,000	3,946	-	-
Impairment loss on receivables		15,092	8,880	-	-
Increase in defined benefit obligations		1,715	1,051	-	-
Interest expense on financial liabilities		10,565	8,226	1,331	1,118
Interest expense on lease liabilities		263	-	10	-
Interest income		(8,906)	(2,197)	(1,391)	(14)
Inventories written down		199	350	-	-
Gain on disposal of right-of-use assets		(31)	-	-	-
(Gain)/Loss on disposal of other investments		(32)	-	955	-
Gain on disposal of property, plant and equipment		(9,628)	(2,171)	(75)	-
Property, plant and equipment written off		6	244	-	-
Reversal of interest expense for financial assets measured at amortised cost		(987)	-	-	-
Reversal of provision for warranty obligations		-	(4,195)	-	-
Reversal of impairment loss on receivables		(7,747)	(4,798)	-	-
Reversal of inventories written down		(12)	(25)	-	-
Share of losses of associates		1,173	7,246	-	-
Share of losses of joint ventures		5,683	15,606	-	-
Unrealised loss/(gain) on foreign exchange		66	8,937	(8,044)	14,207
Operating profit/(loss) before working capital changes and balance carried forward		<u>87,587</u>	<u>121,325</u>	<u>(2,913)</u>	<u>(1,715)</u>

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



# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Balance brought forward	87,587	121,325	(2,913)	(1,715)
Changes in:-				
Contract assets/ liabilities	22,168	77,600	-	-
Inventories	(17,758)	2,705	-	-
Receivables and prepayments	10,523	(123,873)	2,365	1,683
Payables and provision	(5,603)	10,131	35	19
Cash from/(for) operations	96,917	87,888	(513)	(13)
Interest paid	(10,828)	(3,430)	(1,341)	(1,118)
Tax paid	(13,624)	(35,743)	(19)	(47)
Net cash from/(for) operating activities	72,465	48,715	(1,873)	(1,178)
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>				
Additions of land use rights	-	(5,185)	-	-
Acquisition of additional equity interests in a subsidiary	(1,258)	(887)	(1,500)	-
Acquisition of a joint venture	(4,024)	-	(4,024)	-
Advances to a joint venture	(49,000)	-	-	-
Advances to subsidiaries	-	-	(10,185)	(20,443)
Repayment from/(Advances to) related parties	2,745	(4,536)	-	(600)
Changes in term deposits pledged as security	(438)	6,522	-	-
Dividends received	229	1,185	1,963	2,455
Interest received	7,429	2,197	35	14
Purchase of property, plant and equipment	30 (59,328)	(101,121)	(136)	(591)
Acquisition of right-of-use assets	30 (759)	-	-	-
Proceeds from disposal of property, plant and equipment	27,605	7,962	75	-
Proceeds from disposal of right-of-use assets	499	-	-	-
Proceeds from disposal of a subsidiary	521	-	-	-
Proceeds from disposal of quoted investments	3,788	20,621	3,788	20,621
Proceeds from disposal of unquoted investments	-	245	-	-
Purchase of unquoted investments	-	(15,600)	-	-
Net cash (for)/from investing activities	(71,991)	(88,597)	(9,984)	1,456
Balance carried forward	474	(39,882)	(11,857)	278

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Balance brought forward		474	(39,882)	(11,857)	278
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>					
Advances from/(Repayment to) related parties		475	(150)	200	-
Advances from subsidiaries		-	-	21,305	11,692
Dividends paid to owners of the Company		(10,215)	(26,135)	(10,215)	(1,000)
Dividends paid to non-controlling interests		(2,550)	(2,555)	-	-
Drawdown of term loans	30	41,174	82,648	-	-
Net increase/(decrease) in short-term loans and borrowings	30	11,541	(21,361)	7,778	(113)
Purchase of treasury shares		(6,444)	(12,072)	(6,444)	(10,301)
Repayment of lease liabilities	30	(1,138)	-	(102)	-
Repayment of loans and borrowings	30	(3,345)	(3,714)	-	(85)
Net cash from financing activities		29,498	16,661	12,522	193
Net increase/(decrease) in cash and cash equivalents		29,972	(23,221)	665	471
Cash and cash equivalents brought forward		95,474	112,282	1,363	892
Currency translation differences		(7,173)	6,413	-	-
Cash and cash equivalents carried forward	17	118,273	95,474	2,028	1,363

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at No. 1, Jalan Astaka U8/83, Section 8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are those of investment holding and provision management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 8.

The presentation currency of the financial statements is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 29 June 2020.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

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

The following MFRSs became effective for the financial year under review:-

#### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

MFRS 16 *Leases*

IC Interpretation 23 *Uncertainty Over Income Tax Treatments*

Amendments to MFRS 9: *Prepayment Features with Negative Compensation*

Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 128: *Long-term Interests in Associates and Joint Ventures*

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

The initial application of the above MFRSs did not have any significant impacts on the financial statements except as disclosed in Note 2.2.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.1 Basis of Preparation of Financial Statements (Cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 3: <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 101 and MFRS 108: <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

Management is currently examining the financial impacts of the initial application of the above MFRSs.

### 2.2 Changes in Accounting Policies

The initial application of MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, has resulted in certain changes in accounting policies for lessees. MFRS 16 eliminates the distinction between finance and operating leases for lessees and introduces a single lessee accounting exemptions. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.2 Changes in Accounting Policies (Cont'd)

The Group and the Company have elected to apply the new requirements of MFRS 16 from 1 January 2019 with the following cumulative effects of initial application recognised at that date without restating the comparative information:-

	Note	Brought forward from preceding year RM'000	Changes in accounting policies RM'000	Adjusted RM'000
<u>Consolidated Statements of Financial Position as at 1 January 2019 (Extract)</u>				
Property, plant and equipment	(i)	348,903	(13,771)	335,132
Right-of-use assets	(i)(ii)	-	84,168	84,168
Loans and borrowings	(i)	126,686	(1,583)	125,103
Lease liabilities	(i)(ii)	-	1,583	1,583
<u>Statement of Financial Position as at 1 January 2019 (Extract)</u>				
Property, plant and equipment	(i)	1,407	(238)	1,169
Right-of-use assets	(i)(ii)	-	238	238
Loans and borrowings	(i)	19,294	(265)	19,029
Lease liabilities	(i)(ii)	-	265	265

(i) For leases that were previously classified as finance leases in accordance with MFRS 117, the carrying amounts of the right-of-use assets and lease liabilities at 1 January 2019 were those brought forward from 31 December 2018 measured applying MFRS 117. The underlying assets and liabilities were reclassified from property, plant and equipment and loans and borrowings respectively, and would be accounted for in accordance with MFRS 16 from 1 January 2019.

(ii) For leases that were previously classified as operating leases in accordance with MFRS 117, the Group recognised and measured the right-of-use assets and lease liabilities at 1 January 2019 at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate at 6.52% per annum. In relying on the available practical expedient, the Group have elected not to apply the transition requirements to leases for which the lease term would end within 12 months of 1 January 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:

- (a) The aggregate of:
  - (i) The acquisition-date fair value of the consideration transferred;
  - (ii) The amount of any non-controlling interests; and
  - (iii) In a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) The net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary is recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

Freehold land and capital work-in-progress are not depreciated. Bearer plants, which represent the capitalised costs on new planting and replanting of oil palm, is depreciated on a straight-line basis over the estimated useful life of the oil palm of 20 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	1% - 5%
Factory equipment and machinery	10% - 20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	10% - 20%
Renovation	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.5 Land Use Rights

Accounting policies applied until 31 December 2018

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Accounting policies applied from 1 January 2019

Following the adoption of MFRS 16 *Leases* on 1 January 2019, the Group had reclassified the carrying amount of land use rights to ROU assets. See Note 2.15 to the financial statements for the new accounting policies.

### 2.6 Investments in Subsidiaries

As required by the Companies Act 2016 in Malaysia, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

### 2.7 Investments in Associates

An associate is an entity over which an investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control of those policies.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.7 Investments in Associates (Cont'd)

In the consolidated financial statements, investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.9.

In the separate financial statements of the Company, investments in associates are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

### 2.8 Investments in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves an unincorporated entity or the establishment of a separate entity in which each party has an interest.

In the consolidated financial statements, investments in joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the joint venture's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.9.

In the separate financial statements of the Company, investment in joint ventures are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.9.

### 2.9 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets, biological assets stated at fair value less costs of disposal, inventories and contract assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

Impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.10 Biological Assets

Biological assets (excluding bearer plants but including the produce growing thereon) and agricultural produce harvested therefrom are measured at fair value less costs of disposal. Any gain or loss arising from initial recognition at or a change in the fair value less costs of disposal is recognised in profit or loss.

### 2.11 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis or weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.12 Contract Assets and Contract Liabilities

A contract is presented in the statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.13. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

### 2.13 Financial Assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables and cash and cash equivalents.

#### Initial Recognition and Measurement

A financial asset is recognised in the statements of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price. Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.13 Financial Assets (Cont'd)

#### Subsequent Measurement

##### (i) Amortised Cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

##### (ii) Fair Value Through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

##### (iii) Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All investments in equity instruments and derivatives are classified under this category. Any gain or loss is recognised in profit or loss.

#### Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.13 Financial Assets (Cont'd)

#### Impairment (Cont'd)

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with *MFRS 9 Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

#### Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

### 2.14 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and financial guarantee contracts.

#### Initial Recognition and Measurement

A financial liability is recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

#### Subsequent Measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.14 Financial Liabilities (Cont'd)

#### Subsequent Measurement (Cont'd)

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

#### Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

### 2.15 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

#### Lessor Accounting

When the Group or the Company acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group and the Company have not entered into any finance lease.

Accounting policies applied from 1 January 2019.

#### Lessee Accounting

##### Initial recognition and measurement

When the Group or the Company acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group and the Company have elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.15 Leases (Cont'd)

#### Lessee Accounting (Cont'd)

##### Initial recognition and measurement (Cont'd)

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

##### Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.9.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term as follows:

Leasehold land	50 to 91 years
Land use rights	30 years
Buildings	2 to 5 years
Motor vehicles	5 years

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

##### Accounting policies applied until 31 December 2018

Prior to 1 January 2019, the Group and the Company classified each lease as either an operating lease or a finance lease.

A finance lease, including hire purchase, was initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments were subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets was consistent with that for equivalent owned assets.

Lease payments under an operating lease were recognised as an expense on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.16 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate, whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

### 2.17 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016 in Malaysia. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

### 2.19 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

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

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.19 Fair Value Measurement (Cont'd)

#### Non-financial Assets

The fair value measurement of the produce growing on bearer plants is determined by using the market approach (i.e. Level 3) by applying the estimated volume of the produce to the market price applicable at the reporting date.

#### Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair values of quoted investments are directly measured using their unadjusted closing price in an active market (i.e. Level 1).

The fair values of unquoted investments that are not making an adequate return on assets or are making only marginal levels of profits are measured using the adjusted net asset method which involves deriving the fair values of the investees' equity instruments by reference to the fair values of their assets and liabilities (i.e. Level 3).

### 2.20 Revenue from Contracts with Customers

The Group and the Company recognise revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.20 Revenue from Contracts with Customers (Cont'd)

- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

#### Sale of Goods

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

#### Sale of Agricultural Produce

The Group determines that the transfer of control of promised agricultural produce generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of agricultural produce is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

#### Rendering of Services

The Company determine that the transfer of control of promised services generally coincides with the Company's performance as the customer simultaneously receives and consumes the benefits of the performance as the Company performs. Accordingly, revenue from the rendering of services is recognised over time when the services are performed. The Company measures the progress towards complete satisfaction of the performance obligation using an output method, i.e. time elapsed or milestones reached.

#### Construction Contracts

The Group determines that the transfer of control of promised services generally coincides with the Group's performance as the performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, revenue from construction contracts is recognised over time during the construction period. The Group measures the progress towards complete satisfaction of the performance obligation using an input method, i.e. costs incurred relative to the total expected costs. The effects of any costs incurred that do not depict the Group's performance are excluded from the calculation.

### 2.21 Other Income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.21 Other Income (Cont'd)

Interest income is recognised in profit or loss using the effective interest method.

Rental income is recognised in profit or loss on a straight-line basis over the lease term.

### 2.22 Employee Benefits

#### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss, where appropriate, in the period in which the associated services are rendered by the employee.

#### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised in profit or loss, where appropriate, in the period in which the associated services are rendered by the employee.

#### Defined Benefit Plan

The Group operates a funded final salary defined benefit plan for their employees. The liability in respect of the defined benefit plan is the present value of the future benefits that employees have earned in return for their services rendered in the current and prior periods. The calculation is performed using the projected unit credit method, with actuarial valuations being carried out with sufficient regularity at an interval of not more than three years such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. All components of defined benefit costs are recognised in profit or loss in the period in which they are incurred, except for re-measurements of the defined benefit liability which is recognised in other comprehensive income.

### 2.23 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.24 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### 2.24 Income Taxes (Cont'd)

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.25 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

### Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### Impairment of goodwill

Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. The carrying amount of goodwill is disclosed in Note 7.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

### Sources of Estimation Uncertainty (Cont'd)

#### Impairment of investments in associates

When there is objective evidence that an investment in associate is impaired, the Group performs impairment test by comparing the recoverable amount of the investment (higher of fair value less costs of disposal and value in use) with its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from its operations and the proceeds from the ultimate disposal of the investment. Such determination of the value in use involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. The carrying amounts of investments in associates are disclosed in Note 9.

