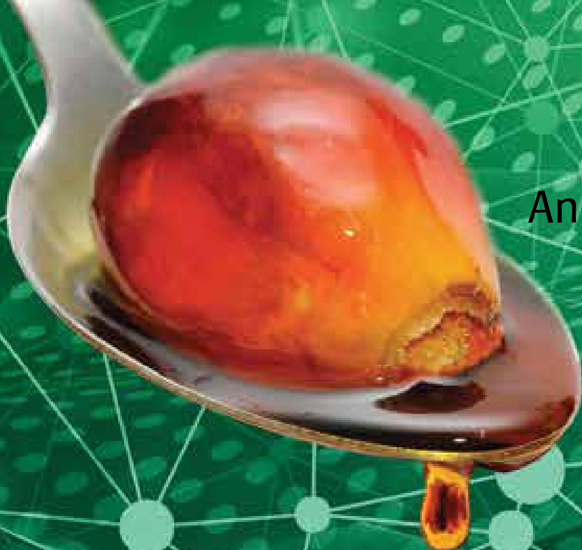


Annual Report 2017

MHC Plantations Bhd

4060-V

(Incorporated in Malaysia)

MHC Plantations Bhd
4060-V
(Incorporated in Malaysia)

Contents

Financial Statements

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Eighth (58th) Annual General Meeting ("58th AGM" and/or "AGM") of the Company will be held at Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1, 35900 Tanjung Malim, Perak, Malaysia on Thursday, 10 May 2018 at 11.30 a.m.

AGENDA	ORDINARY RESOLUTION NO.
AS ORDINARY BUSINESS:	
1. To receive the Audited Financial Statements for the financial year ended 31 December 2017, together with the Directors' and Auditors' Reports thereon.	**Please refer to Note 2**
2. To approve the payment of a final single tier dividend of 2.0 sen per share in respect of the financial year ended 31 December 2017.	**1**
3. To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM160,000 from 11 May 2018 until the next AGM of the Company.	**2**
4. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:	
4.1 Tan Sri Dr Mah King Thian	**3**
4.2 Puan Wan Salmah Binti Wan Abdullah	**4**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.	**5**
AS SPECIAL BUSINESS, to consider and, if thought fit, pass the following Ordinary Resolution:	
6. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**	**6**
That Mr. Chan Kam Leong, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years be retained, to continue to act as an Independent Non-Executive Director of the Company.	
7. **AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016**	**7**
"That, subject to the Companies Act, 2016 and the Company's Articles of Association and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities"), Securities Commission and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 of the Companies Act, 2016 to allot and issue shares in the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total issued shares of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the Annual General Meeting of the Company held next after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is the earlier."	
8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.	

By Order of the Board
CHAN YOKE YIN (MAICSA 7043743)
CHAN EOI LENG (MAICSA 7030866)

Ipoh, Perak
11 April 2018

NOTES:

1. PROXY

Only members whose names appear on the Record of Depositors as at 30 April 2018 shall be entitled to attend the AGM or appoint proxies in his/her stead or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.

A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him/her. A proxy must be 18 years and above and may but need not be a member of the Company.

Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company in an 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.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. If under the hand of attorney/authorised officer, the Power of Attorney or Letter of Authorisation must be attached.

The instrument appointing a proxy must be deposited with the Company Secretaries at 55A, Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting. Faxed or emailed copies are not acceptable.

For verification purposes, members and proxies are required to produce their original identity card at the registration counter. No person will be allowed to register on behalf of another person even with the original identity card of that other person.

Personal Data Privacy – By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company hereby agree and consent that any of your personal data in our possession shall be processed by us in accordance with the Personal Data Protection Act 2010. Further, you hereby warrant that relevant consent has been obtained by you for us to process any third party's personal data in accordance with the said Act.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Agenda 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 only requires the Audited Financial Statements to be laid before the Company at the AGM and does not require shareholders' approval. Hence, Agenda 1 will not be put forward for voting.

3. FINAL SINGLE TIER DIVIDEND

Section 131 of the Companies Act, 2016 states that a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. The Board of Directors having considered the available profits has decided to recommend the proposed final single tier dividend for the shareholders' approval.

The Board of Directors is satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made.

4. DIRECTORS' BENEFITS TO NON-EXECUTIVE DIRECTORS

Section 230(1) of the Companies Act, 2016 provides amongst others, that "fees" of the Directors and "any benefits" payable to Directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval is sought for this payment in Ordinary Resolution 2 for Payment of Directors' benefits to Non-Executive Directors from 11 May 2018 until the next AGM of the Company.

The Directors' benefits payable to the Non-Executive Directors until the next AGM of the Company are calculated based on the current composition of the Board and Board Committees and the number of meetings scheduled for the Board and Board Committees.

NOTES: (cont'd)

5. *RE-ELECTION OF DIRECTORS*

Tan Sri Dr Mah King Thian and Puan Wan Salmah Binti Wan Abdullah are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election at this 58th AGM. Their profiles are shown in the Board of Directors' profile.

The Board has via the Nominating Committee conducted an assessment on the effectiveness and contributions of the above retiring Directors including their skills, experience, competency and commitments, and has recommended for them to be re-elected to the Board.

6. *RE-APPOINTMENT OF AUDITORS*

The Audit Committee ("AC") has carried out an assessment of the suitability and independence of the external auditors, Ernst & Young and was satisfied with the suitability of Ernst & Young based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC in its assessment also found Ernst & Young to be sufficiently objective and independent.

The Board therefore approved the AC's recommendation that the re-appointment of Ernst & Young as external auditors of the Company be put forward for the shareholders' approval at the 58th AGM.

7. *RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR*

The proposed Resolution 6, if passed, will enable the named Director to continue to hold office as Independent Non-Executive Director notwithstanding that he has served a cumulative term of more than nine (9) years.

In line with the Malaysian Code on Corporate Governance, the Board on the recommendation of the Nominating Committee who has carried out an assessment of the Director has recommended that Mr. Chan Kam Leong who has served as Director of the Company for a cumulative term of more than nine (9) years, be retained as Independent Non-Executive Director of the Company based on the following justifications:

(i) He has fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

(ii) He remain independent and actively participate in board discussions and provide an independent and objective voice on the Board.

(iii) He has in depth knowledge of the Company's business operations and he is committed to devote sufficient time and attention to the Company.

(iv) He act in the best interest of all shareholders and will provide the check and balance to the Board.

8. *AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016*

The proposed Resolution 7, if passed, will empower the Directors of the Company, from the date of the above AGM until the next AGM to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total issued shares of the Company ("Share Mandate"). This Share Mandate is a renewal of the general mandate that was approved by shareholders at the preceding AGM held on 18 May 2017. There were no funds raised from the general mandate that was approved at the preceding AGM.

The renewal of the general mandate is to provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment projects, working capital and/or acquisitions, or strategic opportunities involving equity deals, which may require the allotment and issuance of new shares. In addition, any delay arising from and cost involved in convening a general meeting to approve such issuance of shares should be eliminated. The Company will have to seek shareholders' approval at a general meeting to be convened in the event that the proposed issuance of shares exceeds the 10% threshold contained in the Share Mandate.

Corporate Information

DIRECTORS
Dato' Seri Mah King Seng
(Executive Chairman)
Tan Sri Dr Mah King Thian
(Managing Director)
Chan Kam Leong
(Independent Non-Executive Director)
Wan Salmah Binti Wan Abdullah
(Independent Non-Executive Director)
Heng Beng Fatt
(Independent Non-Executive Director)
Mah Li-Na
(Alternate Director to Dato' Seri Mah King Seng)
Dr. Jordina Mah Siu Yi
(Alternate Director to Tan Sri Dr Mah King Thian)

AUDIT COMMITTEE
Chan Kam Leong *(Chairman)*
Wan Salmah Binti Wan Abdullah
Heng Beng Fatt

EXECUTIVE COMMITTEE
Datin Seri Ooi Ah Thin *(Chairperson)*
Dato' Seri Mah King Seng
Tan Sri Dr Mah King Thian

NOMINATING COMMITTEE
Chan Kam Leong *(Chairman)*
Wan Salmah Binti Wan Abdullah
Heng Beng Fatt

REMUNERATION COMMITTEE
Tan Sri Dr Mah King Thian *(Chairman)*
Chan Kam Leong
Wan Salmah Binti Wan Abdullah

COMMITTEE TO REVIEW PRESS OR PUBLIC ANNOUNCEMENTS
Dato' Seri Mah King Seng
Tan Sri Dr Mah King Thian

REGISTERED OFFICE
Kompleks Pejabat Behrang 2020
Jalan Persekutuan 1
35900 Tanjung Malim
Perak Darul Ridzuan
Malaysia
Tel. No. 05-4590001/2
Fax No. 05-4590003

PRINCIPAL PLACE OF BUSINESS
Kompleks Pejabat Behrang 2020
Jalan Persekutuan 1
35900 Tanjung Malim
Perak Darul Ridzuan
Malaysia
Tel. No. 05-4590001/2
Fax No. 05-4590003

REGISTRARS
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No. 03-78490777
Fax No. 03-78418151

SECRETARIES
Chan Yoke Yin (MAICSA 7043743)
Chan Eoi Leng (MAICSA 7030866)

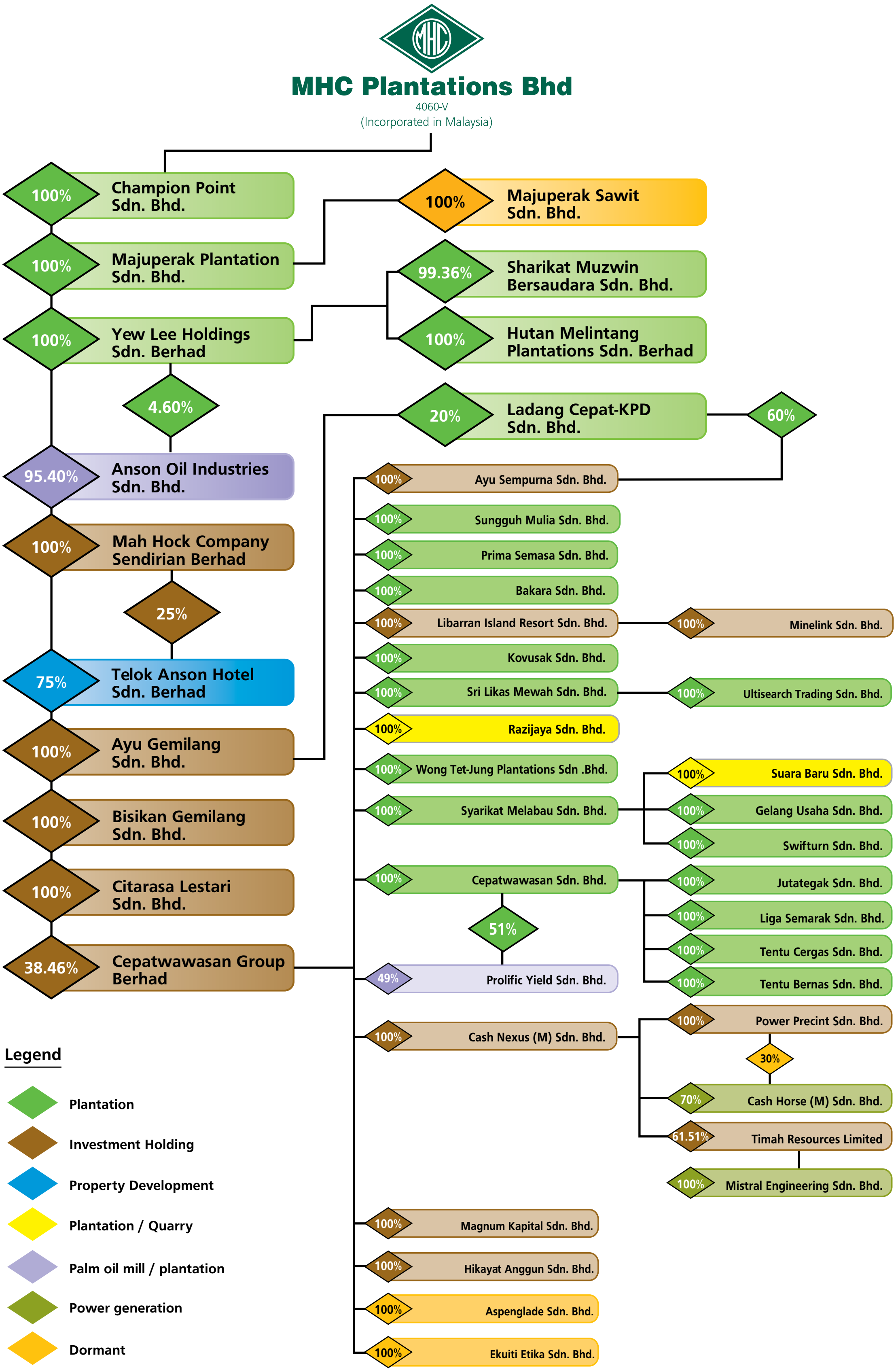
AUDITORS
Ernst & Young
Chartered Accountants

PRINCIPAL BANKERS
AmBank (M) Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
Main Market

COUNTRY OF INCORPORATION
Malaysia

Corporate Structure



Profile of Directors

Dato' Seri Mah King Seng
Executive Chairman
Aged 59, Male, Malaysian

- Dato' Seri Mah King Seng joined the Board of Directors on 20 September 1978. He was appointed as an Executive Chairman on 13 July 2005.
- He is also a member of the Executive Committee and the Committee for the review of press releases or public announcements.
- He joined the Company in 1978 after graduating from the University of Minnesota, United States of America with a degree in Agricultural Science and has been with the Group since then, garnering more than twenty years' experience in managing the operations of the Group's estates, mills and hotel. In 1980, he attended the Palm Oil Mill Engineer/Executive Training course on palm oil mill operations organised by the Malaysian Oil Palm Growers Council. He subsequently obtained his Bachelor of Law Degree in 1985 from the University of Buckingham, United Kingdom and was admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1990.
- He is a Director of Behrang 2020 Sdn. Bhd. and several other private limited companies. He is also the Managing Director of Cepatwawasan Group Berhad, a company listed on the Main Market of Bursa Securities. He is also the Managing Director of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.
- He is a son of Datin Seri Ooi Ah Thin who is a Director and substantial shareholder of Dato Mah Pooi Soo Realty Sdn. Bhd. ("DMR"), a major shareholder of the Company, and the elder brother of Tan Sri Dr Mah King Thian, the Managing Director of the Company, who is also a Director and substantial shareholder of DMR.
- Dato' Seri Mah King Seng is also a Director and substantial shareholder of DMR. He is deemed interested in certain recurrent related party transactions carried out in the ordinary course of business between the Company and its Group with the DMR group and certain privately owned companies.
- He has not been convicted of any offence in the last five years.
- He attended all the Board Meetings held during the financial year.

