



CB INDUSTRIAL PRODUCT HOLDING BERHAD  
(428930-H)



ANNUAL REPORT  
**2018**

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

# FINANCIAL HIGHLIGHTS

## REVENUE

**RM478m**  
**-32.1%**  
 2017:RM704m

## PROFIT BEFORE TAXATION

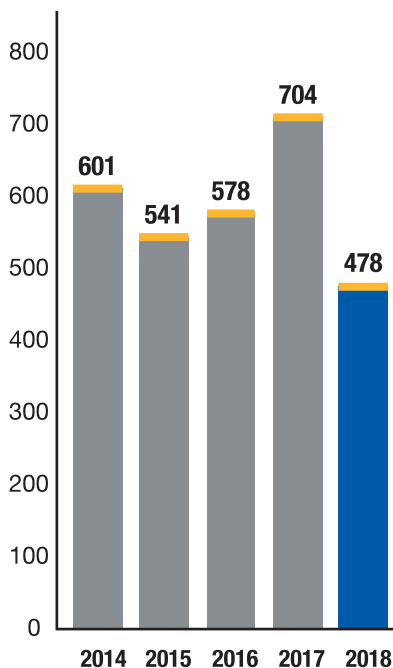
**RM89m**  
**-9.9%**  
 2017:RM98m

## SHAREHOLDERS' EQUITY

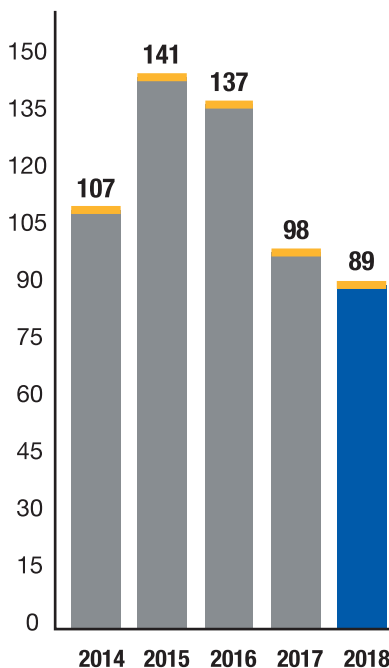
**RM736m**  
**+1.6%**  
 2017:RM724m

In RM'000	2014	2015	2016	2017	2018
Revenue	600,893	541,274	577,883	704,058	478,086
Profit Before Taxation	107,045	141,350	137,176	98,306	88,552
Profit Attributable To Shareholders	91,205	97,985	102,210	52,046	41,282
Shareholders' Equity	598,633	668,822	724,770	724,449	736,400
Earnings Per Share (Sen)	17.2	18.5	19.4	9.8	7.8

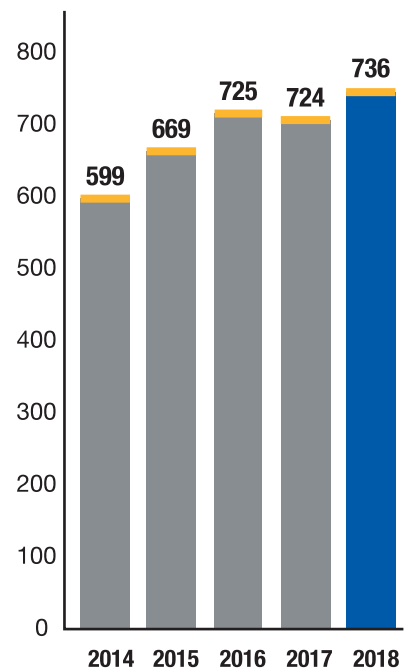
**REVENUE**  
(RM Million)



**PROFIT BEFORE TAXATION**  
(RM Million)



**SHAREHOLDERS' EQUITY**  
(RM Million)



# 22<sup>nd</sup> ANNUAL GENERAL MEETING

**Date:**  
31st May 2019

**Time:**  
10:00am

**Venue:**  
Saujana Ballroom  
The Saujana Hotel Kuala Lumpur  
Jalan Lapangan Terbang SAAS  
40150 Shah Alam, Selangor Darul Ehsan

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## 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, it is my honour to present the CB Industrial Product Holding Berhad's ("CBIP" or "Group") annual report and audited financial statements for the financial year ended 31 December 2018.

### 2018 In Review

The Group achieved a revenue of RM478.1 million, profit before taxation of RM88.6 million and profit attributable to owners of the Group of RM41.3 million for financial year 2018.

The total revenue for financial year 2018 decreased by 32.1% as compared to the financial year 2017. This is mainly due to the decrease in activities in our Special Purpose Vehicle Segment in the second half of 2018. As a result, profit before taxation and profit attributable to owners of the Group decreased by 9.9% and 20.6% respectively. However, the decrease was mitigated by a reduction in losses on foreign exchange and currency translation differences for foreign operations. Our core profit attributable to owners of the Group for 2018 stands at RM41.3 million as compared with RM52.0 million for the 2017.

The Palm Oil Equipment and Engineering Segment achieved a revenue of RM340.3 million and profit before taxation of RM82.1 million for financial year 2018. Despite a lower revenue, the profit before taxation increased by 4.3%. The increase in profit before taxation was largely due to the recovered bad debts and gain on disposal of a property of RM5.8 million and RM2.2 million respectively. The financial year 2018 was an exceedingly challenging year but nevertheless our order book remains healthy and closed at RM335 million as at 31 December 2018.

The Special Purpose Vehicles Segment achieved a revenue of RM120.7 million and profit before taxation of RM43.9 million for financial year 2018 which represent

a year-on-year decrease of 631.8% but an increase of 22.6% respectively. The profitability of this segment increased due to higher project billings and lower project costs towards the end of contract period. Although all the contracts have been completed, this segment aims to continue to pursue opportunities not only in Malaysia but also with a plan to expand its business in overseas market.

The Palm Oil Plantation and Milling Segment posted a loss of RM8.8 million for financial year 2018 as compared to a loss of RM9.2 million in 2017. This segment was still incurring losses because the age profile of the palm trees are relatively young, thereby generating low revenue. However, losses have been narrowed as the oil palm trees mature. While set up and operating costs will continue to be incurred by this segment until maturity of the oil palm trees, our first palm oil mill which has commenced operation in the early of 2019 should be able to improve the profitability in the coming years.

Our Plantation Associates and Joint Venture posted a loss of RM4.9 million in the financial year 2018 which is a decrease of 138.0% from a profit of RM12.9 million in the preceding financial year. This was mainly due to decrease in prices and production of palm products. As the palm trees in these companies are mostly mature, the future performance is dependent on their yield and future prices of palm products.

The independent auditors reported a qualified opinion on the Associates and Joint Venture on the basis that the audited financial statements and the auditors' report of the Associates and Joint Venture were not available. The Associates and Joint Venture have been consolidated in the Group's audited financial statement for financial year 2018 using unaudited management accounts. The management and operation of the Associates and Joint Venture were not carried out by our Group.

# CHAIRMAN'S STATEMENT

## Prospects Ahead

The Palm Oil Equipment and Engineering Segment will continue to focus on growing our order book and increasing our clientele base. In view of the technological advantage of our Modipalm Continuous Sterilisation palm oil mills as well as our track record of excellent deliveries, we will continue to, not only expand existing business relationships but also to develop new clientele base with the hope of achieving a sustainable growth path. We will also continue to invest in research and development, as the management is slowly progressing towards the commercialisation of the “zero discharge” technology, a new innovation in the field of waste management for palm oil mills.

The Special Purpose Vehicles Segment, remains optimistic of securing more new supply and delivery contracts through active marketing of new products across new geographical markets. We will continue to build on our capabilities to grow our Special Purpose Vehicles Segment.

The Palm Oil Plantation and Milling Segment, with a land bank of approximately 32,000 hectares, whereby 12,700 hectares have been planted in totality, the management remains committed to improve the plantation development based on our plan to drive our Group's long-term growth.

## Corporate Exercises

During the financial year, the Group through its subsidiary, AVP Engineering (M) Sdn. Bhd. (“AVP”) acquired additional 20% equity interests in TPG Aeronautik Sdn. Bhd. (“TPGA”) for cash consideration of RM100,000. In consequent thereof, TPGA become a wholly owned subsidiary of AVP.

In addition, the Group acquired additional 31% equity interest in TPG Oil & Gas Sdn. Bhd. (“TPGOG”) for cash consideration of RM15,500. TPGOG become an 80% subsidiary of the Group.

The Group also acquired 70% equity interests in Modipalm Engineering Solution Sdn. Bhd. for cash consideration of RM70.

## Upholding Shareholders' Value

In line with our practice of distributing cash dividends amounting to a target 30% of the profit after taxation attributable to owner of the parents, the Board have declared a total adjusted cash dividend payout of 4 sens for the financial year ended 31 December 2018, despite a weaker growth environment. We will continue to explore sustainable growth strategies to further enhance our shareholders' value.

## A Word of Appreciation

I wish to take this opportunity to express my heartfelt gratitude and appreciation to our Board of Directors, the management team and our employees for their dedicated and unwavering support toward the well-being of the Group.

Last but not least, I would like to thank our shareholders, customers, vendors and other stakeholders, who have placed their faith in us since our humble beginnings until today.



## 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*



**DATUK MOHAMAD NAGEEB  
BIN AHMAD ABDUL WAHAB**  
*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 70, 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 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 60, 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 59, 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.



**MAK CHEE MENG**  
*Executive Director*

**MAK CHEE MENG**, male, age 64, 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.

## PROFILE OF DIRECTORS



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

**LIM CHAI HUAT**, male, age 58, 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. ("Freiberg"), a company which was 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.



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

**WONG CHEE BENG**, male, age 65, 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.



## PROFILE OF DIRECTORS



**DATUK MOHAMAD NAGEEB  
BIN AHMAD ABDUL WAHAB**  
*Independent  
Non-Executive Director*

**DATUK MOHAMAD NAGEEB BIN AHMAD ABDUL WAHAB**, male, age 64, Malaysian, was appointed to the Board on 19 March 2018. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee.

Datuk Mohamad Nageeb holds a Diploma in Natural Rubber Processing and Applied Science (Rubber Research Institute of Malaysia).

He began his career with Kuala Lumpur Kepong Berhad in 1979 as Cadet Planter and was exposed to various crop mix such as cocoa, rubber and oil palm including processing facilities.

In 1992, he joined Kumpulan Guthrie Berhad Head Office as Manager, Estates Department overseeing the Rubber Processing & Strategic Management Unit. In 1996, he was seconded to an associate Company in Thailand whose primary business is in rubber processing and served there for 11 years in various capacities including as Managing Director from 2001. At the end of 2007, upon the merger of the 3 entities, Kumpulan Guthrie Berhad, Golden Hope Plantations Berhad and Sime Darby Berhad, he returned back to Kuala Lumpur to take up a new role in Sime Darby Plantation Berhad as Senior Vice President, Plantation Upstream, heading the Group, Rubber/Other Crops Operations and Mechanisation Unit as well as being involved in the Upstream rubber expansion plans of the Company. In January 2014, he was promoted as Senior Vice President 1 and assumed the role as Head, Upstream Malaysia, taking charge of all estates totaling 340,000 hectares, 34 oil mills and 2 rubber factories. He retires from Sime Darby Plantation Berhad in September 2017.

Presently, he is the Chief Executive of Malaysian Palm Oil Association (MPOA) and the Chairman of Felcra Berhad.

Throughout his long career span, he held various positions in the Industry, including Deputy President of Malaysian Agricultural Producers Association (MAPA), Member of the National Labour Advisory Council (NLAC) and Malaysia's representative to the International Tripartite Rubber Council (ITRC) amongst others.

For his service to the Industry, he was conferred the Panglima Jasa Negara (PJN) by his Majesty Yang Di Pertuan Agong in 2017.



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

**LIM ZEE PING**, male, age 33, 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 51, 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 CBIP in Indonesia.

### LIM ZEE YANG

*Corporate Development And Corporate Relation Manager*

*Male, Age 29, 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 60, 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 division. He is also the Director of several companies within CBIP Group.

## PROFILE OF KEY SENIOR MANAGEMENT

### **KOO BOON HOE**

*Executive Director - Boiler Segment*

*Male, Age 61, 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 division including sales and marketing.

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

*Executive Director – Special Purpose Vehicles Segment*

*Male, Age 54, 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 Division. He is also the Director of several companies within the CBIP Group and a shareholder of AVP Engineering (M) Sdn. Bhd.

### **SITI ZAWIYAH BINTI ALIAS**

*Operation Director – Special Purpose Vehicles Segment*

*Female, Age 49, 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 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**

Mr Lim Chai Huat is the brother to Datuk Lim Chai Beng, a Director and major shareholder of the Company.

Mr Lim Zee Ping and Mr Lim Zee Yang are the sons of Datuk Lim Chai Beng and nephew to Mr Lim Chai Huat, a Director of the Company.

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 2018.

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

The detail of attendance of the Directors at the Board Meeting are set out on page 54 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 and Analysis of Warrant Holdings on page 140 and page 143 of this Annual Report.

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## GROUP OVERVIEW

CB Industrial Product Holding Berhad (“CBIP” or “Group”), a company listed on Bursa Malaysia Securities Berhad (“Bursa Securities”) in May 1999, is a leading manufacturing and engineering based company specialising in the construction of palm oil mills, manufacturing of palm oil mill equipment, machinery and related parts.

Other business segments in the Group include retrofitting of special purpose vehicles and development of palm oil plantation and milling.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	600,893	541,274	557,883	704,058	478,086
Profit before tax	107,045	141,350	137,176	98,306	88,552
Finance costs	740	1,350	1,462	2,324	4,650
Profit attributable to owners of parent	91,205	97,985	102,210	52,046	41,282
Shareholders' equity	598,633	668,822	725,068	724,449	736,400
Total assets	841,672	975,933	1,020,848	1,003,437	1,065,535
Borrowings	22,434	19,728	31,972	67,267	126,686
Debt/equity (%)	3.75	2.95	4.41	9.29	17.20
Earnings per share (sen)	17.2	18.5	19.4	9.8	7.8
Net assets per share (RM)	1.13	1.27	1.38	1.39	1.44
Dividend per share (sen)	5.50	10.0	6.0	6.0	4.0

The share performance of CBIP during 2018 is set out below:

Year high	RM1.90
Year low	RM0.97
Year close	RM1.00
Market capitalisation as at 31 December 2018	RM538,248,000

## BUSINESS SEGMENTS

### 1) Palm Oil Equipment and Engineering Segment

Our Palm Oil Equipment and Engineering Segment has been providing 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 oil palm plantation companies. We serve a wide array of clientele which includes, but not limited to Sime Darby Plantation, TH Plantations, PT Sinarmas and United Plantations. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

Geographically, our markets are well established in Indonesia, Malaysia, Papua New Guinea, Thailand, Africa and Central American region. Our suppliers provide us with various raw materials utilised in the 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
2014	447,383	91,426
2015	415,786	112,017
2016	416,231	102,598
2017	366,175	78,686
2018	340,274	82,056

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 commercializing 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 commercialize 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 prices of steel which is the main major 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 in which 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.

# 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
2014	152,423	20,815
2015	123,356	28,956
2016	158,371	26,316
2017	327,840	35,798
2018	120,707	43,896

Our strategy for the Special Purpose Vehicles Segment is to continue to pursue opportunities and grow our vehicles portfolio to meet the increasing needs of 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 not only in Malaysia but also with a view to penetrate itself in overseas market.

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

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

Our plantation 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 12,700 hectares has been planted as at 31 December 2018. We have interest in approximately 7,000 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
2014	1,042	(11,015)
2015	2,132	(3,967)
2016	3,281	(7,557)
2017	10,043	(9,162)
2018	17,105	(8,771)

Year	Share of results of Associates and Joint Venture (Profit after tax)
	RM'000
2014	4,889
2015	4,674
2016	9,016
2017	12,851
2018	(4,914)

# MANAGEMENT DISCUSSION AND ANALYSIS

Our strategy for the palm oil plantation is to complete our new planting in Indonesia soonest possible. Our first palm oil mill has been completed and commenced operation at end 2018. With the commissioning of the 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 2018, the Group achieved a revenue of RM478.1 million representing a year-on-year decrease of 32.1%. The decrease in revenue was mainly due to a 631.8% drop in revenue in our Special Purpose Vehicle Segment, whereby all contracts have been completed in 3Q18. Meanwhile, the Palm Oil Equipment and Engineering Segment posted a drop in revenue of 7.1%.

Despite the decrease in revenue by 32.1%, the Group's profit before taxation reduced from RM98.3 million to RM88.6 million representing a drop of 9.9% in profit as compared to the previous financial year. The decrease in profit before taxation was largely due to the share of losses in Associates and Joint Venture. The share of results of Associates and Joint Venture posted a decrease of 138.0 % from profits of RM12.9 million to losses of RM4.9 million in the current financial year.

On the back of lower revenue, the profitability improved due to lower operating expenses as well as higher other income resulting from the bad debts recovered of RM5.8 million and gain on disposal of a property of RM2.2 million. In addition, the higher gross profit margin driven by the Special Purpose Vehicles Segment, which enjoyed better margins due to higher project billings and lower project costs towards the end of contract period. The lower losses in the Palm Oil Plantation Segment also contributed to the profitability for 2018.

The share of results of Associates posted a loss of RM0.8 million, a decrease of 106.6% as compared to a net of tax profit of RM12.1 million in the previous financial year. The drop in the performance by our Associates was mainly due to lower prices and production of palm products. Due to similar reason, our share of result in Joint Venture posted a loss of RM4.1 million as compared to a profit of RM0.8 million in the previous financial year.

The Group's profit after taxation decreased by 11.8% from RM66.3 million to RM58.5 million in the current financial year.

### Liquidity and Capital Resources

The Group's cash and cash equivalents decreased by 16.5% to RM112.2 million from RM134.4 million in the previous financial year. The Group declared and paid interim dividends amounting to RM26.1 million during the current financial year. The Group also spent capital expenditure amounting to RM101.1 million primarily for the palm oil plantation development in Indonesia and purchase of a biodiesel processing plant in Tanjung Langsat, Johor.

The Group's bank borrowings increased by 88.3% from RM67.3 million at the end of previous financial year to RM126.7 million mainly due to additional 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 17.2% as compared to 9.3% at the end of previous financial year. The Group remains prudent in managing its capital and financial position to ensure entities within the Group will be able to maintain an optimal capital structure.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Working Capital Position

As at 31 December 2018, the Group has trade and other receivables of RM270.0 million, an increase of 76.0% as compared to RM153.4 million as at 31 December 2017. This was mainly due to higher trade receivables as a result of higher project billings towards the end of 2018 by the Palm Oil Equipment and Engineering Segment.

As at 31 December 2018, the Group has trade and other payables of RM102.6 million, an increase of 10.8% as compared to RM92.6 million as at 31 December 2017. The increase was in line with the increase in project implementation and billings towards the end of 2018 by the Palm Oil Equipment and Engineering Segment.

## RISK FACTORS

### Social, Political and Economic Risks

As in 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 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 Company. 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, CBIP has one of the best workforce in the industry with positive employee relations and strong employee loyalty.

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. We 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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, CBIP 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**

With crude palm oil prices somewhat stabilising and a strong order book for the Palm oil Equipment and Engineering Segment and barring unforeseen circumstances, we are optimistic of achieving decent results for the financial year ending 31 December 2019.

# 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  
*Executive Director*

Mak Chee Meng  
*Executive Director*

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

Wong Chee Beng  
*Senior Independent Non-Executive Director*

Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab  
*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*

Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab  
*Independent Non-Executive Director*

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

## NOMINATION AND REMUNERATION COMMITTEE

Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab  
*Chairman, Independent Non-Executive Director*

Wong Chee Beng  
*Senior Independent Non-Executive Director*

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

## COMPANY SECRETARY

Teo Mee Hui (MAICSA 7050642)

## REGISTERED OFFICE

Lot 4, Jalan Waja 15  
Kawasan Perusahaan Telok Panglima Garang  
42500 Telok Panglima Garang  
Selangor Darul Ehsan  
Telephone No.: 03-3122 7117  
Facsimile No.: 03-3122 2629  
E-mail: info@cbip.com.my  
Website: www.cbip.com.my

## SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.  
*(formerly known as Symphony Share  
Registrars Sdn. Bhd.)*  
Level 6, Symphony House Block D13  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Telephone No.: 03-7841 8000  
Facsimile No.: 03-7841 8008

## AUDITORS

Crowe Malaysia PLT (AF 1018)  
*Chartered Accountants*  
Suite 50-3, Setia Avenue  
No. 2, Jalan Setia Prima S U13/S  
40170 Shah Alam  
Selangor Darul Ehsan  
Telephone No.: 03-3343 0730  
Facsimile No.: 03-3344 3036

## 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

### Ordinary Shares

Stock Name: CBIP  
Stock Code: 7076

### Warrants 2014/2019

Stock Name: CBIP-WA  
Stock Code: 7076WA

# SUSTAINABILITY STATEMENT

## ABOUT THIS STATEMENT

This Sustainability Statement marks the second year that CB Industrial Product Holding Berhad (“CBIP” or “the Group”) is formally disclosing our sustainability initiatives with guidance from Bursa Malaysia Securities Berhad (“Bursa Securities”) Sustainability Reporting Guidelines. Our financial year (“FY”) 2018 Sustainability Statement discloses the approach and efforts in embedding sustainable practices throughout our business operations by considering our economic, environmental and social (EES) risks and opportunities.

### Statement Scope

The scope of this statement covers our manufacturing subsidiary, PalmitEco Engineering Sdn Bhd, which is our main revenue contributor. The manufacturing facilities which comprises two factories are located in Teluk Panglima Garang, Selangor:

- PalmitEco Engineering Sdn Bhd
- Modipalm Engineering Sdn Bhd

This report presents our sustainability performance for the reporting period between 1st January 2018 to 31st December 2018.

### Statement Guidelines

This statement has been prepared in accordance with the Bursa Securities’ Main Market Listing Requirements.

We adopted the Global Reporting Initiative (GRI) G4 Guidelines for our FY2017 report. This year, we will report in accordance with the GRI Standards which came into force in 2018, replacing the former GRI G4 Guidelines.

# SUSTAINABILITY STATEMENT

## SUSTAINABILITY STRATEGY

Sustainability is fundamental to promoting the Group's overall growth and performance by ensuring long-term value creation and facilitating a healthy growth of the business. We strive to achieve long-term sustainable performance by implementing sustainability strategy as a guide for our approach in addressing our EES risks and opportunities.



### INVESTOR

To sustain our value to our investors, we strictly adhere to the principal of corporate governance, transparency and accountability to sustain our growth and profitably.



### MARKET LEADERSHIP

To sustain our market leadership in palm oil mill manufacturing sector, we develop, deliver high-quality product to our customers through innovation and adoption of new technologies, and maintain our competitive edge through resource optimisation.



### ENVIRONMENT

To sustain the environment in which we operate, we ensure that the impact from our operations to the environment is minimized and all environmental risks are well managed.



### SOCIETY

To sustain society within which we co-exist, we continuously engage with the communities where we operate and ensure that human right, justice and fairness are always enshrined in our business practice.