#### Impairment of non-financial assets

The Group reviewed its non-financial assets for indications of impairment and where such indications exist, the Group performed impairment test which involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. Possible changes in these estimates may result in revisions to the carrying amounts of non-financial assets.

#### Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories as disclosed in Note 13.

#### Construction contracts

The Group considers the effects of variable consideration in determining the transaction price of a performance obligation satisfied over time, and recognises revenue accordingly by measuring the progress towards complete satisfaction of the performance obligation. These procedures involve judgements and estimation uncertainty in predicting the outcome of the performance obligation based on past experience, work of experts and continuous monitoring mechanism. Any changes in these accounting estimates will affect the carrying amounts of contract assets and contract liabilities as disclosed in Note 16.

#### Impairment of contract assets and receivables

The Group recognises loss allowance for expected credit losses on contract assets and receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of contract assets (Note 16) and receivables (Note 15).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**4. PROPERTY, PLANT AND EQUIPMENT**

Group	At 1.1.2019									
	As previously reported	Effect of adopting MFRS 16	Adjusted	Additions	Disposals/Write-offs	Reclassification	Depreciation	Currency translation differences	At	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Carrying Amount</u>										
Freehold land and buildings	32,870	-	32,870	-	(17,777)	-	-	10	15,103	
Long leasehold land	11,631	(11,631)	-	-	-	-	-	-	-	
Buildings	52,917	-	52,917	11,559	-	134	(2,235)	328	62,703	
Factory equipment and machinery	17,712	(468)	17,244	8,225	(1)	25,791	(3,617)	749	48,391	
Furniture, fittings and office equipment	1,866	-	1,866	493	(9)	3	(478)	8	1,883	
Motor vehicles	6,690	(1,672)	5,018	652	(156)	-	(1,551)	69	4,032	
Renovation	2,354	-	2,354	124	(40)	-	(341)	-	2,097	
Capital work-in-progress	48,533	-	48,533	17,352	-	(25,928)	-	825	40,782	
Bearer plants	174,330	-	174,330	20,923	-	-	(6,556)	5,829	194,526	
	348,903	(13,771)	335,132	59,328	(17,983)	-	(14,778)	7,818	369,517	

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Group	At		Disposals/ Write-offs	Reclassification	Depreciation	Currency translation differences	At
	1.1.2018	31.12.2018					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Carrying Amount</u>							
Freehold land and buildings	33,721	-	(816)	-	(18)	(17)	32,870
Long leasehold land	7,151	4,685	-	-	(205)	-	11,631
Buildings	51,368	5,021	(1,839)	639	(1,982)	(290)	52,917
Factory equipment and machinery	15,723	5,222	(50)	-	(2,629)	(554)	17,712
Furniture, fittings and office equipment	2,065	301	(6)	-	(480)	(14)	1,866
Motor vehicles	6,881	1,981	(26)	(116)	(1,847)	(183)	6,690
Renovation	1,671	1,351	(201)	-	(467)	-	2,354
Capital work-in-progress	3,008	47,264	-	(741)	-	(998)	48,533
Bearer plants	152,667	36,085	(2,879)	-	(2,862)	(8,681)	174,330
	274,255	101,910	(5,817)	(218)	(10,490)	(10,737)	348,903

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Group	At cost	Accumulated	Carrying
	RM'000	depreciation RM'000	amount RM'000
At 31.12.2019			
Freehold land and buildings	15,103	-	15,103
Buildings	74,699	(11,996)	62,703
Factory equipment and machinery	62,713	(14,322)	48,391
Furniture, fittings and office equipment	5,730	(3,847)	1,883
Motor vehicles	13,261	(9,229)	4,032
Renovation	4,574	(2,477)	2,097
Capital work-in-progress	40,782	-	40,782
Bearer plants	211,536	(17,010)	194,526
	428,398	(58,881)	369,517
At 31.12.2018			
Freehold land and buildings	32,935	(65)	32,870
Long leasehold land	12,535	(904)	11,631
Buildings	62,538	(9,621)	52,917
Factory equipment and machinery	31,652	(13,940)	17,712
Furniture, fittings and office equipment	5,248	(3,382)	1,866
Motor vehicles	17,222	(10,532)	6,690
Renovation	4,582	(2,228)	2,354
Capital work-in-progress	48,533	-	48,533
Bearer plants	184,406	(10,076)	174,330
	399,651	(50,748)	348,903

Company	:-----At 1.1.2019-----:					
	As previously reported RM'000	Effect of adopting MFRS 16 RM'000	Adjusted RM'000	Additions RM'000	Depreciation RM'000	At 31.12.2019 RM'000
<u>Carrying Amount</u>						
Buildings	578	-	578	-	(7)	571
Furniture, fittings and office equipment	2	-	2	28	(3)	27
Motor vehicles	238	(238)	-	-	-	-
Renovation	589	-	589	108	(18)	679
	1,407	(238)	1,169	136	(28)	1,277

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2018 RM'000	Additions RM'000	Depreciation RM'000	At 31.12.2018 RM'000
<u>Carrying Amount</u>				
Buildings	585	-	(7)	578
Furniture, fittings and office equipment	3	2	(3)	2
Motor vehicles	357	-	(119)	238
Renovation	-	589	-	589
	<u>945</u>	<u>591</u>	<u>(129)</u>	<u>1,407</u>
Company				
	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000	
At 31.12.2019				
Buildings	655	(84)	571	
Furniture, fittings and office equipment	225	(198)	27	
Renovation	996	(317)	679	
	<u>1,876</u>	<u>(599)</u>	<u>1,277</u>	
At 31.12.2018				
Buildings	655	(77)	578	
Furniture, fittings and office equipment	197	(195)	2	
Motor vehicles	1,029	(791)	238	
Renovation	888	(299)	589	
	<u>2,769</u>	<u>(1,362)</u>	<u>1,407</u>	



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

The carrying amounts of plant and equipment acquired under hire purchase financing are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Motor vehicles	-	567	-	238
Factory equipment and machinery	-	677	-	-

The carrying amounts of property pledged as security for credit facilities granted to the Group are as follows:-

	Group	
	2019 RM'000	2018 RM'000
Freehold land	14,740	14,740
Buildings	24,251	24,745

**5. LAND USE RIGHTS**

	Group	
	2019 RM'000	2018 RM'000
Balance at 1 January		
- Brought forward from preceding year	70,397	68,424
- Effect of adopting MFRS 16 Leases	(70,397)	-
- Adjusted	-	68,424
Additions	-	5,185
Currency translation differences	-	(3,212)
Balance at 31 December	-	70,397

The additions during the previous year includes the payment of premium for obtaining the Hak Guna Usaha (lease certificates) of the estate lands from the authorities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 6. RIGHT-OF-USE ASSETS

Group	At 1.1.2019			Adjusted RM'000	Additions RM'000	Disposals/ Write-offs RM'000	Depreciation RM'000	Currency translation differences RM'000	At 31.12.2019 RM'000
	As previously reported RM'000	Effect of adopting MFRS 16 RM'000	RM'000						
<u>Carrying Amount</u>									
Long leasehold land	-	11,631	11,631	401	-	(226)	-	-	11,806
Land use rights	-	70,397	70,397	210	-	(559)	1,997	-	72,045
Buildings	-	-	-	235	-	(42)	-	-	193
Factory equipment and machinery	-	468	468	-	(468)	-	-	-	-
Motor vehicles	-	1,672	1,672	1,504	-	(503)	44	-	2,717
	-	84,168	84,168	2,350	(468)	(1,330)	2,041	-	86,761
Group									
At 31.12.2019									
Long leasehold land								(1,129)	11,806
Land use rights								(560)	72,045
Buildings								(42)	193
Motor vehicles								(1,972)	2,717
								(3,703)	86,761

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**6. RIGHT-OF-USE ASSETS (CONT'D)**

Company	<-----At 1.1.2019----->			Depreciation RM'000	At 31.12.2019 RM'000
	As previously reported RM'000	Effect of adopting MFRS 16 RM'000	Adjusted RM'000		
<u>Carrying Amount</u>					
Motor vehicles	-	238	238	(119)	119
			At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31.12.2019					
Motor vehicles			594	(475)	119

The Group acquired the rights to use the leasehold land as its principal place of business for 30 to 91 years. The rights to use the factory equipment, machinery and motor vehicles were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease terms of 2 to 6 years.

**7. GOODWILL ON CONSOLIDATION**

Goodwill has been allocated to Cash Generating Units ("CGU") identified as follows:

	Group	
	2019 RM'000	2018 RM'000
Balance at 1 January:-		
Plantation and milling segment (Note (a)):		
- PT Berkala Maju Bersama	7,975	7,975
- PT Jaya Jadi Utama	6,013	6,013
- PT Sawit Lamandau Raya	1,277	1,277
	15,265	15,265
Equipment and engineering segment (Note (b)):		
- Advance Boilers Sdn. Bhd.	1,059	1,059
- Magview Machinery Sdn. Bhd.	17	17
	1,076	1,076
	16,341	16,341
Less: Accumulated impairment loss	(16,341)	-
Balance at 31 December	-	16,341

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 7. GOODWILL ON CONSOLIDATION (CONT'D)

### Impairment testing for cash-generating units containing goodwill

- (a) The plantation and milling segment experienced a significant and prolonged decrease in fresh fruit bunches ("FFB") price as compared to prior years.

The carrying amount of goodwill amounting to RM15,265,000 as determined to be higher than its recoverable amount and a full impairment loss (2018 - Nil) was therefore recognised in "administrative and other operating expenses".

Goodwill is tested for impairment on an annual basis by comparing its carrying amount with the recoverable amount of the CGU. The recoverable amount of the CGUs in plantation and milling segment is determined based on value in use calculation using cash flow projections from the financial budgets and forecast approved by the management covering a period of 18 years (estimated remaining productive life of the plantation).

Key assumptions used in the value in use calculations are as follows:-

- (i) the discount rates used are pre-tax and reflect specific risks relating to the segment;
  - (ii) the growth rate used for this CGU which is involved in the cultivation of oil palm plantation is determined based on the management's estimate of commodity prices, oil palm yields, as well as the cost of production; and
  - (iii) profit margins are projected based on the management's estimation of targeted future profit margins which may vary due to the locality, size and condition of each of the plantation area.
- (b) The equipment and engineering segment experienced a highly competitive environment as compared to prior years.

The carrying amount of goodwill amounting to RM1,076,000 as determined to be higher than its recoverable amount and a full impairment loss (2018 - Nil) was therefore recognised in "administrative and other operating expenses".

## 8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	36,943	35,443

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activity
		2019 %	2018 %	
Modipalm Engineering Sdn. Bhd.	Malaysia	100	100	Manufacturer of palm oil mill equipment and related spare parts, providing services for engineering support, mechanical fabrication, commissioning and other contracting work for palm oil mills.
AVP Engineering (M) Sdn. Bhd. ("AVPSB") <sup>(b)</sup>	Malaysia	49	49	Retrofitting special purpose vehicles.
Advance Boilers Sdn. Bhd.	Malaysia	100	100	Manufacturing and servicing boilers.
PalmitEco Engineering Sdn. Bhd.	Malaysia	100	100	Manufacturer of palm oil mill equipment and related spare parts, providing services for engineering support, mechanical fabrication, commissioning and other contracting work for palm oil mills.
Avecpalm Marketing Resources Sdn. Bhd.	Malaysia	80	80	Trading in palm oil mill processing equipment.
Admiral Potential Sdn. Bhd. ("APSB")	Malaysia	100	100	Investment holding.
AV-Ecopalms Sdn. Bhd. ("AVESB")	Malaysia	100	100	Investment holding.
Accent Hectares Sdn. Bhd.	Malaysia	100	100	Investment holding.
Benar Optima Sdn. Bhd.	Malaysia	100	100	Investment holding.
C.B. Industrial Product Sdn. Bhd. ("CBIPSB")	Malaysia	100	100	Investment holding.
Great Enchant Sdn. Bhd.	Malaysia	100	100	Investment holding.
Midas Portfolio Sdn. Bhd.	Malaysia	100	100	Investment holding.
Steam-Mech Engineering Sdn. Bhd. ("SMESB")	Malaysia	100	100	Investment holding.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activity
		2019 %	2018 %	
Magview Machinery Sdn. Bhd. <sup>(c)</sup>	Malaysia	100	71	Constructing mills, factories, buildings, composting effluent plants and contracting works.
Palmite Process Engineering Sdn. Bhd.	Malaysia	100	100	Inactive.
TPG Oil & Gas Sdn. Bhd.	Malaysia	80	80	Providing support and supplies for oil and gas industry.
Modipalm Engineering Solutions Sdn. Bhd.	Malaysia	70	70	Providing technical and other services for palm oil and related industries.
<u>Subsidiaries of CBIPSB</u>				
PT CB Polaindo <sup>(a) (d)</sup>	Indonesia	70	95	Providing engineering support and contracting works for palm oil mills.
CBIP (PNG) Limited <sup>(a)</sup>	Papua New Guinea	100	100	Providing engineering support and contracting works for palm oil mills.
Modipalma Latin America <sup>(a)</sup>	Republic of Guatemala	99.6	99.6	Supply and sale spare parts for palm oil mills.
<u>Subsidiaries of AVPSB</u>				
TPG Aeronautik Sdn. Bhd.	Malaysia	49	49	Design, fabricate, supply, procure, maintain and service aviation related equipment.
AVP EMDigital (M) Sdn. Bhd.	Malaysia	29.4	29.4	Inactive.
<u>Subsidiary of SMESB</u>				
PT Sawit Lamandau Raya <sup>(a)</sup>	Indonesia	85	85	Cultivation of oil palm.
<u>Subsidiary of APSB</u>				
PT Jaya Jadi Utama <sup>(a)</sup>	Indonesia	94	94	Cultivation of oil palm.
<u>Subsidiary of AVESB</u>				
PT Berkala Maju Bersama <sup>(a)</sup>	Indonesia	94	94	Cultivation of oil palm.
PT CBI Ecopalms Group <sup>(a)</sup>	Indonesia	95	95	Inactive.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (a) *Not audited by Crowe Malaysia PLT.*
- (b) *Although the Group owns less than half of the voting power in AVPSB, the directors have determined that the Group has de facto control over AVPSB on the basis that the remaining voting rights in this investee are dispersed and that there is no indication that all the other shareholders have the intention to exercise their votes collectively.*
- (c) *On 6 December 2019, the Company acquired 145,000 ordinary shares, representing 29% equity interest in the issued and paid-up share capital of Magview Machinery Sdn. Bhd. from a former director for a cash consideration of RM1,500,000. Upon completion of the acquisition of Magview Machinery Sdn. Bhd.'s shares, Magview Machinery Sdn. Bhd. became a wholly-owned subsidiary of the Company.*
- (d) *On 6 May 2019, C.B. Industrial Product Sdn. Bhd. disposed off 130 ordinary shares, representing 25% equity interest in the issued and paid-up share capital of PT CB Polaindo, to a third party for a cash consideration of RM253,341. Thereafter, the Group still retains control in respect of this subsidiary.*