Tan Sri Dr Mah King Thian
Managing Director
Aged 54, Male, Malaysian

- Tan Sri Dr Mah King Thian joined the Board of Directors on 28 December 1992. He is currently the Managing Director responsible for the Group's operations, corporate and legal affairs, accounting and finance.
- He is also a member of the Executive Committee, the Chairman of the Remuneration Committee and the Committee for the review of press releases or public announcements.
- He graduated from Monash University, Australia with a Bachelor of Economics Degree majoring in Accounting in 1986 and also a Bachelor of Laws Degree in 1987. He was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1989, and he then joined the Company in the same year. He is also a Fellow Member of Certified Practising Accountant Australia (FCPA).
- In 2018, Tan Sri Dr Mah King Thian successfully completed his postgraduate study on oil palm renewable energy businesses and was conferred the degree of Doctor of Philosophy (PhD) by the Liverpool Business School in the United Kingdom.
- He is a Director of Behrang 2020 Sdn. Bhd. and several other private limited companies. He is also the Executive Chairman of Cepatwawasan Group Berhad, a company listed on the Main Market of Bursa Securities. He is also the Executive Chairman of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.
- He is a son of Datin Seri Ooi Ah Thin who is a Director and substantial shareholder of Dato Mah Pooi Soo Realty Sdn. Bhd. ("DMR"), a major shareholder of the Company, and the younger brother of Dato' Seri Mah King Seng, the Executive Chairman of the Company, who is also a Director and substantial shareholder of DMR.
- Tan Sri Dr Mah King Thian, is also a Director and substantial shareholder of DMR. He is deemed interested in certain recurrent related party transactions carried out in the ordinary course of business between the Company and its Group with the DMR group and certain privately owned companies.
- He has not been convicted of any offence in the last five years.
- He attended 3 out of 4 Board Meetings held during the financial year.

Chan Kam Leong
Independent Non-Executive Director
Aged 77, Male, Malaysian

- Chan Kam Leong was appointed to the Board on 21 October 2008 and is currently an Independent Non-Executive Director of the Company.
- He is the Chairman of the Audit Committee and Nominating Committee. He is also a member of the Remuneration Committee of the Company.
- He holds the qualifications of Bachelor of Science (Eng), Master of Science (Construction Management), Professional Engineer, Malaysia as well as Chartered Engineer, United Kingdom (UK). He is also members of The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK, The Institution of Engineers, Malaysia (IEM) and The Association of Consulting Engineers, Malaysia.
- Chan Kam Leong had worked three years each in Kuala Lumpur and Singapore and three and a half years in London before founding K.L. Chan & Associates, of which he is still a partner. He has more than forty-five years of experience in civil and structural engineering consultancy. He was also the winner of the TAN SRI HJ. YUSOFF PRIZE in 2007 for publishing an outstanding paper in the IEM Journal.
- He is a Director of Cepatwawasan Group Berhad, a company listed on the Main Market of Bursa Securities.
- He does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- He has not been convicted of any offence in the last five years.
- He attended all the Board Meetings held during the financial year.

Wan Salmah Binti Wan Abdullah
Independent Non-Executive Director
Aged 64, Female, Malaysian

- Wan Salmah Binti Wan Abdullah was appointed to the Board on 10 July 2009 as an Independent Non-Executive Director of the Company.
- She is also a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.
- She graduated from University Sains Malaysia with a Bachelor of Social Science (Hons). She has more than 20 years' experience in property development and land related matters. She began her career working with Perbadanan Kemajuan Negeri Perak (PKNP) as a Project Officer and was promoted to Director of Land and Property and Director of Land and Industrial Estate Development in 1995. She was also appointed as a Director of some of the subsidiaries of PKNP. She had previously served as a Director of Majuperak Holdings Berhad from 1995 to June 2008.
- She does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- She has not been convicted of any offence in the last five years.
- She attended 3 out of 4 Board Meetings held during the financial year.

Heng Beng Fatt
Independent Non-Executive Director
Aged 54, Male, Malaysian

- Heng Beng Fatt was appointed to the Board on 23 July 2010 as a Non-Independent Non-Executive Director of the Company. On 10 August 2017, he was re-designated as Independent Non-Executive Director.
- He is also a member of the Audit Committee and Nominating Committee of the Company.
- He holds the qualification of Master of Business Administration, University of Bath and is a member of the Malaysian Institute of Accountants.
- He has vast experience in accounting, finance, administration, business development and corporate affairs, having served in various capacities during his tenure with Golden Screen Cinemas Sdn. Bhd. ("GSC") namely as Human Resources and Admin Manager (1998-2000), Business Development Manager (1997-1998), Finance and Admin Manager (1995-1997) and Accountant (1993-1995). He also served as an Accountant at Avery Malaysia (1992-1993) and Ernst & Young (1988-1992). Currently, he is the Deputy General Manager for GSC.
- He also serves on the Board of Enterprise Advance System Intelligence Sdn. Bhd. and as a committee member for the Malaysian Association of Film Exhibitors.
- He does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- He has not been convicted of any offence in the last five years.
- He attended all the Board Meetings held during the financial year.

Mah Li-Na
Alternate Director to Dato' Seri Mah King Seng
Aged 28, Female, Malaysian

- Mah Li-Na was appointed to the Board on 7 March 2018 as an Alternate Director to Dato' Seri Mah King Seng. She is currently with Cepatwawasan Group Berhad as Management Accountant. She also assists the Managing Director of Cepatwawasan Group Berhad, Dato' Seri Mah King Seng in management duties.
- She initially graduated from the University of Melbourne, Australia with a Bachelor of Commerce, majoring in Accounting and Finance in 2010. Thereafter, she joined the Chinese Language Programme in Tsinghua University, Beijing, China to enhance her fluency in Mandarin.
- She went on to pursue her second degree, Bachelor of Laws with the University of London and completed with a Second Upper Class Honours in 2016.
- She has previously interned with KPMG Malaysia, Forensics Accounting Department in 2009, then proceeded to join the company as an Associate in 2012. During her tenure there, she participated in investigations of financial frauds and was involved in the preparation of the KPMG Fraud Survey Report then.
- She is the daughter of Dato' Seri Mah King Seng who is a Director and substantial shareholder of Dato Mah Pooi Soo Realty Sdn. Bhd. ("DMR"), a major shareholder of the Company and the granddaughter of Datin Seri Ooi Ah Thin, who is also a Director and substantial shareholder of DMR.
- She has not been convicted of any offence in the last five years.

Dr. Jordina Mah Siu Yi
Alternate Director to Tan Sri Dr Mah King Thian
Aged 26, Female, Malaysian

- Dr. Jordina Mah Siu Yi was appointed to the Board on 7 March 2018 as an Alternate Director to Tan Sri Dr Mah King Thian. She is currently assisting Tan Sri Dr Mah King Thian in the performance of his duties.
- She graduated from the University of Glasgow, United Kingdom (UK) with a Bachelor of Medicine and Bachelor of Surgery (MBChB) in 2016. Upon graduation, she forwent her training post in the NHS Hospitals in Durham, UK in order to pursue a corporate career.
- In anticipation of her current role, she subsequently embarked on her postgraduate studies in Law in the UK, and successfully completed it in 2017. This will prepare her for the training course required to gain admission to the BAR of England and Wales.
- She is also the Alternate Director of Cepatwawasan Group Berhad, a company listed on the Main Market of Bursa Securities.
- She is the eldest daughter of Tan Sri Dr Mah King Thian who is a Director and substantial shareholder of Dato Mah Pooi Soo Realty Sdn. Bhd. ("DMR"), a major shareholder of the Company and the granddaughter of Datin Seri Ooi Ah Thin, who is also a Director and substantial shareholder of DMR.
- She has co-authored papers in international medical journals. Previously, she has interned at World Vision Australia in Melbourne, Messrs Wong Kian Kheong, Advocates & Solicitors in Kuala Lumpur and the University Malaya Medical Centre.
- She has not been convicted of any offence in the last five years.

Profile of Key Senior Management

Dato' Seri Mah King Seng
Executive Chairman
Aged 59, Male, Malaysian

- Refer to the Profile of Directors on page 7.

Tan Sri Dr Mah King Thian
Managing Director
Aged 54, Male, Malaysian

- Refer to the Profile of Directors on page 7.

Soong Swee Koon
Chief Operating Officer
Aged 62, Male, Malaysian

- Mr. Soong is a qualified engineer with a Steam Engineers Certificate of Competency (First Grade).
- He started his career in power generation with Perak Hydro Electric Power Company (UK firm) in 1974. In the following years, he specialised in power generation, Hydro and Steam Thermal Power Plants, and maintenance and workshop overhaul of Cummins Diesel Engines and generators. From 1980 to 1996, he worked as an engineer in United Plantations Berhad. The palm oil mill under Mr. Soong's management was the winner of the Anugerah Award for Best Palm Oil Mill in Malaysia (2nd Place from year 1990-1995).
- He served as senior engineer, technical advisor, project manager and regional consultant to a number of energy companies from 1996 to 2010.
- He joined the Company in 2010 as Group Engineer and was appointed as Chief Operating Officer of the Company on 15 November 2012. He is also the Executive Director of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.
- He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- He has not been convicted of any offence in the last five years.

Muthusamy A/L P. Karuppaiah
Group General Manager of Subidiary of MHC, Cepatwawasan Group Berhad
Aged 63, Male, Malaysian

- Mr. Muthusamy A/L P. Karuppaiah was appointed as Group General Manager of Cepatwawasan Group Berhad on 20 February 2014.
- He obtained his Diploma in Agriculture in 1979 and also a Diploma in Oil Palm & Technology (Milling) in 2002. He is a planter with wide experience in the industry. He spent 24 years in United Plantations Berhad, holding various positions from Cadet Assistant to Plantation Manager before he joined MHC as Senior Manager. After 2 years in MHC, he joined IJM Plantations Berhad as Senior Manager for Indonesia Operations. He then joined Cepatwawasan Group Berhad in 2009 as Plantation Controller and was promoted to his current position in 20 February 2014.
- He does not have any directorship in public companies and listed issuers.
- He does not have any family relationship with any Director and/or major shareholder of the Company, and has no conflict of interest with the Company.
- He has not been convicted of any offence in the last five years.

Profile of Key Senior Management (cont'd)

Chan Kim Meng
Group Accountant
Aged 45, Male, Malaysian

- Mr. Chan holds a professional accounting qualification from the Association of Chartered Certified Accountants (ACCA), United Kingdom. He is also a member of the Malaysian Institute of Accountants.
- Prior to joining the Company, he pursued a career in accountancy in the public accounting firm of Ernst & Young for 9 years.
- He has wide working experience in the field of accounting and corporate finance.
- He joined the Company in 2006 as Group Accountant.
- He does not have any directorship in public companies and listed issuers.
- He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- He has not been convicted of any offence in the last five years.