### WORKFORCE

To sustain and develop a skilled workforce that can support and sustain our growth, we provide fair employment opportunities to all, a safe working environment to our employees, fair career growth opportunities to our employees and continuously invest in training and development.

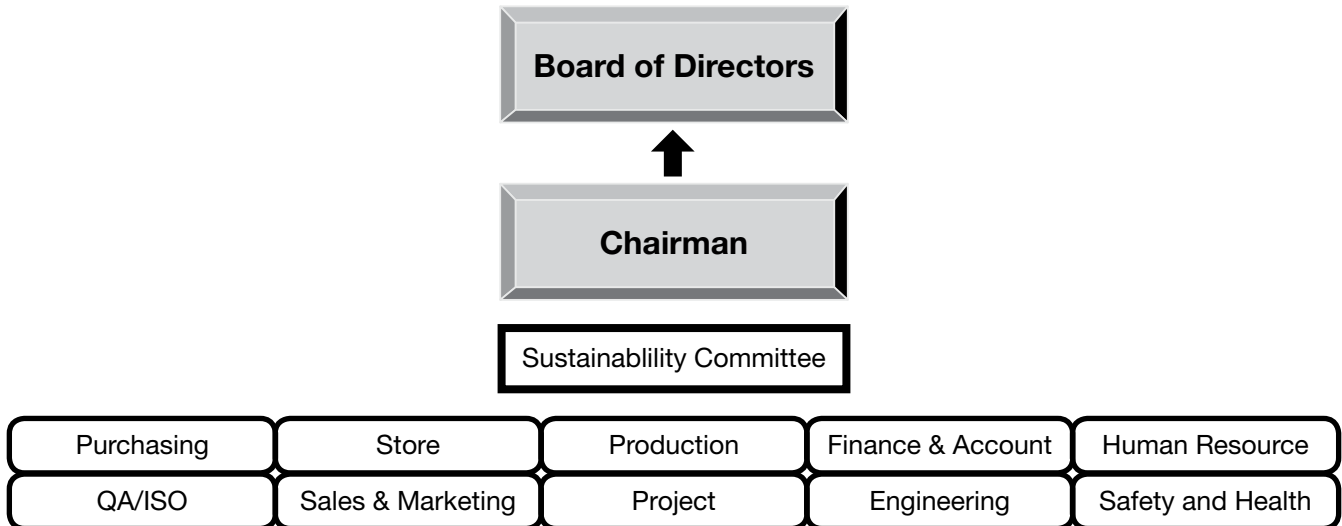


# SUSTAINABILITY STATEMENT

## SUSTAINABILITY GOVERNANCE

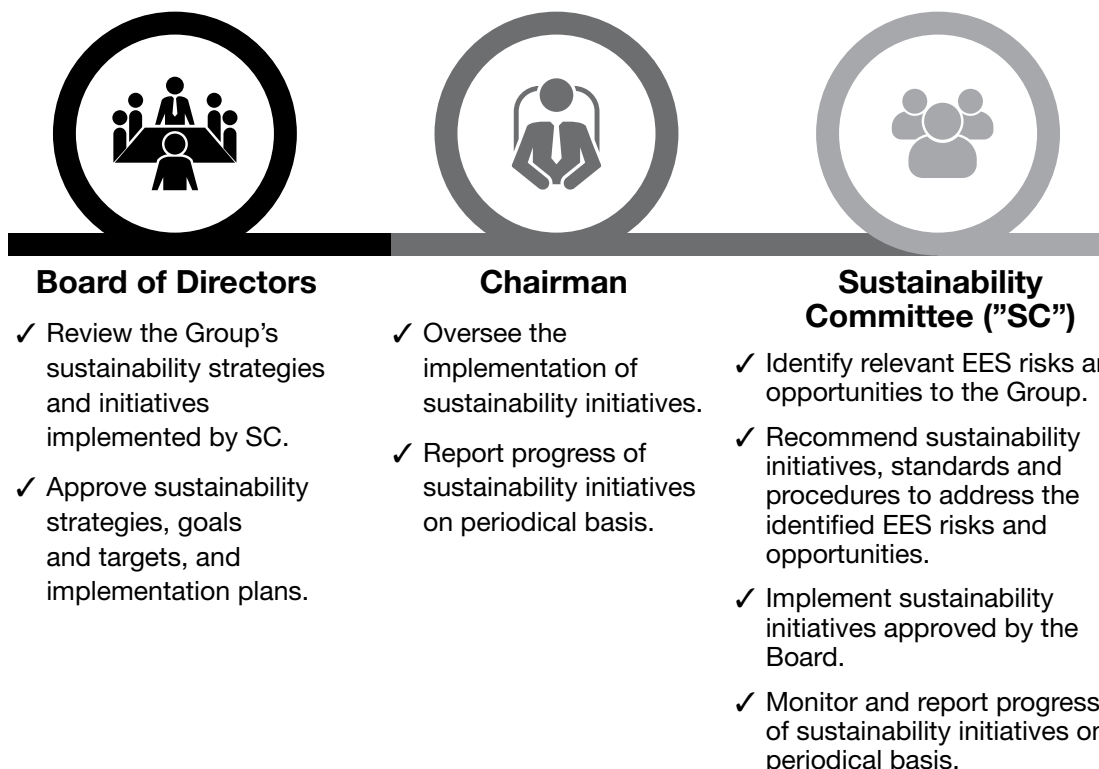
In achieving business sustainability, we believe that a sound governance structure is integral as part of our management approach to inculcate the culture of sustainability within the Group.

With the Board of Directors at the apex, our governance structure is essentially a two-tier structure. The sustainability committee (“SC”), led by the Chairman consists of head of departments from Purchasing, Store, Production, Finance & Account, Human Resource, QA/ISO, Sales & Marketing, Project, Engineering and Safety and Health.



## ROLES AND RESPONSIBILITIES

The roles and responsibilities undertaken by the SC ensure that we continue towards our goal to achieve overall Group sustainability. The roles and responsibilities of our sustainability governance structure is presented below



# SUSTAINABILITY STATEMENT

## STAKEHOLDER ENGAGEMENT

The Group engages with various stakeholders to enhance our business transparency and to assist us in decision-making processes. We constantly engage with both our internal and external stakeholders including employees, regulatory agencies and statutory bodies, shareholders and investors, customers, suppliers, and local communities.

The stakeholder's continuous feedback is critical in improving our business as they have an influence on our operational and financial performances as well as contribute to our brand reputation within the industry.

As part of the efforts in promoting sustainability management, we strive to create value-added solutions for short and long-term benefits of the Group. Our stakeholder engagement table as presented below outlines our stakeholders' areas of concern, engagement methods, and supported by the frequency of each engagement method.

Employees	<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 meetings</li> <li>• Staff appraisals</li> <li>• Training programmes</li> <li>• Circulation of internal policies</li> <li>• Annual trip</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Annually</li> <li>• Annually</li> <li>• As and when required</li> <li>• Annually</li> </ul>
Regulatory Agencies and Statutory Bodies	<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 meetings 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>
Shareholder and Investor	<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 meeting</li> <li>• Annual report</li> <li>• Investor relation (company website)</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually</li> <li>• Annually</li> <li>• As and when required</li> </ul>
Customers	<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>• Regular client meetings</li> <li>• Feedback sessions</li> <li>• Satisfaction surveys</li> <li>• Company website</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Monthly</li> <li>• Monthly</li> <li>• As and when required</li> </ul>
Supplier	<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>• Vendor 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>

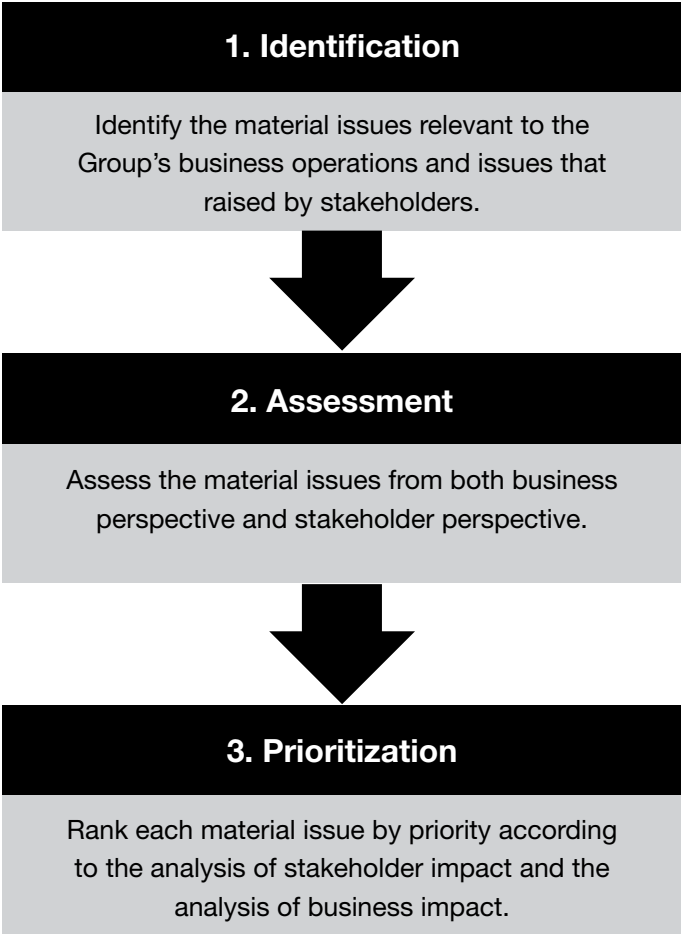
# SUSTAINABILITY STATEMENT

Stakeholder Group	Areas of Concern	Engagement Method	Frequency of Engagement
Local Communities	<ul style="list-style-type: none"> <li>• Social issues</li> <li>• Impact of business operation</li> <li>• Transparency and accountability</li> <li>• Environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Community engagement</li> <li>• CSR programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Annually</li> </ul>

## MATERIAL SUSTAINABILITY MATTERS

Efforts to develop our sustainability practices at the Group includes the identification of our material sustainability matters. Each material matters were then ranked based on its relevance to our business operations and influence on our stakeholders.

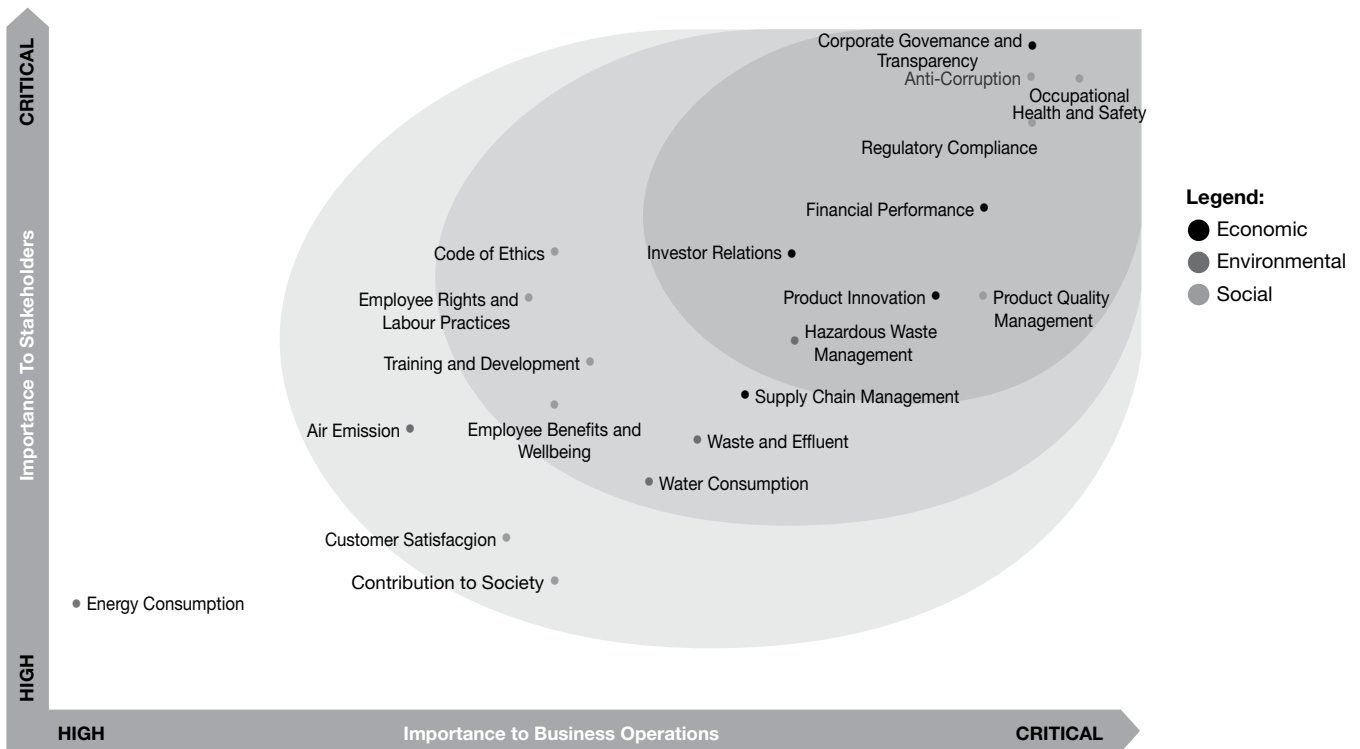
Our materiality matrix was generated during our FY2017 reporting period. This year, we have opted to retain our materiality matrix for FY2018 as the matrix continues to reflect the priorities of each material matter. The materiality assessment was conducted in three steps as presented in the illustration below.



# SUSTAINABILITY STATEMENT

## MATERIALITY ASSESSMENT

Twenty material sustainability matters were deducted through a matrix analysis which considers our business impact and influence on stakeholder. For this year, the Group has prioritised the top 9 material issues from the materiality assessment conducted; corporate governance and transparency, financial performance, investors relations, product innovation, hazardous waste management, regulatory compliance, anti-corruption, occupational health and safety, and product quality management. The resulting materiality matrix is illustrated below.



# SUSTAINABILITY STATEMENT

The material sustainability matters mapped to the corresponding aspect list under GRI Standards as well as our stakeholders' interest.

	Material Sustainability Matters	Relevant Stakeholder(s)	Applicable GRI Indicator(s)
<b>ECONOMIC</b>	Corporate Governance and Transparency	Shareholders and Investors, Regulatory Agencies, and Customers	GRI Standard General Disclosure
	Financial Performance	Shareholders and Investors, Regulatory Agencies, and Customers	GRI Standard General Disclosure
	Investor Relations	Shareholders and Investors	GRI Standard General Disclosure
	Product Innovation	Supplier and Customers	Product Service and Labelling
	Supply Chain Management	Suppliers	GRI Standard General Disclosure
<b>ENVIRONMENTAL</b>	Hazardous Waste Management	Regulatory Agencies and Local Communities	Waste and Effluents
	Waste and Effluents	Regulatory Agencies and Local Communities	Waste and Effluents
	Air Emission	Regulatory Agencies and Local Communities	Emission
	Water Consumption	Regulatory Agencies and Local Communities	Water
	Energy Consumption	Regulatory Agencies and Local Communities	Energy
	Regulatory Compliance	Shareholders and Investors, Regulatory Agencies, Suppliers, Employees and Customers	Compliance
<b>SOCIAL</b>	Occupational Health and Safety	Employees and Regulatory Agencies	Occupational Health and Safety
	Anti-Corruption	Shareholders and Investors, Regulatory Agencies, and Customers	Anti-corruption
	Code of Ethics	Shareholders and Investors, Regulatory Agencies and Employees	GRI Standard General Disclosure
	Product Quality Management	Supplier and Customer	Product Service and Labelling
	Employee Right and Labour Practice	Employees and Regulatory Agencies	Child Labour and Force or Compulsory Labour
	Training and Development	Employees	Training and Education
	Employees benefit and Wellbeing	Employees	Diversity and Equal Opportunity
	Customer Satisfaction	Customers	Product Service and Labelling
Contribution to Society	Local Communities	Local Communities	



# SUSTAINABILITY STATEMENT

## CORPORATE GOVERNANCE AND TRANSPARENCY

The Group is committed to adhering to the highest standards of transparency, accountability and integrity in our daily business operations. We have adopted a whistleblower policy to facilitate and to address complaints received from our employees or our stakeholders. The policy covers any act that deemed as improper conduct that would impact our operations, financial and interest of all our stakeholders.

The report can be made by filling up the Whistleblower form and to be forwarded to the Audit Committee with sealed envelope labelled on the bottom right with "To be opened by Senior Independent Non-Executive Director". We are cognisant of the sensitivity of the information and assure highest confidentiality of the whistleblower's identity.

## ECONOMY

It is our primary duty to generate profit for our stakeholders whilst adopting sustainable practices into our business operations to promote economic sustainability.

### Financial performance

During FY 2018, the Group recorded a revenue of RM478 million and Profit Before Tax of RM89 million. The revenue generated in the reporting year represents a 32% decrease compared to the preceding year (RM 704 million), while Profit Before Tax has represented a 9% decrease as compared to FY2017. Despite the lower profit, we are optimistic that with more contracts in hands, the Group will deliver improved performances in the coming years.

### Investor relations

Investor relations are paramount to CBIP in ensuring the growth and the success of the Group. We pay great attention to our investors' need and expectations. Therefore, we regularly communicate with our investors and update them on pertinent information. Our method of engagement include; investors meeting, annual general meetings, CBIP's website and annual report.

### Product innovation

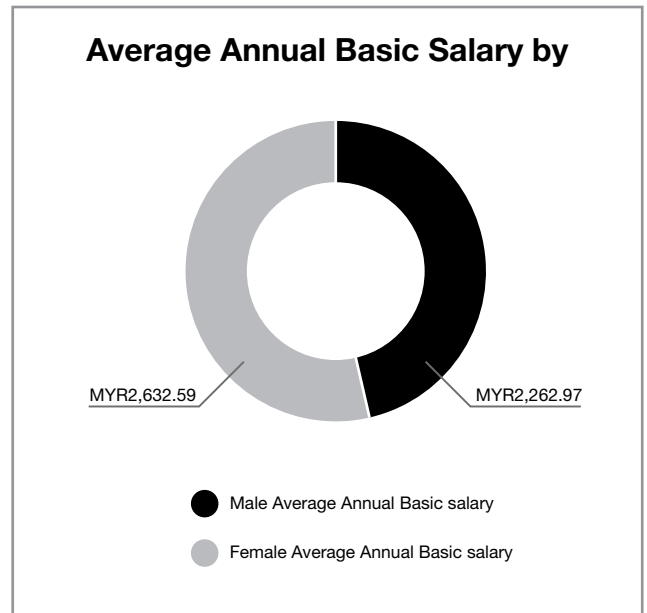
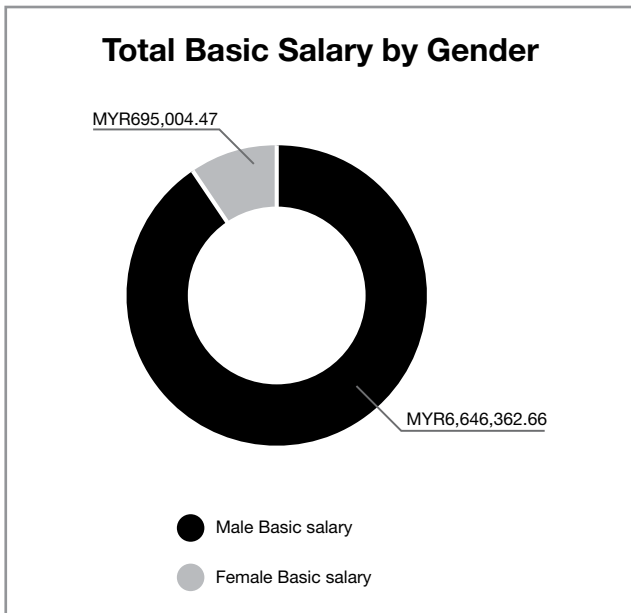
We are proud to be the one-stop centre for design, supply, construction and installation of palm oil mills machineries. Our Modipalm Continuous Steriliser that is well known for its higher oil extraction rate through oil loss recovery has propelled our brand in the industry of oil palm. For FY 2018, we maintain the current technology we provide to our customers. Whereas, in order to promote sustainable oil palm practices, we strive to innovate our machineries when there is a demand and opportunities.

### Local Hiring

The Group supports the hiring of Malaysians for our senior management level and moving forward, we aim to increase the number of females in our senior management.

We comply with the requirements of Malaysian Minimum Wage Order 2016. In average, all our employees gain a minimum wage of RM2,000. The figures below showcased our employees' basic salary based on gender.

# SUSTAINABILITY STATEMENT



## Procurement Practice

Adherence to our policy, 90% of our suppliers are local. To ensure no wastage of materials and safety at workplace, we procure the raw materials only upon receiving orders from the clients. Our practice of accountability in procurement is demonstrated by authorization by our Procurement Head on materials to be procured. Furthermore, the Group encourages the growth and development of local suppliers. The materials are only outsourced when there is unavailability of materials or in special cases, such as clients’ request.

## Environmental

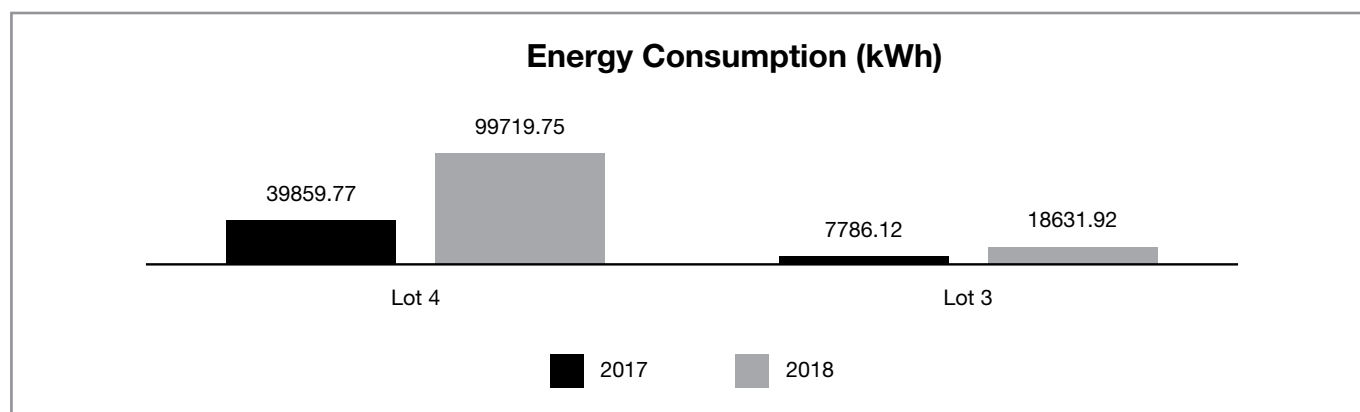
We recognise the importance of environmental stewardship in our line of industry. The Group utilises raw materials, energy, water and produces waste. Therefore, uncontrol and excessive usage of resources may lead to wastage or depletion of resources. We prohibit this, by means of monitoring our energy consumption and by complying to the related laws and regulations.