## 9. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Unquoted shares, at cost	49,430	49,430	49,430	49,430
Share of post-acquisition changes in net assets	52,264	53,437	-	-
Accumulated impairment losses	(18,946)	(3,946)	-	-
	<u>82,748</u>	<u>98,921</u>	<u>49,430</u>	<u>49,430</u>

The details of the associates are as follows:-

Name of Associate	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activity
		2019 %	2018 %	
Bahtera Bahagia Sdn. Bhd. ("BBSB") <sup>(a)(b)</sup>	Malaysia	30	30	Cultivation of oil palm.
Kumpulan Kris Jati Sdn. Bhd. ("KKJSB") <sup>(a)(b)</sup>	Malaysia	30	30	Cultivation of oil palm and production of crude palm oil and palm kernel.

(a) *The audited financial statements and auditors' report of the associates are not available. For the purpose of applying the equity method of accounting, the management account of the associates have been used.*

(b) *Not audited by Crowe Malaysia PLT.*

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 9. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information of the associates is as follows:-

Group	2019 <sup>(a)</sup>			2018
	BBSB RM'000	KKJSB RM'000	Total RM'000	Total RM'000 (Restated)
Non-current assets	23,620	187,545	211,165	215,575
Current assets	116,214	23,161	139,375	137,476
Non-current liabilities	(4,733)	(125,645)	(130,378)	(119,187)
Current liabilities	(111)	(56,326)	(56,437)	(66,227)
Net assets	134,990	28,735	163,725	167,637
Revenue	23,636	91,931	115,567	158,748
Profit/(Loss) (representing total comprehensive income/(loss)) for the financial year	11,425	(15,335)	(3,910)	(24,152)

The reconciliation of the above summarised financial information to the carrying amounts of the investments in associates is as follows:-

Group	2019 <sup>(a)</sup>			2018
	BBSB RM'000	KKJSB RM'000	Total RM'000	Total RM'000 (Restated)
Net assets	134,990	28,735	163,725	167,637
Effective ownership interest	30%	30%	30%	30%
Share of net assets	40,497	8,621	49,118	50,291
Goodwill	25,642	26,934	52,576	52,576
Accumulated impairment losses	(3,946)	(15,000)	(18,946)	(3,946)
Carrying amount	62,193	20,555	82,748	98,921

<sup>(a)</sup> Based on unaudited management accounts.

During the financial year ended 31 December 2019, an impairment loss of RM15 million was recognised for one of its associate, KKJSB. The impairment assessment on the said associate was carried out as a result of the declination of crude palm oil prices based on supply and demand of palm oil, price of competing vegetable oils, import policies of other countries and changes in taxation and import duties. The recoverable amount for this cash generating unit was determined from the value in use calculations using cash flow projections discounted at a rate of 8%. Thus, impairment loss of RM15 million was recognised in "administrative and other operating expenses" using this basis.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 10. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Unquoted shares, at cost	24,211	20,187	24,211	20,187
Share of post-acquisition changes in net assets	(13,427)	(7,744)	-	-
	<u>10,784</u>	<u>12,443</u>	<u>24,211</u>	<u>20,187</u>

The details of the joint ventures are as follows:-

Name of Joint Venture	Principal Place of Business/ Country of Incorporation	Effective Equity Interest		Principal Activity
		2019 %	2018 %	
Pride Palm Oil Mill Sdn. Bhd. ("PPOM") <sup>(a)(b)</sup>	Malaysia	50	50	Investment holding.
Gulf Lubes Malaysia Sdn. Bhd. <sup>(b)(c)</sup>	Malaysia	70	N/A	Business of trading, import & export crude oil and associated oil and operating a bio-diesel refinery.
<u>Subsidiary of PPOM</u>				
Solar Green Sdn. Bhd. <sup>(a)(b)</sup>	Malaysia	50	50	Cultivation of oil palm and production of crude palm oil and palm kernel.

<sup>(a)</sup> Not audited by Crowe Malaysia PLT.

<sup>(b)</sup> The audited financial statements and auditors' report of the joint ventures are not available. For the purpose of applying the equity method of accounting, the management account of the joint ventures have been used.

<sup>(c)</sup> Acquisition of Gulf Lubes Malaysia Sdn. Bhd. ("GLM")

i) Investment consideration

On 3 May 2019, the Company and its 80% own subsidiary, TPG Oil & Gas Sdn. Bhd. ("TPGOG") have acquired 63,670,000 ordinary shares and 6,330,000 ordinary shares respectively in GLM, representing a total of 70% equity interest in GLM for a total consideration of RM4.024 million ("the Acquisition"). Although the Group holds more than 50% of the voting power in Gulf Lubes Malaysia Sdn. Bhd., the Group has determined that it does not have sole control over the investee considering that strategic and financial decisions of the relevant activities of the investee require unanimous consent by all shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 10. INVESTMENTS IN JOINT VENTURES (CONT'D)

(c) Acquisition of Gulf Lubes Malaysia Sdn. Bhd. ("GLM") (Cont'd)

ii) Classification for the settlement of liabilities assumed

The Company also announced to Bursa Malaysia Securities Berhad that GLM is indebted to the Vendors amounting to RM43.160 million as at 31 March 2019 and CBIPH is required to assume and settle the outstanding debts upon the completion of the Acquisition ("liabilities assumed"). During the financial year, the Group settled the liabilities assumed and the total advances to GLM as at 31 December 2019 amounted to RM49.203 million. The settlement of liabilities assumed amount has been classified as a component of other receivables.

iii) Excess of the share of the fair value of identifiable net assets over the cost of investment ("bargain purchase")

In addition, the Group has not performed Purchase Price Allocation for the Acquisition as at the acquisition date. Accordingly, the excess of the Group's share of the fair value of GLM's identifiable assets and liabilities over the cost of the investment amounted to RM57.702 million have not been recognised as income in the consolidated profit or loss of the Group during the financial year ended 31 December 2019.

iv) The audited financial statements and auditors' report of the joint venture are not available due to the circumstances disclosed in Note 38(b).

v) At the end of the reporting period, GLM has yet to commence any operations.

The summarised financial information of the joint ventures is as follows:-

Group	2019 <sup>(a)</sup>			2018
	PPOM RM'000	GLM RM'000	Total RM'000	Total RM'000 (Restated)
Non-current assets	64,767	168,620	233,387	59,173
Current assets	8,809	5,370	14,179	7,845
Cash and cash equivalents	892	(544)	348	2,613
Non-current liabilities	(6,298)	(32,282)	(38,580)	(1,119)
Current financial liabilities	(41,224)	(54,723)	(95,947)	(33,998)
Current liabilities	(48,368)	(55,431)	(103,799)	(38,288)
Net assets	18,910	86,277	105,187	27,611
Revenue	23,101	-	23,101	20,349
Depreciation and amortisation	3,049	90	3,139	6,134
Interest expense	2,390	369	2,759	1,476
Tax (income)/expense	(1,118)	-	(1,118)	15,017
Loss(representing total comprehensive loss) for the financial year	(8,702)	(1,902)	(10,604)	(31,212)

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**10. INVESTMENTS IN JOINT VENTURES (CONT'D)**

The reconciliation of the above summarised financial information to the carrying amounts of the investments in joint ventures is as follows:-

Group	2019 <sup>(a)</sup>			2018
	PPOM RM'000	GLM RM'000	Total RM'000	Total RM'000 (Restated)
Net assets	18,910	86,277	105,187	27,611
Effective ownership interest	50%	70%	66%	50%
Share of net assets	9,455	60,394	69,849	13,806
Gain on bargain purchase	(1,363)	(57,702)	(59,065)	(1,363)
Carrying amount	8,092	2,692	10,784	12,443

<sup>(a)</sup> Based on unaudited management accounts.

**11. OTHER INVESTMENTS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Quoted investments, at fair value:				
- in Malaysia	20	2,285	-	2,253
- outside Malaysia	-	1,550	-	1,550
Unquoted investments in Malaysia:				
- at fair value	3,710	3,710	-	-
- at amortised cost	27,191	26,804	-	-
	<u>30,921</u>	<u>34,349</u>	<u>-</u>	<u>3,803</u>
Disclosed as:				
- Non-current assets	30,921	30,546	-	-
- Current assets	-	3,803	-	3,803
	<u>30,921</u>	<u>34,349</u>	<u>-</u>	<u>3,803</u>

The fair values of quoted investments were directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**11. OTHER INVESTMENTS (CONT'D)**

The currency profile of other investments is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Australian Dollar	-	69	-	69
Hong Kong Dollar	-	88	-	88
Indonesian Rupiah	-	465	-	465
Ringgit Malaysia	30,921	32,799	-	2,253
Singapore Dollar	-	928	-	928
	<u>30,921</u>	<u>34,349</u>	<u>-</u>	<u>3,803</u>

**12. DEFERRED TAX ASSETS**

	Group	
	2019 RM'000	2018 RM'000
Balance at 1 January, as previously reported	258	1,185
Effects of transition from FRSs to MFRSs	-	(387)
Balance at 1 January, as restated	<u>258</u>	<u>798</u>
Deferred tax (expense)/income recognised in:		
- Profit or loss (Note 27)	(145)	168
- Other comprehensive income/(loss)	55	(265)
Deferred tax liabilities under provided in prior years	(46)	(421)
Currency translation differences	18	(22)
Balance at 31 December	<u>140</u>	<u>258</u>
Disclosed as:		
- Deferred tax assets	779	987
- Deferred tax liabilities	(639)	(729)
	<u>140</u>	<u>258</u>
In respect of:		
- Deductible/(Taxable) temporary differences of:		
- Financial instruments	232	711
- Property, plant and equipment	(719)	(1,590)
- Produce growing on bearer plants	(1,388)	(479)
- Right-of-use assets	(40)	-
- Retirement benefits	1,700	1,208
- Lease liabilities	41	-
- Others	164	210
- Unused tax losses	150	198
	<u>140</u>	<u>258</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 12. DEFERRED TAX ASSETS (CONT'D)

Save as disclosed above, as at 31 December 2019, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM2,084,000 (2018 - RM1,172,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused tax losses and unabsorbed capital allowances over taxable temporary differences as follows:-

	Group	
	2019 RM'000	2018 RM'000
Deductible temporary differences of financial instruments	25,558	16,274
Unutilised tax losses	77,871	50,398
Unabsorbed capital allowances	820	438
Taxable temporary differences of property, plant and equipment	(8,682)	(4,882)
	<u>95,567</u>	<u>62,228</u>

The unutilised tax losses of RM77,871,000 (2018 - RM50,398,000) which will expire in the following financial years:

	Group	
	2019 RM'000	2018 RM'000
<u>Financial year:-</u>		
Expiring not more than 5 years	59,805	40,341
Expiring not more than 7 years	18,066	10,057
	<u>77,871</u>	<u>50,398</u>

Deferred tax assets have not been recognised in respect of these items as these cannot be used to offset taxable profits of other subsidiaries in the Group and they attributable to subsidiaries that have history of continuously reporting losses and some of the subsidiaries are not expected to generate sufficient taxable profits before the expiry of these unutilised tax losses.

As at 31 December 2019, the unrecognised deferred tax assets of the Group relates to tax losses of certain subsidiaries in Malaysia and in Indonesia. Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses are imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can only be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025) whereas the tax losses in Indonesia have an expiry of not more than 5 years.