Five-Year Financial Highlights

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
INCOME STATEMENT					
Revenue	390,284	341,097	301,089	338,300	294,750
Profit before tax	49,174	31,095	17,059	30,079	32,442
Profit attributable to owners of the Company	17,538	9,105	3,957	14,317	14,463
FINANCIAL POSITION					
ASSETS					
Property, plant and equipment	436,473	441,655	447,591	468,161	460,591
Investment properties	49,250	48,062	48,062	48,062	46,962
Biological assets	465,459	464,222	462,017	460,125	457,096
Investment in securities	559	528	506	490	407
Land use rights	13,005	13,184	13,363	13,542	13,721
Deferred tax assets	3,399	3,204	3,422	4,195	3,046
Trade and other receivables	142,918	149,501	134,538	108,184	94,855
Goodwill on consolidation	109,017	109,017	109,017	109,017	109,017
Current assets	110,672	98,590	94,269	90,844	85,929
Total assets	1,330,752	1,327,963	1,312,785	1,302,620	1,271,624
EQUITY					
Share capital	196,544	196,544	196,544	196,544	196,544
Reserves	235,199	220,682	214,399	216,158	208,073
Equity attributable to owners of the Company	431,743	417,226	410,943	412,702	404,617
Non-controlling interests	540,706	524,322	515,568	515,686	507,529
Total equity	972,449	941,548	926,511	928,388	912,146
LIABILITIES					
Deferred tax liabilities	170,855	167,971	166,115	165,950	168,726
Borrowings	66,014	87,531	98,219	90,664	106,143
Other non-current liabilities	267	267	267	267	267
Current liabilities	121,167	130,646	121,673	117,351	84,342
Total liabilities	358,303	386,415	386,274	374,232	359,478
Total equity and liabilities	1,330,752	1,327,963	1,312,785	1,302,620	1,271,624
FINANCIAL INDICATORS					
Basic earning per share (sen)	8.92	4.63	2.01	7.28	7.36
Net dividend per share (sen)	1.50	1.50	2.00	2.00	2.25
Net assets per share (RM)	2.20	2.12	2.09	2.10	2.06

2017

Revenue (RM'000)
390,284

Total equity (RM'000)
972,449

Basic earning per share (sen)
8.92

Total assets (RM'000)
1,330,752

Total liabilities (RM'000)
358,303

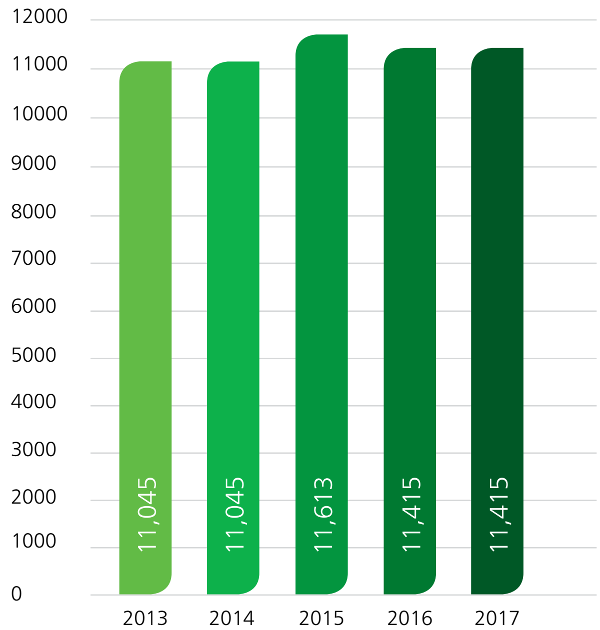
Net dividend per share (sen)
1.50

Net assets per share (RM)
2.20

MHC Plantations Bhd
4060-V
(Incorporated in Malaysia)

Five-Year Plantation Statistics

		Group				
		2017	**2016**	**2015**	**2014**	**2013**
Oil Palm						
Production:						
FFB	(mt)	171,219	162,202	187,141	202,105	192,043
Crude palm oil	(mt)	99,109	85,095	97,415	108,906	92,140
Palm kernel	(mt)	25,914	21,334	24,281	26,990	22,613
Average selling price:						
FFB	(RM/mt)	536	513	361	438	403
Crude palm oil	(RM/mt)	2,756	2,592	2,137	2,314	2,299
Palm kernel	(RM/mt)	2,475	2,527	1,569	1,661	1,562
Yield per matured hectare	(mt)	18.03	17.03	18.95	20.51	18.77
Oil extraction rate	%	19.55	19.72	20.37	20.28	20.15
Palm kernel rate	%	5.11	4.94	5.08	5.03	4.95
Planted Oil Palm Area						
(Weighted average hectares):		11,415	11,415	11,613	11,045	11,045
Mature		9,494	9,524	9,876	9,853	10,229
Immature		1,921	1,891	1,737	1,192	816
Total planted area		11,415	11,415	11,613	11,045	11,045



TOTAL PLANTED AREA

Chairman's Statement

On behalf of the Board of Directors of MHC Plantations Bhd., I am pleased to present to you the Annual Report of the Group and the Company for the financial year ended 31 December 2017.

Group Performance

The Group recorded revenue of RM390.28 million and profit before tax of RM49.17 million for the financial year ended 31 December 2017 ("FY2017") as compared to RM341.10 million and RM31.09 million respectively for the financial year ended 31 December 2016 ("FY2016").

Revenue and profit before tax increased by 14% and 58% respectively mainly due to increases in:

a) Crude Palm Oil ("CPO") and Fresh Fruit Bunches ("FFB") prices by 6% and 4% respectively;
b) Sales volume of CPO, Palm Kernel ("PK") and FFB by 13%, 20% and 34% respectively;
c) FFB production by 6%;
d) Milling productivity by 17% and higher milling margin; and
e) Electricity export by 30%, and the selling prices of Empty Fruit Bunches ("EFB") oil by 36%.

The highlights of the Group performance are stated below:

Average selling price per tonne:-

	FY2017 RM	FY2016 RM	Difference (%)
CPO	2,756	2,592	6%
Kernel	2,475	2,527	-2%
FFB	536	513	4%

Production:-

	FY2017 MT	FY2016 MT	Difference (%)
CPO	99,109	85,095	16%
Kernel	25,914	21,334	21%
FFB	171,219	162,202	6%

Extraction rate:-

	FY2017 (%)	FY2016 (%)	Difference (%)
CPO	19.55	19.72	-1%
Kernel	5.11	4.94	3%

The annual FFB yield achieved in 2017 was 18.03 Metric Tonne ("MT") (2016: 17.03 MT) per hectare, which includes production from the newly matured areas.

During the year under review, the Group's 12MW Biomass Power Plant exported 60,288 MWh (2016: 58,280 MWh) to Sabah Electricity Sdn. Bhd. whereas the 3.8MW Biogas Power Plant exported 15,333 MWh (2016: Nil).

Dividend

Your Board has recommended for your approval a final single tier dividend of 2.0 sen per share for the financial year ended 31 December 2017.

Prospect and Outlook

The Group expects its FFB production to increase in 2018 due to the recovery in yield after the end of the El-Nino dry spell which started two years ago and with more replanted areas reaching maturity. However, palm oil prices would be weakened by stiff market competition posed by other oil seeds and increasing anti-palm oil campaigns in the Western Countries.

The Group will continue to face challenges from the increase in production costs and shortage of foreign labour in the palm oil industry. As such, the Group will continue to improve its operating efficiency and productivity in order to maintain a low operating cost.

The Group also expects a better contribution from its power plant division following the completion of the upgrading of its Biogas Power Plant in Sandakan in the previous year.

On the whole, your Board is confident that, barring any unforeseen circumstances, the Group will continue to perform satisfactorily in 2018.

Acknowledgement

I wish to thank the Management and Staff for their dedicated services and contributions during the year.

To all our valued suppliers, customers, bankers, business associates and advisers, thank you very much for your commitment and assistance to the Group.

And finally, to all our highly valued shareholders, please accept my heartfelt thanks for your unwavering and continuous support.

Dato' Seri Mah King Seng
Executive Chairman

Penyataan Pengerusi

Bagi pihak Lembaga Pengarah MHC Plantations Bhd., saya dengan sukacitanya menyampaikan Laporan Tahunan Kumpulan dan Syarikat bagi tahun kewangan berakhir 31 Disember 2017.

Prestasi Kumpulan

Kumpulan telah mencatatkan pendapatan sebanyak RM390.28 juta dan keuntungan sebelum cukai sebanyak RM49.17 juta bagi tahun kewangan berakhir 31 Disember 2017 ("TK2017"), berbanding dengan masing-masing RM341.10 juta dan RM31.09 juta bagi tahun kewangan berakhir 31 Disember 2016 ("TK2016").

Pendapatan dan keuntungan sebelum cukai masing-masing telah meningkat sebanyak 14% dan 58% disebabkan terutamanya oleh kenaikan dalam:

a) Harga Minyak Sawit Mentah ("CPO") dan Buah Tandan Segar ("FFB") masing-masing sebanyak 6% dan 4%;
b) Jualan CPO, Kernel ("PK") dan FFB, masing-masing sebanyak 13%, 20% dan 34%;
c) Pengeluaran FFB sebanyak 6%;
d) Produktiviti pengilangan minyak kelapa sawit sebanyak 17% dan margin pengilangan yang lebih tinggi; dan
e) Eksport elektrik sebanyak 30%, dan harga jualan Minyak Tandan Buah Kosong ("EFB") sebanyak 36%.

Sorotan prestasi Kumpulan Syarikat adalah seperti berikut:

Harga Purata Jualan Per Tan Metrik:-

	TK2017 RM	TK2016 RM	Perbezaan (%)
CPO	2,756	2,592	6%
Kernel	2,475	2,527	-2%
FFB	536	513	4%

Pengeluaran dalam Tan Metrik ("MT"):-

	TK2017 MT	TK2016 MT	Perbezaan (%)
CPO	99,109	85,095	16%
Kernel	25,914	21,334	21%
FFB	171,219	162,202	6%

Kadar Pengekstrakan:-

	TK2017 (%)	TK2016 (%)	Perbezaan (%)
CPO	19.55	19.72	-1%
Kernel	5.11	4.94	3%

Hasil keluaran tahunan FFB yang dicapai bagi TK2017 adalah 18.03 MT sehektar (2006 - 17.03 MT) yang merangkumi pengeluaran dari kawasan-kawasan baru matang.

Loji Kuasa Biomas 12MW Kumpulan telah mengeksport sebanyak 60,288 MWh kepada Sabah Electricity Sdn. Bhd. bagi TK2017 (2016: 58,280 MWh), manakala Loji Kuasa Biogas 3.8MW mengeksport sebanyak 15,333 MWh (2016: Tiada).

Dividen

Lembaga Pengarah anda telah mencadangkan dividen muktamad satu tier sebanyak 2.0 sen sesaham bagi tahun kewangan berakhir 31 Disember 2017.

Prospek dan Pandangan

Kumpulan menjangka pengeluaran FFB akan meningkat pada tahun 2018 disebabkan oleh pemulihan hasil keluaran selepas berakhirnya musim kering El-Nino yang bermula dua tahun lalu dan memandangkan lebih banyak kawasan-kawasan tanam semula dan baru akan matang. Walau bagaimanapun, harga minyak sawit akan lemah disebabkan oleh persaingan minyak bijiran yang lain dan peningkatkan kempen anti-sawit di Negara-negara Barat.

Kumpulan akan terus menghadapi cabaran dari peningkatan dalam kos pengeluaran dan kekurangan buruh asing dalam industri kelapa sawit. Oleh itu, Kumpulan akan terus meningkatkan kecekapan operasi dan produktiviti untuk mengekalkan kos operasi yang rendah.

Kumpulan juga menjangkakan sumbangan yang lebih baik dari bahagian loji kuasa selaras dengan penyempurnaan kerja menaik taraf Loji Kuasa Biogas di Sandakan pada tahun sebelumnya.

Secara keseluruhannya, Lembaga Pengarah anda yakin bahawa prospek Kumpulan untuk tahun 2018 akan terus menunjukkan prestasi yang memuaskan, melainkan berlaku sesuatu di luar jangkaan.

Penghargaan

Saya ingin mengambil kesempatan ini untuk merakamkan ribuan terima kasih yang tidak terhingga kepada pihak pengurusan dan semua kakitangan atas khidmat dan dedikasi mereka sepanjang tahun 2017.

Terima kasih juga kepada semua pembekal dan pelanggan, rakan perniagaan, penasihat dan pihak bank atas komitmen dan bantuan yang telah diberikan.

Sebagai akhir kata, kepada semua pemegang saham yang dihargai, terima kasih yang tidak terhingga saya ucapkan di atas sokongan anda semua. Saya berharap semoga anda semua akan dirahmati dengan kejayaan dan kemakmuran di masa hadapan.

Dato' Seri Mah King Seng
Pengerusi Eksekutif

Management's Discussion and Analysis

DESCRIPTION OF OUR GROUP'S BUSINESS

MHC Plantations Bhd. ("MHC") was incorporated on 31 December 1960 (hereinafter MHC and its subsidiaries are collectively referred to as the "Group").

The principal activities of the Company consist of cultivation of oil palm, investment holding and the operation of a hotel. The principal activities of the subsidiary companies consist of cultivation of oil palm, operation of quarry, milling and sales of oil palm products including crude palm oil ("CPO") and palm kernel ("Kernel"), letting of oil palm fresh fruit bunches ("FFB") collection center, investment holding, power generation, and property development.

As at 31 December 2017, the Group has a landbank of about 25,500 acres in Sabah and 7,600 acres in Peninsular Malaysia. The Group owns one oil mill in Sabah and one in Peninsular Malaysia, with a total milling capacity of 135 metric tonnes per hour. In addition, the Group has ventured into oil palm renewable energy by investing in and operating a 12 Megawatt Biomass Power Plant ("Biomass Plant") and a 3.8 Megawatt Biogas Power Plant ("Biogas Plant"), both in Sandakan, Sabah. The Group is upgrading its existing Biogas Power Plant in Teluk Intan to connect it to the grid to export renewable power up to one MW to Tenaga Nasional Berhad in 2019 under the Feed-in Tariff ("FiT") scheme.

FINANCIAL REVIEW

Revenue

The Group's revenue for the financial year 2017 has increased by 14% to RM390.28 million as compared to RM341.10 million registered in 2016, mainly due to increases in sales volume and the selling prices of oil palm products.

Average selling price per metric tonne ("MT"):-

	FY2017 RM	FY2016 RM	Difference (%)
CPO	2,756	2,592	6%
Kernel	2,475	2,527	-2%
FFB	536	513	4%

Production:-

	FY2017 MT	FY2016 MT	Difference (%)
CPO	99,109	85,095	16%
Kernel	25,914	21,334	21%
FFB	171,219	162,202	6%

Sales Volume:-

	FY2017 MT	FY2016 MT	Difference (%)
CPO	98,261	87,201	13%
Kernel	25,670	21,375	20%
FFB	52,615	39,209	34%

PROFIT BEFORE TAXATION

The Group reported a profit before tax of RM49.17 million for the financial year 2017, which is an increase of 58% from the previous financial year mainly due to increases in:

(a) CPO and FFB prices by 6% and 4% respectively;
(b) sales volume of CPO, PK and FFB by 13%, 20% and 34% respectively;
(c) FFB production by 6%;
(d) milling productivity by 17% and milling margin; and
(e) electricity export by 30%, and the selling prices of EFB oil by 36%.