## Energy

We continue to monitor our use of electricity at CBIP as we acknowledge that energy has its implications on the environment. In FY2018, we see an increase in energy consumption at our Modipalm Engineering factories, Lot 3 and Lot 4 in comparison with energy consumption in FY2017. As disclosed in the previous report, Lot 4 has a higher usage of power due to its higher workload and heavier manufacturing activities.

As our business continue to grow, our client expands and subsequently, the demand for our expertise increases, leading to higher energy consumption. We ensure that at CBIP, we optimise the use of energy. Table below illustrates the electricity consumption at CBIP’s manufacturing factories, Lot 3 and Lot 4.

# SUSTAINABILITY STATEMENT



Our initiatives in reducing our energy consumption are switching off office lights during lunch break and after 6 pm. This not only promotes electric saving, but also encourages work-life balance for our employees.

## Hazardous Waste Management

In safeguarding the environment, we recognise the importance of disposing all of our waste in a proper manner. Proper waste disposal has wide ranging implications on the environment and the health and safety of our employees and local communities. Table below shows the breakdown of scheduled waste generated at Lot 3 and Lot 4.

Type of Waste	Description	Weight (MT)
SW 305	Spent lubricating oil	-
SW 307	Spent mineral oil-water emulsion	26.2
SW 410	Rag, plastics, papers or filters contaminated	0.45

The scheduled waste is collected by a third-party contractor that is registered with the Department of Environment (DOE) for subsequent recovery or disposal processes.

## Regulatory Compliance

We comply to environmental laws and regulations that are pertinent to our business operations. As a manufacturer of palm oil mill equipment, we adhere to the regulations listed below.

- Environmental Quality (Scheduled Waste) Regulations 2005
- Environmental Quality (Clean Air) Regulations 2014 – Isokinetic stack and air emission monitoring

Recently, the Group received a fine from Majlis Daerah Kuala Langat (MDKL) due to used coolant spillage inside the factory perimeter drain. The coolant is mainly used for computer numerical control (CNC) and press cage sections for cutting and drilling processes. In any case of spillage, sawdust can be applied to absorb the spilled coolant to prevent water bodies contamination, however in this case, stop work was enforced followed by drainage clean-up. Henceforth, we are determined to prevent such an incident from re-occurring.

# SUSTAINABILITY STATEMENT

## Environmental Monitoring

We continue to monitor our environmental performances to ensure minimal environmental impact arises from our business operations. We adhere to all of the DOE requirements that is applicable to the Group. Our environmental monitoring led by Quality Control (QC) supervisor includes monitoring on daily basis, a visual check twice a month, monthly record and a minimum quarterly meeting.

We keep track on our scheduled waste generation, and ensure that our storage area does not exceed the legal standard of 20MT or duration of 180 days.

Pursuant to Environmental Quality (Clean Air) Regulations 2014, we shall comply to the stipulated limits at all times. Our isokinetic stack and air emission monitoring is conducted once a year with the aim to demonstrate compliance to the regulatory requirement and to assess our performance so that corrective action can be taken where necessary. For FY 2018, the dust concentration level emitted is well within the permissible limits set by the Department of Environment (DOE).

## SOCIAL

### Anti-Corruption

At CBIP, we not only adhere to regulatory compliance but also to good governance principle. We have adopted Anti-Corruption practices into our business operations and it is communicated throughout the Group during meetings and briefings. Moving forward, we aim to provide at least one training programme for all our employees. In addition, we hold greatly to our whistleblowing policy and code of conducts.

### Product Quality Management

We are committed in manufacturing products that meet our customers' expectations. Therefore, we never settle for anything less than best for our product quality. In addition to stringent quality assurance process, a minute defect in our machineries might lead to breakdown or loss of lives. In ensuring our product quality, all our incoming materials or products, subcontracted parts, plating and finished products are inspected and conformed to requirements before being released to the next process or delivery to customer.

The inspection conducted is according to our Quality Control Plan procedure which covers all of our business processes; from project planning, receiving inspection, handling, storage and preserve of materials, production, Quality Assurance or Quality Control (QA/QC) and shipping.

### Our Workforce

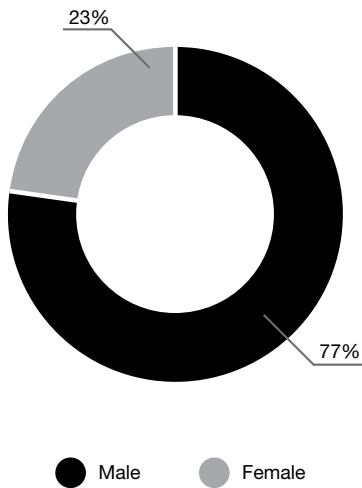
We are committed to provide equal opportunity regardless of gender, race, age and ethnicity to our employees. The workplace at CBIP is free of discrimination, with every employee is treated with equal respect. Whereas, our recruitment processes focus on the skills and experiences of the potential candidates. Graphs below illustrate our employee breakdown by nationality. Our non-executive workforce is dominated by non-locals (foreigners). This employment pattern is also observed within the industry.

# SUSTAINABILITY STATEMENT

## Employee Breakdown by Nationality



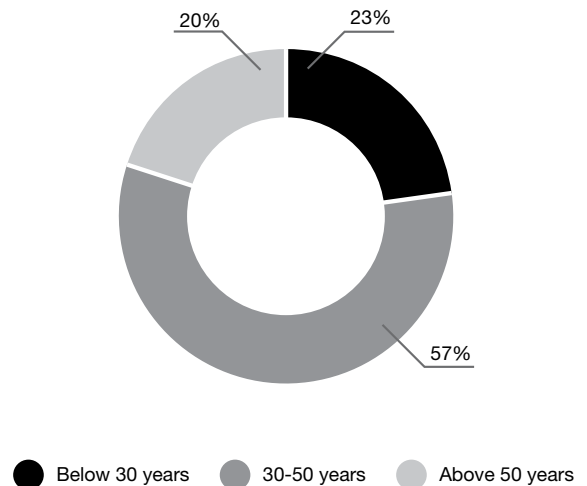
## Gender Distribution



The figure shows the gender distribution of CBIP's workforce which is comprised of 23% female employees and 77% male employees. We are aware that this is a male dominated industry that requires hard labour. Therefore, we are proud of the fact that as a manufacturer, our female employees are more than 20%.

CBIP has always promote equal opportunity and diversity. The graph represents our workforce by age group, with majority or 57% employees from the age group between 30-50 years, followed by 23% from age group below 30 years and the least or 20% from the above 50 years old.

## Age Composition



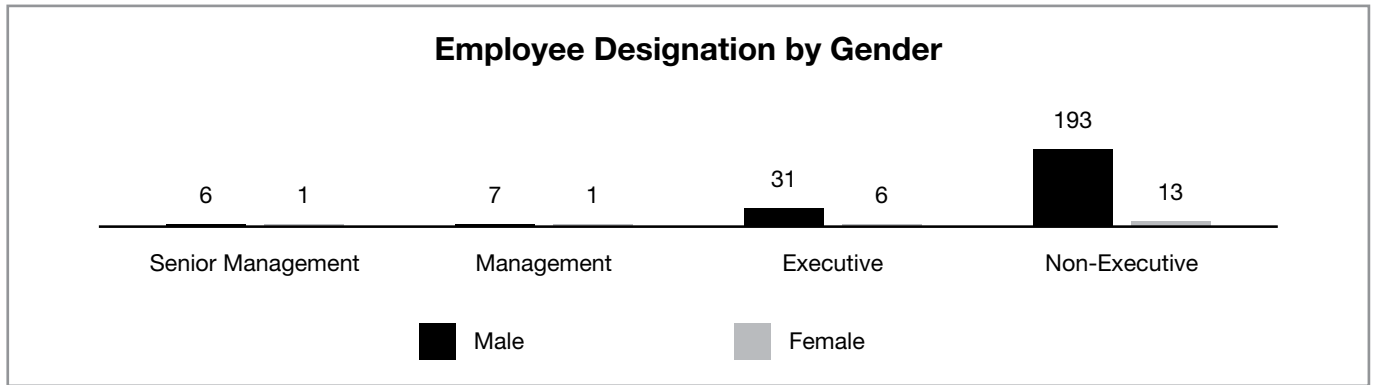


# SUSTAINABILITY STATEMENT

The figure below shows the distribution of employment categories for both genders at CBIP.



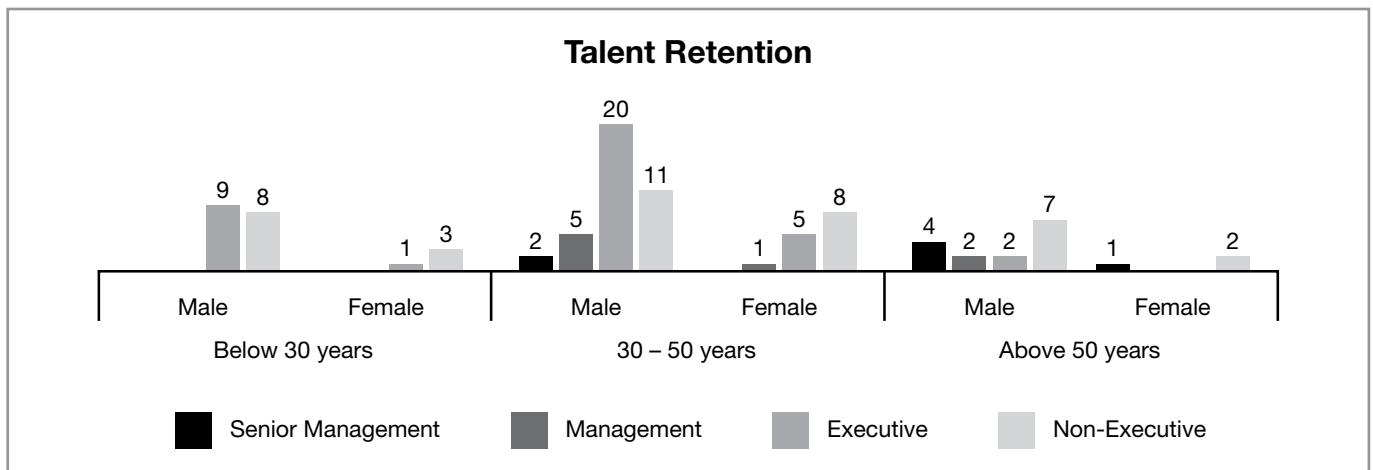
Table below shows the employee designation by gender.



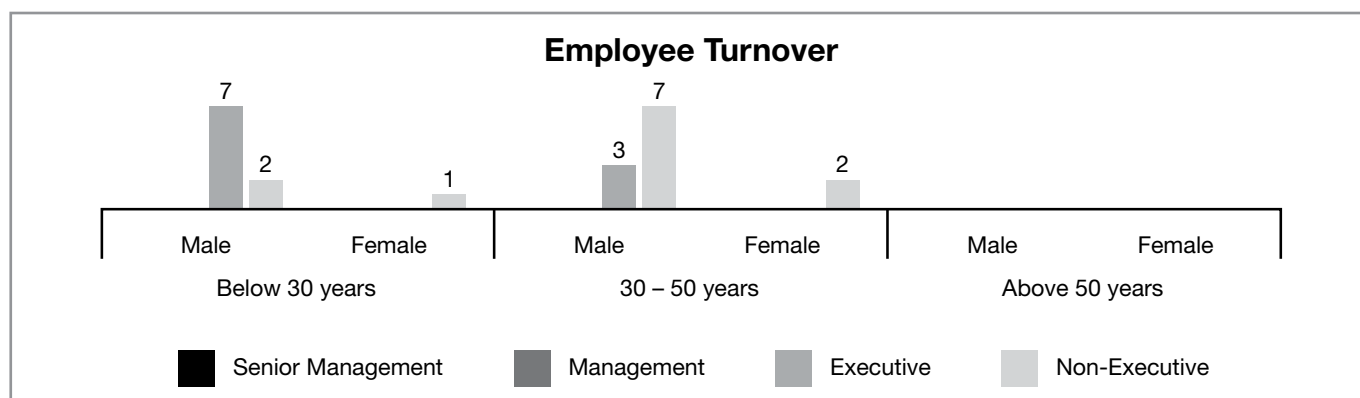
## Talent Retention and Employee Turnover

We believe in talent retention and strive to provide the trainings that deemed important for the growth and development of our employees. The benefits we provide for our employees include; medical insurance, dental coverage, 14 days paid leave, maternity leave for our female employees and clinic panel medical card.

The figures below illustrate our talent retention and employee turnover.



# SUSTAINABILITY STATEMENT



## Training and skills development

Training and skills development is essential at CBIP as we believe that our employees are the driving force that steer us to be a sustainable manufacturer. Therefore, we encourage our employees to attend trainings and workshops for their personal and career development. Every department in the Group has specific trainings that is tailored to their work-related requirements. We are proud with our total training hours in FY2018 which has surpassed our target.

Target Training Hours	1600
Total Training Hours	2170

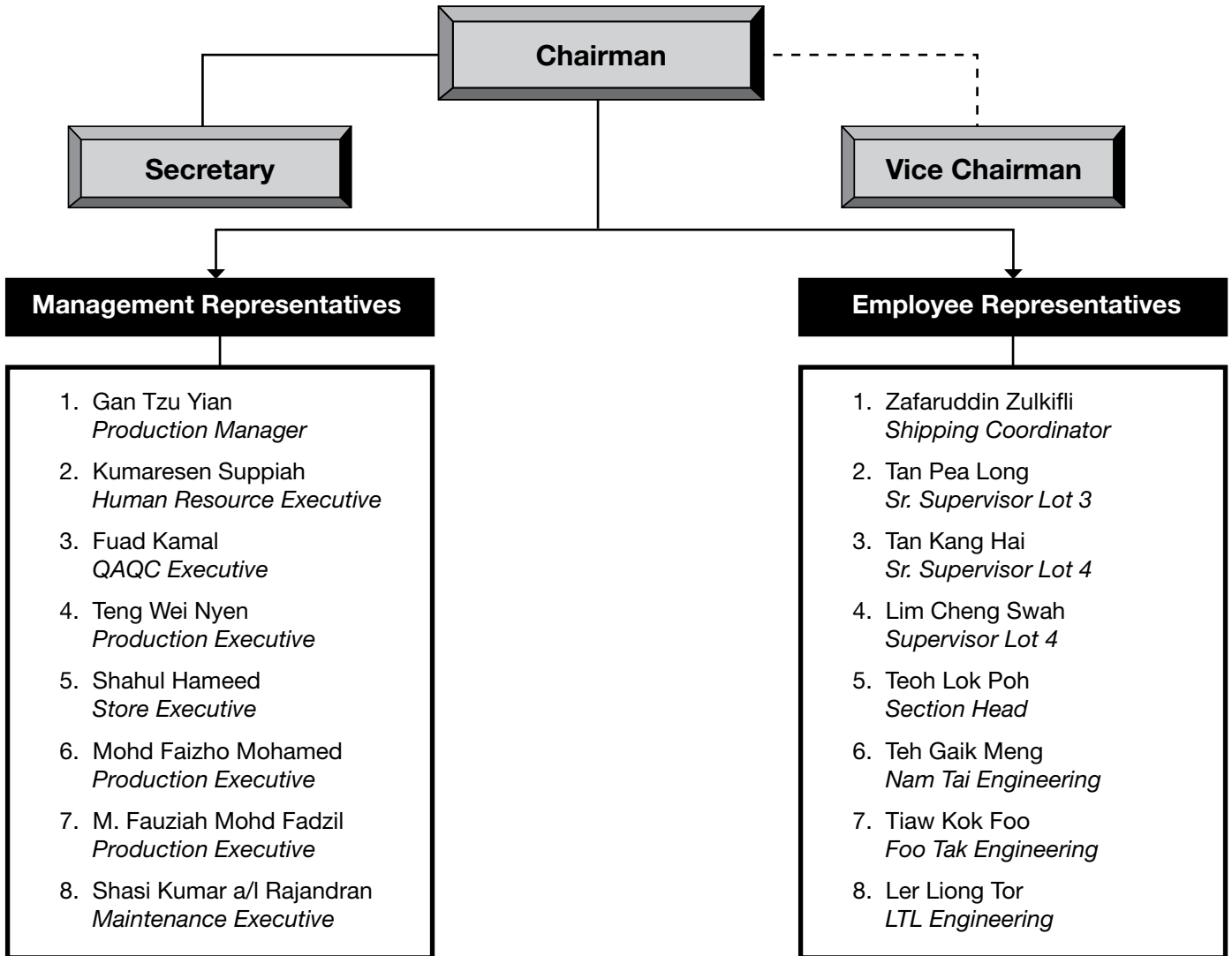
Besides the in-house trainings, we provide platforms for our employees to gain knowledge and experiences by attending external trainings. We are committed in allocating substantial resources for technical and management training programmes for our employees. Table below illustrates the list of trainings provided to our employees.

External Trainings Given to Employees	Duration of Training Course	No. of employees
<b>Quality Management System</b>		
ISO 9001 Appreciation And Interpretation	1	22
Preparing for ISO 9001:2015 Workshop	2	23
ISO 9001:2015 QMS Documentation Training	2	21
ISO 9001:2015 QMS Risk Management Training	2	21
ISO 9001:2015 Internal QMS Auditor	2	19
<b>Safety</b>		
Hazard Identification Risk Assessment & Risk Control	1	20
Malaysia Commuting Accident & Road Safety	1	1
<b>Production</b>		
Certified Environmental Professional In Scheduled Waste Management	5	1
Robotics of Welding	5	4
CSWIP 3.1 Welding Inspector - Level 2	5	2
ASME Section IX - An Introduction to Welding	2	15
ASME SEC VIII - Design Standards	3	10
<b>Finance</b>		
Transform to Perform for Finance Leaders	2	1
SST VS GST Mechanism of SST	0.5	7
<b>QAQC</b>		
CSWIP 3.1 Welding Inspector - Level 2	5	2
<b>Project</b>		
Site Safety Supervisor	8	1

# SUSTAINABILITY STATEMENT

## Health and Safety

The Group is committed to provide a safe and healthy working environment for our employees. We aim to safeguard all of our employees and contractors from all recognized hazards, to enhance our people’s awareness, skills and competency, and to implement safety management program. With our structured OSH committee in place, we are able to maintain and monitor the safety and health of all our employees and subcontractors. Our OSH organisation is presented in the figure below which is led by our Deputy Director, Lim Chye Ooi.



The safety and health committee is responsible of the development of safety and health rules and safe system work at workplace. The inspection of workplace at CBIP is done at least once in every three months.

Function of our OSH committee include:

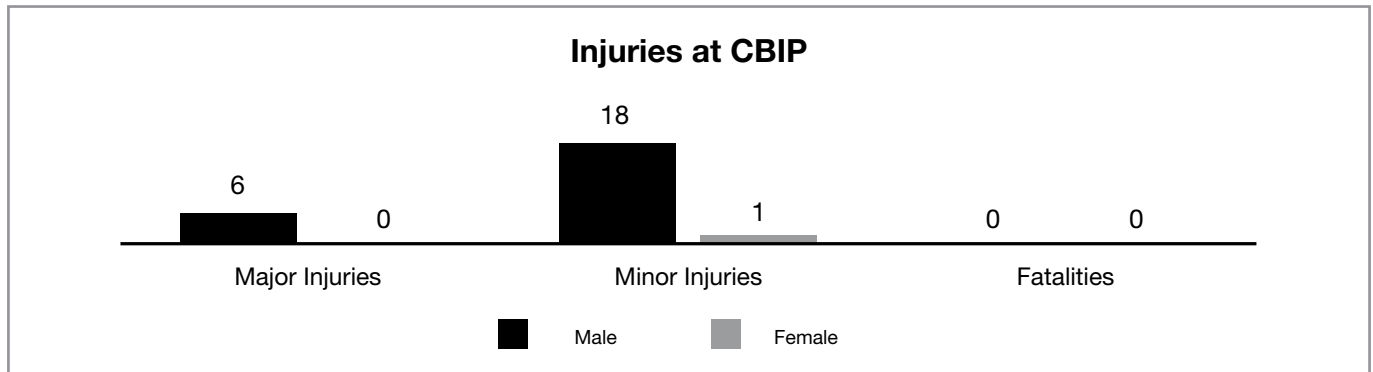
- Review the effectiveness of safety and health programmes;
- Carry out studies on the trends of accident, near-miss accident, dangerous occurrence, occupational poisoning or occupational disease which occurs at the workplace.
- Report on any unsafe or unhealthy conditions or practices at the workplace together with the recommendations for corrective actions; and
- Review the safety and health policies at the workplace and make recommendations for any revisions.

# SUSTAINABILITY STATEMENT

On 2 May 2018, all of our workforce from Lot 3 and Lot 4 participated in Mega OSH Toolbox, which is known as the Largest Simultaneous Safety Briefing (Toolbox Talks) held according to the Malaysia Book of Records.

## Accident Cases

Our accident statistics cover the plantation and manufacturing divisions. For FY2018, our estate division recorded zero accident. Whereas our manufacturing division suffered six major injuries and 19 minor injuries. Figure below shows the accident cases by gender.



Moving forward, we aim to reduce the number of accidents at our manufacturing division and strive to maintain zero accident at our plantation division. We are committed to take the necessary preventive actions to reduce the number of accidents.

To incorporate accountability in our workforce, recently we have assigned the responsibility of checking the internal fire equipment to AES and supervisors.

For this year of reporting, an unfortunate fire incident occurred after sparks from the welding activity fell into a paint container. As a result, the OSH committee conducted an onsite briefing and safety reminders for all the employees.

## Customer Satisfaction

We strive to provide the best services and products to our stakeholders. Our customer satisfaction survey is conducted through verbal communication between clients and our sales team. The follow up calls are made after the product delivery. In FY2018, no complaints were received by the Group regarding our products and services.

## One of our clients' testimony regarding our product

### Mutiple advantages and benefits after implementing the Continuous Sterilization system

- Period of construction is fast with lower capital outlay;
- It is compact and required less space that makes it easy to control the operation;and
- Low operation costs as it does not require front end equipments such as rail tracks, transfer cages, FFB cages, tipper, hoist, captan, bollard, winches, blowdown and blow up silencer

Kurniawan Siregar  
Mill Manager, PT Astra Agro Lestari

# SUSTAINABILITY STATEMENT

## Contribution to community

CBIP is aspired to build a resilient community by supporting and assisting the underprivileged groups. The Group contributes to the societies with equal treatment and compassion. We contribute to the development of communities by empowering meaningful programmes that create a long-lasting positive impact. Our corporate social responsibility (CSR) knows no geographical boundary as we aim to play a positive role in enhancing the life of the local people. Our CSR activities conducted in FY2018 are listed as below.