The deductible temporary differences and unabsorbed capital allowances have no expiry date.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**13. INVENTORIES**

	Group	
	2019 RM'000	2018 RM'000
At cost:-		
Raw materials	30,002	18,311
Work-in-progress	730	575
Finished goods	10,448	7,833
Estate stores	6,411	3,301
	<u>47,591</u>	<u>30,020</u>
Recognised in profit or loss:-		
Inventories recognised as cost of sales	<u>104,053</u>	<u>139,212</u>

**14. PRODUCE GROWING ON BEARER PLANTS**

	Group	
	2019 RM'000	2018 RM'000
Balance at 1 January		
- Brought forward from preceding year	1,916	-
- Effect of transition from FRSs to MFRSs	-	1,447
- Adjusted	<u>1,916</u>	<u>1,447</u>
Change in fair value	3,532	547
Currency translation differences	105	(78)
Balance at 31 December	<u>5,553</u>	<u>1,916</u>

The fair value measurement of the produce growing on bearer plants is determined by using the market approach (i.e. Level 3) by applying the estimated quantities of the fresh fruit bunches ("FFBs") to the average market prices of harvested FFB applicable at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**15. RECEIVABLES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables:				
- Related parties <sup>(a)</sup>	19,505	6,725	-	-
- Joint venture	203	-	-	-
- Unrelated parties	187,148	168,378	-	-
	206,856	175,103	-	-
- Accumulated impairment losses	(28,087)	(21,226)	-	-
	178,769	153,877	-	-
Other receivables:				
- Subsidiaries	-	-	386,735	367,163
- Related parties <sup>(a)</sup>	1,792	4,537	1,470	1,470
- Joint venture	49,000	-	-	-
- Unrelated parties	33,440	77,897	91	2,456
- Accumulated impairment losses	(485)	(16,339)	-	-
	32,955	61,558	91	2,456
	83,747	66,095	388,296	371,089
Dividend receivables	3,450	1,382	-	-
Plasma receivables	36,417	48,673	-	-
	123,614	116,150	388,296	371,089
Total receivables	302,383	270,027	388,296	371,089

<sup>(a)</sup> Being companies in which a director has substantial financial interest.

The currency profile of receivables is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Euro	204	719	-	-
Guatemala Quetzals	171	268	-	-
Indonesian Rupiah	74,111	74,279	299,510	284,515
Kina	5,984	11,669	-	-
United States Dollar	73,269	40,293	-	-
Ringgit Malaysia	148,644	142,799	88,786	86,574
	302,383	270,027	388,296	371,089

**Trade Receivables**

Included in trade receivables are retention sums for contract work totalling RM10,577,000 (2018 - RM29,296,000).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**15. RECEIVABLES (CONT'D)****Trade Receivables (Cont'd)**

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2019, there was 1 (2018 - Nil) major group of customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major group of customer amounted to RM27,938,000 (2018 - Nil). The credit risk concentration profile by geographical areas of trade receivables (stated at gross) is as follows:-

	Group	
	2019 RM'000	2018 RM'000
Africa	2,922	2,428
Central America	4,548	4,922
Indonesia	106,872	63,139
Malaysia	40,738	73,193
Papua New Guinea	32,050	28,009
Liberia	10,860	-
Others	8,866	3,412
	<u>206,856</u>	<u>175,103</u>

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 days terms.

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status (stated at gross) is as follows:-

	Group	
	2019 RM'000	2018 RM'000
Not past due	62,243	42,768
Past due 1 to 30 days	34,686	22,396
Past due 31 to 90 days	20,302	38,065
Past due more than 90 days	89,625	71,874
	<u>206,856</u>	<u>175,103</u>

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**15. RECEIVABLES (CONT'D)****Trade Receivables (Cont'd)**

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of the customer base.

	Not past due RM'000	1 to 30 days past due RM'000	31 to 90 days past due RM'000	More than 90 days past due RM'000	Credit- impaired RM'000	Total RM'000
As at 31 December 2019						
Gross carrying amount	62,243	34,686	20,302	64,148	25,477	206,856
Average credit loss rate	0.89%	0.82%	0.86%	2.49%	100%	13.58%
Loss allowance	556	283	174	1,597	25,477	28,087
As at 31 December 2018						
Gross carrying amount	42,768	22,396	38,065	52,917	18,957	175,103
Average credit loss rate	0.42%	0.38%	0.25%	3.60%	100%	12.12%
Loss allowance	180	86	96	1,907	18,957	21,226

The average credit loss rates were based on the payment profile of revenue over a period of 12 months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The changes in the accumulated impairment losses are as follows:-

	Group	
	2019 RM'000	2018 RM'000
Balance at 1 January		
- Brought forward from preceding year	21,226	16,179
- Effect of adopting MFRS 9	-	980
- Adjusted	21,226	17,159
Increase during the financial year	14,608	8,880
Reversal during the financial year	(7,747)	(4,798)
Bad debts written off	-	(15)
Balance at 31 December	28,087	21,226

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 15. RECEIVABLES (CONT'D)

### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts due from subsidiaries are repayable on demand and interest free except for an amount of RM21,527,000 (2018 - Nil) which bears interest at 6.00% (2018 - Nil) per annum. The amounts owing by other related and unrelated parties mainly consist of advances which have no fixed repayment terms.

Included in other receivables is an amount owing by a joint venture, Gulf Lube Malaysia Sdn. Bhd. ("GLM") amounting to RM49.203 million which is unsecured, interest free and repayable on demand. As disclosed in Note 10 (c)(v), GLM has yet to commence any operations as at 31 December 2019. However, based on the unaudited management accounts of the joint venture, the directors are of the view that no impairment is required on the said amounts.

The changes in the accumulated impairment losses are as follows:-

	Group	
	2019 RM'000	2018 RM'000
At 1 January	16,339	16,339
Increased during the year	504	-
Impairment loss written off	(16,358)	-
At 31 December	485	16,339

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulty and has defaulted on payment.

### Plasma Receivables

In accordance with the policy of the Government of the Republic of Indonesia ("Government"), nucleus companies involved in plantation developments are required to provide support to develop and cultivate palm oil lands for local communities as part of their social obligation which is known as "Plasma" schemes.

In line with this requirement, the Group's subsidiaries in Indonesia participated in several plasma cooperative programs for the development and cultivation of oil palm lands for the local communities. The Group's subsidiaries manages the plasma plantation activities and purchase the plantation produce arising therefrom at prices determined by the Government. Advances made by the Group's subsidiaries to the plasma schemes in the form of plantation development costs which are recoverable either through bank loans obtained by the plasma cooperatives or direct repayments from the cooperatives when these plasma designated areas are matured and ready for harvest. Impairment losses are made when the estimated recoverable amounts are less than the outstanding advances.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 16. CONTRACT ASSETS/LIABILITIES

	Group	
	2019	2018
	RM'000	RM'000
<b>Contract Assets</b>		
Construction contracts (Note (i))	61,237	71,276
<b>Contract Liabilities</b>		
Construction contracts (Note (i))	49,995	40,531
Sale of goods (Note (ii))	4,251	4,579
	<u>54,246</u>	<u>45,110</u>

#### (i) Contract assets and contract liabilities from construction contracts

	Group	
	2019	2018
	RM'000	RM'000
Balance at 1 January	30,745	103,766
Revenue recognised during the financial year	310,371	377,351
Progress billings during the financial year	(333,568)	(450,372)
Currency translation differences	3,403	-
Others	291	-
Balance at 31 December	<u>11,242</u>	<u>30,745</u>
Disclosed as:		
- Contract assets relating to construction contracts	61,237	71,276
- Contract liabilities relating to construction contracts	(48,751)	(40,413)
- Advance payment from customers	(1,244)	(118)
	<u>(49,995)</u>	<u>(40,531)</u>
	<u>11,242</u>	<u>30,745</u>

As disclosed in Note 2.20, the Group generally satisfies its performance obligations over time during the construction period. Any excess of revenue recognised over progress billings is presented as contract asset, whereas any deficit is presented as contract liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 16. CONTRACT ASSETS/LIABILITIES (CONT'D)

### (i) Contract assets and contract liabilities from construction contracts (Cont'd)

The Group measures the loss allowance for contract assets at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on contract assets are not considered to be material and hence, have not been recognised.

#### Remaining performance obligations

As at 31 December 2019, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM185,637,000 (2018 - RM163,803,000) and the Group expects to recognise this revenue when the projects are completed over the next 1 to 4 (2018 - 1) years.

### (ii) Contract liabilities from sale of goods

	Group	
	2019 RM'000	2018 RM'000
Balance at 1 January	4,579	-
Revenue recognised from opening contract liabilities	(4,579)	-
Excess of consideration over revenue recognised	4,251	4,579
Balance at 31 December	<u>4,251</u>	<u>4,579</u>

As disclosed in Note 2.20, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as a contract liability.

## 17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Highly liquid investment	45,040	19,556	7	18
Term deposits with licensed banks (fixed rate)	22,737	21,628	-	-
Cash and bank balances	66,611	70,988	2,021	1,345
	<u>134,388</u>	<u>112,172</u>	<u>2,028</u>	<u>1,363</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 17. CASH AND CASH EQUIVALENTS (CONT'D)

Certain term deposits of the Group totalling RM16,079,000 (2018 - RM15,641,000) have been pledged as security for credit facilities granted to the Group. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 31 December 2019 ranged from 2.65% to 3.54% (2018 - 2.90%) per annum.

The currency profile of cash and cash equivalents is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Euro	4,352	436	-	-
Guatemala Quetzals	13	43	-	-
Indonesian Rupiah	12,745	9,341	-	-
Kina	707	647	-	-
United States Dollar	5,233	9,214	-	-
Ringgit Malaysia	111,338	92,491	2,028	1,363
	<u>134,388</u>	<u>112,172</u>	<u>2,028</u>	<u>1,363</u>

For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdraft and pledged deposits as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and cash equivalents	134,388	112,172	2,028	1,363
Bank overdrafts (Note 20)	(36)	(1,057)	-	-
Term deposits pledged as security	(16,079)	(15,641)	-	-
	<u>118,273</u>	<u>95,474</u>	<u>2,028</u>	<u>1,363</u>

## 18. SHARE CAPITAL

	No. of Ordinary Shares ('000)	RM'000
<u>Issued and fully paid:-</u>		
Balances at 31 December 2018/2019 <sup>(a)</sup>	<u>538,248</u>	<u>271,044</u>

<sup>(a)</sup> Ordinary shares with no par value

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 18. SHARE CAPITAL (CONT'D)

### Purchase of Own Shares

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 31 May 2019, approved the Company's plan to purchase its own shares. The directors are committed to enhance the value of the Company for its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

	2019		2018	
	No. of Ordinary Shares '000	Cost RM'000	No. of Ordinary Shares '000	Cost RM'000
Balance at 1 January	26,528	49,863	15,468	37,791
Shares purchased	6,685	6,444	11,060	12,072
Balance at 31 December	<u>33,213</u>	<u>56,307</u>	<u>26,528</u>	<u>49,863</u>
Average unit cost for the year (RM)		<u>1.70</u>		<u>1.88</u>

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	2019	2018
	No. of Ordinary Shares '000	No. of Ordinary Shares '000
Balance at 1 January	511,720	522,780
Shares purchased	<u>(6,685)</u>	<u>(11,060)</u>
Balance at 31 December	<u>505,035</u>	<u>511,720</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**19. NON-CONTROLLING INTERESTS (“NCI”)**

Group	Accumulated NCI		(Loss)/Profit allocated to NCI	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Avecpalm Marketing Resources Sdn. Bhd.	1,838	1,714	124	479
AVP Engineering (M) Sdn. Bhd.	68,680	69,888	832	13,074
TPG Oil & Gas Sdn. Bhd.	(1,265)	(442)	(1,092)	(177)
TPG Aeronautik Sdn. Bhd.	7,778	7,754	535	4,105
AVP EMDigital (M) Sdn. Bhd.	(2,830)	(2,610)	(219)	-
Magview Machinery Sdn. Bhd.	-	1,258	-	253
PT CB Polaindo	8,953	1,299	932	184
PT Sawit Lamandau Raya	(4,807)	(4,426)	(235)	(517)
PT Jaya Jadi Utama	614	622	(25)	(24)
PT Berkala Maju Bersama	(899)	144	(1,030)	(149)
Modipalma Latin America	(4)	(3)	(2)	(1)
Modipalm Engineering Solutions Sdn. Bhd.	31	(3)	34	(3)
	<u>78,089</u>	<u>75,195</u>	<u>(146)</u>	<u>17,224</u>

The details of the subsidiaries that have NCI that are material to the Group are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Equity Interest Held by NCI		Principal Activity
		2019 %	2018 %	
Avecpalm Marketing Resources Sdn. Bhd.	Malaysia	20	20	Trading in palm oil mill processing equipment.
TPG Oil & Gas Sdn. Bhd.	Malaysia	20	20	Providing support and supplies for oil and gas industry.
Modipalm Engineering Solutions Sdn. Bhd.	Malaysia	30	30	Providing technical and other services for palm oil and related industries.
AVP Engineering (M) Sdn. Bhd. ("AVPSB")	Malaysia	51	51	Retrofitting special purpose vehicles.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 19. NON-CONTROLLING INTERESTS (“NCI”) (CONT’D)

The details of the subsidiaries that have NCI that are material to the Group are as follows (Cont'd) :-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Equity Interest Held by NCI		Principal Activity
		2019 %	2018 %	
<u>Subsidiaries of CBIPSB</u>				
PT CB Polaindo <sup>(a)</sup>	Indonesia	30	5	Providing engineering support and contracting works for palm oil mills.
Modipalma Latin America <sup>(a)</sup>	Republic of Guatemala	0.4	0.4	Supply and sale spare parts for palm oil mills.
<u>Subsidiaries of AVPSB</u>				
TPG Aeronautik Sdn. Bhd.	Malaysia	51	51	Design, fabricate, supply, procure, maintain and service aviation related equipment.
AVP EMDigital (M) Sdn. Bhd.	Malaysia	70.6	70.6	Inactive.
<u>Subsidiary of SMESB</u>				
PT Sawit Lamandau Raya <sup>(a)</sup>	Indonesia	15	15	Cultivation of oil palm.
<u>Subsidiary of APSB</u>				
PT Jaya Jadi Utama <sup>(a)</sup>	Indonesia	6	6	Cultivation of oil palm.
<u>Subsidiary of AVESB</u>				
PT Berkala Maju Bersama <sup>(a)</sup>	Indonesia	6	6	Cultivation of oil palm.