Performance of the respective operating business segments as compared to the previous financial year is appended and analysed as follows:

(i) Plantation – The increase in profit before tax by RM7.54 million (24%) from RM31.51 million to RM39.05 million was mainly due to higher FFB price and production by 4% and 6% respectively.

(ii) Oil Mill – The increase in profit before tax by RM 8.20 million (> 100%) from RM3.60 million to RM11.80 million was mainly due to an increase in milling productivity by 17% and higher milling margin.

(iii) Power Plant – The increase in profit before tax by RM0.12 million (1%) from profit before taxation of RM11.47 million to a profit before taxation of RM11.59 million, despite a once-off downward adjustment of RM2.51 million caused by a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements for the Biomass Plant, was mainly due to an increase in electricity export by 30% and higher EFB oil selling price by 36%. The 12MW Biomass Power Plant exported 60,288 MWh (2016: 58,280 MWh) whereas the 3.8MW Biogas Power Plant exported 15,333 MWh (2016: Nil)) in 2017 to Sabah Electricity Sdn. Bhd.

Other Income

Other income increased by 33% from RM9.48 million to RM12.57 million mainly due to an increase in interest income of RM1.14 million and a fair value gain on investment properties of RM1.19 million.

Finance Cost

Finance cost decreased by 17% from RM9.36 million to RM7.76 million in line with the decrease in bank borrowings.

Taxation

The effective tax rate for the financial year 2017 was higher than the statutory tax rate principally because certain expenses were disallowed for tax purposes.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company and earnings per share of the Group improved by 93% year-on-year to RM17.54 million and 8.92 sen respectively.

Cash Flow

In FY2017, the Group generated higher net cash from operating activities of RM48.26 million as compared to RM32.69 million in the previous financial year, mainly due to higher sales volume and prices of oil palm products.

The net cash used in investing activities amounted to RM15.73 million in FY2017, primarily relating to the Group's capital expenditure requirements and deposit in short term investments.

The net cash used in financing activities in FY2017 amounted to RM34.07 million, primary relating to the repayment of bank borrowings.

Overall, the Group registered a decrease in cash and cash equivalents of RM1.54 million during the year, bringing total cash and cash equivalents to RM24.57 million as at 31 December 2017.

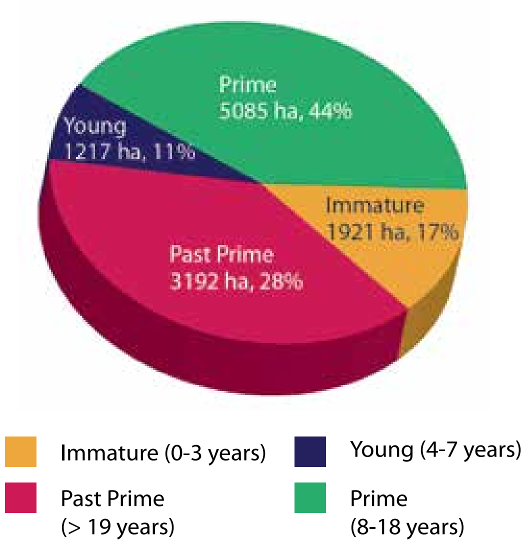
OPERATIONAL REVIEW

Plantation Operations

As at 31 December 2017, the Group's total plantation land stood at approximately 14,000 hectares, of which 82% or 11,415 hectares are planted with oil palms. From the total planted area, approximately 83% or 9,494 hectares are mature, while the remaining 17% or 1,921 hectares are immature. The Group recorded higher FFB production of 171,219 MT (2016 – 162,202 MT) due to recovery in yield after the end of the El-Nino dry spell which started two years ago. The average yield per hectare for the year was higher at 18.03 MT/hectare as compared to 17.03 MT/hectare in 2016.

For productivity improvement, the Group will enhance human capital development by providing comprehensive training to employees, and mechanisation of key processes in the estates, including harvesting, in-field collection and crop evacuation.

Oil Palm Age Profile



The age profile of the developed area is shown below:

Particulars	Hectare	%
0 – 3 years (Immature)	1,921	17
4 – 7 years (Young)	1,217	11
8 – 18 years (Prime)	5,085	44
> 19 years (Past Prime)	3,192	28
Total	**11,415**	**100**

OPERATIONAL REVIEW (cont'd)

Milling Operations

The Group operates one oil mill in Sabah and one in Peninsular Malaysia, with a total milling capacity of 135 MT per hour. In 2017, total CPO produced by the mills was 99,109 MT, representing an increase of 16%, as compared to 85,095 MT in 2016. Similarly, total kernel production increased by 21% at 25,914 MT (2016: 21,334 MT).

The Group's oil extraction rate ("OER") decreased to 19.55% in 2017 as compared to 19.72% in 2016, while kernel extraction rate ("KER") increased to 5.11% in 2017 from 4.94% in 2016.

The Group constantly adopts good milling practices with the aim to improving the OER, KER, and productivity and efficiency.

Power Plant Operations

The Group operates a young renewable energy division consisting of a 12 Megawatt Biomass Plant and a 3.8 Megawatt Biogas Plant in Sandakan, Sabah. Soon, the division will include a 2.4 Megawatt Biogas Power Plant in Teluk Intan.

The 12 Megawatt Biomass Plant generates renewable electricity using oil palm Empty Fruit Bunches (EFB) as primary fuel with oil palm shells and mesocarp fibres as secondary fuels. The Group obtained the FiT Approval from the Sustainable Energy Development Authority Malaysia ("SEDA") on 12 May 2014 to sell renewable electricity to Sabah Electricity Sdn. Bhd. ("SESB") at the FiT rate of RM0.3486/kWh for 16 years commencing from 1 January 2015.

The 3.8 Megawatt Biogas Plant generates renewable electricity by capturing the methane gas from palm oil mill effluent ("POME"), thereby mitigating the emission of greenhouse gases. There is also Zero discharge to the river, as the final discharge from the biogas plant is released through a system of drip irrigation for land application. On 18 February 2015, the Group obtained the FiT Approval from SEDA to sell renewable electricity to SESB for 16 years commencing from 15 February 2017.

The Group recognised that fuel and system stability are the two main success factors for a renewable energy power plant. The Group has adopted a strict fuel policy to control the quantity and quality of its fuel. Several system upgrading and modification works have been carried out on both plants to improve the efficiency and stability of power production.

The 12MW Biomass Power Plant exported 60,288 MWh (2016: 58,280 MWh) to SESB whereas the 3.8MW Biogas Power Plant exported 15,333 MWh (2016: Nil) in 2017.

PROSPECT

The Group expects FFB production to increase in 2018 due to the recovery in yield after the end of the El-Nino dry spell which started two years ago, and with more replanted areas reaching maturity. However, palm oil prices would be weakened by stiff market competition posed by other oil seeds, and increasing anti-palm oil campaigns in the Western Countries.

The Group will continue to face challenges from the increase in production costs and shortage of foreign labour in the palm oil industry. As such, the Group will continue to improve its operating efficiency and productivity in order to maintain a low operating cost.

The Group also expects a better contribution from its power plant division following the completion of the upgrading of its Biogas Power Plant in Sandakan in the previous year.

Corporate Governance Overview Statement

Introduction

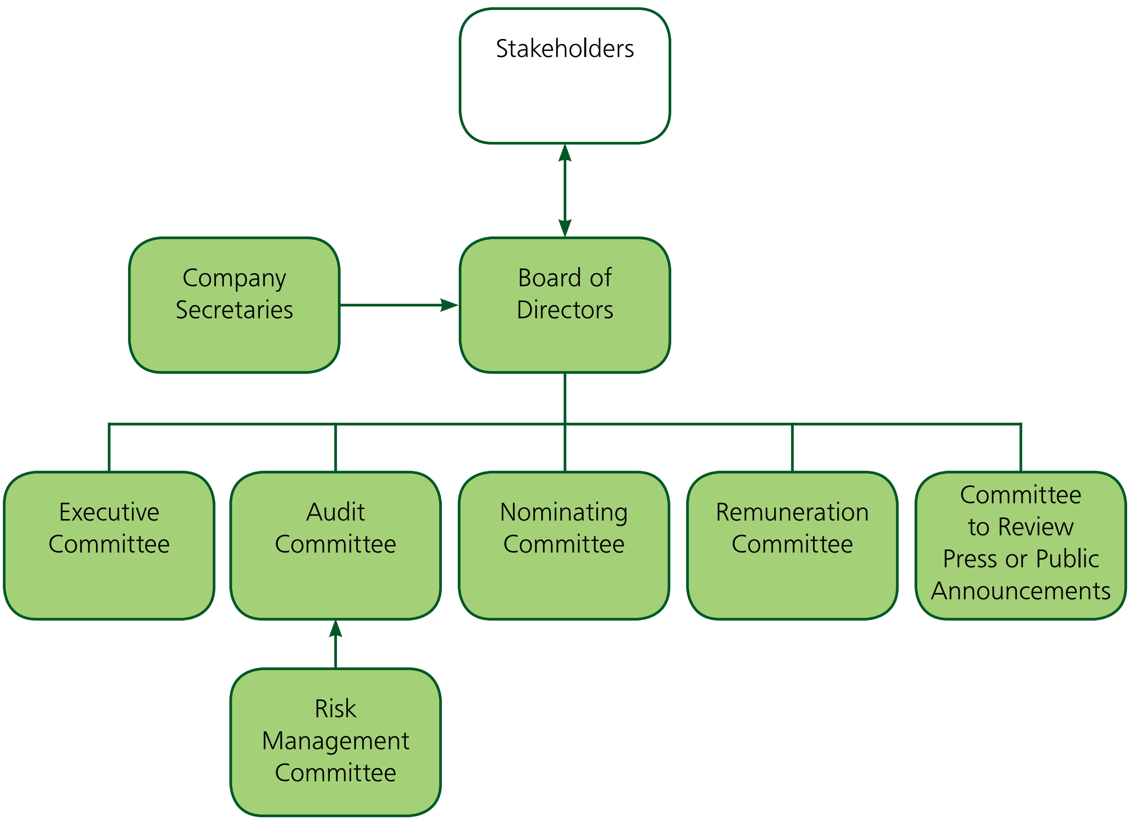
The Board of Directors of the Company presents this statement to provide shareholders and investors with an overview of the Corporate Governance (CG) practices of the Company under the leadership of the Board during the financial year 2017. This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG ").

This statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and it is to be read together with the CG Report 2017 of the Company (CG Report) which is available on the Company's website at www.mhc.com.my

The CG Report provides the details on how the Company has applied the following three (3) principles which are set out in the MCCG during the financial year 2017:

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

The Group's Governance Framework



Principle A : Board Leadership and Effectiveness

Principal Responsibilities of the Board

The Board assumes full responsibilities for the overall performance of the Company and its subsidiaries by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans and careful stewardship of the Group's assets and resources. It focuses on financial performance and crucial business issues, like principal risks and their management, succession planning for senior management, investor relations programme and shareholders communication policy, systems for internal control and compliance with laws and regulations.

Board Charter

The Board has established clear functions reserved for the Board and those delegated to Management in the Board Charter (the "Charter") which serves as a reference point for Board's activities. The Charter provides guidance for Directors and Management on the responsibilities of the Board and its Committees, and requirements of Directors to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. The terms of the Charter are made available on the Company's website at www.mhc.com.my

Along with good governance practices and in order to enhance transparency and accountability, the Board has established and put in place the following policies and procedures, full details of which are made available on the Company's website at www.mhc.com.my:

- Board Charter and Code of Conduct
- Shareholder's Rights relating to General Meetings
- Whistleblowing Policy and Procedure
- Sustainability Policy

In February 2018, the Board reviewed and approved the amendments to the Board Charter in line with the needs of the Company and practices in the MCCG.

Board Composition and Independence

The Board, led by the Executive Chairman, currently comprises five members who bring with them a wide mix of knowledge, business acumen, industry expertise and financial experience which are invaluable assets required in their thorough examination and deliberations of the various key issues and matters involving the Group.

The Board is appropriately balanced to reflect the interest of substantial shareholders. As such, the Board is satisfied that the current Board composition fairly represents and protects the interest of the minority shareholders in the Company. The Independent Directors play a key role in providing unbiased views and impartiality to the Board's deliberation and decision making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders in the Group. The assessment on independence of the Directors based on the provisions of the Listing Requirements covers a series of objective tests and is carried out before the appointment of the Independent Directors. Furthermore, the Board with assistance from the Nominating Committee will undertake to carry out annual assessment of the effectiveness of the Independent Non-Executive Directors and consider whether the Independent Non-Executive Directors can continue to bring independent and objective judgement to the Board deliberations. Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning the Company, is required to immediately disclose to the Board.

Principle A : Board Leadership and Effectiveness (cont'd)

Board Composition and Independence (cont'd)
The Board comprises five (5) members, of whom two (2) are Executive Directors and three (3) are Independent Non-Executive Directors. The Company has thus satisfied the Main Market Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") of having at least one-third of the Board members as Independent Non-Executive Directors.

The Company has taken note of Principle 4.2 of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. However, the Company does not have term limits policy for independent directors but the Nominating Committee annually assesses the independence of the Directors based on the criteria stipulated in paragraph 1.01 of the Listing Requirements. Thus, the Board must justify and seek Shareholders' approval at an Annual General Meeting in the event it retains the director as an Independent Director beyond nine years. If the Board continues to retain the Independent Director after the 12th year, the Board shall seek Shareholders' approval at an Annual General Meeting through a two-tier voting process.