Contribution	Amount (RM)
Contribution for Perkasa Putrajaya Golf Tournament 2018 at Bangi Golf Resort	1,500
Donation to Persatuan Kebajikan Tunas Harapan Kelantan	1,500
APAM-Karnival Sukan Tertutup Ibu Pejabat	3,000
Contribution to Majlis Makan Malam Hospital Pontian, Johor	500
Van contribution to Maahad Tahfiz dan Pengajian Islam Darul Hijrah	80,000
Installation of sticker van Maahad Tahfiz Darul Hijrah	2,800
Van contribution to Koperasi Yayasan Sembrong Bhd	89,800
Contribution for Rejimen Dinner	2,000
Contribution for bowling tournament between JBPM with KPKT and Unit Perancang Ekonomi (EPU)	2,500
Contribution to Universiti Utara Malaysia for program Jihad in Education: Success is Yours	1,000
Al-Quran Translation	3,000
Iftar contribution to IIUM	1,000
INFAQ Ramadhan Madrasah Tahfiz An Nasr	1,000
Contribution for berbuka puasa, moreh and sahur to Maahad Integrasi Tahfizul Quran An Nasr D Itqan	1,200
Contribution for Gold charity tournament PIBG SMK Seksyen 9, Shah Alam	1,000
Contribution for Majlis berbuka puasa Wisma Perwira Regimen Pertama Kor Armor Diraja	1,000
Contribution for Karnival Amal (2018) Surau	500
Donation to Kiwanis Down Syndrome Foundation	500
Contribution to Society of the Blind in Malaysia	2,000
Contribution for the golf tournament for JLI Diraja	1,000
Majlis Penghargaan Wira Merah	9,000
Contribution for operation cost Maahad Tahfizul Quran Al-Ikhlas	1,200
Bantuan kemanusiaan mangsa tragedi gempa bumi dan tsunami di Kota Palu, Sulawesi, Indonesia	5,000
Contribution for student dormitory and administrative office Madrasah Mahmudiah	1,000
Tabung Pendidikan Anak Ibu Tunggal Islam Malaysia	2,000
Sumbangan perbelanjaan pengurusan Maahad Ansori Litahfizil Quran	500
Donation to HCA Community Centre Bhd	10,000
Yayasan Ann Joo	5,000
Persatuan Penganut Da Jue Xue She Melaka Tengah	8,000
Contribution for Golf club preparation for sukan BOMBA (SUKBOM) 2018	1,000
Contribution for tennis club preparation for sukan BOMBA	1,000
Donation to pusat pengajian Tahfiz Ar Raudhah	1,800

## Conclusion

We are aware of the fundamental of sustainable practices in the success of business operations. The sustainable practices allow the Group to fully address our business impacts on the economic, environmental and social (EES). Moving forward, we aim to develop more sustainability initiatives to contribute to the people, protecting the environment and boosting the economy.



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting (“22nd AGM”) of CB INDUSTRIAL PRODUCT HOLDING BERHAD will be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 31 May 2019 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 2018 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 Article 99 of the Constitution of the Company and being eligible, offer themselves for re-election:     |   |
|    | (a) Datuk Lim Chai Beng   | <b>Ordinary Resolution 1</b>                |
|    | (b) Tengku Dato’ Ardy Esfandiari Bin Tengku A. Hamid Shah   | <b>Ordinary Resolution 2</b>                |
| 3. | To approve the payment of Directors’ Remuneration amounting to RM570,000 for the financial period from 1 July 2019 until 30 June 2020.                                    | <b>Ordinary Resolution 3</b>                |
| 4. | 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 4</b>                |

## AS SPECIAL BUSINESSES

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

- |    |   |                              |
|----|---|------------------------------|
| 5. | <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 percent (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 5</b> |
|----|---|------------------------------|

# NOTICE OF ANNUAL GENERAL MEETING

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

## Ordinary Resolution 6

“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”) at which time it shall 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

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

### Ordinary Resolution 7

"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 April 2019, 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 immediately upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; 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 Proposal, 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."

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

### Ordinary Resolution 8

"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

**9. CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – WONG CHEE BENG** **Ordinary Resolution 9**

“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.”

**10. PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY** **Special Resolution 1**

“THAT the existing Memorandum and Articles of Association of the Company be hereby deleted in its entirety and a new Constitution, as set out in Appendix II of the Circular to Shareholders dated 30 April 2019 be replaced thereof and adopted as the Company’s Constitution.

THAT henceforth, the Constitution shall bind the Company, the members and the Directors to the same extent as if the Constitution had been signed and sealed by each member and contain covenants on the part of each member and Director to observe all the provision of the Constitution.

THAT the Directors of the Company be hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give effect to the foregoing.

AND THAT the Secretary be authorised and instructed to do all the necessary and deemed fit to lodge the Constitution as adopted herewith with the Companies Commission of Malaysia on behalf of the Company in accordance with the provisions of the Companies Act 2016.”

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

By Order of the Board

TEO MEE HUI (MAICSA 7050642)  
*Company Secretary*

Selangor Darul Ehsan  
30 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:-

- i) 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.
- ii) 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.
- iii) 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.
- iv) 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.
- v) 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.
- vi) The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- vii) 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.
- viii) 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 Article 69 of the Constitution of the Company, a Record of Depositors as at 22 May 2019 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 2018.

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 3

#### 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 22nd AGM on the Directors' remuneration for the financial period from 1 July 2019 until 30 June 2020.

# NOTICE OF ANNUAL GENERAL MEETING

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

	<u>Fee (RM)</u>	<u>*Other Emolument (RM)</u>
Executive Directors	-	103,325
Non-Executive Directors	286,144	180,531
Total	<u>286,144</u>	<u>283,856</u>

**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 3 has been passed at the 22nd 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.

## **Ordinary Resolution 5**

### **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 the renewal of the mandate obtained from the members at the last AGM ("the previous mandate"). 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.

## **Ordinary Resolution 6**

### **Proposed Renewal of 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 Part B of the Circular/Statement to Shareholders dated 30 April 2019.

## **Ordinary Resolution 7**

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

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.



# NOTICE OF ANNUAL GENERAL MEETING

Further information on the Proposal is set out in Part A of the Circular/Statement to Shareholders dated 30 April 2019, which is circulated together with this Annual Report of the Company.

## **Ordinary Resolutions 8 and 9**

### **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.

## **Special Resolution 1**

### **Proposed Adoption of New Constitution of the Company**

The proposed resolution, if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016 and to enhance administrative efficiency.

Hence, the shareholders' approval is hereby sought for the Company to revoke the existing Memorandum and Articles of Association/ Constitution of the Company and to adopt a new Constitution. The new Constitution shall take effect upon approval of shareholders of not less than 75% who are entitled to vote and vote in person or by proxy at the 22nd AGM.

For further information, please refer to Part C of the Circular/Statement to Shareholders dated 30 April 2019.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### In Respect of the Preparation of the Financial Statements

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state affairs of the Company and of the Group at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2018, 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 of the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible to ensure that the Company and of 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 open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# AUDIT COMMITTEE REPORT

The Board of Directors (“the Board”) is pleased to present the following Report of the Audit Committee and its activities for the financial year ended 31 December 2018.

## COMPOSITION AND MEETINGS

The Audit Committee comprises three (3) Members as follows:

### Chairman

Wong Chee Beng – Senior Independent Non-Executive Director

### Members

Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab – Independent Non-Executive Director (Appointed on 19 March 2018)

Irin Tan Su Fern - Independent Non-Executive Director (Resigned on 1 June 2018)

Lim Chai Huat – Non-Independent Non-Executive Director

The Audit Committee met five (5) times during the financial year ended 31 December 2018. The details of the attendance of the Audit Committee Members are as follows:

		No. of Meeting Attended
<b>Chairman</b>	Wong Chee Beng <i>(Senior Independent Non-Executive Director)</i>	5/5
<b>Members</b>	Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab <i>(Independent Non-Executive Director)</i> <i>(appointed on 19 March 2018)</i>	4/4
	Irin Tan Su Fern <i>(Independent Non-Executive Director)</i> <i>(resigned on 1 June 2018)</i>	3/3
	Lim Chai Huat <i>(Non-Independent Non-Executive Director)</i>	5/5

Senior Management, External Auditors and the Group Internal Auditors are invited to attend the Audit Committee meetings to facilitate direct communication and to provide clarification on the audit issue whenever necessary. The Company Secretary is responsible for distributing the agenda of the meetings and relevant information to the Audit Committee Members in advance of their meetings and to records the proceedings of the Audit Committee Meetings.

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

The work carried out by the Audit Committee in discharging its duties with respect to their responsibilities during the financial year ended 31 December 2018 were summarised as follows:

### Financial Reporting

The Audit Committee reviewed the quarterly and annual financial statements required by Bursa Malaysia Securities Berhad (“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 Main Market Listing Requirements of Bursa Securities and other requirements.

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

# AUDIT COMMITTEE REPORT

## 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 and expenses paid to the External Auditors, including fees paid for non-audit services during the year. The Audit Committee ensured that it is able to arrive at an opinion 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 Management during the financial year to seek feedbacks from the External Auditors on any issues encountered during the audit; to be notified of any major financial and control issues encountered; to seek confirmation on its independency and objectivity and to assess its competency and resources.

## 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, the progress of action plans implemented by the Management and the risk management and internal controls of the Group.

## Related Party Transactions

The Audit Committee reviewed the related party transactions entered into by the Group and any conflict of interest situation that may arise within the Group and ensured 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 and Corporate Governance Overview Statement 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.

## TERMS OF REFERENCE OF AUDIT COMMITTEE

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

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

The Company has an Internal Audit Function that reports directly to the Audit Committee. The main role of the Internal Audit Function is to assist the Audit Committee in providing independent assessment on the adequacy and effectiveness of the internal control system of the Group.

# AUDIT COMMITTEE REPORT

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (Cont'd)

Further information on the disclosure of Internal Audit Function is provided in the Corporate Governance Report in accordance with Practice 10.2 of the Malaysian Code on Corporate Governance 2017.

The activities of the Internal Audit Function during the financial year ended 31 December 2018 were as follows:

- (a) Development of the 2018 Internal Audit Plan for the Audit Committee's approval.
- (b) Execution of the approved 2018 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 2018 was RM266,185.

On a quarterly basis, the Internal Auditors submits audit reports and the status of the internal audit plan for review and approval by the Audit Committee. The audit reports contain findings and recommendations for corrective measures on risks or internal control weaknesses identified, if any, for implementation by the Management.

The Internal Auditors also conducts follow-up audit to ensure that Management has taken action to rectify and correct weaknesses and improve control processes. The Audit Committee monitors and reviews the effectiveness of the internal audit activities thereby ensuring that these activities contribute to the ongoing effectiveness of the system of internal control of the Group.

The internal audits conducted did revealed 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 61 to 63.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is committed to ensure that the principles of corporate governance are practiced throughout the Group so that the affairs of the Group 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”) during the financial period under review.

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](http://www.cbip.com.my).

## 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.

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.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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 a suitably qualified Company Secretary. The Company Secretary plays an advisory role and ensures good information flow within the Board, Board Committees and Management. The Company Secretary attends 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 Secretary is 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 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 them making informed decisions.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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.

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.

## 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 of Management to provide checks and balances to the Board.

The Board composition has met Paragraph 15.02 of the MMLR of Bursa Securities but it did not meet with the requirement of Practice 4.1 of MCGG 2017 for a Board constituting half of the Independent Directors subsequent to the departure of an Independent Director in June 2018. 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, 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Nomination and Remuneration Committee had undertaken a review and assessment of the level of independence of the Independent Directors during the financial year 2018 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.

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 22nd 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 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. The Company's prime responsibility in new appointments is always to select the best candidates available.

Presently, there is 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 Committee#	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+	1/1
Mak Chee Meng	4/5	-	-	-	1/1
Lim Chai Huat	5/5	5/5	1/1	1/1	1/1
Wong Chee Beng	5/5	5/5	1/1	1/1	1/1
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab*	4/4	4/4	-	-	1/1
Irin Tan Su Fern^	3/3	3/3	1/1	1/1	1/1

\* *Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab was appointed to the Board on 19 March 2018.*

^ *Irin Tan Su Fern resigned from the Board on 1 June 2018.*

+ *Y.D.M. Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah ceased to be a member of the Remuneration Committee on 27 February 2018 in compliance with the MCGG 2017.*

# *The Nomination Committee and Remuneration Committee were merged as a new committee known as Nomination and Remuneration Committee on 24 August 2018.*

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.

During the financial year ended 31 December 2018, 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>Palm and Lauric Oils Price Outlook Conference &amp; Exhibition (6 – 7 March 2018)</li> </ul>
Datuk Lim Chai Beng	<ul style="list-style-type: none"> <li>OCBC Global Treasury and Economic and Business Forum, Singapore (12 July 2018)</li> <li>MPOC POTS 2018 Trade Fair and Seminar, Kuala Lumpur (28 – 29 August 2018)</li> <li>PORAM Annual Forum 2018, Kuala Lumpur</li> <li>Forbes Global CEO Conference, Bangkok, Thailand (30 – 31 October 2018)</li> <li>POMREQ 2018 – National Seminar on Palm Oil Milling, Refining, Environment and Quality, Kuala Lumpur (27 – 28 November 2018)</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>Defence Services Asia 2018 Exhibition and Conference (16 – 19 April 2018)</li> </ul>
Mak Chee Meng	<ul style="list-style-type: none"> <li>Indonesia Palm Oil Conference (IPOC) 2018 (31 October – 2 November 2018)</li> </ul>
Lim Chai Huat	<ul style="list-style-type: none"> <li>Defence Services Asia 2018 Exhibition and Conference (16 – 19 April 2018)</li> <li>MPOC POTS 2018 Trade Fair and Seminar, Kuala Lumpur (28 – 29 August 2018)</li> </ul>
Wong Chee Beng	<ul style="list-style-type: none"> <li>A Layman's Understanding of Blockchain, Bitcoin, ICOs and Exchange (9 September 2018)</li> <li>The Internet of Money – Cryptocurrency (11 November 2018)</li> <li>A Briefing on Updates to Malaysian Financial Reporting Standards (MFRS) (22 November 2018)</li> </ul>
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab	<ul style="list-style-type: none"> <li>Palm Oil Economic Review &amp; Outlook (18 January 2018)</li> <li>Palm Oil Conference, Bursa Malaysia (5 March 2018)</li> <li>Palm Oil Familiarization Seminar (16 August 2018)</li> <li>GAPKI Price Outlook (31 October 2018)</li> </ul>
Lim Zee Ping	<ul style="list-style-type: none"> <li>MPOC POTS 2018 Trade Fair and Seminar, Kuala Lumpur (28 – 29 August 2018)</li> <li>POMREQ 2018 – National Seminar on Palm Oil Milling, Refining, Environment and Quality, Kuala Lumpur (27 – 28 November 2018)</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 Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

## Nomination and Remuneration Committee

The Board had on 24 August 2018 merged its Nomination Committee and Remuneration Committee into a new Board Committee known as Nomination and Remuneration Committee (“NRC”) to enhance its efficiency and effectiveness in discharging its duties and responsibilities. The NRC consists of entirely Non-Executive Directors with a majority being Independent Directors, as follows:-

Chairman	Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab (Non-Independent Non-Executive Director)
Members	Wong Chee Beng (Senior Independent Non-Executive Director)
	Lim Chai Huat (Non-Independent Non-Executive Director)

Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab was elected to the Chairman of the NRC due to his invaluable experience and knowledge in the oil palm industry.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The full details of the NRC's Terms of Reference are published 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 2018, the NRC held a meeting and the work carried out by the NRC in discharging its functions and duties were as follow:-

- 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; and
- reviewed the terms of office of the Audit Committee and each member of the Audit Committee.

In March 2018, Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab was appointed as an Independent Non-Executive Director as recommended by Management. The Nomination Committee (prior to the merger as NRC) had assessed and reviewed the candidate's skill, knowledge, expertise and experience and recommended his appointment to the Board for approval.

An independent source was not utilised in the nomination of Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab as an Independent Director as he is well-known for his vast experience and knowledge in palm oil plantation industry and the NC believed that the appointment of Datuk Mohamad Nageeb bin Ahmad Abdul Wahab to the Board would strengthen the composition and mix of skills of the Board.

## Annual Evaluation

The Board 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.

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 above 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.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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 Article 99 of the Constitution of the Company, Datuk Lim Chai Beng and Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah are subject to retirement by rotation at the forthcoming 22nd AGM and they have expressed their willingness to seek for re-election at the 22nd 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 available on the Company's website.

### 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The aggregate remuneration of Directors received from the Company and on Group basis for the financial year ended 31 December 2018 are as follows:

Category	Company		Group		
	Fees (RM'000)	Other Emoluments and BIK (RM'000)	Fees (RM'000)	Other Emoluments and BIK (RM'000)	Defined Contribution Plan (RM'000)
<b>EDs*</b>					
Datuk Lim Chai Beng	-	29	132	1,059	122
Mak Chee Meng	-	41	6	575	32
Y.D.M. Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah	-	29	-	602	69
<b>NEDs</b>					
Tan Sri Datuk Dr. Yusof Bin Basiran	87	64	87	64	-
Wong Chee Beng	53	31	53	31	-
Lim Chai Huat	49	31	49	31	-
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab#	37	5	37	5	-
Irin Tan Su Fern^	20	15	20	15	-
<b>Total</b>	<b>246</b>	<b>245</b>	<b>384</b>	<b>2,382</b>	<b>223</b>

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

# Datuk Mohammad Nageeb Bin Ahmad Abdul Wahab was appointed to the Board on 19 March 2018.

^ Irin Tan Su Fern resigned from the Board on 1 June 2018.

## 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 2018 within the successive bands of RM50,000 are as follows:

Range of Remuneration	Top Five Senior Management
RM300,001 to RM350,000	2
RM500,001 to RM550,000	1
RM650,001 to RM700,000	1
RM700,001 to RM750,000	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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2018, are set out in the AC Report on pages 47 to 49 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 available 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 2018. In view thereof, the Board has recommended the re-appointment of the External Auditors for the approval of shareholders at the forthcoming AGM.

## 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.

In addition, a global leading audit firm, Parker Randall International, Indonesia was appointed in 2018 to perform co-sourced audits on the subsidiaries in Indonesia with consecutive monitoring by the Group's Internal Audit Department.

The standards and practices adopted by the Group Internal Auditors are aligned to the International Professional Practices Framework issued by the Institute of Internal Auditors.

The internal audit staff are free from any relationship or conflict of interest, which would impair their objectivity and independence. The name, credential and work experience of the Head of the Group's Internal Audit Department and the number of resources in the Group's Internal Audit Department are disclose on page 32 of the Corporate Governance Report.

Details of the Internal Audit Function and activities are presented in the AC Report on pages 48 to 49 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.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Group 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 61 to 63 of this Annual Report provides the overview of the Internal Control Framework adopted by the Company during the financial year ended 31 December 2018.

## 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 available on the Company’s website.

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](mailto:info@cbip.com.my). The Company has also identified Mr. 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 22nd AGM, the Form of proxy and Annual Report are despatched 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 21st AGM held on 28 May 2018, 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 available on the Company’s website.

This Corporate Governance Overview Statement was approved by the Board on 11 April 2019.

# 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 to minimise any losses and liabilities.

The Board is pleased to provide 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 – Guidance for Directors of Listed Issuers and the Malaysian Code on Corporate Governance 2017.

## BOARD RESPONSIBILITIES

The Board affirms its responsibility for establishing and maintaining a sound system of risk management and internal control practices. The Board has delegated the review of the adequacy and integrity of the internal control system to the Audit Committee to update the Board on 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.

## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT 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 approved budgets/plans to identify and to address significant variances during every quarterly meeting. The Managing Director and the Chief Financial Officer, to the best of their knowledge and belief, provide assurance to the Board that the Group's risk management and internal control system are operating adequately and effectively.

- **Group Policies and Procedures**

The Group has documented policies and procedures that are reviewed and updated periodically to ensure that they are effective and efficient and continue to be able 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 relating to their functions on a day-to-day basis with the responsibility of the Group level being undertaken 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 Auditors 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 in-house Internal Audit Function 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 annually 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 according to 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 47 to 49 of this Annual Report.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

## 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 and these are presented to the Board for their review, consideration and approval.

- Review of the Statement on Risk Management and Internal Control by 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 had come to their attention that would cause 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 Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor it is found to be 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.

## 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 2018 are as follows:

	Company (RM)	Group (RM)
Audit fees	68,000	463,000
Non-audit fees	7,000	114,900

(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 2018 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-First Annual General Meeting held on 28 May 2018, 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 2018 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)
Provider: Advance Boiler Sdn. Bhd.  Recipient: 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 spare parts.	36,430
Recipient: Avecpalm Marketing Resources Sdn. Bhd.  Provider: 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>Interested Person Connected</u> 1) Lim Chai Tiong <sup>(8)&amp;(9)</sup> 2) Lim Chai Guan <sup>(6b)&amp;(9)</sup>	Purchase of palm oil mills spare parts/ machining items.	389,179

## ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Interested Director, Major Shareholder and/or Person Connected	Nature of Transaction	Actual Transacted Values (RM)
Provider: CBIP (PNG) Ltd  Recipient: East New Britain Palm Oil Limited	<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)</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 palm oil mills equipment, spare parts and engineering works.	1,094,913
Recipient: Modipalm Engineering Sdn. Bhd.  Provider: PW Biotech Engineering Sdn. Bhd.	<u>Interested Directors/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(1b)</sup>  <u>Interested Directors</u> <u>CBIPH</u> 1) Mak Chee Meng <sup>(3)</sup> 2) Lim Zee Ping <sup>(10a)</sup> 3) Lim Chai Huat <sup>(5)&amp;(9)</sup>  <u>Subsidiaries</u> 4) Tan Yu Hwa <sup>(4a)&amp;(4b)</sup> 5) Lim Chai Guan <sup>(6a),(6b)&amp;(9)</sup>  <u>Interested Person Connected</u> 1) Lim Sim Tong <sup>(7)</sup>	Purchase of effluent treatment system, parts and engineering works.	875,136
Recipient: PalmitEco Engineering Sdn. Bhd.  Provider: PW Biotech Engineering Sdn. Bhd.	<u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(1b)</sup>  <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>  <u>Subsidiaries</u> 4) Tan Yu Hwa <sup>(4a)&amp;(4b)</sup> 5) Lim Chai Guan <sup>(6a),(6b)&amp;(9)</sup>  <u>Interested Person Connected</u> 1) Lim Sim Tong <sup>(7)</sup>	Purchase of effluent treatment system, parts and engineering works.	63,740
Recipient: PalmitEco Engineering Sdn. Bhd.  Provider: Presspalm Engineering Sdn. Bhd.	<u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(9)</sup>  <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>  <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>	Purchase of spare parts.	55,999

## ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Interested Director, Major Shareholder and/or Person Connected	Nature of Transaction	Actual Transacted Values (RM)
Recipient: PalmitEco Engineering Sdn. Bhd.  Provider: PW Eco Biotech Sdn. Bhd.	<u>Interested Director/ Major Shareholder</u> 1) Datuk Lim Chai Beng <sup>(1a)&amp;(1b)</sup>  <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>  <u>Subsidiaries</u> 4) Tan Yu Hwa <sup>(4a)&amp;(4b)</sup> 5) Lim Chai Guan <sup>(6a),(6b)&amp;(9)</sup>  <u>Interested Person Connected</u> 1) Lim Sim Tong <sup>(7)</sup>	Purchase of effluent treatment system, parts and engineering works.	1,949,460
Provider: PalmitEco Engineering Sdn. Bhd.  Recipient: East New Britain Palm Oil Limited	<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.	4,460,095
Provider: PalmitEco Engineering Sdn. Bhd.  Recipient: Resourcecity Sdn. Bhd.	<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.	1,271,041
Provider: PalmitEco Engineering Sdn. Bhd.  Recipient: 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.	592,781
Provider: PalmitEco Engineering Sdn. Bhd.  Recipient: 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.	198,477

## ADDITIONAL COMPLIANCE INFORMATION

### **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 3.21% in Company. He is also a Major Shareholder of PW Biotech Engineering Sdn. Bhd. and PW Eco Biotech Sdn. Bhd.*
- 4a. *Tan Yu Hwa is the Director of Modipalm Engineering Sdn. Bhd. and has direct interest of 1.69% 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 Modipalm Engineering Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd.*
5. *Lim Chai Huat is a Director of the Company and has direct interest of 4.36% in Company.*
- 6a. *Lim Chai Guan is a Director of Modipalm Engineering Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd.*
- 6b. *Lim Chai Guan has direct interest of 5.13% and indirect interest of 0.20% through the shares held by his spouse in the Company.*
7. *Lim Sim Tong is a daughter of Datuk Lim Chai Beng and has direct interest of 0.45% 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 0.95% 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 0.92% 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

## 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 2018. 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 7 to the financial statements.

### RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	41,282	(16,827)
- Non-controlling interests	17,224	-
	<u>58,506</u>	<u>(16,827)</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 3 sen per ordinary shares in respect of financial year ended 31 December 2017, paid on 30 January 2018	15,683
- First interim single tier dividend of 2 sen per ordinary shares in respect of financial year ended 31 December 2018, paid on 31 July 2018	<u>10,452</u>
	<u>26,135</u>

On 25 February 2019, the Company declared a second interim single tier dividend of 2 sen per share amounting to RM10,215,339 in respect of the current financial year. The said dividend was paid on 18 April 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2019.

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.

### ISSUES OF SHARES AND DEBENTURES

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

# DIRECTORS' REPORT

## DIRECTORS' REPORT

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### OPTIONS GRANTED OVER UNISSUED SHARES

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

### WARRANTS

The Company had on 12 November 2014, issued 88,409,815 warrants to all entitled shareholders of the Company on the basis of 1 free warrant for every 3 existing ordinary shares held in the Company.

The salient features of warrants are as follows:

- (i) Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share in the Company at an exercise price of RM2.40 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;
- (ii) The warrants may be exercised at any time on or before the maturity date falling (5) years from the date of issue of the warrants on 12 November 2014. Warrants not exercised after the exercise period will thereafter lapse and cease to be valid;
- (iii) The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distributions, the entitlement date of which is before the allotment and issuance of the new shares; and
- (iv) The persons to whom the warrants have been granted are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until/and unless warrant holders exercise their warrant for new shares.

As at the end of the reporting period, a total of 87,399,049 warrants remain unexercised.

### BAD AND DOUBTFUL DEBTS

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for 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 render the amount written off for bad debts or the amount of allowance for impairment losses on receivables inadequate to any substantial extent.

### 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 values 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.



# DIRECTORS' REPORT

## DIRECTORS' REPORT

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### 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 substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements 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  
 Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab (Appointed on 19.3.2018)  
 Irin Tan Su Fern (Resigned on 1.6.2018)  
 Lim Zee Ping (Alternate to Datuk Lim Chai Beng)

# DIRECTORS' REPORT

## DIRECTORS' REPORT

### DIRECTORS (CONT'D)

#### 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

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of directors holding office at the end of the financial year in the securities of the Company during the financial year are as follows:-

Name of Director	Number of Ordinary Shares			Balance at 31.12.2018
	Balance at 1.1.2018	Bought	Sold	
Tan Sri Datuk Dr. Yusof Bin Basiran				
- Indirect <sup>(a)</sup>	800,000	-	-	800,000
Datuk Lim Chai Beng				
- Direct	162,698,720	3,686,700	-	166,385,420
- Indirect <sup>(a)</sup>	9,375,000	-	-	9,375,000
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah				
- Direct	3,360,000	-	-	3,360,000
Mak Chee Meng				
- Direct	16,276,660	100,000	-	16,376,660
Lim Chai Huat				
- Direct	22,222,222	-	-	22,222,222
Lim Zee Ping				
- Direct	3,684,000	-	-	3,684,000

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

# DIRECTORS' REPORT

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS (CONT'D)

Name of Director	Number of Warrants			Balance at 31.12.2018
	Balance at 1.1.2018	Bought	Sold	
Tan Sri Datuk Dr. Yusof Bin Basiran				
- Indirect <sup>(a)</sup>	133,333	-	-	133,333
Datuk Lim Chai Beng				
- Direct	29,600,575	-	-	29,600,575
- Indirect <sup>(a)</sup>	729,165	-	-	729,165
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah				
- Direct	560,000	-	-	560,000
Mak Chee Meng				
- Direct	2,479,443	-	-	2,479,443
Lim Chai Huat				
- Direct	3,695,000	-	-	3,695,000
Lim Zee Ping				
- Direct	280,666	-	-	280,666

(a) *Deemed interest by virtue of shares held by family members (who are not directors of the Company)*

By virtue of his interest in shares in the Company, Datuk Lim Chai Beng is deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to 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 of the Company 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 those 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 was 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

## DIRECTORS' REPORT

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### 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 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 7 to the financial statements.

### AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), 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 26 APRIL 2019

**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, do hereby state that in the opinion of the directors, the financial statements set out on pages 83 to 151 give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 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.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 26 APRIL 2019**

**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 83 to 151 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 provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
Tan Hock Yew at Klang in the state of  
Selangor Darul Ehsan on this 26 April 2019

**Tan Hock Yew**

Before me

# 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 2018 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 83 to 151.

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 2018, 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*

As disclosed in Note 8 and Note 9 to the financial statements, the audited financial statements and auditors' report of the said associates and joint venture 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 2018. The Group's investments in associates and joint venture amounting to RM104,574,000 and RM22,917,000 respectively as at 31 December 2018, and the Group's share of results of the associates and joint venture for the financial year ended 31 December 2018 amounting to RM812,000 and RM4,102,000 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 financial information of the unaudited management accounts of the associates and joint venture and the effects, if any, on the financial position and results of the Group as at 31 December 2018 or on its financial performance and cash flows for the financial year then ended.

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.

### *Emphasis of Matter*

We draw attention to Note 36 of the financial statements, which describes the effects of uncertainty relating to the future outcome of an on-going litigation involving a foreign subsidiary. Our opinion is not modified in respect of this matter.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## *Independence and Other Ethical Responsibilities*

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

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of 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.

<i>Key Audit Matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of goodwill (Refer to Notes 3 and 6 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>



# 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>Impairment of investments in associates (Refer to Notes 3 and 8 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>
<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 assumptions, 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 inventories write-downs; and</li> <li>• how the Group ascertains the accounting estimates for inventories 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 items.</li> <li>• Making inquiries of management regarding the action plans to clear slow moving 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>

# 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>Impairment of receivables (Refer to Notes 3 and 10 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 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>
<p><u>Construction contracts (Refer to Notes 3 and 15 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 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>

# 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>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.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will 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 investment in associates and joint venture as at 31 December 2018 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## *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.

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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## 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 7 to the financial statements.

## Other Matters

- (i) As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the financial year then ended.
- (ii) 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 (LLP0018817-LCA)**

Firm No : AF 1018  
Chartered Accountants

26 April 2019

Kuala Lumpur

**Ong Beng Chooi**

Approval No : 03155/05/2019 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
<b>ASSETS</b>							
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	4	348,903	274,255	282,486	1,407	945	1,073
Land use rights	5	70,397	68,424	67,641	-	-	-
Goodwill on consolidation	6	16,341	16,341	16,341	-	-	-
Investments in subsidiaries	7	-	-	-	35,443	35,443	35,443
Investments in associates	8	104,574	109,333	97,237	49,430	49,430	49,430
Investments in joint venture	9	22,917	27,019	26,264	20,187	20,187	20,187
Investments in club memberships, at cost		471	471	471	-	-	-
Receivables	10	-	-	-	-	-	126,143
Other investments	11	30,546	19,987	9,032	-	-	-
Deferred tax assets	12	987	1,065	786	-	-	-
		<u>595,136</u>	<u>516,895</u>	<u>500,258</u>	<u>106,467</u>	<u>106,005</u>	<u>232,276</u>
<b>CURRENT ASSETS</b>							
Inventories	13	30,020	33,050	32,144	-	-	-
Produce growing on bearer plants	14	1,916	1,447	468	-	-	-
Receivables	9	270,027	153,447	181,528	371,089	367,795	253,917
Contract assets	15	71,276	134,357	59,292	-	-	-
Other investments	11	3,803	26,604	33,820	3,803	26,604	33,820
Prepayments		1,080	1,001	5,750	10	10	10
Current tax assets		13,105	2,191	1,986	137	37	106
Cash and cash equivalents	16	112,172	134,445	164,663	1,363	892	836
		<u>503,399</u>	<u>486,542</u>	<u>479,651</u>	<u>376,402</u>	<u>395,338</u>	<u>288,689</u>
Asset held for sale	17	-	-	40,939	-	-	-
<b>TOTAL ASSETS</b>		<u>1,098,535</u>	<u>1,003,437</u>	<u>1,020,848</u>	<u>482,869</u>	<u>501,343</u>	<u>520,965</u>

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



# STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	271,044	271,044	269,124	271,044	271,044	269,124
Treasury shares	(49,863)	(37,791)	(35,100)	(49,863)	(37,791)	(35,100)
Reserves	515,219	491,196	491,044	76,055	103,334	108,343
Equity attributable to owners of the Company	736,400	724,449	725,068	297,236	336,587	342,367
Non-controlling interests	75,195	61,239	48,489	-	-	-
<b>TOTAL EQUITY</b>	<b>811,595</b>	<b>785,688</b>	<b>773,557</b>	<b>297,236</b>	<b>336,587</b>	<b>342,367</b>
<b>NON-CURRENT LIABILITIES</b>						
Loans and borrowings	96,932	17,477	12,873	163	250	350
Retirement benefits	4,982	5,228	3,620	-	-	-
Deferred tax liabilities	729	267	715	-	-	-
	102,643	22,972	17,208	163	250	350
<b>CURRENT LIABILITIES</b>						
Payables	102,606	92,581	124,601	166,339	129,581	149,340
Dividend payable	-	15,683	15,724	-	15,683	15,724
Loans and borrowings	29,754	49,790	19,099	19,131	19,242	13,184
Contract liabilities	45,110	30,591	59,889	-	-	-
Provision for warranty obligations	-	4,269	5,572	-	-	-
Current tax liabilities	6,827	1,863	5,198	-	-	-
	184,297	194,777	230,083	185,470	164,506	178,248
<b>TOTAL LIABILITIES</b>	<b>286,940</b>	<b>217,749</b>	<b>247,291</b>	<b>185,633</b>	<b>164,756</b>	<b>178,598</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,098,535</b>	<b>1,003,437</b>	<b>1,020,848</b>	<b>482,869</b>	<b>501,343</b>	<b>520,965</b>

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	24	478,086	704,058	2,500	61,015
Cost of sales		(334,788)	(556,842)	-	-
Gross profit		143,298	147,216	2,500	61,015
Other income		28,100	20,798	759	5,090
Administrative and other operating expenses		(73,282)	(80,235)	(19,018)	(36,808)
Finance costs		(4,650)	(2,324)	(1,121)	(941)
Share of (loss)/profit of joint venture		(4,102)	755	-	-
Share of (loss)/profit of associates		(812)	12,096	-	-
Profit/(Loss) before tax	25	88,552	98,306	(16,880)	28,356
Tax (expense)/income	27	(30,046)	(32,017)	53	(64)
Profit/(Loss) for the financial year		58,506	66,289	(16,827)	28,292
Other comprehensive income/(loss):-					
<i>Items that will not be reclassified to profit or loss:</i>					
- Re-measurements of defined benefit liability		1,061	(819)	-	-
- Deferred tax effects thereof		(265)	201	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
- Currency translation differences for foreign operations		(7,429)	(16,867)	-	-
- Reclassification adjustments on disposal of foreign operations		-	(655)	-	-
		(6,633)	(18,140)	-	-
		51,873	48,149	(16,827)	28,292
Profit/(Loss) attributable to:					
- Owners of the Company		41,282	52,046	(16,827)	28,292
- Non-controlling interests		17,224	14,243	-	-
		58,506	66,289	(16,827)	28,292
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		34,475	33,833	(16,827)	28,292
- Non-controlling interests		17,398	14,316	-	-
		51,873	48,149	(16,827)	28,292
Earning per share:	28				
- Basic (sen)		7.80	9.80		
- Diluted (sen)		7.80	9.80		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Non-distributable					Distributable			Equity	
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000	
Balance at 1 January 2017, as previously reported	269,124	(35,100)	1,920	(89)	10,739	478,176	724,770	48,436	773,206	
Effects of transition from FRSs to MFRSs (Note 2.2)	-	-	-	-	-	298	298	53	351	
Balance at 1 January 2017, as restated	269,124	(35,100)	1,920	(89)	10,739	478,474	725,068	48,489	773,557	
Re-measurements of defined benefit liability	-	-	-	-	-	(729)	(729)	(90)	(819)	
Deferred tax effects thereof	-	-	-	-	-	179	179	22	201	
Reclassification adjustments on disposal of foreign operations	-	-	-	-	(616)	-	(616)	(39)	(655)	
Currency translation differences for a foreign operation	-	-	-	-	(16,957)	-	(16,957)	192	(16,765)	
Other comprehensive (loss)/income for the financial year	-	-	-	-	(17,573)	(550)	(18,123)	85	(18,038)	
Profit for the financial year	-	-	-	-	-	51,409	51,409	14,186	65,595	
Total comprehensive (loss)/income for the financial year	-	-	-	-	(17,573)	50,859	33,286	14,271	47,557	
Purchase of own shares	-	(2,691)	-	-	-	-	(2,691)	-	(2,691)	
Transfer from share premium	1,920	-	(1,920)	-	-	-	-	-	-	
Dividends to owners of Company (Note 29)	-	-	-	-	-	(31,381)	(31,381)	-	(31,381)	
Loss of control of subsidiaries	-	-	-	-	-	493	493	(566)	(73)	
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,010)	(1,010)	
Total transactions with owner	1,920	(2,691)	(1,920)	-	-	(30,888)	(33,579)	(1,576)	(35,155)	
Balance at 31 December 2017	271,044	(37,791)	-	(89)	(6,834)	498,445	724,775	61,184	785,959	
Effects of transition from FRSs to MFRSs (Note 2.2)	-	-	-	-	(90)	738	648	61	709	
Balance at 31 December 2017, as restated	271,044	(37,791)	-	(89)	(6,924)	499,183	725,423	61,245	786,668	

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Non-distributable			Distributable			Equity		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	
Group									
Balance at 1 January 2018	271,044	(37,791)	-	(89)	(6,924)	499,183	725,423	61,245	786,668
- Brought forward from preceding year	-	-	-	89	-	(1,063)	(974)	(6)	(980)
- Changes in accounting policies (Note 2.2)	-	-	-	-	-	-	-	-	-
- Adjusted	271,044	(37,791)	-	-	(6,924)	498,120	724,449	61,239	785,688
Re-measurements 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
Total comprehensive (loss)/income for the financial year	-	-	-	-	(7,533)	42,008	34,475	17,398	51,873
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)	529,676	736,400	75,195	811,595

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Share capital RM'000	Treasury shares RM'000	Non-	Distributable	Total equity RM'000
			distributable		
			Share premium RM'000	Retained profits RM'000	
Balance at 1 January 2017	269,124	(35,100)	1,920	106,423	342,367
Profit (representing total comprehensive income) for the financial year	-	-	-	28,292	28,292
Purchase of own shares	-	(2,691)	-	-	(2,691)
Transfer from share premium upon abolition	1,920	-	(1,920)	-	-
Dividends (Note 29)	-	-	-	(31,381)	(31,381)
Total transactions with owner	1,920	(2,691)	(1,920)	(31,381)	(34,072)
Balance at 31 December 2017	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 owner	-	(12,072)	-	(10,452)	(22,524)
Balance at 31 December 2018	271,044	(49,863)	-	76,055	297,236

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(FOR)					
OPERATING ACTIVITIES					
Profit/(Loss) before tax		88,552	98,306	(16,880)	28,356
Adjustments for:-					
Bad debts written off		5	-	-	-
Deposit forfeited		50	-	-	-
Depreciation		10,490	10,162	129	128
Dividend income		(2,567)	(1,588)	(2,455)	(60,970)
Fair values changes in biological assets		(547)	(1,081)	-	-
Fair values loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss		2,180	(2,784)	2,180	(2,784)
(Gain)/Loss on disposal of property, plant and equipment		(2,171)	409	-	-
Gain upon loss of control of subsidiaries		-	(493)	-	-
Reversal of impairment loss on receivables		(4,798)	(7,032)	-	-
Impairment loss on investment in an associate		3,946	-	-	-
Impairment loss on receivables		8,880	8,827	-	-
Increase in liabilities for defined benefit plan		1,051	1,263	-	-
Interest expense		8,226	1,904	1,118	929
Interest income		2,197	(2,674)	(14)	(593)
Inventories written down		350	-	-	-
Property, plant and equipment written off		244	66	-	-
Reversal of inventories written down		(25)	(53)	-	-
Reversal of provision for warranty obligations		(4,195)	-	-	-
Share of loss/(profit) of associates		812	(12,096)	-	-
Share of loss/(profit) of joint venture		4,102	(755)	-	-
Unrealised loss on foreign exchange		8,937	20,831	14,207	33,232
Operating profit/(loss) before working capital changes		125,719	113,212	(1,715)	(1,702)
Changes in:-					
Contract asset/ liabilities		77,600	(104,363)	-	-
Inventories		2,705	(853)	-	-
Receivables and prepayments		(123,873)	40,447	1,683	(42)
Payables and provision		10,131	(10,924)	19	(926)
Cash from/(for) operations		92,282	37,519	(13)	(2,670)
Interest paid		(3,430)	(1,904)	(1,118)	(929)
Tax (paid)/refunded		(35,743)	(36,088)	(47)	5
Net cash from/(for) operating activities and balance carried forward		53,109	(473)	(1,178)	(3,594)

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Balance brought forward		53,109	(473)	(1,178)	(3,594)
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>					
Acquisition of additional equity interests in a subsidiary		(887)	-	-	-
Additions of land use rights		(5,185)	(8,069)	-	-
Advances to a related party		(4,536)	-	(600)	-
Advances to subsidiaries		-	-	(20,443)	(39,758)
Changes in term deposits pledged as security		6,522	560	-	-
Dividends received		1,185	1,588	2,455	60,970
Interest received		(2,197)	2,674	14	593
Purchase of property, plant and equipment	30	(101,121)	(59,706)	(591)	-
Purchase of unquoted investments		(15,600)	(7,244)	-	-
Proceeds from disposal of property, plant and equipment		7,962	3,190	-	-
Proceeds from disposal of quoted investments		20,621	10,000	20,621	10,000
Proceeds from disposal of subsidiaries		-	13,929	-	-
Proceeds from disposal of unquoted investments		245	-	-	-
Net cash (for)/from investing activities		(92,991)	(43,078)	1,456	31,805
<b>CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES</b>					
Advances from related parties		-	5	-	-
Advances from subsidiaries		-	-	11,692	-
Dividends paid to non-controlling interests		(2,555)	(1,010)	-	-
Dividends paid to owners of the Company		(26,135)	(31,422)	(1,000)	(31,422)
Drawdown of term loans	30	82,648	7,200	-	-
Net (decrease)/increase in short-term loans and borrowings	30	(21,349)	29,831	(101)	6,058
Purchase of treasury shares		(12,072)	(2,691)	(10,301)	(2,691)
Repayment of loans and borrowings	30	(3,726)	(2,657)	(97)	(100)
Repayment to directors		-	1	-	-
Repayment to related parties		(150)	-	-	-
Net cash from/(for) financing activities		16,661	(743)	193	(28,155)
Net (decrease)/increase in cash and cash equivalents		(23,221)	(44,294)	471	56
Cash and cash equivalents brought forward		112,282	142,482	892	836
Currency translation differences		6,413	14,094	-	-
Cash and cash equivalents carried forward	16	95,474	112,282	1,363	892

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan.

The principal activities of the Company are those of investment holding and providing management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 7.

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 26 April 2019.

## 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.

These are the first MFRS financial statements of the Group and Company, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The Group and the Company adopted MFRSs on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2017 and related disclosures. The Group and the Company prepared their previous financial statements in accordance with Financial Reporting Standards ("FRSs"). The effects of transition from FRSs to MFRSs are disclosed in Note 2.2.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
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 11 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 Transition to MFRSs

The effects of transition from FRSs to MFRSs on the reported financial position and financial performance are as follows:-

	FRSs RM'000	Effects of transition RM'000	MFRSs RM'000
<u>Consolidated Statements of Financial Position</u> as at 1 January 2017 (Extract)			
Produce growing on bearer plants	-	468	468
Deferred tax assets	903	(117)	786
Non controlling interests	48,436	53	48,489
Retained profits	478,176	298	478,474
Total equity	<u>773,206</u>	<u>351</u>	<u>773,557</u>
<u>Consolidated Statements of Financial Position</u> as at 31 December 2017 (Extract)			
Produce growing on bearer plants	-	1,447	1,447
Deferred tax assets	1,452	(387)	1,065
Currency translation reserve	6,834	90	6,924
Non controlling interests	61,131	114	61,245
Retained profits	498,147	1,036	499,183
Total equity	<u>785,608</u>	<u>1,060</u>	<u>786,668</u>
<u>Consolidated Statements of Comprehensive Income</u> for the financial year ended 31 December 2017 (Extract)			
Other income	19,717	1,081	20,798
Tax expense	31,630	387	32,017
Total comprehensive income	<u>47,557</u>	<u>592</u>	<u>48,149</u>

Under FRSs, produce growing on bearer plants were not recognised. Upon transition to MFRSs, the Company applied MFRS 141 *Agriculture* which requires the produce growing on bearer plants to be recognised and measured at fair value less costs of disposal. The fair values less costs of disposal as at 1 January 2017 and 31 December 2017 were determined to be RM468,000 and RM1,447,000 respectively, with a net increase in other income of RM1,081,000 during the financial year ended 31 December 2017. Tax effect at 25% applied.