<sup>(a)</sup> Not audited by Crowe Malaysia PLT.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**19. NON-CONTROLLING INTERESTS (“NCI”) (CONT’D)**

The summarised financial information (before inter-company eliminations) of the above subsidiaries with material non-controlling interests to the Group is as follows:-

	2019 RM'000	2018 RM'000 (Restated)
Non-current assets	501,530	411,935
Current assets	256,841	284,433
Non-current liabilities	(138,973)	(94,363)
Current liabilities	(478,093)	(432,334)
Net assets	141,305	169,671
Revenue for the financial year	140,873	224,723
(Loss)/Profit (representing total comprehensive (loss)/ income) for the financial year	(22,084)	33,895
Net cash from operating activities	4,531	132,246
Net cash for investing activities	(65,638)	(163,038)
Net cash from financing activities	36,196	125,629
Net (decrease)/increase in cash and cash equivalents	<u>(24,911)</u>	<u>94,836</u>

**20. LOANS AND BORROWINGS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Secured</u>				
Hire purchase payables (fixed rate)	-	1,583	-	265
Term loans (floating rate)	139,134	98,962	-	-
Bank overdrafts (floating rate) (Note 17)	-	1,057	-	-
Revolving credits (fixed rate)	33,379	25,084	26,807	19,029
Banker acceptances (fixed rate)	3,246	-	-	-
<u>Unsecured</u>				
Bank overdrafts (floating rate) (Note 17)	36	-	-	-
	<u>175,795</u>	<u>126,686</u>	<u>26,807</u>	<u>19,294</u>
Disclosed as:				
- Current liabilities	39,983	29,754	26,807	19,131
- Non-current liabilities	135,812	96,932	-	163
	<u>175,795</u>	<u>126,686</u>	<u>26,807</u>	<u>19,294</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

The currency profile of loans and borrowings is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Indonesian Rupiah	95,735	30,599	-	-
Ringgit Malaysia	46,385	43,378	26,807	19,294
United States Dollar	30,429	52,709	-	-
Euro	3,246	-	-	-
	<u>175,795</u>	<u>126,686</u>	<u>26,807</u>	<u>19,294</u>

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other secured loans and borrowings are secured against certain property, plant and equipment (Note 4).

The effective interest rates of loans and borrowings as at 31 December 2019 ranged from 1.36% to 10.00% (2018 - 2.60% to 10.00%) per annum.

Except for hire purchase payables and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Hire Purchase Payables

Hire purchase payables are repayable over 3 years. The repayment analysis is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum hire purchase payments:				
- Within 1 year	-	909	-	113
- Later than 1 year and not later than 2 years	-	820	-	113
- Later than 2 years and not later than 5 years	-	96	-	56
Total contractual undiscounted cash flows	-	1,825	-	282
Future finance charges	-	(242)	-	(17)
Present value of hire purchase payables:				
- Within 1 year	-	787	-	102
- Later than 1 year and not later than 2 years	-	706	-	107
- Later than 2 years and not later than 5 years	-	90	-	56
	<u>-</u>	<u>1,583</u>	<u>-</u>	<u>265</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

### Term Loans

Term loans are repayable over 3 to 8 years. The repayment analysis is as follows:-

	Group	
	2019 RM'000	2018 RM'000
Gross loan instalments:		
- Within 1 year	4,182	10,846
- Later than 1 year and not later than 2 years	4,041	13,558
- Later than 2 years and not later than 5 years	68,114	43,584
- Later than 5 years	64,547	66,884
Total contractual undiscounted cash flows	140,884	134,872
Future finance charges	(1,750)	(35,910)
Present value of term loans:		
- Within 1 year	3,323	2,826
- Later than 1 year and not later than 2 years	3,351	5,717
- Later than 2 years and not later than 5 years	66,704	27,964
- Later than 5 years	65,756	62,455
	139,134	98,962

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated the effective interest rates of term loans.

## 21. LEASE LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gross lease liabilities:				
- Within 1 year	1,020	-	113	-
- Later than 1 year and not later than 2 years	762	-	56	-
- Later than 2 years and not later than 5 years	718	-	-	-
- Later than 5 years	9	-	-	-
Total contractual undiscounted cash flows	2,509	-	169	-
Future finance charges	(453)	-	(6)	-
Present value of lease liabilities	2,056	-	163	-

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**21. LEASE LIABILITIES (CONT'D)**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Disclosed as:				
- Current liabilities	747	-	108	-
- Non-current liabilities	1,309	-	55	-
	<u>2,056</u>	<u>-</u>	<u>163</u>	<u>-</u>

The currency profile of lease liabilities is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Indonesian Rupiah	1,162	-	-	-
Ringgit Malaysia	728	-	163	-
Guatemala Quetzals	166	-	-	-
	<u>2,056</u>	<u>-</u>	<u>163</u>	<u>-</u>

The incremental borrowing rates applied to lease liabilities as at 31 December 2019 ranged from 3.21% to 10.17% per annum.

**22. RETIREMENT BENEFITS**

The present value of defined benefit obligations are as follows:-

	Group	
	2019 RM'000	2018 RM'000
Balance at 1 January	4,982	5,228
Defined benefit costs	1,898	1,387
Contribution paid	(183)	(336)
Actuarial gain	234	(1,061)
Currency translation differences	251	(236)
Balance at 31 December	<u>7,182</u>	<u>4,982</u>

Being present value of defined benefit obligations disclosed as:

- Current liabilities	-	-
- Non-current liabilities	7,182	4,982
	<u>7,182</u>	<u>4,982</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**22. RETIREMENT BENEFITS (CONT'D)**

The components of defined benefit costs are as follows:

	Group	
	2019 RM'000	2018 RM'000
Current service cost	1,462	700
Interest expense	436	352
Remeasurements of defined benefit obligations:		
- Actuarial losses arising from changes in financial assumptions	(32)	(457)
- Experience adjustments	266	(269)
	<u>2,132</u>	<u>326</u>

The principal actuarial assumptions used to determine the present value of the defined benefit obligations are as follows:

	Group	
	2019 %	2018 %
Discount rate	7.64 to 8.54	7.41 to 8.54
Future salary growth	<u>7 to 10</u>	<u>7 to 10</u>

The following table demonstrates the sensitivity of the defined benefit obligations to changes in each principal actuarial assumption that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/(Decrease) in defined benefit obligations	
	2019 RM'000	2018 RM'000
Increase in discount rate by 1%	6,572	4,548
Decrease in discount rate by 1%	7,626	5,490
Increase in future salary growth by 1%	7,878	5,481
Decrease in future salary growth by 1%	<u>6,576</u>	<u>4,548</u>

The remaining duration of the defined benefit obligations is 10 to 23 years (2018 - 10 to 23 years) for the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 23. PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables:				
- Related parties <sup>(a)</sup>	1,276	2,043	-	-
- Unrelated parties	82,643	64,015	-	-
	83,919	66,058	-	-
Other payables:				
- Related parties <sup>(a)</sup>	475	-	200	-
- Subsidiaries	-	-	185,917	164,625
- Directors	34	34	-	-
- Unrelated parties	12,591	36,514	1,749	1,714
	13,100	36,548	187,866	166,339
	97,019	102,606	187,866	166,339

<sup>(a)</sup> Being companies in which certain directors of the Company and their close family members have substantial financial interests.

The currency profile of payables is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Euro	968	2,975	-	-
Indonesian Rupiah	28,686	34,205	3,139	3,143
Kina	3,749	862	-	-
Ringgit Malaysia	59,617	62,942	184,727	163,196
United States Dollar	3,634	1,436	-	-
Others	365	186	-	-
	97,019	102,606	187,866	166,339

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 days terms.

### Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to subsidiaries are repayable on demand. The amounts owing to other related parties and unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**24. REVENUE**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers:				
- Sale of goods	87,705	81,015	-	-
- Sale of agricultural produce	50,037	17,105	-	-
- Rendering of services	4,374	2,615	45	45
- Construction contracts	310,371	377,351	-	-
Other source of revenue:				
- Dividend income	-	-	1,960	2,455
	<u>452,487</u>	<u>478,086</u>	<u>2,005</u>	<u>2,500</u>

**Disaggregation of revenue from contracts with customers**

## Group

	Operating segments (Note 32)				Total RM'000
	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	
<b>2019</b>					
Major products/services:					
- Construction of palm oil mills	-	265,061	-	-	265,061
- Trading of palm oil equipments	-	76,688	-	-	76,688
- Sale of agricultural produce	50,037	-	-	5,320	55,357
- Manufacturing, installation and repair of bio-energy systems	-	52,211	-	-	52,211
- Rendering of services	-	413	-	-	413
- Retrofitting of special purpose vehicles	-	-	2,757	-	2,757
	<u>50,037</u>	<u>394,373</u>	<u>2,757</u>	<u>5,320</u>	<u>452,487</u>
Geographical areas:					
- Malaysia	-	47,774	2,757	1,337	51,868
- Indonesia	50,037	264,342	-	-	314,379
- Papua New Guinea	-	31,151	-	-	31,151
- Central America	-	18,618	-	-	18,618
- Africa	-	12,311	-	-	12,311
- Liberia	-	15,821	-	-	15,821
- Others	-	4,356	-	3,983	8,339
	<u>50,037</u>	<u>394,373</u>	<u>2,757</u>	<u>5,320</u>	<u>452,487</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**24. REVENUE (CONT'D)**

Group

	Operating segments (Note 32)				Total RM'000
	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	
	<b>2019</b>				
Timing of revenue recognition:					
- Over time	-	310,359	12	-	310,371
- At a point in time	50,037	84,014	2,745	5,320	142,116
	<u>50,037</u>	<u>394,373</u>	<u>2,757</u>	<u>5,320</u>	<u>452,487</u>
<b>2018</b>					
Major products/services:					
- Construction of palm oil mills	-	222,137	-	-	222,137
- Trading of palm oil equipments	-	76,406	-	-	76,406
- Sale of agricultural produce	17,105	-	-	-	17,105
- Manufacturing, installation and repair of bio-energy systems	-	41,273	-	-	41,273
- Rendering of services	-	458	474	-	932
- Retrofitting of special purpose vehicles	-	-	120,233	-	120,233
	<u>17,105</u>	<u>340,274</u>	<u>120,707</u>	<u>-</u>	<u>478,086</u>
Geographical areas:					
- Malaysia	-	30,312	-	-	30,312
- Indonesia	17,105	302,216	120,707	-	440,028
- Papua New Guinea	-	6,258	-	-	6,258
- Central America	-	1,488	-	-	1,488
	<u>17,105</u>	<u>340,274</u>	<u>120,707</u>	<u>-</u>	<u>478,086</u>
Timing of revenue recognition:					
- Over time	-	257,118	120,233	-	377,351
- At a point in time	17,105	83,156	474	-	100,735
	<u>17,105</u>	<u>340,274</u>	<u>120,707</u>	<u>-</u>	<u>478,086</u>

Company

Information about disaggregation of revenue has not been disclosed as the Company derives revenue mainly from rendering management services to its subsidiaries.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**25. PROFIT/(LOSS) BEFORE TAX**

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Profit/(loss) before tax is arrived at after charging/ (crediting):-				
Auditors' remuneration:				
- Current year	454	463	85	68
- Prior year	56	62	17	17
Bad debt recovered	-	(5,790)	-	-
Bad debt written off	275	5	-	-
Deposit forfeited	-	50	-	-
Depreciation of property, plant and equipment	14,778	10,490	28	129
Depreciation of right-of-use assets	1,330	-	119	-
Dividend income from:				
- Subsidiaries	-	-	(1,960)	(2,455)
- Unquoted investments in Malaysia	(810)	(2,567)	-	-
- Quoted investments in Malaysia	(4)	-	(3)	-
Employee benefits expenses (Note 26)	31,952	31,562	1,479	1,424
Fair value changes in produce growing on bearer plants	(3,532)	(547)	-	-
Fair value (gain)/loss on financial instruments mandatorily measured at fair value through profit or loss	(928)	2,180	(940)	2,180
Gain on disposal of property, plant and equipment	(9,628)	(2,171)	(75)	-
Gain on disposal of right-of-use assets	(31)	-	-	-
Impairment loss on goodwill	16,341	-	-	-
Impairment loss on investment in an associate	15,000	3,946	-	-
Interest expense for financial assets measured at amortised cost	-	4,796	-	-
Interest expense for financial liabilities measured at amortised cost	10,565	8,226	1,331	1,118
Interest expense for lease liabilities	263	-	10	-
Interest income for financial assets measured at amortised cost	(8,906)	(2,197)	(1,391)	(14)
Insurance claim	(31)	-	-	-
Inventories written off	199	350	-	-
Lease expense relating to:-				
- Short-term leases	267	-	60	-
- Leases of low-value assets (other than short-term leases)	7	-	-	-
- Others	13	127	-	-
Loss due to financial malfeasance	125	666	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Profit/(loss) before tax is arrived at after charging/ (crediting) (Cont'd):-				
Loss/(Gain) on foreign exchange:				
- Realised	971	(371)	-	12
- Unrealised	66	8,937	(8,044)	14,207
(Gain)/Loss on disposal of other investments	(32)	-	955	-
Net impairment losses on financial assets:				
- Impairment losses on receivables	15,092	8,880	-	-
- Reversal of impairment loss on receivables	(7,747)	(4,798)	-	-
Operating lease income	(48)	(113)	(3)	(12)
Property, plant and equipment written off	6	244	-	-
Reversal of interest expense for financial assets measured at amortised cost	(987)	-	-	-
Reversal of inventories written down	(12)	(25)	-	-
Reversal of provision for warranty obligations	-	(4,195)	-	-