The Board shall examine the composition and size of the Board from time to time to ensure its effectiveness. In this regard, the Board through its Nomination Committee (NC) conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goal.

Foster Commitment
Each Director does not hold more than five directorships in public listed companies to ensure that they have sufficient time to focus and discharge their duties and responsibilities. The Board is satisfied with the time and level of commitment given by the Non-Executive Directors towards fulfilling their roles and responsibilities as Directors of the Company during the financial year ended 31 December 2017.

Meetings
The Board meets four (4) times a year on a scheduled basis with additional meetings held when specific urgent or important matters are required to be considered and decided between the scheduled meetings. A total of four (4) Board Meetings were held during the financial year. All the Directors have complied with the minimum attendance at Board Meetings as stipulated by Bursa Securities during the financial year.

Gender Diversity Policy
The Board endeavours to have at least one woman Director participating on the Board at all times. The Board also endeavours to have diversity in its workforce in terms of experience, qualification, ethnicity and age. Currently, the Board has one female Director, Puan Wan Salmah Binti Wan Abdullah.

Re-appointment and Re-election of Directors
In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election at the first opportunity after their appointment and at least one third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting. The Articles of Association also provide that all Directors shall retire at least once in three (3) years.

Where any Director is required to retire from office, the Nominating Committee reviews the composition of the Board and decides whether to recommend such Director for re-election taking into account the Director's attendance at meetings, participation, contribution and time commitment.

Tan Sri Dr Mah King Thian and Puan Wan Salmah Binti Wan Abdullah will be retiring by rotation at the forthcoming AGM to be held on 10 May 2018. At the recommendation of the Nominating Committee and as approved by the Board, they will be seeking for re-election as Directors at the 2018 AGM.

Principle A : Board Leadership and Effectiveness (cont'd)

Continuous Training of Directors
Directors are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to enable them to sustain their active participation in the Board's deliberations. Hence, the Board recognises and has undertaken an assessment of the training needs of each Director to continue developing their skills and knowledge. All Directors have complied with the Continuous Training Programme prescribed by Bursa Malaysia Securities Berhad. However, every Director is encouraged to evaluate their own training needs and undergo continuous training to equip himself with enhanced knowledge and effectively contribute his duties to the Board. The Directors have participated in conferences, seminars and training programmes, and during the financial year ended 31 December 2017, the following training programmes and seminars were attended by the Directors:

- Briefing for New Companies Act, 2016
- Briefing on the Malaysian Code on Corporate Governance 2017
- Business Canvas
- Business Continuity Management
- CPO Vanilla Swap – Proposal & Indicative Pricings
- Future Trend Reports & Strategic
- IT Security Awareness
- Keepers of The Flame
- Oil Palm Renewable Energy Business
- Palm Oil Master Trader Tutorial (MTT)
- 2018 Budget and Tax Conference

The Company Secretary circulated from time to time the relevant guidelines on statutory and regulatory requirements to the Directors.

Board Committees
The Board is assisted by the following Sub-Committees in the discharge of its duties and responsibilities:

Audit Committee
Executive Committee
Nominating Committee
Remuneration Committee
Committee for the review of press releases or public announcements

Audit Committee
The Audit Committee was established on 27 September 2000 to support the Board of Directors in overseeing the processes for production of financial data and reviewing the financial reports and the internal controls of the Company. Details of the composition, terms of reference and summary of work of the Audit Committee are set out in the Audit Committee Report on pages 36 to 37 of this Annual Report.

Executive Committee
The Executive Committee was set up on 24 May 2001 to act on behalf of the Board on matters concerning administration, operations, capital expenditure, debt approvals and investments. It meets at regular intervals to review the operations, budget and investment strategy. It has three members comprising the Executive Chairman, the Managing Director and a Senior Executive:

1) Datin Seri Ooi Ah Thin (Senior Executive) - Chairperson
2) Dato' Seri Mah King Seng (Executive Chairman)
3) Tan Sri Dr Mah King Thian (Managing Director)

Nominating Committee
The Nominating Committee comprises the following Independent Directors:

1) Chan Kam Leong (Independent Non-Executive)
2) Wan Salmah Binti Wan Abdullah (Independent Non-Executive)
3) Heng Beng Fatt (Independent Non-Executive)

Principle A : Board Leadership and Effectiveness (cont'd)

Nominating Committee (cont'd)
The Nominating Committee meets as and when necessary. One meeting was held during the financial year ended 31 December 2017.

The nomination and election process of board members can be found on the Company's website at www.mhc.com.my

The activities of the Nominating Committee during the financial year are as follows:

- Review the mix of skills, independence, experience and other qualities of the Board.
- Review the performance of the Audit Committee, Nominating Committee and the Remuneration Committee.
- Assess the Directors retiring at the next Annual General Meeting of the Company.
- Assess the independence of the Independent Directors.
- Review the annual assessment of the effectiveness of the Board, committees and individual Directors with the following criteria used:

  Audit Committee
  i) Quality and Composition;
  ii) Skills and Competencies; and
  iii) Meeting Administration and Conduct.

  Board of Directors
  i) Board Structure;
  ii) Board Operations; and
  iii) Board Roles and Responsibilities.

At the Nominating Committee meeting held on 2 November 2017, the Nominating Committee had conducted and carried out an annual assessment of the Board and its individual members, the Audit Committee and its members, and the Remuneration Committee and its members, including assessing in the area of board diversity, composition and governance, decision-making and Boardroom activities, skills and contribution of each directors. The Nominating Committee was satisfied with the current board size and the effectiveness of the Board/Board Committees and thus, no recommendation on the change of composition of the Board is made. The assessment and evaluation was properly documented.

Remuneration Committee
The Remuneration Committee comprises the following three members:

1) Tan Sri Dr Mah King Thian (Managing Director)
2) Chan Kam Leong (Independent Non-Executive)
3) Wan Salmah Binti Wan Abdullah (Independent Non-Executive)

The Remuneration Committee meets as and when necessary. One meeting was held during the financial year ended 31 December 2017.

The Remuneration Committee provides remuneration packages which are sufficient and necessary to attract, retain and motivate Executive Directors and Senior Management to run the Company. The remuneration of Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them.

The Board has established a Remuneration Policy and Procedure which facilitates the Remuneration Committee to review, consider and recommend to the Board for decision on the remuneration packages of the Executive Directors and Senior Management.

The Remuneration Policy and Procedure can be found on the Company's website at www.mhc.com.my

Principle A : Board Leadership and Effectiveness (cont'd)

Committee for the Review of Press Releases or Public Announcements

The Committee for the review of press releases or public announcements, comprising the Executive Chairman, Dato' Seri Mah King Seng, and the Managing Director, Tan Sri Dr Mah King Thian, is responsible for making timely dissemination of information to the shareholders and investing public and ensuring that the information released is factual, clear, accurate and not false or misleading.

Remuneration of Directors and Key Senior Management Personnel

The Company's framework on Directors' remuneration has the underlying objectives of attracting and retaining Directors of high calibre needed to run the Group successfully. In the case of the Executive Directors, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Non-Executive Director concerned.

The Company has identified the Chief Operating Officer, Group General Manager of the Company's subsidiary namely Cepatwawasan Group Berhad and Group Accountant who are the most senior management personnel outside the Board as its key senior management personnel.

The objective of the Group's remuneration policies is to provide fair and competitive remuneration to its Board and senior management personnel in order for the Company to benefit by attracting and retaining a high quality team.

The Company pays its Non-Executive Directors allowances based on attendance of meetings and level of responsibilities.

The Company provides Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act, 2016, the cost such Liability Insurance is set out in the Directors' Report.

The details of the remuneration of Directors comprising remuneration received/receivable from the Group and Company during the financial year are as follows:

	Salary RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Benefits - in-kind RM'000	EPF RM'000	Total RM'000
Group							
Executive Directors							
Dato' Seri Mah King Seng	1,126	-	323	30	-	174	1,653
Tan Sri Dr Mah King Thian	1,126	-	323	30	24	174	1,677
Total	2,252	-	646	60	24	348	3,330
Non-Executive Directors							
Chan Kam Leong	-	53	-	46	-	-	99
Wan Salmah Binti Wan Abdullah	-	-	-	45	-	-	45
Heng Beng Fatt	-	-	-	46	-	-	46
	-	53	-	137	-	-	190

Principle A : Board Leadership and Effectiveness (cont'd)

The details of the remuneration of Directors comprising remuneration received/receivable from the Group and Company during the financial year are as follows: (cont'd)

	Salary RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Benefits - in-kind RM'000	EPF RM'000	Total RM'000
Company							
Executive Directors							
Dato' Seri Mah King Seng	-	-	-	-	-	-	-
Tan Sri Dr Mah King Thian	497	-	165	-	-	80	742
Total	497	-	165	-	-	80	742
Non-Executive Directors							
Chan Kam Leong	-	-	-	46	-	-	46
Wan Salmah Binti Wan Abdullah	-	-	-	45	-	-	45
Heng Beng Fatt	-	-	-	46	-	-	46
	-	-	-	137	-	-	137

Principle B : Effective Audit and Risk management

Risk Management and Internal Control Framework

The Board has established a Group Risk Management Committee (RMC) that comprises the Managing Director and senior management to review the risk management framework and assess the various types of risks which might have an impact on the profitable operation of the Group's business. This includes operational, market, legal and environmental risks. The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control on Pages 32 to 35 of this Annual Report.

In accordance with the Code and the LR of Bursa Securities, the Board has established an internal audit function which reports directly to the Audit Committee. The function is currently outsourced to an independent professional firm. The Audit Committee had also undertook an annual assessment of the quality of the internal auditor based on an assessment questionnaire, and no material issue and major deficiency had been noted which pose a high risk to the overall system of internal control under review.

Details on scope of work performed during the financial year under review are provided in the Audit Committee Report set out on Pages 36 to 37 of this Annual Report.

Assessment of Suitability and Independence of External Auditors (EA)

The Audit Committee had deliberated the outcome of the Evaluation of the EA including the assessment of the Engagement Teams' qualification, credentials and experience, particularly in the financial service sector, the firms' competitive advantage with global network resources, their audit work approach, and their ability to provide value added and service as well as to perform the work within MHC's timeline. Messrs Ernst & Young had also confirmed their independence throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

The Audit Committee had on 27 February 2018 undertook an annual assessment of the quality of audit and sufficiency of resources they provided to the Group, in terms of firm and the professional staff assigned to the audit. Hence, the Audit Committee decided to recommend to the Board for approval for the re-appointment of Messrs Ernst & Young (EY) as EA of MHC and Group for financial year ending 31 December 2018.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on Page 31 of this Annual Report.

Principle B : Effective Audit and Risk management (cont'd)

Relationship with the Auditors
The Board has established a formal and transparent arrangement with its external auditors to meet their professional requirements. The auditors have continued to highlight to the Audit Committee and Board of Directors matters that require the Board's attention. The Audit Committee will have a private session with the External Auditors without the presence of any executive of the Group at least twice a year. In addition, the external auditors are invited to attend the Company's AGM.

The role of the Audit Committee in relation to the external auditors is set out in the Report of Audit Committee on Pages 36 to 37 of this Annual Report.

Principle C : Integrity in Corporate Reporting and Meaningful relationship with Stakeholders

Investor Relations and Communication
The Board recognises the importance of timely dissemination of information to its shareholders to keep them well informed of all major developments of the Group. Disclosures in the Annual Report, announcements and releases of the quarterly financial results provide the shareholders and the investing public with a periodic overview of the Group's performance and operations.

The Company uses the Annual General Meeting (AGM) as a forum for dialogue and interaction with all its shareholders. Shareholders are encouraged to attend and participate in the AGM. They will be given the opportunity to seek clarification on any matters pertaining to the Company's affairs and performance, as the Directors and the representatives of the External Auditors will be present to answer any questions that they may have.

The Board has identified Chan Kam Leong, the Independent Non-Executive Director, as the Liaison Director to whom the shareholders, management and others may convey their concerns.

Shareholders may also contact the Company Secretary at any time for information.

The Company's website at www.mhc.com.my contains vital information concerning the Group which is updated on a regular basis and shareholders are able to put questions to the Company through the website.

Poll Voting
As stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting of all resolutions at general meetings shall be carried by way of poll.

Compliance with the Code
The Group has complied with the Principles of Corporate Governance as contained in the Code except for the following exception that, in the opinion of the Directors, adequately suit the circumstances:

- Practice 7.2 (The Board discloses on a named basis the top five (5) senior management's remuneration in bands of RM50,000)

The explanation for departure is further disclosed in the Corporate Governance Report.

The CG Overview Statement was approved by the Board of Directors of MHC on 27 February 2018.

Statement of Directors' Responsibility

for Preparing the Audited Financial Statements

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed and made a statement to that effect in the financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 2016 and the applicable approved accounting standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Group and of the Company for the prevention and detection of fraud and other irregularities.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") is pleased to present the Group's Statement on Risk Management and Internal Control for the financial year ended 31 December 2017 which is made in compliance with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements and is guided by "Statement on Risk Management and Internal Control: Guidelines for Directors and Listed Issuers" endorsed by Bursa Malaysia.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for establishing an efficient and effective sound risk management framework and internal control system. The Board ensures the Group's key areas of risk are managed within an acceptable risks profile. There is an on-going review process for identifying, evaluating, responding to and managing significant risk faced by the Group to ensure the adequacy and integrity of the system.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage key risks, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system can only provide reasonable but not absolute assurance against material misstatement, operational failures, fraud or loss.

RISK POLICY

The Group recognises its primary responsibility is to ensure the long term viability of the Group. The Group recognises that the risk is an integral and unavoidable component of its business and is characterised by threats and opportunities. The Group fosters a risk-aware corporate culture in all decision making. Our policy, therefore, is to achieve a proper balance between risk incurred and potential returns to shareholders and stakeholders.