The transition from FRSs to MFRSs did not have any significant impacts on the reported cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.2 Transition to MFRSs (Cont'd)

#### Application of MFRS 9 *Financial Instruments*

Upon transition to MFRSs, the Group and the Company elected to apply the new requirements of MFRS 9 *Financial Instruments* from 1 January 2018 with the following cumulative effects of initial application recognised at that date without restating the comparative information presented under FRS 139 *Financial Instruments: Recognition and Measurement*:-

		Brought forward from preceding year RM'000	Changes in accounting policies RM'000	Adjusted RM'000
<u>Consolidated Statements of Financial Position</u> <u>as at 1 January 2018 (Extract)</u>				
Receivables	(i)	154,427	(980)	153,447
Fair value reserve	(ii)	89	(89)	-
Non controlling interests	(i)(ii)	61,245	(6)	61,239
Retained profits	(i)(ii)	499,183	(1,063)	498,120
Total equity	(i)(ii)	<u>786,668</u>	<u>(980)</u>	<u>785,688</u>

- (i) Prior to 1 January 2018, impairment losses on receivables were recognised when there was objective evidence of impairment in accordance with FRS 139. Upon application of MFRS 9, expected credit losses are recognised for contract assets and receivables using reasonable and supportable historical and forward-looking information even before a loss event occur. Accordingly, the additional loss allowance as at 1 January 2018 and the related tax effect have been adjusted to receivables and retained profits.
- (ii) Prior to 1 January 2018, all quoted investments in equity instruments were classified under "available-for-sale financial assets" category and measured at fair value through other comprehensive income in accordance with FRS 139. Upon application of MFRS 9, the investments are measured at fair value through profit or loss. Accordingly, the fair value reserve as at 1 January 2018 has been adjusted to retained profits.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 acquirer.
- (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 2018

## 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. Leasehold land is depreciated on a straight-line basis over the lease terms of 81 to 99 years. 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

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. The land use rights are amortised on a straight-line basis over their lease terms.

### 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.

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 carrying amount of the investment is subject to further impairment assessment. The impairment policy is disclosed in Note 2.9.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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 Investment in Joint Venture

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, investment in joint venture is 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 carrying amount of the investment is subject to further impairment assessment. The impairment policy is disclosed in Note 2.9.

In the separate financial statements of the Company, investment in joint venture is 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 2018

## 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 Asset 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 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. 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.

#### 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.

Prior to 1 January 2018, all investments in equity instruments were classified under "available-for-sale financial assets" category and measured at either fair value through other comprehensive income (for quoted investments) or cost (for unquoted investments) in accordance with FRS 139 *Financial Instruments: Recognition and Measurement*.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.13 Financial Assets (Cont'd)

#### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 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 becomes 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.

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

#### Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is 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 are 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 is consistent with that for equivalent owned assets.

#### Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 required 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 2018

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

### 2.18 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

### 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

#### Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term 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 its 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.
- (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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

#### 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 Group and 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 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 are 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### 2.24 Income Taxes (Cont'd)

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 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.

## 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 6.

#### Impairment of investments in associates

When the recoverable amounts of investments in associates are determined based on its value in use, 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 amounts of investments in associates subject to impairment assessment are disclosed in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### Sources of Estimation Uncertainty

#### 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 15.

#### Impairment of receivables

The Group recognises loss allowance for expected credit losses on 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 receivables as disclosed in Note 10.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	At		Disposals/ Write-offs	Reclassification	Depreciation	Currency translation differences	At	
	1.1.2018	Additions					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	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 2018

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

Group	At 1.1.2017		Additions	Disposals/ Write-offs	Reclassification	Depreciation	Currency translation differences	At 31.12.2017	
	RM'000	RM'000						RM'000	RM'000
<u>Carrying Amount</u>	30,702	2,667	-	-	370	(18)	-	33,721	
Freehold land and buildings	7,279	-	-	-	-	(128)	-	7,151	
Long leasehold land	44,561	7,308	-	-	1,820	(1,740)	(581)	51,368	
Buildings	14,273	5,260	(118)	83	83	(2,650)	(1,125)	15,723	
Factory equipment and machinery	2,160	359	(7)	87	87	(504)	(30)	2,065	
Furniture, fittings and office equipment	7,579	2,090	(487)	-	-	(1,938)	(363)	6,881	
Motor vehicles	1,986	175	(2)	-	-	(488)	-	1,671	
Renovation	2,911	3,020	(120)	(2,360)	-	-	(443)	3,008	
Capital work-in-progress	171,035	39,748	(2,931)	(30,931)	(30,931)	(2,696)	(21,558)	152,667	
Bearer plants	282,486	60,627	(3,665)	(30,931)	(30,931)	(10,162)	(24,100)	274,255	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Group	At cost	Accumulated	Carrying
	RM'000	depreciation RM'000	amount RM'000
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
	<b>399,651</b>	<b>(50,748)</b>	<b>348,903</b>
At 31.12.2017			
Freehold land and buildings	33,769	(48)	33,721
Long leasehold land	7,849	(698)	7,151
Buildings	59,380	(8,012)	51,368
Factory equipment and machinery	27,374	(11,651)	15,723
Furniture, fittings and office equipment	5,149	(3,084)	2,065
Motor vehicles	15,899	(9,018)	6,881
Renovation	3,651	(1,980)	1,671
Capital work-in-progress	3,008	-	3,008
Bearer plants	160,290	(7,623)	152,667
	<b>316,369</b>	<b>(42,114)</b>	<b>274,255</b>
At 1.1.2017			
Freehold land and buildings	30,732	(30)	30,702
Long leasehold land	7,849	(570)	7,279
Buildings	51,183	(6,622)	44,561
Factory equipment and machinery	31,033	(16,760)	14,273
Furniture, fittings and office equipment	7,228	(5,068)	2,160
Motor vehicles	15,779	(8,200)	7,579
Renovation	3,948	(1,962)	1,986
Capital work-in-progress	2,911	-	2,911
Bearer plants	176,673	(5,638)	171,035
	<b>327,336</b>	<b>(44,850)</b>	<b>282,486</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Company	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>

	At 1.1.2017 RM'000	Depreciation RM'000	At 31.12.2017 RM'000
<u>Carrying Amount</u>			
Buildings	592	(7)	585
Furniture, fittings and office equipment	6	(3)	3
Motor vehicles	475	(118)	357
	<u>1,073</u>	<u>(128)</u>	<u>945</u>

Company	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
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>
At 31.12.2017			
Buildings	655	(70)	585
Furniture, fittings and office equipment	195	(192)	3
Motor vehicles	1,029	(672)	357
Renovation	299	(299)	-
	<u>2,178</u>	<u>(1,233)</u>	<u>945</u>
At 1.1.2017			
Buildings	655	(63)	592
Furniture, fittings and office equipment	195	(189)	6
Motor vehicles	1,029	(554)	475
Renovation	299	(299)	-
	<u>2,178</u>	<u>(1,105)</u>	<u>1,073</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The carrying amounts of plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Motor vehicles	567	446	912	238	357	587
Plant and machinery	677	980	-	-	-	-

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

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Freehold land and building	14,740	12,073	12,073
Buildings	24,745	19,910	20,350

## 5. LAND USE RIGHTS

	Group	
	2018 RM'000	2017 RM'000
At 1 January	68,424	67,641
Additions	5,185	8,069
Exchange differences	(3,212)	(7,286)
At 31 December	70,397	68,424

The land use rights represent the payment of premium for obtaining the Right to Cultivate i.e. Hak Guna Usaha ("HGU") of the estate lands from the Indonesian authorities.

The HGU are yet to be issued by the Indonesian authorities. Accordingly, no amortisation are recognised during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6. GOODWILL ON CONSOLIDATION

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

	Group	
	2018 RM'000	2017 RM'000
At 1 January/31 December:-		
Plantation and milling segment:		
- PT Berkala Maju Bersama	7,975	7,975
- PT Jaya Jadi Utama	6,013	6,013
- PT Sawit Lamandau Raya	1,277	1,277
	<u>15,265</u>	<u>15,265</u>
Equipment and engineering segment:		
- Advance Boiler Sdn. Bhd.	1,059	1,059
- Magview Machinery Sdn. Bhd.	17	17
	<u>1,076</u>	<u>1,076</u>
	<u>16,341</u>	<u>16,341</u>

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the cash generating unit ("CGU"). The recoverable amount of 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 19 years (estimated 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 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.

Barring any unforeseen circumstances, management believes that no reasonably possible change in the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

## 7. INVESTMENTS IN SUBSIDIARIES

	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares, at cost	<u>35,443</u>	<u>35,443</u>	<u>35,443</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7. 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 Activities
		31.12.2018 %	31.12.2017 %	1.1.2017 %	
Modipalm Engineering Sdn. Bhd. ("MESB")	Malaysia	100	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	51	Retrofitting special purpose vehicles.
Advance Boilers Sdn. Bhd.	Malaysia	100	100	100	Manufacturing and servicing boilers.
PalmitEco Engineering Sdn. Bhd.	Malaysia	100	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	80	Trading in palm oil mill processing equipment
Admiral Potential Sdn. Bhd.	Malaysia	100	100	100	Investment holding.
AV-Ecopalms Sdn. Bhd. ("AVESB")	Malaysia	100	100	100	Investment holding.
Accent Hectares Sdn. Bhd. ("AHSB")	Malaysia	100	100	100	Investment holding.
Benar Optima Sdn. Bhd. ("BOSB")	Malaysia	100	100	100	Investment holding.
C.B. Industrial Product Sdn. Bhd. ("CBIPSB")	Malaysia	100	100	100	Investment holding.
Great Enchant Sdn. Bhd.	Malaysia	100	100	100	Investment holding.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7. 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 Activities
		31.12.2018 %	31.12.2017 %	1.1.2017 %	
C.B. Industrial Product Sdn. Bhd. ("CBIPSB")	Malaysia	100	100	100	Investment holding.
Great Enchant Sdn. Bhd.	Malaysia	100	100	100	Investment holding.
Midas Portfolio Sdn. Bhd. ("MPSB")	Malaysia	100	100	100	Investment holding.
Steam-Mech Engineering Sdn. Bhd. ("SMESB")	Malaysia	100	100	100	Investment holding.
Magview Machinery Sdn. Bhd.	Malaysia	71	71	71	Constructing mills, factories, buildings, composting effluent plants and contracting works.
Palmito Process Engineering Sdn. Bhd.	Malaysia	100	100	100	Inactive.
TPG Oil & Gas Sdn. Bhd. ("TPGSB")	Malaysia	80	49	49	Providing support and supplies for oil and gas industry.
Modipalm Engineering Solution Sdn. Bhd.	Malaysia	70	N/A	N/A	To providing technical and other services for palm oil and related industries.
<u>Subsidiaries of CBIPSB</u>					
PT CB Polaindo <sup>(a)</sup>	Indonesia	95	95	95	Providing engineering support and contracting works for palm oil mills.
CBIP (PNG) Limited <sup>(a)</sup>	Papua New Guinea	100	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	N/A	Supply and sale spare parts for palm oil mills.
<u>Subsidiaries of AVPSB</u>					
TPG Aeronautik Sdn. Bhd.	Malaysia	49	39.2	39.2	Design, fabricate, supply, procure, maintain and service aviation related equipment.
AVP EMDigital (M) Sdn. Bhd.	Malaysia	29.4	29.4	29.4	Inactive.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The details of the subsidiaries are as follows:-

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

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Equity Interest			Principal Activities
		31.12.2018	31.12.2017	1.1.2017	
<u>Subsidiary of SMESB</u>					
PT Sawit Lamandau Raya <sup>(a)</sup>	Indonesia	85	85	85	Cultivation of oil palm.
<u>Subsidiary of APSB</u>					
PT Jaya Jadi Utama <sup>(a)</sup>	Indonesia	94	94	94	Cultivation of oil palm.
<u>Subsidiary of AVESB</u>					
PT Berkala Maju Bersama <sup>(a)</sup>	Indonesia	94	94	94	Cultivation of oil palm.
PT CBI Ecopalms Group <sup>(a)</sup>	Indonesia	95	95	95	Inactive
<u>Subsidiary of MPSB</u>					
PT Gumas Alam Subur ("PTGAS")	Indonesia	20	20	94	Cultivation of oil palm.
<u>Subsidiary of AHSB</u>					
PT Kurun Sumber Rezeki ("PTKSR")	Indonesia	20	20	94	Cultivation of oil palm.
<u>Subsidiary of BOSB</u>					
PT Manyangan Jaya ("PTMJ")	Indonesia	20	20	94	Cultivation of oil palm.

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

<sup>(b)</sup> 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 widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.

### Acquisition of subsidiaries

During the financial year,

The Group, through AVPSB, acquired additional 20% equity interests in TPG Aeronautik Sdn. Bhd. ("TPGA") for cash consideration of RM100,000. Accordingly, TPGA became a wholly-owned subsidiary of AVPSB.

The Company acquired 70% equity interests in Modipalm Engineering Solutions Sdn. Bhd. for cash consideration of RM70.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

### Acquisition of subsidiaries (Cont'd)

The Company acquired 31% equity interests in TPG Oil & Gas Sdn. Bhd. for cash consideration of RM15,500.

The abovementioned acquisitions did not have any significant impacts on the financial statements.

## 8. INVESTMENTS IN ASSOCIATES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares, at cost	49,430	49,430	49,430	49,430	49,430	49,430
Share of post-acquisition changes in net assets	59,090	59,903	47,807	-	-	-
Impairment loss	(3,946)	-	-	-	-	-
	<u>104,574</u>	<u>109,333</u>	<u>97,237</u>	<u>49,430</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 Activities
		31.12.2018 %	31.12.2017 %	1.1.2017 %	
Bahtera Bahagia Sdn. Bhd. ("BBSB") <sup>(a)(b)</sup>	Malaysia	30	30	30	Cultivation of oil palm.
Kumpulan Kris Jati Sdn. Bhd. ("KKJSB") <sup>(a)(b)</sup>	Malaysia	30	30	30	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 associates are not available.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

Group	31.12.2018 <sup>(a)</sup>			31.12.2017	1.1.2017
	BBSB RM'000	KKJSB RM'000	Total RM'000	Total RM'000	Total RM'000
Non-current assets	21,193	196,479	217,672	224,982	228,577
Current assets	119,924	77,807	197,731	146,155	103,692
Non-current liabilities	(6,377)	(102,615)	(108,992)	(86,360)	(90,103)
Current liabilities	(9,609)	(110,322)	(119,931)	(95,589)	(83,297)
Net assets	125,131	61,349	186,480	189,188	158,869
Revenue	33,202	163,321	196,523	230,237	97,037
Profit/(Loss) (representing total comprehensive income/(loss))	13,718	(16,426)	(2,708)	40,319	21,743

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

Group	31.12.2018 <sup>(a)</sup>			31.12.2017	1.1.2017
	BBSB RM'000	KKJSB RM'000	Total RM'000	Total RM'000	Total RM'000
Net assets	125,131	61,349	186,480	189,188	148,869
Effective ownership interest	30%	30%	30%	30%	30%
Share of net assets	37,539	18,405	55,944	56,757	44,661
Goodwill	25,642	26,934	52,576	52,576	52,576
Impairment losses	(3,946)	-	(3,946)	-	-
Carrying amount	59,235	45,339	104,574	109,333	97,237

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

## 9. INVESTMENT IN JOINT VENTURE

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares, at cost	20,187	20,187	20,187	20,187	20,187	20,187
Share of post-acquisition changes in net assets	2,730	6,832	6,077	-	-	-
	22,917	27,019	26,264	20,187	20,187	20,187

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9. INVESTMENT IN JOINT VENTURE (CONT'D)

The details of the joint venture are as follows:-

Name of Joint Venture	Principal Place of Business/ Country of Incorporation	Effective Equity Interest			Principal Activities
		31.12.2018 %	31.12.2017 %	1.1.2017 %	
Pride Palm Oil Mill Sdn. Bhd. ("PPOM") <sup>(a)(b)</sup>	Malaysia	50	50	50	Investment holding.
<u>Subsidiary of PPOM</u>					
Solar Green Sdn. Bhd. <sup>(a)(b)</sup>	Malaysia	50	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 venture are not available.

The summarised financial information of the joint venture is as follows:-

Group	PPOM and Subsidiary		
	31.12.2018 <sup>(a)</sup> RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current assets	80,478	85,738	86,889
Current assets	4,296	5,316	27,593
Cash and cash equivalents	2,612	2,878	15,870
Non-current liabilities	745	(17)	(6,250)
Current financial liabilities	-	-	(44,162)
Current liabilities	(36,960)	(34,273)	(52,978)
Net assets	48,559	56,764	55,254
Revenue	21,330	36,681	83,178
Depreciation and amortisation	6,433	5,925	6,125
Interest income	-	-	6
Interest expense	1,476	1,903	2,475
Income tax (income)/expense	(745)	19	1,277
(Loss)/Profit (representing total comprehensive (loss)/income)	(8,204)	1,510	4,987

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9. INVESTMENT IN JOINT VENTURE (CONT'D)

The reconciliation of the above summarised financial information to the carrying amount of the investment in joint venture is as follows:-

Group	PPOM and Subsidiary		
	31.12.2018 <sup>(a)</sup> RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Net assets	48,559	56,764	55,254
Effective ownership interest	50%	50%	50%
Share of net assets	24,280	28,382	27,627
Gain on bargain purchase	(1,363)	(1,363)	(1,363)
Carrying amount	22,917	27,019	26,264

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

## 10. RECEIVABLES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
<u>Non-current assets</u>						
- Amount due by subsidiaries	-	-	-	-	-	126,143
<u>Current assets</u>						
Trade receivables:						
- Related party <sup>(a)</sup>	6,725	2,141	11,990	-	-	-
- Unrelated parties	168,378	104,609	152,717	-	-	-
- Loss allowance	(21,226)	(16,179)	(16,121)	-	-	-
	147,152	88,430	136,596	-	-	-
	153,877	90,571	148,586	-	-	-
Other receivables:						
- Subsidiaries	-	-	-	367,163	362,786	248,950
- Related party <sup>(a)</sup>	4,537	1	-	600	-	-
- Unrelated parties	77,897	47,303	49,281	3,326	5,009	4,967
- Loss allowance	(16,339)	(16,339)	(16,339)	-	-	-
	61,558	30,964	32,942	3,326	5,009	4,967
	66,095	30,965	32,942	371,089	367,795	253,917
Dividend receivable	1,382	-	-	-	-	-
Plasma receivables	48,673	31,911	-	-	-	-
	270,027	153,447	181,528	371,089	367,795	253,917
Total receivables	270,027	153,447	181,528	371,089	367,795	380,060

<sup>(a)</sup> Being a company in which a director has substantial financial interest.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10. RECEIVABLES (CONT'D)

The currency profile of receivables is as follows:-

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Euro	719	1,103	1,179	-	-	-
Guatemalan Quetzal	268	44	-	-	-	-
Indonesian Rupiah	74,279	53,477	32,332	284,515	299,744	180,621
Kina	11,669	6,744	7,675	-	-	-
Ringgit Malaysia	142,799	68,967	57,889	86,574	68,051	199,439
United States Dollar	40,293	23,112	82,453	-	-	-
	<u>270,027</u>	<u>153,447</u>	<u>181,528</u>	<u>371,089</u>	<u>367,795</u>	<u>380,060</u>

### Trade Receivables

Included in trade receivables are retention sums for contract work totaling RM29,296,000 (31.12.2017 - RM28,562,000; 1.1.2017 - RM36,999,000).

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2018, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. The credit risk concentration profile by geographical areas of trade receivables (stated at gross) is as follows:-

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Africa	2,428	7,496	1,425
Central America	4,922	3,247	20,774
Indonesia	63,139	38,965	55,565
Malaysia	73,193	26,859	46,917
Papua New Guinea	28,009	25,965	25,401
South America	-	-	12,503
Others	3,412	4,218	2,122
	<u>175,103</u>	<u>106,750</u>	<u>164,707</u>

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 days terms.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10. RECEIVABLES (CONT'D)

### Trade Receivables (Cont'd)

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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Not past due	42,768	54,531	67,827
Past due 1 to 30 days	22,396	11,059	30,567
Past due 31 to 90 days	38,065	9,178	8,808
Past due more than 90 days	71,874	31,982	57,505
	<u>175,103</u>	<u>106,750</u>	<u>164,707</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.

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 Company's provision matrix. As the Company'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 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 1 January 2018						
Gross carrying amount	54,531	11,059	9,094	15,887	16,179	106,750
Average credit loss rate	0.16%	0.99%	1.13%	4.27%	100%	16.07%
Loss allowance	89	109	103	679	16,179	17,159
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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10. RECEIVABLES (CONT'D)

### Trade Receivables (Cont'd)

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 loss allowance are as follows:-

	Group	
	2018 RM'000	2017 RM'000
Balance at 1 January:		
- Brought forward from preceding year under FRS 139	16,179	16,121
- Effect of applying MFRS 9	980	-
- Adjusted	17,159	16,121
Addition during the financial year	8,880	8,827
Reversal during the financial year	(4,798)	(7,032)
Write-offs	(15)	(1,737)
Balance at 31 December	21,226	16,179

### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amount owing by other related and unrelated parties mainly consist of advances which have no fixed repayment terms.

### 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 subsidiary in Indonesia participated in several plasma cooperative programs for the development and cultivation of oil palm lands for the local communities. The Group's subsidiary manages the plasma plantation activities and purchases the plantation produce arising therefrom at prices determined by the Government. Advances made by the Groups' subsidiaries to the plasma schemes in the form of plantation development costs are recoverable either through bank loans obtained by the plasma cooperatives or direct repayments from the cooperatives when these plasma 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 2018

## 11. OTHER INVESTMENTS

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
Quoted investments, at fair value:						
- in Malaysia	2,285	17,409	20,195	2,253	17,377	20,163
- outside Malaysia	1,550	9,227	13,657	1,550	9,227	13,657
Unquoted investments in Malaysia:						
- at fair value	3,710	3,710	-	-	-	-
- amortised cost	26,804	16,245	9,000	-	-	-
	<u>34,349</u>	<u>46,591</u>	<u>42,852</u>	<u>3,803</u>	<u>26,604</u>	<u>33,820</u>
Disclosed as:						
- Non-current assets	30,546	19,987	9,032	-	-	-
- Current assets	3,803	26,604	33,820	3,803	26,604	33,820
	<u>34,349</u>	<u>46,591</u>	<u>42,852</u>	<u>3,803</u>	<u>26,604</u>	<u>33,820</u>

The currency profile of other investments are as follows:

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	Company 31.12.2017 RM'000	1.1.2017 RM'000
Australian Dollar	69	-	-	69	-	-
Hong Kong Dollar	88	3,587	4,550	88	3,587	4,550
Indonesia Rupiah	465	2,848	2,430	465	2,848	3,148
Philippine Peso	-	197	867	-	197	2,430
Ringgit Malaysia	32,799	37,364	29,195	2,253	17,377	20,163
Singapore Dollar	928	2,367	3,148	928	2,367	867
Thailand Baht	-	228	2,662	-	228	2,662
	<u>34,349</u>	<u>46,591</u>	<u>42,852</u>	<u>3,803</u>	<u>26,604</u>	<u>33,820</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12. DEFERRED TAX ASSETS/LIABILITIES

	Group	
	2018 RM'000	2017 RM'000
At 1 January		
- As previously reported	1,185	188
- Effects of transition from FRSs to MFRSs (Note 2.2)	(387)	(117)
- As restated	798	71
Deferred tax income/(expense) recognised in:-	-	-
- Profit or loss (Note 27)	168	280
- Other comprehensive (loss)/income	(265)	201
Deferred tax liabilities (under)/over provided in prior years	(421)	251
Currency translation differences	(22)	(5)
At 31 December	<u>258</u>	<u>798</u>

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Disclosed as:-			
- Deferred tax assets	987	1,065	786
- Deferred tax liabilities	(729)	(267)	(715)
	<u>258</u>	<u>798</u>	<u>71</u>

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
In respect of:			
- Deductible/(Taxable) temporary differences of:			
- Financial instruments	711	475	498
- Property, plant and equipment	(1,590)	(702)	(1,196)
- Produce growing on bearer plants	(479)	(387)	-
- Retirement benefits	1,208	1,268	769
- Others	210	-	-
- Unutilised tax losses	198	144	-
	<u>258</u>	<u>798</u>	<u>71</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Save as disclosed above, as at 31 December 2018, 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 RM377,000 (31.12.2017 - RM399,000; 1.1.2017 - RM408,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused tax losses and unabsorbed capital allowances over the taxable temporary differences as follows:-

	31.12.2018	Group 31.12.2017	1.1.2017
	RM'000	RM'000	RM'000
Deductible temporary differences of financial instruments	4,940	5,002	4,312
Unutilised tax losses	1,213	12	11
Unabsorbed capital allowances	105	-	-
Taxable temporary differences of property, plant and equipment	(1,571)	(1,662)	(1,702)
	<u>4,687</u>	<u>3,352</u>	<u>2,621</u>

The deductible temporary differences and unused capital allowances have no expiry date, whereas the unused tax losses can be carried forward until the year of assessment 2025.