## 26. EMPLOYEES BENEFIT EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company:				
- Fee	374	384	240	246
- Other short-term employee benefits	2,580	2,884	200	197
- Defined contribution plan	166	243	-	-
	3,120	3,511	440	443
Directors of subsidiaries:				
- Fee	188	228	-	-
- Other short-term employee benefits	2,608	3,025	-	-
- Defined contribution plan	282	348	-	-
	3,078	3,601	-	-
Other employees:				
- Short-term employee benefits	22,470	21,429	928	876
- Defined contribution plan	1,499	1,632	111	105
- Defined benefit plan	1,785	1,389	-	-
	25,754	24,450	1,039	981
	31,952	31,562	1,479	1,424

The estimated monetary value of benefits received or receivable by certain directors otherwise than in cash from the Group and the Company amounted to approximately RM140,000 and RM37,000 (2018 - RM72,000 and RM48,000) respectively.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**27. TAX EXPENSE/(INCOME)**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax based on results for the year:				
- Malaysian income tax	8,276	26,194	140	-
- Overseas income tax	2,474	2,464	-	-
- Deferred tax (Note 12)	145	(168)	-	-
	<u>10,895</u>	<u>28,490</u>	<u>140</u>	<u>-</u>
Tax (over)/under provided in prior years:				
- Malaysian income tax	(9,698)	1,135	11	(53)
- Deferred tax	46	421	-	-
Real Property Gains Tax	1,096	-	-	-
Withholding tax	25	-	-	-
Tax expense/(income)	<u>2,364</u>	<u>30,046</u>	<u>151</u>	<u>(53)</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before tax	<u>37,718</u>	<u>70,614</u>	<u>7,057</u>	<u>(16,880)</u>
Tax at applicable tax rate of 24%	9,052	16,947	1,694	(4,051)
Non-deductible expenses	12,750	16,228	1,091	4,757
Non-taxable income	(3,760)	(3,388)	(2,645)	(706)
Increase in unrecognised deferred tax assets	8,001	1,335	-	-
Tax savings arising from pioneer status	(15,283)	-	-	-
Reversal of accelerated tax on project near to completion	(3)	-	-	-
Real Property Gains Tax	1,096	-	-	-
Effect of differential in tax rates	138	(2,631)	-	-
Tax (over)/under provided in prior year:				
- Current tax	(9,698)	1,135	11	(53)
- Deferred tax	46	421	-	-
Withholding tax	25	(1)	-	-
Tax expense/(income)	<u>2,364</u>	<u>30,046</u>	<u>151</u>	<u>(53)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 27. TAX EXPENSE/(INCOME) (CONT'D)

PalmitEco Engineering Sdn. Bhd. ("PME") has obtained approval from Malaysian Investment Development Authority (MIDA) for the application of Pioneer Status Incentive. The pioneer activity of the Company as stated in the MIDA's letter is related to production of "Palm oil mill system and equipment" and the Company will be eligible to enjoy 70% tax exemption on its statutory business income subject to the terms and conditions stated in the letter. The Company's pioneer status commenced from 2 November 2016 to 1 November 2021 based on the approval letter from MIDA dated 28 June 2019.

## 28. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:-

	Group	
	2019	2018
Profit for the financial year attributable to owners of the Company (RM'000)	35,500	23,344
Number of shares in issue at 1 January ('000)	538,248	538,248
Effect of shares purchased ('000)	(423)	(7,081)
Weighted average number of shares in issue ('000)	537,825	531,167
Basic earnings per share (sen)	6.60	4.40

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

## 29. DIVIDENDS

	Group and Company	
	2019	2018
	RM'000	RM'000
First interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018	-	10,452
Second interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018	10,215	-
First interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2019	10,101	-
	20,316	10,452

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**30. NOTES TO STATEMENTS OF CASH FLOWS**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Purchase of Property, Plant and Equipment</b>				
Cost of property, plant and equipment acquired	59,328	101,910	136	591
Acquisition by means of hire purchase	-	(789)	-	-
Net cash disbursed	<u>59,328</u>	<u>101,121</u>	<u>136</u>	<u>591</u>
<b>Acquisition of Right-Of-Use Assets</b>				
Cost of right-of-use assets acquired	2,350	-	-	-
Acquisition by means of leases	(1,591)	-	-	-
Net cash disbursed	<u>759</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Short-Term Loans and Borrowings</b>				
Balance at 1 January	25,084	46,445	19,029	19,142
Net cash flow changes	11,541	(21,361)	7,778	(113)
Balance at 31 December	<u>36,625</u>	<u>25,084</u>	<u>26,807</u>	<u>19,029</u>
Represented by:				
- Banker acceptances (Note 20)	3,246	-	-	-
- Revolving credits (Note 20)	33,379	25,084	26,807	19,029
	<u>36,625</u>	<u>25,084</u>	<u>26,807</u>	<u>19,029</u>
<b>Term Loans</b>				
Balance at 1 January	98,962	19,512	-	-
Drawdowns	41,174	82,648	-	-
Repayments	(3,345)	(3,198)	-	-
Currency translation differences	2,343	-	-	-
Balance at 31 December (Note 20)	<u>139,134</u>	<u>98,962</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**30 NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Hire Purchase Payables</b>				
Balance at 1 January				
- Brought forward from preceding year	1,583	1,310	265	350
- Effect of adopting MFRS 16	(1,583)	-	(265)	-
- Adjusted	-	1,310	-	350
Drawdowns	-	789	-	-
Repayments	-	(528)	-	(97)
Currency translation differences	-	12	-	12
Balance at 31 December (Note 20)	-	1,583	-	265
<b>Lease Liabilities</b>				
Balance at 1 January				
- Brought forward from preceding year	-	-	-	-
- Effect of adopting MFRS 16	1,583	-	265	-
- Adjusted	1,583	-	265	-
Additions	1,591	-	-	-
Repayments	(1,138)	-	(102)	-
Currency translation differences	20	-	-	-
Balance at 31 December (Note 21)	2,056	-	163	-
The total cash outflow for leases is as follows:-				
<b>Operating Activities</b>				
Lease expenses relating to				
- Short term lease	366	-	60	-
- Lease of low value assets	7	-	-	-
Interest portion of lease liabilities (Note 25)	263	-	10	-
<b>Investing Activities</b>				
Acquisition of right-of-use assets	759	-	-	-
<b>Financing Activities</b>				
Principal portion of lease liabilities	1,138	-	102	-
	2,533	-	172	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 31. RELATED PARTY DISCLOSURE

Significant transactions with related parties during the financial year other than those disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Key management personnel compensation:				
- Fees	562	672	240	246
- Short-term employee benefits	5,574	7,749	586	541
- Defined contribution plans	493	814	45	38
	6,629	9,235	871	825
Dividends declared from a subsidiary	-	-	1,960	2,455
Interest charged on loans given to a subsidiary	-	-	1,356	-
Rendering of management services to subsidiaries	-	-	117	117
Rental charged to a subsidiary	-	-	3	12
Rental paid to a subsidiary	-	-	60	-
Advisory fee charged by directors	488	-	-	-
Purchase of goods from related parties <sup>(a)</sup>	492	57	-	-
Revenue from construction contract with related parties <sup>(a)</sup>	2,402	10,047	-	-
Receiving of contract services from a related party <sup>(a)</sup>	4,885	-	-	-
Rental charged to a related party <sup>(a)</sup>	48	-	-	-
Rental paid to a related party <sup>(a)</sup>	13	26	-	-
Freight cost charged by related party <sup>(a)</sup>	-	994	-	-
Sales of goods to related parties <sup>(a)</sup>	3,982	3,360	-	-
Sales of goods to a joint venture	203	-	-	-

<sup>(a)</sup> Being companies in which certain directors have substantial financial interests.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 32. OPERATING SEGMENTS

Group

### Operating Segments

For management purpose, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- (i) Plantation and milling - Cultivation of oil palm and production of crude palm oil and palm kernel.
- (ii) Equipment and engineering - Manufacture of palm oil equipment and related products, commissioning and contracting works for palm oil mills and trading of palm oil mill processing equipment.
- (iii) Special purpose vehicles - Retrofitting special purpose vehicles.
- (iv) Investing - Investment holding.

Except as indicated above, no other operating segments have been aggregated to form the above reportable segments.

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

*[The rest of this page is intentionally left blank]*



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**32. OPERATING SEGMENTS (CONT'D)**

2019	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	Consolidation adjustments and eliminations RM'000	Total RM'000
Segment assets	755,819	775,864	153,647	503,523	(1,149,737)	1,039,116
Investments in associates	-	-	-	49,430	33,318	82,748
Investments in joint ventures	-	-	-	24,211	(13,427)	10,784
Income tax and deferred tax assets	557	16,381	2,402	4	-	19,344
Total assets	756,376	792,245	156,049	577,168	(1,129,846)	1,151,992
Additions to non-current assets	43,646	5,180	397	13,003	-	62,226
Segment liabilities	708,965	251,644	10,153	309,386	(1,111,600)	168,548
Loans and borrowings	126,164	22,824	-	26,807	-	175,795
Lease liabilities	1,425	382	-	249	-	2,056
Income tax and deferred tax liabilities	262	1,206	2	5	-	1,475
Total liabilities	836,816	276,056	10,155	336,447	(1,111,600)	347,874
External revenue	50,037	394,373	2,757	5,320	-	452,487
Intersegment revenue	-	20,133	-	2,005	(22,138)	-
Total revenue	50,037	414,506	2,757	7,325	(22,138)	452,487
Segment (loss)/profit	(11,727)	84,580	(4,923)	14,494	(35,928)	46,496
Interest income	330	3,977	7,521	1,421	(4,343)	8,906
Interest expense	(8,340)	(1,154)	(203)	(5,474)	4,343	(10,828)
Share of loss of associates	-	-	-	-	(1,173)	(1,173)
Share of loss of joint ventures	-	-	-	-	(5,683)	(5,683)
(Loss)/Profit before tax	(19,737)	87,403	2,395	10,441	(42,784)	37,718
Tax expense	(392)	(694)	(26)	(1,252)	-	(2,364)
(Loss)/Profit for the financial year	(20,129)	86,709	2,369	9,189	(42,784)	35,354
Non-cash income	3,788	9,880	987	17,648	-	32,303
Depreciation	10,606	4,197	895	410	-	16,108
Other non-cash expenses	243	15,533	1,421	955	-	18,152

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 32. OPERATING SEGMENTS (CONT'D)

2018	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	Consolidation adjustments and eliminations RM'000	Total RM'000
Segment assets	693,821	674,999	152,733	448,165	(1,012,766)	956,952
Investments in associates	-	-	-	49,430	49,491	98,921
Investment in joint venture	-	-	-	20,187	(7,744)	12,443
Income tax and deferred tax assets	786	11,344	1,825	137	-	14,092
Total assets	694,607	686,343	154,558	517,919	(971,019)	1,082,408
Additions to non-current assets	86,713	6,328	25,207	25,949	(6,567)	137,630
Segment liabilities	670,724	227,626	6,028	237,504	(989,184)	152,698
Loans and borrowings	83,307	23,955	-	19,424	-	126,686
Income tax and deferred tax liabilities	-	7,550	6	-	-	7,556
Total liabilities	754,031	259,131	6,034	256,928	(989,184)	286,940
External revenue	17,105	340,274	120,707	-	-	478,086
Intersegment revenue	-	57,712	-	2,500	(60,212)	-
Total revenue	17,105	397,986	120,707	2,500	(60,212)	478,086
Segment (loss)/profit	(8,928)	82,043	48,961	(16,112)	(6,469)	99,495
Interest income	157	1,386	639	15	-	2,197
Interest expense	-	(1,373)	(5,704)	(1,149)	-	(8,226)
Share of loss of associates	-	-	-	-	(7,246)	(7,246)
Share of loss of joint venture	-	-	-	-	(15,606)	(15,606)
(Loss)/Profit before tax	(8,771)	82,056	43,896	(17,246)	(29,321)	70,614
Tax income/(expense)	141	(20,028)	(10,212)	53	-	(30,046)
(Loss)/Profit for the financial year	(8,630)	62,028	33,684	(17,193)	(29,321)	40,568
Non-cash income	-	13,601	4,406	1,981	-	19,988
Depreciation	4,745	4,526	932	287	-	10,490
Other non-cash expenses	1,404	8,286	4,796	12,097	(6,500)	20,083

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

**32. OPERATING SEGMENTS (CONT'D)****Geographical Information**

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Indonesia	314,379	440,028	342,945	309,859
Malaysia	51,868	30,312	236,738	268,470
Papua New Guinea	31,151	6,258	1,912	383
Central America	18,618	1,488	386	297
Africa	12,311	-	-	-
Liberia	15,821	-	-	-
Others	8,339	-	-	-
	<u>452,487</u>	<u>478,086</u>	<u>581,981</u>	<u>579,009</u>

**Major Customers**

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

	Revenue		Segment
	2019	2018	
	RM'000	RM'000	
Customer #1	-	81,791	Special purpose vehicles
Customer #2	-	49,091	Equipment and engineering
	<u>-</u>	<u>130,882</u>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 33. FINANCIAL GUARANTEE CONTRACTS

The Company have entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of RM542,579,000 (2018 - RM526,594,000). The total utilisation of these credit facilities as at 31 December 2019 amounted to approximately RM333,729,000 (2018 - RM101,818,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.14. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

<b>The Company</b>	2019 RM'000	2018 RM'000
Carrying amount	-	-
Contractual undiscounted cash flows	333,729	101,818
On demand or within one year	333,729	101,818

### 34. FINANCIAL RISK MANAGEMENT

The activities of the Group are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

#### Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statements of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 33.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### Credit Risk (Cont'd)

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties financial standings on an on-going basis, setting and monitoring counterparties limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 15.

### Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

### Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Indonesian Rupiah ("IDR"), whereas the major foreign currencies transacted are US Dollar ("USD"), Indonesian Rupiah ("IDR") and Kina ("PGK"). The gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Denominated in USD		Denominated in IDR		Denominated in PGK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Receivables	73,269	40,293	74,111	74,279	5,984	11,669
Cash and cash equivalents	5,233	9,214	12,745	9,341	707	647
Payables	(3,634)	(1,436)	(28,686)	(34,205)	(3,749)	(862)
Loans and borrowings	(30,429)	(52,709)	(95,735)	(30,599)	-	-
Lease liabilities	-	-	(1,162)	-	-	-
Other investments	-	-	-	465	-	-
	<u>44,439</u>	<u>(4,638)</u>	<u>(38,727)</u>	<u>19,281</u>	<u>2,942</u>	<u>11,454</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### Currency risk (Cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in Profit 2019 RM'000	Increase/ (Decrease) in Profit 2018 RM'000
Appreciation of USD against RM by 10%	3,377	(352)
Depreciation of USD against RM by 10%	(3,377)	352
Appreciation of IDR against RM by 10%	(2,943)	1,465
Depreciation of IDR against RM by 10%	2,943	(1,465)
Appreciation of PGK against RM by 10%	224	871
Depreciation of PGK against RM by 10%	(224)	(871)
Appreciation of USD against IDR by 10%	(2,282)	(3,953)
Depreciation of USD against IDR by 10%	<u>2,282</u>	<u>3,953</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, loans and borrowings and lease liabilities.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Fixed rate instruments</b>				
Financial assets	22,737	21,628	-	-
Financial liabilities	38,681	26,667	26,970	19,294
<b>Floating rate instruments</b>				
Financial liabilities	139,170	100,019	-	-

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any changes in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	(Decrease)/ Increase in Profit 2019 RM'000	(Decrease)/ Increase in Profit 2018 RM'000
Increase in interest rates by 100 basis points	1,058	760
Decrease in interest rates by 100 basis points	(1,058)	(760)

### Other Price Risk

The Group's exposure to other price risk arises mainly from quoted investments. The Group manages its investments on an individual basis by continuously evaluating the share price movements, investment returns and the general industrial conditions relevant to the investees.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### Other Price Risk (Cont'd)

The following table demonstrates the sensitivity of profit or loss (and equity) to reasonably possible price movements in quoted investments at the end of the reporting period, with all other variables held constant:-

	Group		Company	
	Increase/ (Decrease) in Profit 2019 RM'000	Increase/ (Decrease) in Profit 2018 RM'000	Increase/ (Decrease) in Profit 2019 RM'000	Increase/ (Decrease) in Profit 2018 RM'000
Increase in price by 10% (2018 - 10%)	2	291	-	289
Decrease in price by 10% (2018 - 10%)	(2)	(291)	-	(289)

## 35. CAPITAL RISK MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 35. CAPITAL RISK MANAGEMENT (CONT'D)

The Group considers its total equity (including non-controlling interests) and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

	Group	
	2019 RM'000	2018 RM'000
Loans and borrowings	175,795	126,686
Lease liabilities	2,056	-
Total interest-bearing debts	<u>177,851</u>	<u>126,686</u>
Total equity	804,118	795,468
Total capital	<u>981,969</u>	<u>922,154</u>
Debt-to-equity ratio	<u>0.22</u>	<u>0.16</u>

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

## 36. CONTINGENT LIABILITY

A subsidiary of the Group, PT Sawit Lamandau Raya ("PTSLR") is in dispute with the Koperasi Karang Indah Cahaya Taba ("Koperasi") over a portion of the planted area of 353.73 Ha which is outside the Hak Guna Usaha ("HGU") area granted to PTSLR. The amount of plantation costs recognised by the Group amounted to IDR 26,046,601,000 (equivalent to approximately RM7.668 million) included in the carrying amount of property, plant and equipment as bearer plants.

On 7 March 2017, PTSLR has engaged Advocate Office of Aminuddin Lingga, SH., MH & Partner as its Attorney to negotiate with the Koperasi on the arrangement of plasma scheme as defined in Note 15. The negotiations fell through between both parties which escalated to the courts.

On 11 April 2018, PTSLR filed legal action against the Koperasi in Pangkalan Bun District Court ("District Court"), claiming for a compensation of the plantation development expenditure incurred by PTSLR. On 4 February 2019, the District Court ruled in favour of PTSLR against the Koperasi. On 11 April 2019, the Koperasi appealed to the Pangkalan Raya High Court against the District Court Decision and the favourable decision of the High Court issued on 9 May 2019 was in line with the decision of the District Court. Subsequently, the Koperasi made an appeal to Supreme Court of the Republic of Indonesia against the High Court decision whereby the decision is unfavourable to PTSLR. Currently, PTSLR is seeking a final appeal via a judicial review in the Supreme Court.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 36. CONTINGENT LIABILITY (CONT'D)

Based on the views of the solicitors, the directors are unable to assess the probability that an outflow of resources embodying economic benefits will be required to settle the obligation. Accordingly, no impairment loss has been recognised in the financial statements in respect of the carrying amount of the disputed bearer plants.

## 37. FINANCIAL INSTRUMENTS

### 37.1 Classification of Financial Instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Receivables	302,383	270,027	388,296	371,089
Cash and cash equivalents	134,388	112,172	2,028	1,363
Other Investments	27,191	26,804	-	-
	<u>463,962</u>	<u>409,003</u>	<u>390,324</u>	<u>372,452</u>
<u>Fair Value Through Profit or Loss</u>				
Other Investments	<u>3,730</u>	<u>7,545</u>	<u>-</u>	<u>3,803</u>
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Payables	97,019	102,606	187,866	166,339
Loans and borrowings	175,795	126,686	26,807	19,294
Lease liabilities	2,056	-	163	-
	<u>274,870</u>	<u>229,292</u>	<u>214,836</u>	<u>185,633</u>

### 37.2 Fair Value Information

The method used in determining the fair values of financial instruments recognised on the statements of financial position are disclosed in their respective notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company has conducted an internal investigation of a whistleblowing case on cash embezzlement by an employee in-charge of the human resource department ("Party A") of a wholly-owned subsidiary, Advance Boilers Sdn. Bhd. ("ABSB") of approximately RM4.079 million ("sum") accumulated over a period of approximately 8 years, since financial year 2011. The said sum have been expensed off in the profit or loss of the respective financial years.

Based on the findings of the Internal Fraud Investigation Report dated 21 October 2019, the sum was channelled to Party A and a fictitious employee of ABSB who is an immediate family member of Party A, now referred to as Party B. The directors of ABSB have subsequently lodged a police report and taken a law suit against Party A and Party B for the recovery of the sum.

The solicitors engaged by ABSB have added RHB Bank and Lembaga Kumpulan Wang Simpanan Pekerja as nominal defendants and sought a court order in relation to the beneficiary accounts of Party A and Party B held with RHB Bank and their EPF contributions. The solicitors have obtained an Interim Mareva Injunction against both Party A and Party B whereby they have made disclosure on oath of their assets. The court has fixed trial dates on 21 to 23 September 2020.

Based on the views of the solicitors, the directors are of the opinion that the likelihood of recovery of the sum is uncertain at this juncture.

- (b) As disclosed in Note 10, the Group acquired 70% equity interest in Gulf Lubes Malaysia Sdn. Bhd. ("GLM") on 3 May 2019 ("Acquisition date").

However, the Group and the Company are in dispute with the remaining 30% shareholders of GLM (collectively referred to as "Party A") on the amendments made on 3 May 2019 to the constitution of GLM requiring a unanimous consent regardless of the size of the shareholding which thereby frustrates the Group's intention and plans as to how the affairs of GLM should be conducted.

As a consequence, GLM has reached a complete deadlock as it would be impossible for GLM to carry on its intended business and for the directors of the Group and the Company to manage GLM as a going concern.

The Group and the Company have engaged Kamaruzaman Arif Amran & Chong ("Lawyers") to file a Winding-Up Petition on 11 June 2020 against GLM on behalf of the Company and its 80% owned subsidiary, TPG Oil & Gas Sdn. Bhd. The Winding-Up Petition is a contributories Winding-Up Petition premised on just and equitable grounds caused by the deadlock arising from the amendments in the constitution of GLM.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

## 39. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The impact of the COVID-19 outbreak on public life and the industry in Malaysia and the broader region has significantly disrupted the Group's business activities. While this is expected to have a negative impact on the Group's performance for the coming reporting periods, the Group is unable to quantify the magnitude and duration of such impact at this juncture as the outbreak continues to progress and the conditions are unpredictable.

## 40. PRIOR YEAR ADJUSTMENT

In the previous financial year, the investments in associates and investment in joint venture of which Tradewinds Plantation Berhad is holding the controlling stake were accounted for based on the unaudited management accounts. Share of loss of associates and joint venture totalling RM16.128 million represents the difference between the unaudited management accounts and the audited financial statements dated on June 2020 of the said associates and joint venture. Accordingly, the prior year adjustment has been applied retrospectively to restate the share of results of the said associates and joint venture.

The effects of prior year adjustment on the reported financial statements are as follows:-

	As previously reported RM'000	Prior year adjustment RM'000	As restated RM'000
<u>Statements of Financial Position (Extract)</u>			
<u>as at 31 December 2018</u>			
Investments in associates	104,574	(5,653)	98,921
Investment in joint venture	22,917	(10,474)	12,443
Reserves	<u>515,219</u>	<u>(16,127)</u>	<u>499,092</u>
<u>Statements of Comprehensive Income (Extract)</u>			
<u>for the financial year ended 31 December 2018</u>			
Share of loss of associates	(812)	(6,434)	(7,246)
Share of loss of joint venture	<u>(4,102)</u>	<u>(11,504)</u>	<u>(15,606)</u>
<u>Statements of Cash Flows (Extract)</u>			
<u>for the financial year ended 31 December 2018</u>			
Share of loss of associates	812	6,434	7,246
Share of loss of joint venture	<u>4,102</u>	<u>11,504</u>	<u>15,606</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 41. COMPARATIVE FIGURES

The comparative figures had been restated in the notes to the financial statements to conform to the current financial year's presentation as follows:

	As Previously Reported	As Restated
<u>Note 25 Profit/(Loss) before tax</u>		
Employees benefit expenses	32,228	31,562
Loss due to financial malfeasance	-	666
	<hr/>	<hr/>

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2019

Location	Description Of Property/Usage	Tenure	Year Of Acquisition/ Revaluation (if any)	Land Area (Sq. M)	Net Carrying Amount (RM'000)	Approximate Age Of Building (Years)
Lot No. 4 Jalan Waja 15, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/ Expiring on 9 September 2103	1998	22,286	8,134	21
Lot No. 3 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with factory building	Leasehold for 99 years/ Expiring on 9 September 2103	2003	24,654	6,004	13
Lot No. 4 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/ Expiring on 9 September 2103	2006	20,369	8,552	13
No.1C, 3C & 5C, 3rd Floor, Block 2, Pusat Perniagaan Worldwide, Shah Alam, Selangor	3 units office lot	Leasehold for 99 years/ Expiring on 25 March 2102	2008	360	571	23
GRN45731, Lot 6074, Mukim Kapar, Daerah Klang, Selangor	Industrial land with a 3 storey office building and 2 single-storey factory buildings	Freehold	2013	40,494	31,103	18 - 21
Geran 58844 Lot 64258, Mukim Damansara, Daerah Petaling, Selangor	Industrial land with office cum factory building	Freehold	2017	2,215	7,888	20
PLO71, Jalan Nibong 5, Kawasan Perindustrian Tanjung Langsat, Pasir Gudang, Johor	Industrial land with office and factory buildings	Leasehold for 52 years/ Expiring on 13 March 2068	2018	40,470	9,423	4
Jl. Jenderal Sudirman KM8, No. 18 A, Kel. Pasir Putih, Kec. M.B Ketapang, Kec. Kotawaringin Timur Kalimantan Tengah, Indonesia	Industrial land with office cum factory building	Leasehold for 44 years/ Expiring on 13 January 2046	2016	4,829	1,868	2
Kecamatan Lamandau, Kabupaten Lamandau, Kalimantan Tengah. Indonesia	Plantation land with estate buildings and oil palm plantation	Leasehold for 35 years/ Expiring on 23 October 2049	2014	5,898 (Hectares)	17,663	8