RISK MANAGEMENT FRAMEWORK AND CONTROL SELF-ASSESSMENT

The Board has put in place a risk management framework and ongoing process to assess the various types of risks, which might have an impact on the profitable operation of the Group's business. These include operational risk, market risk, legal risk and environmental risk. After the review and taking into consideration the nature of the Group's business, the Directors are of the view that the Group is not materially exposed to legal and environmental risks and therefore have concluded to focus on the operational risks relevant to the business. Although there is exposure to market risk as a result of price fluctuations in the commodity market, the Directors consider these as movement in market forces inherent in the industry in which the Group operates.

The Board has established a formal Group Risk Management Committee that comprises the Managing Director and senior management. The Group Risk Management Committee is entrusted with the responsibilities of identifying and evaluating various critical risks that are considered likely to affect the profitable operation of the business units in the Group.

The key risk management processes for the main risk areas of the Group are as follows:

Risk Area	Risk Management Process
Business/Operation Risks	- Relevant discussions have been held with the operational managers on the major risks affecting the business operations of the Group. As a result, a database of all major risks and controls, and subsequent actions taken was compiled to produce a divisional risk profile of the business units evaluated under the risk management plan. - Business/Operations Heads are provided with reports to enable them to review, discuss and monitor the risk profiles and implementation of action plans. - The Group implemented attractive remuneration schemes to attract and retain a skilled workforce to meet existing and future needs. - To cope with the adverse climatic conditions affecting the oil palms, the plantation division strictly follows the requirements of the planting manual, employs good agricultural practices, and adopts water conservation and irrigation measures to sustain high production yields. - The Group is continuously devising ways to mechanise and increase efficiency and productivity to mitigate the risk of labour shortages. - The Group engaged a reputable agronomist who provides plantation management solution to increase the group's productivity and lower the cost of productions by implementing best plantation management practices.
Financial Risks	- The key financial risks of the Group include credit risk and liquidity risk. - Credit risks arise from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flows and funding. The Group minimises such exposures by assessing the creditworthiness of potential customers, closely monitoring collections and overdue debts, and effectively utilising credit to keep leverage at a comfortable level. - The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an going basis and the Group's exposure to bad debts is very minimal. The Group usually trades only with recognised and creditworthy customers in which there is no requirement for collateral. Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. The Group actively manages their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

INTERNAL AUDIT FUNCTION

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, the Board through the Audit Committee regularly receives and reviews reports on internal control from its internal audit function.

The internal audit function is outsourced to a professional services firm which reports directly to the Audit Committee. The Internal Audit Function adopts a risk-based approach with focus on effective risk management practices. The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board. Observations from internal audits were presented to the Audit Committee together with management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the Audit Committee. The costs incurred for the Internal Audit function for the financial year ended 31 December 2017 totalled RM22,000.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of the Group's internal control are as follows:

- The Board of Directors reviews the operational and financial performance of the Group every quarter and management meetings are conducted regularly at head office and operating division level. The Executive Committee ("EXCO") is aware of the significant issues identified in those meetings, and when necessary the EXCO shall be involved in resolving those issues. The Group has been restructured in such a way that duties are properly segregated to ensure safe custody of the Group's assets and to provide clear and transparent reporting lines.
- Timely preparation of quarterly operational and financial reports to the Board and monthly financial reports to Senior Management for review.
- Existence of an organisational structure with clear delegation of responsibilities.
- The Company has implemented a system of controls as set out in the Operations Manual. The Board will review from time to time and update the financial authority limits set out therein as and when necessary.
- A detailed budgeting process takes place annually, where each business unit prepares its budget for the following financial year and the budget is then reviewed by the Managing Director, after which the budget is submitted to the Board for formal approval.
- Regular visits to the Operating Centres by the Managing Director and senior management whenever appropriate.
- Proposals for major capital expenditure and investment by the Group are reviewed and approved by the Board of Directors. All other purchases and payments are approved according to formalised limits of authority.
- The Remuneration Committee evaluates and reviews the remuneration packages of the executive directors and senior management.
- The Audit Committee reviews the internal audit plan for the year, and reviews and holds discussions on the actions taken on internal control issues identified in the reports prepared by the Internal Auditor.
- Regular management meetings.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this statement for inclusion in the Annual Report, and is of the view that the risk management and internal control system is satisfactory and there were no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

For the period under review, the Managing Director and the Group Accountant have provided assurance to the Board that to the best of their knowledge, the Group's risk management and internal control system are operating adequately and effectively in all material aspects.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

In accordance with paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that caused them to believe that the Statement which is intended to be included in the annual report 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, nor to the Statement is factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 27 February 2018.

Audit Committee Report

Members of the Committee
Chan Kam Leong – Chairman
(Independent Non-Executive Director)
Wan Salmah Binti Wan Abdullah – Member
(Independent Non-Executive Director)
Heng Beng Fatt – Member
(Non-Independent Non-Executive Director)

The terms of reference of Audit Committee which had been reviewed and revised by the Directors at a Board meeting held on 27 February 2018, can be found at the Company's website at www.mhc.com.my

Number of Meetings and Details of Attendance

During the year under review, the Audit Committee held four meetings on 23 February 2017, 18 May 2017, 10 August 2017 and 2 November 2017 to conduct and discharge its functions in accordance with its Terms of Reference. The Group Accountant and representatives of the internal and external auditors were invited to attend the Audit Committee meetings conducted during the financial year. The attendance record of each member is as follows:

Audit Committee Members	Number of Meetings Attended
Chan Kam Leong	4 of 4
Wan Salmah Binti Wan Abdullah	3 of 4
Heng Beng Fatt	4 of 4

Summary of Work

The works of the Audit Committee during the financial year are as summarised below:

(a) Reviewed the unaudited quarterly Group results prior to recommending them to the Board for approval for announcement to Bursa Securities;
(b) Reviewed, prior to the commencement of audit, the external auditors' scope of engagement, their audit plan and approach and their request for any increase in audit fees;
(c) Reviewed and discussed with the external auditors the updates or new developments on accounting standards issued by the Malaysian Accounting Standards Board and the Company's compliance with the applicable standards;
(d) Reviewed with the external auditors the results of their audit, their audit report and management letters relating to the audit, their internal control recommendations in respect of control weaknesses noted in the course of their audit and the management's responses thereto. The Committee also appraised the adequacy of actions and measures subsequently taken by the management to address the issues and recommended, where relevant, further improvement measures;
(e) Reviewed the draft audited financial statements prior to recommending the same to the Board for approval;
(f) Reviewed the statement on risk management and internal control before recommending to the Board for approval for inclusion in the Annual Report;
(g) Considered the proposals received for the internal audit function and recommended the re-appointment of the internal auditors;
(h) Reviewed the related party transactions that had arisen prior to recommending them to the Board for approval;
(i) Reviewed the internal auditor's reports, their recommendations and the management responses. Improvement actions in the area of internal controls, systems and efficiency enhancements suggested by the internal auditor were discussed together with management;
(j) Carried out an annual review of the performance of the Internal Auditor, including assessment of their suitability and independence in performing their obligation; and
(k) Followed up on the implementation actions taken by management in respect of the internal auditor's recommendations.

Internal Audit Function

The Group outsourced its internal audit function. The Internal Audit Function adopts a risk-based approach with focus on effective risk management practices. The role of the internal audit function, which reports directly to the Audit Committee, is to support the Audit Committee by providing it with independent and objective reports on the adequacy and effectiveness of the system of internal control and the extent of compliance with the procedures and by recommending ways to rectify shortfall and improve the existing control environment in relation to the Group's operations. It submits its findings and recommendations to the Audit Committee and senior management of the Group.

An internal audit had been performed during the year under review. The internal audit activities carried out for the financial year include, inter alia, the following:

- Procurement of FFB from estates and general purchases;
- Sales of CPO and Kernel;
- Security and upkeep of oil mill; and
- Payroll.

The audit report incorporating the internal auditors' findings and recommendations with regard to the system operations and control weaknesses noted in the course of their audit and the management's responses thereto were subsequently submitted to the Audit Committee. The action plans were then followed up during subsequent internal audits with implementation status reported to the Audit Committee for their attention.

Additional Compliance Information

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad
for the year ended 31 December 2017

- **Utilisation of Proceeds**
  The Company did not raise any funds through any corporate proposal during the financial year.

- **Auditors' Remuneration**
  The auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2017 is as follows:

	Group RM	Company RM
Audit fees	424,846	61,000
Non-Audit fees	208,291	8,500
	633,137	69,500

- **Material Contracts awarded to Directors and Substantial Shareholders**
  There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the end of the financial year except for those disclosed under related party transaction on page 144 of this Annual Report.

- **Recurrent Related Party Transactions**
  The Company incurs related party transaction in the ordinary course of business with a private company connected to certain directors. The total amount involved falls below the threshold requiring announcements and/or shareholders' mandate.

Sustainability and Corporate Responsibility

The Group recognises the values of Sustainability and Corporate Responsibility ("CR"), both of which are integral to generate and sustain short and long term values for the Group and its stakeholders.

Our commitment on sustainability encompasses on-going efforts to maintain a healthy balance between economic, social and environmental responsibilities, and interests towards our stakeholders for a better future. Our CR activities focus on creating positive impact in the society we operate.

The strategies to promote sustainability and its implementation can be found on the Company's website at www.mhc.com.my

Our Sustainability framework consists of four main areas of focus namely, the environment, the community, the work place and the market place.

Environment

The Group strives to achieve a sustainable long term balance between meeting its business goals and preserving the environment. It recognises that the sustainability of the ecosystems is an integral part of sustaining its business. Hence, conservation and preservation of the environment remains the priority of the Group. To mitigate the emission of Greenhouse Gas, the Group constructed and operates a Biogas Power Plant ("Biogas Plant") as well as a Biomass Power Plant ("Biomass Plant") in Sandakan, Sabah to generate and export green power to the electricity grid. The Group also adopts a zero discharge of Palm Oil Mill Effluent ("POME") into the waterways by polishing the POME in the Biogas Plant before discharging it via land irrigation. In addition, our oil mill recycles the POME solids into organic fertilisers, namely belt press solid and decanter cake, which are then reapplied to our estates. This will help preserve the environment while reducing the cost of fertilisers.

The Group maintains a strict Zero Burning Policy in relation to all new planting, re-planting and other related development.

We have adopted environmentally friendly techniques and used them to innovate our Integrated Pest Management System. The Group favours an integrated pest management approach including the deployment of biological control instead of widespread pesticide use for pest control. The introduction of barn owls in estates to suppress rat population and the placement of pheromone traps to capture rhinoceros beetles are among methods that have proven effective over the years in reducing pest damage to crops. Substitution of chemical fertilisers with nutrient-rich organic matter such as empty fruit bunches and treated palm oil mill effluents are also common practice in our estates.

Community

The Group cares about the well-being of the communities, and believes in sharing and giving back to the communities for the improvement in overall well-being and promoting growth within the communities.

The Group contributes to the local community through Dato' Seri Mah Pooi Soo Benevolent Fund ("the Fund") which is a charitable organisation funded by the Group.

The Fund is dedicated to the advancement of education and religion, relief of poverty and other purposes beneficial to the community. The Fund has donated an Old Folks Home and the Town Library in Teluk Intan, a Mosque in Behrang, a library in Hulu Bernam, land for a new Tamil school at Bandar Behrang 2020, the Perak Orang Asli Educational Excellence Centre and the Perak Orang Asli Community Hall in Simpang Pulai, Perak.

The Group is working with the Borneo Child Aid Society, Sabah (HUMANA) in Sandakan to provide basic education and care for children of foreign plantation workers, who are unable to enrol in the Malaysian national schools. The Group has constructed a hostel that can accommodate 40 to 50 students on a "gotong royong" basis with the local community in Kota Marudu, Sabah. Besides, the Group is partnering with Yayasan Orang Asli Perak to provide basic education and care for the children of Orang Asli. The Group has also built a new learning centre for the children of foreign plantation workers, who are unable to enrol in Malaysian national schools, at its estate in Beaufort, Sabah.

Community (cont'd)

The Group has also contributed RM290,000 through the Fund towards the establishment of a Bistari IT Center at Pusat Kecemerlangan Pendidikan Orang Asli Perak located between Simpang Pulai and Cameron Highlands. This IT College is intended to improve the living standard of Orang Asli by providing them skill training in the field of computer science and administrative management. In collaboration with the Rotary Club of Teluk Intan, the Group has donated 50 laptops to be distributed to high-achieving secondary school students from underprivileged families in Hutan Melintang/Bagan Datuk.

Work Place

The Group believes that its employees are one of its greatest assets and they are major contributors. Therefore, the Group believes in continuing development in technical and non-technical skills, performance management and the growth of its people.

Our human capital development programmes include in-house and external training, seminars, and provision of information/knowledge sharing platform to encourage communication and to improve knowledge sharing.

The Group is committed to providing a safe and healthy working environment for all employees. To ensure the efficiency and safety of all operations within the Group, safety audits are carried out periodically to ensure full compliance with all the relevant legislative requirements. A comprehensive safety plan has been established with the twin objectives of "zero accidents" and public safety. Workers at work place are provided with safety equipment and working procedures. The codes of health and safety practices and procedures are to be strictly adhered by all the parties concerned. During the year under review, the Company has organised a Cardio Pulmonary Resuscitation (CPR) training session for our staff, conducted by Hospital Tanjong Malim.

Providing a comfortable environment for our workers and their dependents to work and to live in is also our commitment. To this effect, a comprehensive range of amenities is provided at our Group's operating units, which include housing, water and electricity supply, healthcare, places of worship, childcare facilities and other recreational amenities.