## 13. INVENTORIES

	31.12.2018	Group 31.12.2017	1.1.2017
	RM'000	RM'000	RM'000
At cost:-			
Raw materials	18,311	15,824	14,488
Work-in-progress	575	3,526	1,988
Finished goods	7,833	7,478	10,298
Estate stores	3,301	6,222	5,370
	<u>30,020</u>	<u>33,050</u>	<u>32,144</u>

## 14. PRODUCE GROWING ON BEARER PLANTS

	Group	
	2018	2017
	RM'000	RM'000
At 1 January		
- As previously reported	-	-
- Effects of transition from FRSs to MFRSs (Note 2.2)	1,447	468
- As restated	1,447	468
Changes in fair value	547	1,081
Foreign exchange differences	(78)	(102)
At 31 December	<u>1,916</u>	<u>1,447</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 14. PRODUCE GROWING ON BEARER PLANTS (CONT'D)

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.

## 15. CONTRACT ASSETS/LIABILITIES

	Group	
	2018 RM'000	2017 RM'000
Balance at 1 January	103,766	(597)
Revenue recognised during the financial year	377,351	609,108
Progress billings during the financial year	(454,951)	(504,745)
Balance at 31 December	<u>26,166</u>	<u>103,766</u>

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Represented by:			
- Contract assets relating to construction contracts	71,276	134,357	59,292
- Contract liabilities relating to construction contracts	(40,413)	(30,591)	(59,889)
- Advance payment from customers	(4,697)	-	-
	<u>(45,110)</u>	<u>(30,591)</u>	<u>(59,889)</u>
	<u>26,166</u>	<u>103,766</u>	<u>(597)</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.

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 2018, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM163,803,000 (31.12.2017 - RM427,678,000; 1.1.2017 - 558,923,000) and the Company expects to recognise this revenue when the projects are completed within 1 (31.12.2017 - 1 to 2; 1.1.2017 - 1 to 3) year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 16. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Highly liquid investment	19,556	50,880	39,077	18	24	23
Term deposits (fixed rate)	21,628	23,778	22,723	-	-	-
Cash and bank balances	70,988	59,787	102,863	1,345	868	813
	<u>112,172</u>	<u>134,445</u>	<u>164,663</u>	<u>1,363</u>	<u>892</u>	<u>836</u>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Certain term deposits of the Company totalling RM15,641,000 (31.12.2017 - RM22,163,000; 1.1.2017 - RM22,723,000) have been pledged as security for credit facilities granted to the Company. Accordingly, these term deposits are not freely available for use.

The effective interest rate of term deposits as at 31 December 2018 is 2.90% (31.12.2017 - 2.65% to 3.30%; 1.1.2017 - 2.75% to 3.30%) per annum.

The currency profile of cash and cash equivalents is as follows:-

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Euro	436	3,603	9,669	-	-	-
Guatemalan Quetzal	43	68	-	-	-	-
Indonesian Rupiah	9,341	8,433	9,156	-	-	-
Kina	647	1,845	2,091	-	-	-
United States Dollar	9,214	3,657	12,350	-	-	-
Ringgit Malaysia	92,491	116,839	131,397	1,363	892	836
	<u>112,172</u>	<u>134,445</u>	<u>164,663</u>	<u>1,363</u>	<u>892</u>	<u>836</u>

For the purpose of statement of cash flows, cash and cash equivalents are presented net of pledged deposits as follows:-

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cash and cash equivalents	112,172	134,445	164,663	1,363	892	836
Cash and bank balances classified as held for sale	-	-	542	-	-	-
Bank overdrafts	(1,057)	-	-	-	-	-
Term deposits pledged as security	(15,641)	(22,163)	(22,723)	-	-	-
	<u>95,474</u>	<u>112,282</u>	<u>142,482</u>	<u>1,363</u>	<u>892</u>	<u>836</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17. ASSET HELD FOR SALE

The assets of the disposal group are as follows:-

	Group 1.1.2017 RM'000
<b>Assets</b>	
Plantation development expenditure	40,396
Other receivables, deposits and prepayments	1
Cash and bank balances	<u>542</u>
Asset of disposal group classified as held for sale	<u>40,939</u>

## 18. SHARE CAPITAL

	No. of Ordinary Shares ('000)	RM'000
<u>Issued and fully paid:-</u>		
Balance at 1 January 2016 <sup>(a)</sup> /31 December 2016 <sup>(a)</sup>	538,248	269,124
Transfer from share premium upon abolition of par value	-	<u>1,920</u>
Balance at 31 December 2017 <sup>(b)</sup> /2018 <sup>(b)</sup>	<u>538,248</u>	<u>271,044</u>

<sup>(a)</sup> Ordinary shares of RM0.50 each

<sup>(b)</sup> Ordinary shares with no par value

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act of 31 January 2017 shall have no par value. Accordingly, the amount standing to the credit of share premium has been transferred to share capital.

### Purchase of Own Shares

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 28 May 2018, approved the Company's plan to purchase its own shares. The directors are committed to enhancing the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 18. SHARE CAPITAL (CONT'D)

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:-

	2018		2017	
	No. of Shares '000	Cost RM'000	No. of Shares '000	Cost RM'000
At 1 January	15,468	37,791	14,125	35,100
Shares purchased	11,060	12,072	1,343	2,691
At 31 December	<u>26,528</u>	<u>49,863</u>	<u>15,468</u>	<u>37,791</u>
Average unit cost for the year (RM)		<u>1.88</u>		<u>2.44</u>

## 19. NON-CONTROLLING INTERESTS ("NCI")

Group	Accumulated NCI			Profit/(Loss) Allocated to NCI		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Avecpalm Marketing Resources Sdn. Bhd.	1,714	1,236	1,159	479	82	54
AVP Engineering (M) Sdn. Bhd.	69,888	58,925	46,698	13,074	13,208	7,983
TPG Oil & Gas Sdn. Bhd.	(442)	(264)	(264)	(177)	-	(93)
TPG Aeronautik Sdn. Bhd.	7,754	4,979	3,222	4,105	1,757	3,279
AVP EMDigital (M) Sdn. Bhd.	(2,610)	(2,610)	(2,427)	-	(183)	(921)
Magview Machinery Sdn. Bhd.	1,258	1,005	900	253	135	133
PT CB Polaindo	1,299	1,172	1,169	184	130	121
PT Sawit Lamandau Raya	(4,426)	(4,146)	(3,817)	(517)	(682)	(632)
PT Jaya Jadi Utama	622	676	793	(24)	(37)	(9)
PT Berkala Maju Bersama	144	268	451	(149)	(165)	(103)
PT Gumas Alam Subur	-	-	204	-	-	14
PT Kurun Sumber Rezeki	-	-	204	-	-	14
PT Manyangan Jaya	-	-	197	-	-	(1)
Modipalma Latin America	(3)	(2)	-	(1)	(2)	-
Modipalm Engineering Solutions Sdn. Bhd.	(3)	-	-	(3)	-	-
	<u>75,195</u>	<u>61,239</u>	<u>48,489</u>	<u>17,224</u>	<u>14,243</u>	<u>9,839</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19. NON-CONTROLLING INTERESTS ("NCI") (CONT'D)

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 Ownership Interest Held by NCI			Principal Activity
		31.12.2018	31.12.2017	1.1.2017	
Avecpalm Marketing Resources Sdn. Bhd.	Malaysia	20	20	20	Trading in palm oil mill processing equipment.
Magview Machinery Sdn. Bhd.	Malaysia	29	29	29	Constructing mills, factories, buildings, composting effluent plants and contracting works.
TPG Oil & Gas Sdn. Bhd. ("TPGSB")	Malaysia	20	51	51	Provide support and supplies for oil and gas industry.
Modipalm Engineering Solution Sdn. Bhd.	Malaysia	30	N/A	N/A	To provide technical and other services for palm oil and related industries.
AVP Engineering (M) Sdn. Bhd. ("AVPSB")	Malaysia	51	51	51	Retrofitting special purpose vehicles.
<u>Subsidiaries of CBIPSB</u>					
PT CB Polaindo <sup>(a)</sup>	Indonesia	5	5	5	Providing engineering
Modipalma Latin America <sup>(a)</sup>	Republic of Guatemala	0.4	0.4	N/A	Supply and sale spare parts for palm oil mills.
<u>Subsidiaries of AVPSP</u>					
TPG Aeronautik Sdn. Bhd.	Malaysia	51	61.6	61.6	Design, fabricate, supply, procure, maintain and service aviation related equipment.
AVP EMDigital (M) Sdn. Bhd.	Malaysia	70.6	70.6	70.6	Inactive.
<u>Subsidiary of SMESB</u>					
PT Sawit Lamandau Raya <sup>(a)</sup>	Indonesia	15	15	15	Cultivation of oil palm.
<u>Subsidiary of APSB</u>					
PT Jaya Jadi Utama <sup>(a)</sup>	Indonesia	6	6	6	Cultivation of oil palm.
<u>Subsidiary of AVESB</u>					
PT Berkala Maju Bersama <sup>(a)</sup>	Indonesia	6	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 2018

## 19. NON-CONTROLLING INTERESTS ("NCI") (CONT'D)

The summarised financial information (before inter-company elimination) of the above

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current assets	416,731	350,627	327,919
Current assets	284,433	192,308	232,594
Non-current liabilities	(94,363)	(317,809)	(312,283)
Current liabilities	(436,530)	(85,188)	(124,881)
Net assets	170,271	139,938	123,349
Revenue	224,723	389,755	291,890
(Loss)/Profit (representing total comprehensive income/loss)	(313,167)	22,988	20,590
Net cash from/(used in) operating activities	132,222	(44,569)	65,007
Net cash used in investing activities	(123,625)	(52,732)	(77,980)
Net cash from financing activities	125,629	53,222	40,661
Net cash inflow/(outflow)	<u>134,225</u>	<u>(44,079)</u>	<u>27,688</u>

## 20. LOANS AND BORROWINGS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
<u>Secured</u>						
Hire purchase payables (fixed rate)	1,583	1,310	795	265	350	450
Term loans (floating rate)	98,962	19,512	14,563	-	-	-
Overdraft (floating rate)	1,057	-	-	-	-	-
<u>Unsecured</u>						
Banker acceptances (fixed rate)	-	21,253	-	-	-	-
Revolving credits (fixed rate)	25,084	25,192	16,614	19,029	19,142	13,084
	<u>126,686</u>	<u>67,267</u>	<u>31,972</u>	<u>19,294</u>	<u>19,492</u>	<u>13,534</u>
Disclosed as:						
- Current liabilities	29,754	49,790	19,099	19,131	19,242	13,184
- Non-current liabilities	96,932	17,477	12,873	163	250	350
	<u>126,686</u>	<u>67,267</u>	<u>31,972</u>	<u>19,294</u>	<u>19,492</u>	<u>13,534</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. LOANS AND BORROWINGS (CONT'D)

The currency profile of loans and borrowings is as follows:-

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Indonesian Rupiah	30,599	-	-	-	-	-
Ringgit Malaysia	43,378	67,267	31,972	19,294	19,492	13,534
United States Dollar	52,709	-	-	-	-	-
	<u>126,686</u>	<u>67,267</u>	<u>31,972</u>	<u>19,294</u>	<u>19,492</u>	<u>13,534</u>

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other secured term loans are secured against certain property. (Note 4).

The effective interest rates of loans and borrowings as at 31 December 2018 ranged from 3.06% to 11.00% (31.12.2017 - 3.03% to 8.28%; 1.1.2017 - 2.32% to 6.20%) 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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Minimum hire purchase payments:						
- Within 1 year	909	587	266	113	113	112
- Later than 1 year and not later than 2 years	820	865	631	113	281	394
- Later than 2 year and not later than 5 years	96	-	-	56	-	-
Total contractual undiscounted cash flows	1,825	1,452	897	282	394	506
Future finance charges	(242)	(142)	(102)	(17)	(44)	(56)
Present value of hire purchase payables						
- Within 1 year	787	530	235	102	100	100
- Later than 1 year and not later than 2 years	706	780	560	107	250	350
- Later than 2 year and not later than 5 years	90	-	-	56	-	-
	<u>1,583</u>	<u>1,310</u>	<u>795</u>	<u>265</u>	<u>350</u>	<u>450</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. LOANS AND BORROWINGS (CONT'D)

### Hire Purchase Payables (Cont'd)

The fair values of hire purchase payables 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 approximate to the effective interest rates of hire purchase payables.

### Term Loans

Term loans are repayable over 3 to 10 years. The repayment analysis is as follows:-

	Group		
	31.12.2018	31.12.2017	1.1.2017
	RM'000	RM'000	RM'000
Gross loan instalments:			
- Within 1 year	10,846	3,691	2,883
- Later than 1 year and not later than 2 years	13,558	3,593	2,883
- Later than 2 years and not later than 5 years	43,584	10,194	7,672
- Later than 5 years	66,884	5,639	3,457
Total contractual undiscounted cash flows	134,872	23,117	16,895
Future finance charges	(35,910)	(3,605)	(2,332)
Present value of term loans:			
- Within 1 year	2,826	2,815	2,250
- Later than 1 year and note later than 2 years	5,717	2,841	2,250
- Later than 2 years and not later than 5 years	27,964	8,608	6,750
- Later than 5 years	62,455	5,248	3,313
	<u>98,962</u>	<u>19,512</u>	<u>14,563</u>

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 approximate to the effective interest rates of term loans.

## 21. RETIREMENT BENEFITS

The present value of defined benefit obligations are as follows:-

	Group	
	2018	2017
	RM'000	RM'000
Balance as at 1 January	5,228	3,620
Defined benefit costs	(10)	2,082
Currency translation differences	(236)	(474)
Balance as at 31 December	<u>4,982</u>	<u>5,228</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 21. RETIREMENT BENEFITS (CONT'D)

The components of defined benefit costs are as follows:

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current service cost	700	1,006	950
Interest expense	352	257	143
Remeasurements arising from:			
- changes in financial assumptions	(793)	751	35
- experience adjustments	(269)	68	749
	<u>(10)</u>	<u>2,082</u>	<u>1,877</u>

The principal actuarial assumptions used to determine the present value of the defined benefits obligations are as follows:

	31.12.2018 %	Group 31.12.2017 %	1.1.2017 %
Discount rate	7.41 to 8.54	7.08 to 7.41	8.36 to 8.57
Expected rate of salary increase	<u>7 to 10</u>	<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:-

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
Increase in discount rate by 1%	5,508	3,984	1,469
Decrease in discount rate by 1%	6,699	4,888	1,641
Increase in expected rate of salary by 1%	6,758	5,103	1,638
Decrease in expected rate of salary by 1%	<u>5,839</u>	<u>3,993</u>	<u>1,470</u>

The weighted average duration of the defined benefit obligations is 10 to 23 years (31.12.2017 - 11 to 18 years; 1.1.2017 - 11 to 18 years).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 22. PAYABLES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Trade payables:						
- Related parties <sup>(a)</sup>	2,043	1,013	4,771	-	-	-
- Unrelated parties	64,015	59,565	98,126	-	-	-
	66,058	60,578	102,897	-	-	-
Other payables:						
- Related parties	-	150	145	-	-	-
- Subsidiaries	-	-	-	164,625	127,886	146,719
- Directors	34	34	33	-	-	-
- Unrelated parties	36,514	31,819	21,526	1,714	1,695	2,621
	36,548	32,003	21,704	166,339	129,581	149,340
	102,606	92,581	124,601	166,339	129,581	149,340

<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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Euro	2,975	378	19,462	-	-	-
Indonesian Rupiah	34,205	16,534	14,204	3,143	-	-
Kina	862	767	5,458	-	-	-
Ringgit Malaysia	62,942	72,107	80,728	163,196	129,581	149,340
United States Dollar	1,436	2,559	4,734	-	-	-
Others	186	236	15	-	-	-
	102,606	92,581	124,601	166,339	129,581	149,340

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 day terms.

### Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiaries are repayable on demand. The amounts owing to other related party 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 2018

## 23. PROVISION FOR WARRANTY OBLIGATIONS

	Group	
	2018 RM'000	2017 RM'000
Balance at 1 January	4,269	5,572
Utilisation during the financial year	(74)	(276)
Reversal during the financial year	(4,195)	(1,027)
Balance at 31 December	<u>-</u>	<u>4,269</u>

The provision for warranty claim represents the present value of the directors' best estimate of the future economic obligation that will be required under the Group's obligation on warranties on special purpose vehicles sold during the last two financial years. The provision is recognised based on estimation made from historical warranty data associated with similar products.

## 24. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contract with customers:				
- Sale of goods	81,015	84,500	-	-
- Sale of agricultural produce	17,105	10,043	-	-
- Rendering of services	2,615	407	45	45
- Construction contracts	377,351	609,108	-	-
Other source of revenue:				
- Dividend income	-	-	2,455	60,970
	<u>478,086</u>	<u>704,058</u>	<u>2,500</u>	<u>61,015</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 25. PROFIT/LOSS BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- Current year	463	308	68	68
- Prior year	62	86	17	3
Bad debt recovered	(5,790)	-	-	-
Bad debt written off	5	-	-	-
Deposit forfeited	50	-	-	-
Depreciation	10,490	10,162	129	128
Dividend income from:				
- Subsidiaries	-	-	(2,455)	(60,970)
- Unquoted investments in Malaysia	(1,185)	(1,588)	-	-
Employee benefit expenses (Note 26)	32,228	30,566	1,424	1,236
Fair value changes in biological assets	(547)	(1,081)	-	-
Fair value loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss	2,180	(2,784)	2,180	(2,784)
(Gain)/Loss on disposal of property, plant and equipment	(2,171)	409	-	-
(Gain)/Loss on foreign exchange:				
- Realised	(371)	1,195	200	(1,861)
- Unrealised	8,937	20,831	14,207	33,232
Gain upon loss of control of subsidiaries	-	(493)	-	-
Impairment loss on receivables	8,880	8,827	-	-
Impairment loss on investment in an associate	3,946	-	-	-
Interest expense for financial assets measured at amortised cost	4,796	-	-	-
Interest expense for financial liabilities measured at amortised cost	3,430	1,904	1,118	929
Interest income for financial assets measured at amortised cost	(2,197)	(2,674)	(14)	(593)
Inventories written off	350	-	-	-
Plant and equipment written off	244	66	-	-
Rental expense	127	131	-	-
Rental income	(113)	(179)	(12)	(12)
Reversal of impairment loss on receivables	(4,798)	(7,032)	-	-
Reversal of inventories written down	(25)	(53)	-	-
Reversal of provision for warranty obligations	(4,195)	(1,027)	-	-



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26. EMPLOYEES BENEFIT EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors:				
- Fees	612	412	246	238
- Other short-term employee benefits	5,909	2,123	197	187
- Defined contribution plan	591	230	-	-
	7,112	2,765	443	425
Other employees:				
- Short-term employee benefits	22,023	24,144	876	724
- Defined contribution plan	1,704	2,394	105	87
- Defined benefit plan	1,389	1,263	-	-
	25,116	27,801	981	811
	<u>32,228</u>	<u>30,566</u>	<u>1,424</u>	<u>1,236</u>

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 RM72,000 and RM49,000 (2017 - RM251,000 and RM48,000).

## 27. TAX EXPENSE/INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax based on results for the year:				
- Malaysian current tax	26,194	28,591	-	96
- Overseas current tax	2,464	1,136	-	-
- Deferred tax	(168)	(280)	-	-
	<u>28,490</u>	<u>29,447</u>	<u>-</u>	<u>96</u>
Tax under/(over) provided in prior years:				
- Malaysian current tax	1,135	2,821	(53)	(32)
- Deferred tax	421	(251)	-	-
Tax expense/(income)	<u>30,046</u>	<u>32,017</u>	<u>(53)</u>	<u>64</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27. TAX EXPENSE/INCOME (CONT'D)

The 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax	88,552	98,306	(16,880)	28,356
Tax at the statutory tax rate of 24%	21,252	23,593	(4,051)	6,805
Non-deductible expenses	11,923	7,815	4,757	8,855
Non-taxable income	(3,388)	(1,663)	(706)	(15,564)
Increase in unrecognised deferred tax assets	1,335	731	-	-
Tax under/(over) provided in prior years:				
- Current tax	1,135	2,821	(53)	(32)
- Deferred tax	421	(251)	-	-
Withholding tax	(1)	(189)	-	-
Effect of differential in tax rates	(2,631)	(840)	-	-
Tax expense/(income)	30,046	32,017	(53)	64

## 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	
	2018	2017
Profit for the financial year attributable to owners of the Company (RM'000)	41,282	52,046
Number of shares in issue at 1 January ('000)	538,248	538,248
Effect of shares purchased ('000)	(7,081)	(5,394)
Weighted average number of shares in issue ('000)	531,167	532,854
Basic earnings ordinary per share (sen)	7.8	9.8

The warrants that could potentially dilute basic earnings per share were not included in the calculation of diluted earnings per share because their exercise price was above the current fair value of the Company's ordinary shares, and thus, the inclusion would have been antidilutive. Accordingly, the diluted earnings per share equal the basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 29. DIVIDENDS

Group and Company

	2018 RM'000	2017 RM'000
First interim single tier tax-exempt dividend of 3 sen per share in respect of the financial year ended 31 December 2017	-	15,698
Second interim single tier tax-exempt dividend of 3 sen per share in respect of the financial year ended 31 December 2017	-	15,683
First interim single tier tax-exempt dividend of 2 sen per share in respect of the financial year ended 31 December 2018	10,452	-
	<u>10,452</u>	<u>31,381</u>

On 25 February 2019, the Company declared a second interim single tier dividend of 2 sen per share amounting to RM10,215,339 in respect of the current financial year, paid on 18 April 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2019.