# ANALYSIS OF SHAREHOLDINGS

AS AT 1 JUNE 2020

CLASS OF SHARES	: Ordinary shares
ISSUED SHARE CAPITAL	: 494,295,058 ordinary shares (excluding Treasury Shares of 43,953,627)
VOTING RIGHTS	: One vote per ordinary share
NUMBER OF SHAREHOLDERS	: 5,554

## DISTRIBUTION TABLE ACCORDING TO THE NUMBER OF SECURITIES HELD IN RESPECT OF ORDINARY SHARES AS AT 1 JUNE 2020

Size of Holding	No. of Holders	No. of Holdings	Percentage (%)
Less than 100	223	3,425	0.00
100 - 1,000	622	364,500	0.07
1,001 - 10,000	2,805	14,613,579	2.97
10,001 - 100,000	1,581	49,033,396	9.92
100,001 – 24,714,751 <sup>1</sup>	321	368,568,506	74.56
24,714,752 <sup>2</sup> and above	2	61,711,652	12.48
Total:	5,554	494,295,058 <sup>3</sup>	100.00

Notes:

- <sup>1</sup> Less than 5% of issued shares
- <sup>2</sup> 5% and above of issued shares
- <sup>3</sup> Excluding Treasury Shares of 43,953,627

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names	Direct Holdings		Indirect Holdings	
	No. of shares	%	No. of shares	%
Datuk Lim Chai Beng	161,885,420	32.75	15,875,000 <sup>1</sup>	3.21
Lim Chai Guan	26,142,120	5.29	1,017,500 <sup>2</sup>	0.21
Tan Sow Peng	1,017,500	0.21	26,142,120 <sup>2</sup>	5.29
Yacktman Asset Management LP	28,200,800	5.71	-	-

## LIST OF DIRECTORS' SHAREHOLDINGS

Names	Direct Holdings		Indirect Holdings	
	No. of shares	%	No. of shares	%
Datuk Lim Chai Beng	161,885,420	32.75	15,875,000 <sup>1</sup>	3.21
Lim Chai Huat	22,222,222	4.50	-	-
Mak Chee Meng	16,376,660	3.31	-	-
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	3,360,000	0.68	-	-
Tan Sri Datuk Dr. Yusof Bin Basiran	-	-	800,000 <sup>2</sup>	0.16
Wong Chee Beng	-	-	-	-
Karpanadevi A/L K R Somasundram	-	-	-	-
Lim Zee Ping (Alternate Director to Datuk Lim Chai Beng)	4,684,000	0.95	-	-

Notes

- <sup>1</sup> Deemed interested via his children's shareholdings
- <sup>2</sup> Deemed interested via his/her spouse's shareholdings

**ANALYSIS OF SHAREHOLDINGS**

AS AT 1 JUNE 2020

**LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS**

No.	Name	No. of Holdings	Percentage (%)
1.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	33,300,000	6.74
2.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CEB)	28,411,652	5.75
3.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (562106643140)	24,516,583	4.96
4.	Lim Chai Guan	23,874,120	4.83
5.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Chai Beng (M02)	20,275,900	4.10
6.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CBIPHB)	18,000,000	3.64
7.	Mak Chee Meng	15,876,660	3.21
8.	Lim Chai Huat	15,603,142	3.16
9.	HLB Nominees (Tempatan) Sdn Bhd Lim Chai Beng (CUST.SIN 10081)	13,810,364	2.79
10.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For Emerald Bay Fund, LP	11,320,000	2.29
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For AMG Yacktman Focused Fund-Security Selection Only	10,500,000	2.12
12.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (76401601350A)	9,543,417	1.93
13.	Tan Yu Hwa	8,631,600	1.75
14.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Goh Gee Kim	7,565,500	1.53
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For AMG Yacktman Special Opportunities Fund	6,380,800	1.29
16.	Lim Chye Ooi	6,202,280	1.25
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (7002516)	5,500,000	1.11
18.	Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Nizam Bin Abdul Razak	5,332,240	1.08
19.	Lim Zee Yang	4,882,600	0.99
20.	Lim Chai Tiong	4,872,340	0.99
21.	Lim Zee Ping	4,684,000	0.95
22.	Lim Zee Yang	4,000,000	0.81



**ANALYSIS OF SHAREHOLDINGS**

AS AT 1 JUNE 2020

No.	Name	No. of Holdings	Percentage (%)
23.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (7002516)	3,924,000	0.79
24.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ang Siow Cheng	3,698,200	0.75
25.	Lim Chai Huat	3,565,680	0.72
26.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Ardy Esfandiari Bin Tengku A Hamid Shah (E-SS2)	3,360,000	0.68
27.	Ong Lea Ping	3,308,500	0.67
28.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chye Hong (E-TWU)	3,134,900	0.63
29.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,967,620	0.60
30.	Teh Huat Seng	2,662,000	0.54





## CB INDUSTRIAL PRODUCT HOLDING BERHAD

Registration No.: 199701013434 (428930-H)  
(Incorporated in Malaysia)

### FORM OF PROXY

\*I/We ..... \*NRIC/ Passport/ Company No .....

of .....

being a member(s) of **CB INDUSTRIAL PRODUCT HOLDING BERHAD [199701013434 (428930-H)]** hereby appoints

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
<b>*And/or (delete as appropriate)</b>			

or failing \*him/her, THE CHAIRMAN OF THE MEETING, as \*my/our \*proxy/proxies, to vote virtually for \*me/us on \*my/our behalf at the **TWENTY-THIRD ANNUAL GENERAL MEETING** of the Company to be conducted virtually and live-stream from the broadcast area at Aquamarin Room, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10:00 a.m. and at any adjournment thereof.

# If you wish to appoint other person / persons to be your proxy / proxies, kindly delete the words "or failing him / her, THE CHAIRMAN OF THE MEETING" and insert the name / names of the person / persons desired.

Please indicate with an "X" in the space provided, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two (2) proxies, please specify the proportions of holdings to be represented by each proxy.

My/our proxy/proxies is/are to vote as indicated below:

Ordinary Resolutions		For	Against
1	To re-elect Wong Chee Beng as a Director.		
2	To re-elect Mak Chee Meng as a Director.		
3	To re-elect Karpanadevi A/P K R Somasundram as a Director.		
4	To approve the payment of Directors' Remuneration of RM570,000 for the financial period from 1 July 2020 until 30 June 2021.		
5	To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company.		
6	To approve the Authority to Issue and Allot Shares.		
7	To approve the Proposed Authority for Purchase of Own Shares by the Company.		
8	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
9	To approve the continuing in office for Tan Sri Datuk Dr. Yusof Bin Basiran as an Independent Non-Executive Director.		
10	To approve the continuing in office for Wong Chee Beng as an Independent Non-Executive Director.		

\* Delete if not applicable

Dated this ..... day of..... 2020

Number of shares held:-	
CDS account no.:-	
Telephone no.:-	

.....  
Signature/Common Seal of Shareholder

**Notes:-**

1. In support of the Government of Malaysia's (the Government) ongoing efforts to contain the spread of the Coronavirus (Covid-19) and the Government's advice of social distancing and not having mass gatherings, the Company would like to leverage on technology advancement by conducting the Twenty-Third Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at <https://web.lumiagm.com/> or you may download the free "Lumi AGM" app from the Apple App Store or Google Play Store. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually via the Boardroom's LUMI AGM solution.
2. The main and only venue of the virtual Meeting is strictly to serve as the broadcast venue where the chairman of the Meeting is physically present and **no shareholders/proxies shall be physically present at the broadcast venue**. The Meeting will be in compliance with Section 327(2) of the Companies Act 2016 which provides that the main venue of the AGM shall be in Malaysia and the chairperson must be present at the main venue of the AGM. The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to Covid-19 and best health practices.
3. A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, speak and vote in his/her stead, in accordance with the Administrative Details.
4. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.
5. A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
9. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Online Portal at <http://www.boardroomlimited.my> (please refer to Section E of the Administrative Details for details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
10. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
11. Shareholders/proxies/corporate representatives would need to register as a member of Boardroom Smart Investor Online Portal first before they can request for the Remote Participation User identification number and password to virtually attend, participate, speak and vote at the above Meeting via Boardroom's LUMI AGM solution, in accordance with the Administrative Details.
12. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 23 July 2020 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

1st fold here

Affix Stamp  
Here

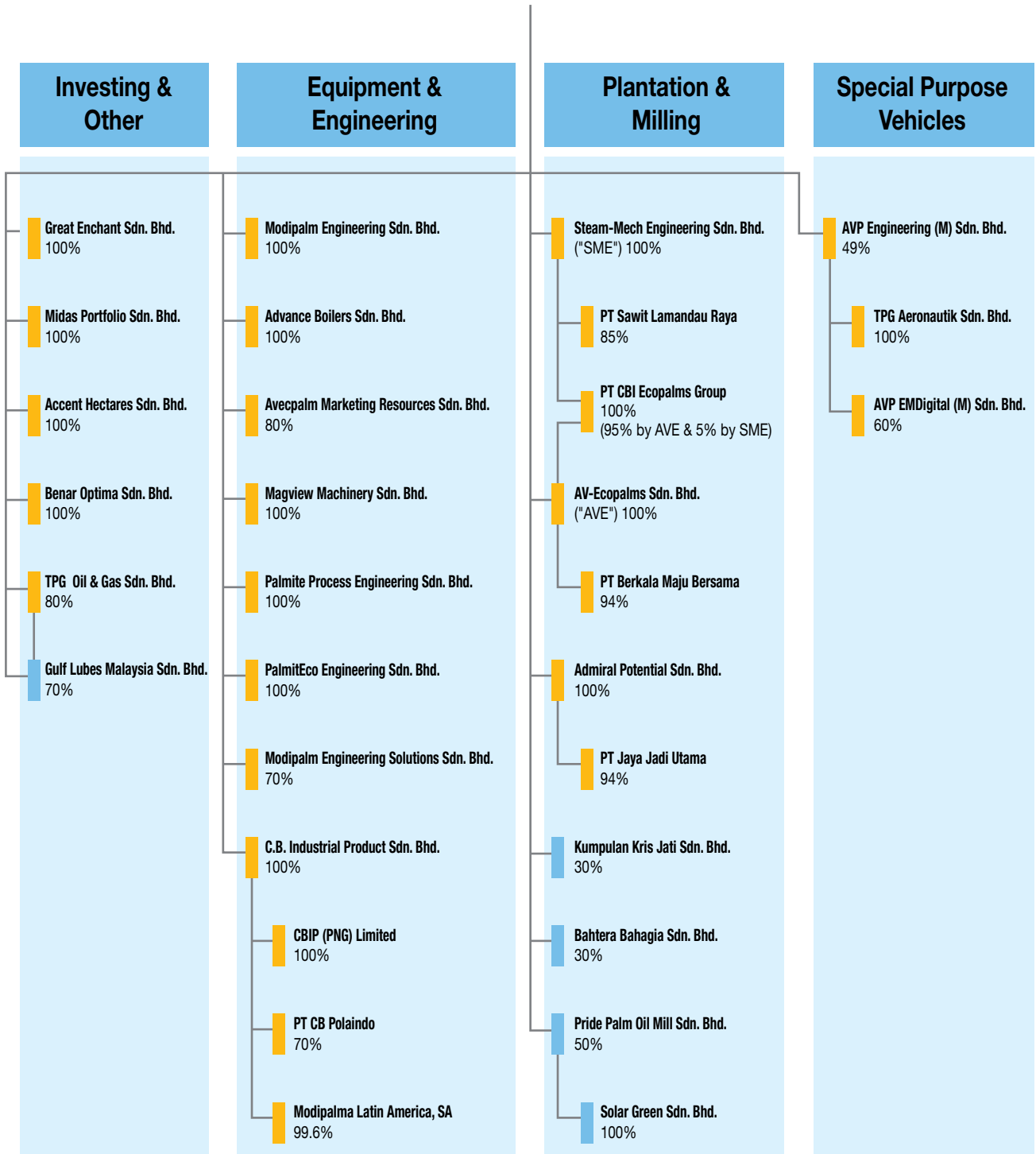
**CB INDUSTRIAL PRODUCT HOLDING BERHAD**  
c/o Boardroom Share Registrars Sdn. Bhd.  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

2nd fold here

# CORPORATE STRUCTURE



CB INDUSTRIAL PRODUCT HOLDING BERHAD





**CB INDUSTRIAL PRODUCT HOLDING BERHAD**

199701013434 (428930-H)

**No. 1, Jalan Astaka U8/83  
Section 8, Bukit Jelutong  
40150 Shah Alam  
Selangor, Malaysia**

**T +603-7845 4115**

**F +603-7845 4117**

**E [info@cbip.com.my](mailto:info@cbip.com.my)**

**[www.cbip.com.my](http://www.cbip.com.my)**