The Group believes that its people should be fairly rewarded and recognised. The basis of recognition is not only limited to work performance but also by other aspects including behaviour at work, creativity, involvement in Group's activities. Our reward philosophy covers basic salary, benefits, short-term variable bonus as well as promotion.

Market Place

Our business conduct shall be guided by honesty, integrity and a commitment to excellence. We are committed to promoting responsible practices among our business partners, showing care for the wellbeing of our customers, and upholding good corporate governance to meet the expectations of our investors. The Group practises the principles of good corporate governance and rules and regulations of the law. Our commitment to good corporate governance and the continuous improvement on corporate governance is further elaborated in the Statement on Corporate Governance of this Annual Report.

Our annual general meeting provides a useful interactive forum for direct engagement with our valued shareholders. Relations with investors and shareholders are managed systematically and professionally, with an underlying commitment to openness and objectivity. The Company's website at www.mhc.com.my contains vital information concerning the Group which is updated on a regular basis and shareholders are able to put questions to the Company through the email on the website.

List of Properties

as at 31 December 2017

Location of Property Peninsular Malaysia	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Date of last Revaluation ®
1 MHC Plantations Bhd. Lot Nos. 2768, 3502, 3537, 4471, 4475, 5228, 5229, 5936, 9249 to 9295 (incl.), 12657 and 12658, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	849.8 acres	Oil palm estate	3,718	1998
2 MHC Plantations Bhd. Lot Nos. 2327, 5299, 5300, 8275 and 16413, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	702.6 acres	Oil palm estate	2,799	1998
3 MHC Plantations Bhd. Lot Nos. 3318, 3319, 3342 to 3345 (incl.), Town of Teluk Intan, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 999 years	21.02.2883	10,142 sq. feet	6½-storey commercial structure partly used as a hotel known as Hotel Anson and partly as office premises	1,100	1998
4 MHC Plantations Bhd. Lot No. 4453, Town of Teluk Intan, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	2,325 sq. feet	3-storey commercial shophouse	1,250	2017
5 Anson Oil Industries Sdn. Bhd. Lot No. PT 6438, Mukim of Changkat Jong, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 99 years	28.02.2111	992.3 acres	Oil palm estate	6,449	1998
6 Anson Oil Industries Sdn. Bhd. Lot No. 8859, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 99 years	27.02.2111	906.9 acres	Oil palm estate	3,635	1998
7 Anson Oil Industries Sdn. Bhd. Lot Nos. 26798, 26799, 26800-26802, 26876, 26903, Mukim Durian Sebatang, Daerah Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	15,468 sq. metre	Industrial land	4,660	2017
8 Majuperak Plantation Sdn. Bhd. Lot No. 10471, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 99 years	11.01.2055	1,000.5 acres	Oil palm estate	4,375	1998
9 Sharikat Muzwin Bersaudara Sdn. Bhd. Lot No. PT 8860, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 99 years	07.03.2111	1,000.0 acres	Oil palm estate	2,927	1998
10 Yew Lee Holdings Sdn. Berhad Lot No. PT 6439, Mukim of Changkat Jong, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 99 years	27.02.2111	969.0 acres	Oil palm estate	2,189	1998

List of Properties
as at 31 December 2017 (cont'd)

Location of Property Peninsular Malaysia	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Date of last Revaluation ®
11 Hutan Melintang Plantations Sdn. Berhad Lot No. PT 8861, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 99 years	28.02.2011	978.9 acres	Oil palm estate	5,430	1998
12 Champion Point Sdn. Bhd. Lot Nos. 10058, 10065, 10066, 10068, 10069, 10071-10075 (Incl.), PT 30768 Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	188.88 acres	Oil palm estate	2,863	1998
13 Mah Hock Company Sendirian Berhad Lot Nos. PT 30770, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	20.68 acres	Oil palm estate	51	N/A

	Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Date of last Revaluation ®
14	Prolific, Wong Tet-Jung Plantations Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2069 2070 2074 2075 2076 2077 2082 2082	39.752 hectares 30.607 hectares 8.010 hectares 207.991 hectares 9.967 hectares 24.460 hectares 6.463 hectares 72.790 hectares	Oil Palm Plantation & Oil Mill	16,338	N/A
		Perpetuity (Sublease 99 years)	2097	6.435 hectares			
	Kolapis-Beluran Area District of Labuk Sugut	Leasehold 99 years	2073	2.250 hectares	Plantable Reserve		
				408.725 hectares			
	Prolific Yield Lot 38, Block C Taman Indah Jaya Phase 4A, Mile 4, Jalan Utara, Sandakan	Under Sub Division Leasehold 99 years (Parent title TL077552035)	2081	**167.22 Sq.M**	Double Storey Terrace Shoplot	127	N/A
15	Melabau, Suara Baru, Gelang Usaha 0.2 Km East of KM 96, Sandakan-Lahad Datu Highway	Leasehold 99 years	2069	27.480 hectares	Oil Palm Plantation	602	N/A
			2078 2079 2080 2081 2082 2085 2086 2095 2093 2097	17.110 hectares 260.780 hectares 202.303 hectares 136.615 hectares 88.690 hectares 252.660 hectares 14.930 hectares 4.993 hectares 154.700 hectares 12.300 hectares	Oil Palm Plantation & Quarry	35,260	N/A
		Perpetuity (Sublease 99 years)	2075 2080 2093 2097	316.549 hectares 136.763 hectares 5.751 hectares 10.930 hectares			
	KM 28, Jalan Labuk	Leasehold 99 years	2065	1.842 hectares	Plantable Reserve		
				1,644.396 hectares			
16	Sri Likas Mewah, Ultisearch Trading 2.6 KM north of KM 31, Sukau Road	Leasehold 99 years	2085 2094 2096 2098	10.120 hectares 386.100 hectares 168.700 hectares 47.750 hectares	Oil Palm Plantation	13,784	N/A
				612.670 hectares			
17	Bakara Bukit Garam/Sg. Lokan Off KM 76.5, Sandakan-Lahad Highway	Leasehold 99 years	2085 2087	150.300 hectares 400.000 hectares	Oil Palm Plantation	12,844	N/A
				550.300 hectares			
18	Cepatwawasan & Kovusak KM 4.5, Jalan Beluran	Leasehold 99 years	2061 2071 2078	992.700 hectares 133.550 hectares 485.300 hectares	Oil Palm Plantation	40,161	N/A
				1,611.550 hectares			
19	Razijaya & Sugguh Mulia Sungai-Sungai Locality, 99 KM North-West of Sandakan	Leasehold 99 years	2098	**362.200 hectares**	Oil Palm Plantation, Quarry & Plantable Reserve	14,886	N/A

List of Properties
as at 31 December 2017 (cont'd)

Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Date of last Revaluation ®
20 Prima Semasa Sonsogon Suyad, Paitan Locality 105 KM North-West of Sandakan	Leasehold 99 years	2094	**2,997.000 hectares**	Oil Palm Plantation & Plantable Reserve	42,179	N/A
21 Cepatwawasan, Tentu Bernas, Tentu Cergas, Liga Semarak & Jutategak Sg. Kawananan Locality 113 KM North-West of Sandakan	Leasehold 99 years	2097 2098 2099 2100	242.800 hectares 145.710 hectares 48.550 hectares 48.520 hectares **485.580 hectares**	Oil Palm Plantation & Plantable Reserve	7,269	N/A
22 Ladang Cepat-KPD 85 KM South-West of Beaufort	Leasehold 99 years	2087	**1,602.840 hectares**	Oil Palm Plantation	47,913	N/A
23 Cepatwawasan Group Berhad Lot 70, Block 6, Prima Square Mile 4, North Road, Sandakan	Leasehold 99 years	2106	**564.386 Sq.M**	Three Storey Shop/Office	1,115	N/A
24 Cepatwawasan Group Berhad Unit no. F-7-2, Level 7, Block F Utama Court, Phase 2, Mile 6 North Road, Sandakan	Leasehold 99 years	2081	**106.500 Sq.M**	Eight Storey Apartment	159	N/A
25 Cepatwawasan Group Berhad Unit no. F-8-2, Level 8, Block F Utama Court, Phase 2, Mile 6 North Road, Sandakan	Leasehold 99 years	2081	**106.500 Sq.M**	Eight Storey Apartment	169	N/A
26 Cepatwawasan Group Berhad Unit no. B1-10-1, Sri Utama Condominiums Mile 6, North Road, Sandakan	Leasehold 99 years	2081	**122.140 Sq.M**	Eight Storey Condominium	436	N/A
27 Cepatwawasan Group Berhad Unit no. B1-10-3, Sri Utama Condominiums Mile 6, North Road, Sandakan	Leasehold 99 years	2081	**105.140 Sq.M**	Eight Storey Condominium	359	N/A
28 Mistral Engineering Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**3.115 hectares**	Biogas power plant	361	N/A
29 Cash Horse Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**7.070 hectares**	Biomass power plant	6,416	N/A

List of Properties
as at 31 December 2017 (cont'd)

Location of Property Kuala Lumpur	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2017 RM'000	Date of last Revaluation ®
30 Minelink HS (D) 118739, No. PT 9103 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.976 Sq.M**	High-end residential property	7,339	2017
Minelink HS (D) 118740, No. PT 9104 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**877.693 Sq.M**	High-end residential property	7,181	2017
Minelink HS (D) 118741, No. PT 9105 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.829 Sq.M**	High-end residential property	7,337	2017
Minelink HS (D) 118742, No. PT 9106 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**878.490 Sq.M**	High-end residential property	7,188	2017
Minelink HS (D) 118743, No. PT 9107 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**884.183 Sq.M**	High-end residential property	7,234	2017
Minelink HS (D) 118744, No. PT 9108 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**863.043 Sq.M**	High-end residential property	7,061	2017

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are oil palm cultivation, investment holding and the operation of a hotel.

The principal activities and other information of the subsidiary companies are set out in Note 14 to the financial statements.

Results

	Group RM	Company RM
Profit for the year	37,637,595	6,605,641
Attributable to:		
Owners of the Company	17,538,234	6,605,641
Non-controlling interests	20,099,361	-
	37,637,595	6,605,641

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

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

Dividends

During the financial year, the amount of dividends paid by the Company in respect of the financial year ended 31 December 2016 were as follows:

	RM
Final single tier dividend of 1.50 sen per share	2,948,160

At the forthcoming Annual General Meeting, a final single tier dividend of 2.00 sen per share in respect of the current financial year ended 31 December 2017 on 196,543,970 ordinary shares, amounting to a dividend payable of RM3,930,879 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect these proposed dividends. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

Warrants 2012/2017

On 30 July 2012, a total of 56,155,420 free Warrants have been issued and allotted to the shareholders pursuant to the Bonus Issue of two (2) free Warrants for every five (5) existing ordinary shares of RM1.00 each in MHC Plantations Bhd. ("MHC Share(s)") held on 25 July 2012. The Warrants were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 3 August 2012.

Each Warrant carries the entitlement to subscribe for one (1) new MHC Share at the exercise price of RM1.56 and at any time during the exercise period up to the date of expiry on 29 July 2017. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

The new shares to be issued arising from the exercise of Warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other form of distribution ("Distribution") that may be declared, made or paid for which the entitlement date for the Distribution precedes the date of allotment and issuance of the new shares arising from the exercise of Warrants.

As of the end of the reporting period, the entire allotted Warrants remained unexercised. The Warrants have expired on 28 July 2017 and delisted on 31 July 2017.

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Seri Mah King Seng
Tan Sri Dr Mah King Thian
Chan Kam Leong
Wan Salmah Binti Wan Abdullah
Heng Beng Fatt
Mah Li-Na (alternate director to Dato' Seri Mah King Seng) (appointed on 7 March 2018)
Dr Jordina Mah Siu Yi (alternate director to Tan Sri Dr Mah King Thian) (appointed on 7 March 2018)

The names of the directors of the company's subsidiary companies in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Choong Pak Wan	
Chua Kim Yin	
Datin Seri Ooi Ah Thin	
Datuk Palpanaban a/l Devarajoo (D.P. Naban)	
Jack Tian Hock Tan	
Koh Zheng Kai	
Lee Chong Hoe	
Michelle Siew Yee Lee	
Mustapha Bin Mohamed	
Ng Choo Beng	
Soong Swee Koon	
YB Datuk Saddi Bin Abdu Rahman	(appointed on 23 March 2018)
Kalimin Bin Sahadi	(appointed on 23 March 2018)
Datuk Datu Basrun Haji Datu Mansor	(resigned on 23 March 2018)
A. Sallih Bin A. Labai	(resigned on 23 March 2018)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 as disclosed in Note 32 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares in the Company and its subsidiary companies during the financial year were as follows:

	Number of ordinary shares			
	1 January 2017	Bought	Sold	31 December 2017
MHC Plantations Bhd.				
Direct interest				
Dato' Seri Mah King Seng	338,948	-	-	338,948
Tan Sri Dr Mah King Thian	93,248	-	-	93,248
Chan Kam Leong	-	10,000	-	10,000
Deemed interest				
Dato' Seri Mah King Seng	90,188,024	-	-	90,188,024
Tan Sri Dr Mah King Thian	90,188,024	-	-	90,188,024
Chan Kam Leong	622,294	86,000	-	708,294

	Number of warrants (2012/2017)			
	1 January 2017	Bought	Expired	31 December 2017
MHC Plantations Bhd.				
Direct interest				
Dato' Seri Mah King Seng	96,842	-	96,842	-
Tan Sri Dr Mah King Thian	26,642	-	26,642	-
Deemed interest				
Dato' Seri Mah King Seng	26,482,473	-	26,482,473	-
Tan Sri Dr Mah King Thian	26,482,473	-	26,482,473	-
Chan Kam Leong	888	-	888	-

By virtue of their interests in the Company, Dato' Seri Mah King Seng and Tan Sri Dr Mah King Thian are also deemed to have interest in shares in the subsidiary companies to the extent that the Company has an interest.