## 30. NOTES TO STATEMENTS OF CASH FLOWS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Short-term loans and borrowings</b>				
Balance at 1 January	46,445	16,614	19,142	13,084
Net cash flow changes	<u>(21,361)</u>	<u>29,831</u>	<u>(113)</u>	<u>6,058</u>
Balance at 31 December (Note 20)	<u>25,084</u>	<u>46,445</u>	<u>19,029</u>	<u>19,142</u>
<b>Hire purchase payables</b>				
Balance at 1 January	1,310	795	350	450
Drawdowns	789	921	-	-
Repayments	(528)	(406)	(97)	(100)
Other changes	12	-	12	-
Balance at 31 December (Note 20)	<u>1,583</u>	<u>1,310</u>	<u>265</u>	<u>350</u>
<b>Purchase of property, plant and equipment</b>				
Cost of property, plant and equipment purchased	101,910	60,627	591	-
Amount financed through hire purchase	<u>(789)</u>	<u>(921)</u>	<u>-</u>	<u>-</u>
Net cash disbursed	<u>101,121</u>	<u>59,706</u>	<u>591</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 30 NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)

	Group	
	2018 RM'000	2017 RM'000
<b>Term loans</b>		
Balance at 1 January	19,512	14,563
Drawdowns	82,648	7,200
Repayments	(3,198)	(2,251)
Balance at 31 December (Note 20)	<u>98,962</u>	<u>19,512</u>

## 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Key management personnel compensation:				
- Fee	60	-	-	-
- Short-term employee benefits	1,840	2,200	345	328
- Defined contribution plans	223	286	38	39
	2,123	2,486	383	367
Dividends income from subsidiaries	-	-	2,455	60,970
Rendering of management services to subsidiaries	-	-	117	117
Revenue from construction contract with a related party <sup>(a)</sup>	10,047	-	-	-
Freight cost charged by related parties <sup>(a)</sup>	994	-	-	-
Sales of goods to related parties <sup>(a)</sup>	<u>3,360</u>	<u>46,008</u>	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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	55,144	104,574
Investment in joint venture	-	-	-	20,187	2,730	22,917
Income tax assets	786	11,344	1,825	137	-	14,092
Total assets	694,607	686,343	154,558	517,919	(954,892)	1,098,535
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 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	-	-	-	-	(812)	(812)
Share of loss of joint venture	-	-	-	-	(4,102)	(4,102)
(Loss)/Profit before tax	(8,771)	82,056	43,896	(17,246)	(11,383)	88,552
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)	(11,383)	58,506
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 2018

## 32. OPERATING SEGMENTS (CONT'D)

	2017					Total
	Plantation and Milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	Consolidation adjustments and eliminations RM'000	RM'000
Segment assets	663,091	596,507	166,738	441,771	(1,004,278)	863,829
Investments in associates	-	-	-	49,430	59,903	109,333
Investment in joint venture	-	-	-	20,187	6,832	27,019
Income tax assets	925	1,035	1,258	38	-	3,256
Total assets	664,016	597,542	167,996	511,426	(937,543)	1,003,437
Additions to non-current assets	51,785	14,865	9,322	-	(32)	75,940
Segment liabilities	675,584	198,816	28,187	155,264	(909,499)	148,352
Loans and borrowings	-	27,863	19,912	19,492	-	67,267
Income tax liabilities	-	2,124	6	-	-	2,130
Total liabilities	675,584	228,803	48,105	174,756	(909,499)	217,749
External revenue	10,043	366,175	327,840	-	-	704,058
Intersegment revenue	-	20,073	-	61,015	(81,088)	-
Total revenue	10,043	386,248	327,840	61,015	(81,088)	704,058
Segment (loss)/profit	(9,897)	78,247	35,273	30,009	(48,947)	84,685
Interest income	735	1,402	537	-	-	2,674
Interest expense	-	(963)	(12)	(929)	-	(1,904)
Share of profit of associates	-	-	-	-	12,096	12,096
Share of profit of joint venture	-	-	-	-	755	755
(loss)/profit before tax	(9,162)	78,686	35,798	29,080	(36,096)	98,306
Tax income/(expense)	(60)	(24,622)	(7,270)	(65)	-	(32,017)
(Loss)/profit for the financial year	(9,222)	54,064	28,528	29,015	(36,096)	66,289
Non-cash income	-	7,085	30	3,526	(249)	10,392
Depreciation	4,732	4,396	906	128	-	10,162
Other non-cash expenses	1,198	10,709	27	33,232	(13,741)	31,425

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 32. OPERATING SEGMENTS (CONT'D)

### Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location in which the operations are located whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Indonesia	68,478	44,967	325,986	246,708
Malaysia	401,862	648,249	268,470	269,351
Papua New Guinea	6,258	10,842	383	575
Republic of Guatemala	1,488	-	297	261
	<u>478,086</u>	<u>704,058</u>	<u>595,136</u>	<u>516,895</u>

### Major Customers

For the financial year ended 31 December 2018, there were 2 (2017 - 1) major groups of customers of the special purpose vehicles that contributed 10% or more of the Group's total revenue and the total revenue generated from these major groups amounted to RM130,881,990 (2017 - RM139,493,412).

## 33. FINANCIAL GUARANTEE CONTRACTS

The Company has 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 RM526,594,000 (2017 - RM438,413,000). The total utilisation of these credit facilities as at 31 December 2018 amounted to approximately RM101,818,000 (2017 - RM64,957,000).

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.

## 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### 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.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 10. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

### 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 transaction entered into currencies other than its functional currency. i.e. Ringgit Malaysia ('RM'). The major foreign currencies transacted are US Dollar ('USD'), Indonesian Rupiah ('IDR') and Kina ('PGK'), and 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	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Receivables	40,293	23,112	74,279	53,477	11,669	6,744
Cash and cash equivalents	9,214	3,657	9,341	8,433	647	1,845
Payables	(1,436)	(2,559)	(34,205)	(16,534)	(862)	(767)
Loans and borrowings	(52,709)	-	(30,599)	-	-	-
Other investments	-	-	465	2,848	-	-
	<u>(4,638)</u>	<u>24,210</u>	<u>19,281</u>	<u>48,224</u>	<u>11,454</u>	<u>7,822</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 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 2018 RM'000	Increase/ (Decrease) in Profit 2017 RM'000
Appreciation of USD against RM by 10%	(352)	1,840
Depreciation of USD against RM by 10%	352	(1,840)
Appreciation of IDR against RM by 10%	1,465	3,665
Depreciation of IDR against RM by 10%	(1,465)	(3,665)
Appreciation of PGK against RM by 10%	871	594
Depreciation of PGK against RM by 10%	<u>(871)</u>	<u>(594)</u>

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest Rate Risk (Cont'd)

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss (and equity) 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 2018 RM'000	(Decrease)/ Increase in Profit 2017 RM'000
Increase in interest rates by 100 basis points	760	148
Decrease in interest rates by 100 basis points	<u>(760)</u>	<u>(148)</u>

### Other Price Risk

The Group's exposure to other price risk arises mainly from quoted investments. The Group manages its exposure to other price risk by maintaining a portfolio of debt securities and equities with different risk profiles. Reports on the investment portfolio are submitted to the Group's senior management on a regular basis.

The following table demonstrates the sensitivity of profit or loss to reasonably possible price movements in quoted investments, with all other variables held constant:-

	Group		Company	
	Increase/ (Decrease) in Profit 2018 RM'000	Increase/ (Decrease) in Profit 2017 RM'000	Increase/ (Decrease) in Profit 2018 RM'000	Increase/ (Decrease) in Profit 2017 RM'000
Increase in price by 10%(2017 - 10%)	291	2,024	289	2,022
Decrease in price by 10%(2017 - 10%)	<u>(291)</u>	<u>(2,024)</u>	<u>(289)</u>	<u>(2,022)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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.

The Group considers its total equity (including non-controlling interests) and total loans and borrowings to be the key components of its capital structure and do, 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 loans and borrowings divided by total equity as follows:-

	Group	
	2018 RM'000	2017 RM'000
Total loans and borrowings	126,686	67,267
Total equity	811,595	785,688
Total capital	<u>938,281</u>	<u>852,955</u>
Debt-to-equity ratio	<u>0.16</u>	<u>0.09</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 26,046,600,000 (equivalent to approximately RM7,456,000) included in property, plant and equipment as bearer plants.

On 7 March 2017, PTSLR appointed Advocate Office of Aminuddin Lingga, SH., MH & Partner as its Attorney to negotiate with the Koperasi on the arrangement of plasma scheme. 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 the compensation of the plantation development expenditure incurred by PTSLR, registered under case number 08/Pdt.G/2018/PN Pbu. 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.

Accordingly, the Group is unable to assess the uncertainty relating to the future outcome of the on-going litigation.

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2018

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	8,294	20
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	6,122	12
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	8,834	12
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	578	22
Lot 1115, Jalan Pandamaran, Batu 3 ½, Kampung Pandamaran, 41200 Klang, Selangor	Industrial land with 10 single-storey open factory buildings and 2 office buildings	Freehold	2011	37,940	17,816	2-4
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	31,543	17 - 20
Geran 58844 Lot 64258, Mukim Damansara, Daerah Petaling, Selangor	Industrial land with office cum factory building	Freehold	2017	2,215	7,942	19
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	25,200	3
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)	17,693	7

# ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

CLASS OF SHARES	: Ordinary shares
TOTAL NUMBER OF ISSUED SHARES	: 510,766,958 ordinary shares (excluding Treasury Shares of 27,481,727)
VOTING RIGHTS	: One vote per ordinary share
NUMBER OF SHAREHOLDERS	: 5,957

## DISTRIBUTION TABLE ACCORDING TO THE NUMBER OF SECURITIES HELD IN RESPECT OF ORDINARY SHARES AS AT 20 MARCH 2019

Size of Holding	No. of Holders	No. of Holdings	Percentage (%)
Less than 100	203	3,336	0.00
100 - 1,000	614	388,210	0.08
1,001 - 10,000	3,112	16,172,845	3.17
10,001 - 100,000	1,699	52,526,274	10.28
100,001 – 25,538,346 <sup>1</sup>	327	372,964,641	73.02
25,538,347 <sup>2</sup> and above	2	68,711,652	13.45
Total:	5,957	510,766,958 <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 27,481,727

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names	Direct		Indirect	
	No. of Holdings	%	No. of Holdings	%
Datuk Lim Chai Beng	168,385,420	32.97	9,375,000 <sup>1</sup>	1.84
Lim Chai Guan	26,142,120	5.12	1,017,500 <sup>2</sup>	0.20
Tan Sow Peng	1,017,500	0.20	26,142,120 <sup>2</sup>	5.12
Yacktman Asset Management LP	25,880,800	5.07	-	-

## LIST OF DIRECTORS' SHAREHOLDINGS

Names	Direct		Indirect	
	No. of Holdings	%	No. of Holdings	%
Datuk Lim Chai Beng	168,385,420	32.97	9,375,000 <sup>1</sup>	1.84
Lim Chai Huat	22,222,222	4.35	-	-
Mak Chee Meng	16,376,660	3.21	-	-
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	3,360,000	0.66	-	-
Tan Sri Datuk Dr. Yusof Bin Basiran	-	-	800,000 <sup>2</sup>	0.16
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab	-	-	-	-
Wong Chee Beng	-	-	-	-
Lim Zee Ping (Alternate Director to Datuk Lim Chai Beng)	3,684,000	0.72	-	-

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 20 MARCH 2019

## LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Holdings	Percentage (%)
1.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CEB)	35,411,652	6.93
2.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	33,300,000	6.52
3.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (562106643140)	24,516,583	4.80
4.	Lim Chai Guan	23,874,120	4.67
5.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CBIPHB)	18,000,000	3.52
6.	Mak Chee Meng	15,876,660	3.11
7.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Chai Beng (M02)	15,775,900	3.09
8.	Lim Chai Huat	15,603,142	3.05
9.	HLB Nominees (Tempatan) Sdn Bhd Lim Chai Beng (CUST.SIN 10081)	13,810,364	2.70
10.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For AMG Yacktman Focused Fund-Security Selection Only	10,500,000	2.06
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (76401601350A)	9,543,417	1.87
12.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For Emerald Bay Fund, LP	9,000,000	1.76
13.	Tan Yu Hwa	8,631,600	1.69
14.	Kumpulan Wang Persaraan (Diperbadankan)	6,412,900	1.26
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For AMG Yacktman Special Opportunities Fund	6,380,800	1.25
16.	Lim Chye Ooi	6,182,280	1.21
17.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	6,166,604	1.21
18.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (7002516)	5,924,000	1.16
19.	Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Nizam Bin Abdul Razak	5,332,240	1.04
20.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Goh Gee Kim	5,214,200	1.02
21.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (007158456)	5,136,900	1.01
22.	Lim Chai Tiong	4,872,340	0.95

# ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

No.	Name	No. of Holdings	Percentage (%)
23.	Lim Zee Yang	3,882,600	0.76
24.	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-Asing)	3,798,320	0.74
25.	Lim Zee Ping	3,684,000	0.72
26.	Lim Chai Huat	3,565,680	0.70
27.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ang Siow Cheng	3,496,600	0.68
28.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Ardy Esfandiari Bin Tengku A Hamid Shah (E-SS2)	3,360,000	0.66
29.	Teh Huat Seng	3,262,000	0.64
30.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chye Hong (E-TWU)	3,134,900	0.61



# ANALYSIS OF WARRANT HOLDINGS

AS AT 20 MARCH 2019

TYPED OF SECURITIES	: Warrants 2014/2019
DATE OF EXPIRY	: 6 November 2019
EXERCISE RIGHT	: Each Warrant carries the entitlement to subscribe for one (1) new Ordinary Share in the Company at an exercise price of RM2.40
VOTING RIGHTS	: The holder of Warrants is not entitled to any voting rights.

## DISTRIBUTION TABLE ACCORDING TO THE NUMBER OF SECURITIES HELD IN RESPECT OF WARRANTS 2014/2019 AS AT 20 MARCH 2019

Size of Holding	No. of Holders	No. of Holdings	Percentage (%)
Less than 100	532	20,935	0.02
100 - 1,000	1,068	630,567	0.72
1,001 - 10,000	1,067	3,634,220	4.16
10,001 - 100,000	338	11,461,932	13.11
100,001 – 4,369,951 <sup>1</sup>	101	53,904,897	61.68
4,369,952 <sup>2</sup> and above	2	17,746,498	20.31
Total:	3,108	87,399,049	100.00

Notes:

<sup>1</sup> Less than 5% of issued warrants<sup>2</sup> 5% and above of issued warrants

## LIST OF DIRECTORS' WARRANT HOLDINGS

Names	Direct		Indirect	
	No. of Holdings	%	No. of Holdings	%
Datuk Lim Chai Beng	29,600,575	33.87	729,165 <sup>1</sup>	0.83
Lim Chai Huat	3,695,000	4.23	-	-
Mak Chee Meng	-	-	-	-
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	560,000	0.64	-	-
Tan Sri Datuk Dr. Yusof Bin Basiran	-	-	133,333 <sup>2</sup>	0.15
Datuk Mohamad Nageeb Bin Ahmad Abdul Wahab	-	-	-	-
Wong Chee Beng	-	-	-	-
Lim Zee Ping (Alternate Director to Datuk Lim Chai Beng)	280,666	0.32	-	-

Notes

<sup>1</sup> Deemed interested via his children's warrant holdings<sup>2</sup> Deemed interested via his spouse's warrant holdings

# ANALYSIS OF WARRANT HOLDINGS

AS AT 20 MARCH 2019

## LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name	No. of Holdings	Percentage (%)
1.	Lim Chai Beng	13,261,015	15.17
2.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CEB)	4,485,483	5.13
3.	Lim Chai Guan	3,979,020	4.55
4.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For AIA Bhd.	3,167,434	3.62
5.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	2,794,434	3.20
6.	Lim Chai Huat	2,591,820	2.97
7.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (562106643140)	2,500,000	2.86
8.	HLB Nominees (Tempatan) Sdn Bhd Lim Chai Beng (CUST.SIN 10081)	2,301,727	2.63
9.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (007158456)	2,274,133	2.60
10.	HSBC Nominees (Asing) Sdn Bhd TNTC For Kuroto Fund LP	2,000,000	2.29
11.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Chai Beng (M02)	1,850,450	2.12
12.	Tan Yu Hwa	1,465,000	1.68
13.	Mohd Hazrul Hisham Bin Abd Ghapar	1,350,300	1.54
14.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liew Pov Lan	1,214,600	1.39
15.	Lau Kian Tat	1,136,600	1.30
16.	Lim Chye Ooi	1,013,713	1.16
17.	Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Nizam Bin Abdul Razak	890,373	1.02
18.	Lim Chai Tiong	810,390	0.93
19.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ong Lea Ping (ONG1543C)	761,400	0.87
20.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Teng Hock	749,800	0.86
21.	Ng Wai Hoong	740,000	0.85

# ANALYSIS OF WARRANT HOLDINGS

AS AT 20 MARCH 2019

No.	Name	No. of Holdings	Percentage (%)
22.	Lim Eng Hu	707,666	0.81
23.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yeow Kim Ee (7001028)	704,933	0.81
24.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Khoo Gee San (Margin)	700,000	0.80
25.	Tan Teng Hock	607,300	0.69
26.	Lim Chai Huat	594,280	0.68
27.	Ting Hoe Hwa	589,300	0.67
28.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Ardy Esfandiari Bin Tengku A Hamid Shah (E-SS2)	560,000	0.64
29.	Liew Pov Lan	500,000	0.57
30.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	462,666	0.53



## CB INDUSTRIAL PRODUCT HOLDING BERHAD

(Company No: 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 (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 for \*me/us on \*my/our behalf at the **TWENTY-SECOND ANNUAL GENERAL MEETING** of the Company to be held at Saujana Ballroom, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 31 May 2019 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 Datuk Lim Chai Beng as a Director		
2	To re-elect Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah as a Director		
3	To approve the payment of Directors' Remuneration of RM570,000 for the financial period from 1 July 2019 until 30 June 2020		
4	To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company		
5	To approve the Authority to Issue and Allot Shares		
6	To approve the Proposed Renewal of Authority for Purchase of Own Shares by the Company		
7	To approve the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
8	To approve the continuing in office for Tan Sri Datuk Dr. Yusof Bin Basiran as an Independent Non-Executive Director		
9	To approve the continuing in office for Wong Chee Beng as an Independent Non-Executive Director		
<b>Special Resolution</b>			
10	To approve the Proposed Adoption of New Constitution of the Company		

\* Delete if not applicable

Dated this ..... day of..... 2019

Number of shares held:-	
CDS account no.:-	
Telephone no.:-	

.....  
Signature/Common Seal of Shareholder

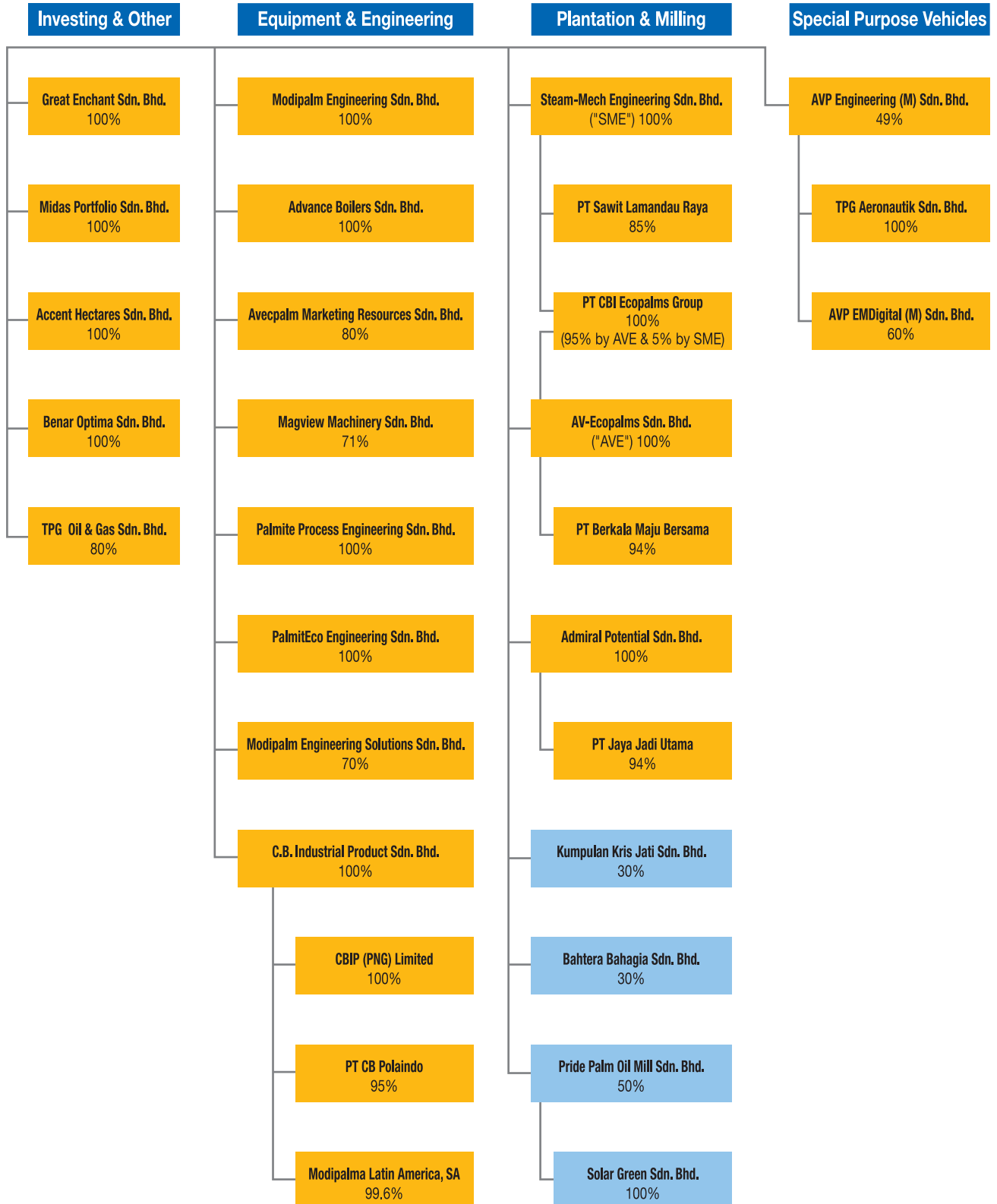
**Notes:-**

- i) *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.*
- ii) *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.*
- iii) *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.*
- iv) *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.*
- v) *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.*
- vi) *The instrument appointing a proxy must be deposited at the registered office of the Company at Lot 4, Jalan Waja 15, Kawasan Perusahaan Telok Panglima Garang, 42500 Telok Panglima Garang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
- vii) *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.*
- viii) *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 Article 69 of the Constitution of the Company, a Record of Depositors as at 22 May 2019 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.*

# CORPORATE STRUCTURE



**CB INDUSTRIAL PRODUCT HOLDING BERHAD**  
(428930-H)



Associates and Joint Ventures



**CB INDUSTRIAL PRODUCT HOLDING BERHAD**

(428930-H)

[www.cbip.com.my](http://www.cbip.com.my)



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