The other directors who held office at the end of the financial year did not have any interest in shares in the Company and its subsidiary companies.

Indemnities to directors or officers

During the financial year, the Company has in force a directors and officers liability insurance under which the directors are indemnified up to a limit of RM2.5 million in respect of all costs, charges, expenses or liabilities which they may incur in or about the execution of their duties to the Company or as a result of duties performed by the directors on behalf of the Company. Such indemnity remain in force as at the end of the financial year. The total insurance premium paid for directors and officers of the Company is RM5,019.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

 (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of circumstances which would render:

 (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts inadequate to any substantial event; and

 (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

(e) At the date of this report there does not exist:

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

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

(f) In the opinion of the directors:

 (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 7 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2018.

Dato' Seri Mah King Seng **Tan Sri Dr Mah King Thian**

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

We, Dato' Seri Mah King Seng and Tan Sri Dr Mah King Thian, being two of the directors of MHC Plantations Bhd., do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 57 to 154 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2018.

Dato' Seri Mah King Seng

Tan Sri Dr Mah King Thian

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

I, Chan Kim Meng, being the officer primarily responsible for the financial management of MHC Plantations Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 57 to 154 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Chan Kim Meng at
Ipoh in the State of Perak Darul Ridzuan
on 30 March 2018.

Chan Kim Meng

Before me,

Wong Hock Seng, PPT (A245)
Pesurahjaya Sumpah
(Commissioner for Oaths)

Independent Auditors' Report

to the members of MHC Plantations Bhd.
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MHC Plantations Bhd., which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 57 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis of opinion

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

Independence and other ethical responsibilities

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

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 of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment of goodwill

(Refer to the summary of significant accounting policies in Note 2.6, significant accounting estimates and judgement in Note 3.2(a) and the disclosure of Goodwill in Note 18 to the financial statements.)

As at 31 December 2017, the carrying amount of the Group's goodwill amounted to RM109,017,339, representing 9% and 8% of the Group's total non-current assets and total assets respectively. This goodwill relates to the subsidiaries principally engaged in plantation and oil mill activities.

Key audit matters (cont'd)

Impairment of goodwill (cont'd)

The Group is required to perform annual impairment test of Cash Generating Units ("CGUs") or groups of CGUs to which goodwill has been allocated. The Group estimated the recoverable amounts of its CGUs to which the goodwill is allocated based on Value-in-use ("VIU"). Estimating the VIU of CGUs involved estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate.

Due to the significance of the amount and subjectivity involved in the annual impairment test, we consider this impairment test to be an area of audit focus. Specifically, we focus on evaluation of the assumptions used by management to estimate the recoverable amounts of the CGUs which include estimates of the growth rate of revenue, operating costs and terminal value growth rates.

How our audit addressed the matter:

Our audit procedures included, amongst others, the following procedures:

(a) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs;

(b) evaluated the assumptions and methodologies used by the Group in performing the impairment assessment;

(c) tested the basis of preparing the cash flow forecasts taking into account the historical evidence supporting underlying assumptions;

(d) assessed the appropriateness of the key assumptions, in particular, the weighted-average cost of capital discount rates assigned to the CGUs, growth rates of revenue and the operating cost by comparing against internal information, and external economic and market data; and

(e) involved an internal specialist to assist us in assessing the terminal value growth rate and the weighted-average cost of capital discount rate used to determine the present value of the cash flows of CGU and whether the rate used reflects the current market assessments of the time value money.

We have also assessed the adequacy of the related disclosures of each key assumption on which the Group has based its cash flow projections. Key assumptions are those to which the recoverable amount is most sensitive, as disclosed in Note 18 to the financial statements.

Service concession arrangements

(Refer to the summary of significant accounting policies in Note 2.13, significant accounting estimates and judgement in Note 3.2(c) and the disclosure of Service Concession Arrangements in Note 17(f) to the financial statements.)

As at 31 December 2017, the carrying value of trade receivables relating to service concession arrangements of the Group was RM150,963,357, representing 11% of the Group's total assets. Both of the subsidiaries, Cash Horse Sdn. Bhd. and Mistral Engineering Sdn. Bhd. entered into arrangements whereby the subsidiaries operate a biomass and biogas power plant respectively providing electricity to Sabah Electricity Sdn. Bhd. These arrangements were accounted for as service concession arrangements in accordance to IC Interpretation 12: Service Concession Arrangements.

We considered this is as an area of audit focus due to the significance of the amount and significant judgement is applied in assessing the appropriate accounting model and measuring the carrying amount of concession asset.

Independent Auditors' Report
to the members of MHC Plantations Bhd.
(Incorporated in Malaysia) (cont'd)

Key audit matters (cont'd)

Service concession arrangements (cont'd)

How our audit addressed the matter

Our audit procedures included, amongst others, the following procedures:

(a) obtained an understanding of the relevant internal controls over estimating the trade receivables and revenue;

(b) reviewed the associated agreements to assess that these arrangements reflects a service concession arrangement under the financial asset model;

(c) reviewed management's computation of the receivables, the allocation of consideration received and receivable between receivables balance and the related revenue recognized; and

(d) tested key management estimates including discount rates used by comparing to the relevant market interest rates to identify any inappropriate estimates.

Impairment of investments in subsidiary companies

(Refer to the disclosure on investments in subsidiary companies in Note 14 to the financial statements.)

The market capitalisation of the Company's listed subsidiary company, Cepatwawasan Group Berhad ("CGB") is lower than the net tangible assets of the subsidiary company, indicating that the carrying amount of the investment in the subsidiary company of RM99,266,114 as at 31 December 2017 may be impaired. Accordingly, The Company estimated the recoverable amount of this investment in subsidiary company based on Value-in-use ("VIU") of the Cash Generating Units ("CGU") under CGB. Estimating the VIU of CGUs involved estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate.

Due to the significance of the amount and subjectivity involved in the impairment test, we consider this impairment test to be an area of audit focus. Specifically, we focus on evaluation of assumptions used by management to estimate the recoverable amounts of the CGUs within CGB which include estimates of the growth rate of revenue, operating costs and terminal value growth rates.

How our audit addressed the matter

Our audit procedures included, amongst others, the following procedures:

(a) obtained an understanding of the relevant internal controls over estimating the recoverable amount of the CGUs under CGB;

(b) evaluated the assumptions and methodologies used by the Company in performing the impairment assessment of investment in CGB;

(c) tested the basis of preparing the cash flow forecasts taking into account the historical evidence supporting underlying assumptions;

(d) assessed the appropriateness of the key assumptions, such as the weighted-average cost of capital discount rates assigned to the CGUs, growth rates of revenue and the operating cost by comparing against internal information, and external economic and market data; and

(e) involved an internal specialist to assist us in assessing the terminal value growth rate and the weighted-average cost of capital discount rate used to determine the present value of the cash flows of CGUs and whether the rate used reflects the current market assessments of the time value money.

Key audit matters (cont'd)

Responsibilities of the directors for the financial statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or the Company or to cease operations, or has 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 of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(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 of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditors' responsibilities for the audit of the financial statements (cont'd)

(e) 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.

(f) 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 of the Company for the current 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.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ai Chung
No. 03265/04/2019 J
Chartered Accountant

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 30 March 2018

Statements of Comprehensive Income
for the financial year ended 31 December 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	4	390,284,330	341,097,423	5,049,101	4,136,868
Cost of sales		(326,541,728)	(291,068,562)	(3,448,723)	(3,665,777)
Gross profit		63,742,602	50,028,861	1,600,378	471,091
Other income		12,567,779	9,484,996	328,771	338,222
Administrative expenses		(13,912,007)	(13,987,909)	(2,463,885)	(2,500,543)
Other operating expenses		(5,566,271)	(5,070,173)	-	-
Operating profit/(loss)		56,832,103	40,455,775	(534,736)	(1,691,230)
Finance costs	5	(7,759,092)	(9,361,946)	(902,314)	(970,116)
Income from investments	6	101,275	794	7,976,361	7,028,504
Profit before taxation	7	49,174,286	31,094,623	6,539,311	4,367,158
Income tax expense	8	(11,536,691)	(8,711,333)	66,330	322,767
Profit net of tax		37,637,595	22,383,290	6,605,641	4,689,925
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets					
- Cumulative loss reclassified to profit or loss		-	58,475	-	13,383
- Gain on fair value changes		34,624	-	32,052	-
Exchange differences on translation of foreign operations		(160,561)	127,248	-	-
		(125,937)	185,723	32,052	13,383
Total comprehensive income for the year		37,511,658	22,569,013	6,637,693	4,703,308
Profit attributable to:					
Owners of the Company		17,538,234	9,104,574	6,605,641	4,689,925
Non-controlling interests		20,099,361	13,278,716	-	-
		37,637,595	22,383,290	6,605,641	4,689,925
Total comprehensive income attributable to:					
Owners of the Company		17,465,480	9,227,516	6,637,693	4,703,308
Non-controlling interests		20,046,178	13,341,497	-	-
		37,511,658	22,569,013	6,637,693	4,703,308
Earnings per share attributable to owners of the Company					
Basic	9	8.92 sen	4.63 sen		
Diluted	9	8.92 sen	3.60 sen		
Net dividends per share	10	1.50 sen	1.50 sen		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Financial Position

as at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Assets					
Non-current assets					
Property, plant and equipment	11	436,472,443	441,654,796	9,967,140	9,540,297
Investment properties	12	49,250,000	48,062,419	1,250,000	1,200,000
Biological assets	13	465,459,023	464,221,925	3,565,843	3,565,843
Investment in subsidiary companies	14	-	-	209,070,973	209,070,973
Investment in securities	15	559,287	527,983	545,096	516,364
Land use rights	16	13,004,535	13,183,628	-	-
Deferred tax assets	26	3,399,408	3,203,519	408,036	320,724
Trade and other receivables	17	142,917,529	149,501,211	-	-
Goodwill on consolidation	18	109,017,339	109,017,339	-	-
		1,220,079,564	1,229,372,820	224,807,088	224,214,201
Current assets					
Inventories	19	31,386,091	28,018,290	102,617	89,898
Trade and other receivables	17	32,954,195	26,589,414	388,987	582,360
Tax recoverable		1,215,544	1,456,741	-	34,724
Short term investments	20	17,605,759	13,625,290	54,963	51,730
Fixed deposits with licensed banks	21	9,878,973	11,069,868	369,515	359,340
Cash and bank balances	21	17,631,835	17,830,423	724,273	416,995
		110,672,397	98,590,026	1,640,355	1,535,047
Total assets		1,330,751,961	1,327,962,846	226,447,443	225,749,248

Statements of Financial Position
as at 31 December 2017 (cont'd)

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	22	196,543,970	196,543,970	196,543,970	196,543,970
Reserves	23	235,198,966	220,681,646	10,232,405	6,542,872
		431,742,936	417,225,616	206,776,375	203,086,842
Non-controlling interests		540,706,420	524,322,281	-	-
Total equity		972,449,356	941,547,897	206,776,375	203,086,842
Non-current liabilities					
Hire purchase payables	24	533,679	783,982	71,507	116,584
Borrowings	25	65,479,137	86,747,471	-	1,850,000
Deferred tax liabilities	26	170,855,273	167,970,835	-	-
Lease rental payable	27	267,050	267,050	-	-
		237,135,139	255,769,338	71,507	1,966,584
Current liabilities					
Payables	28	37,034,371	40,860,345	2,586,648	3,348,947
Hire purchase payables	24	498,586	869,966	45,077	46,875
Borrowings	25	81,624,753	86,887,508	16,950,000	17,300,000
Taxation		2,009,756	2,027,792	17,836	-
		121,167,466	130,645,611	19,599,561	20,695,822
Total liabilities		358,302,605	386,414,949	19,671,068	22,662,406
Total equity and liabilities		1,330,751,961	1,327,962,846	226,447,443	225,749,248

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Changes in Equity
for the financial year ended 31 December 2017

		Equity attributable to owners of the Company										
			Non - distributable					Distributable				
	Note	Share capital RM	Capital reserve RM	Other reserve RM	Revaluation reserve RM	Fair value adjustment reserve RM	Foreign currency translation reserve RM	Capital reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
Group												
Opening balance at 1 January 2017		196,543,970	5,736,883	(1,942,988)	789,026	137,932	152,899	8,169	215,799,725	417,225,616	524,322,281	941,547,897
Net profit for the financial year		-	-	-	-	-	-	-	17,538,234	17,538,234	20,099,361	37,637,595
Other comprehensive income		-	-	-	-	34,624	(107,378)	-	-	(72,754)	(53,183)	(125,937)
Total comprehensive income		-	-	-	-	34,624	(107,378)	-	17,538,234	17,465,480	20,046,178	37,511,658
Transactions with owners:												
Dividends	10	-	-	-	-	-	-	-	(2,948,160)	(2,948,160)	-	(2,948,160)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(3,662,039)	(3,662,039)
Total transactions with owners		-	-	-	-	-	-	-	(2,948,160)	(2,948,160)	(3,662,039)	(6,610,199)
Closing balance at 31 December 2017		196,543,970	5,736,883	(1,942,988)	789,026	172,556	45,521	8,169	230,389,799	431,742,936	540,706,420	972,449,356

		Equity attributable to owners of the Company										
		Non - distributable						Distributable				
	Note	Share capital RM	Capital reserve RM	Other reserve RM	Revaluation reserve RM	Fair value adjustment reserve RM	Foreign currency translation reserve RM	Capital reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
Group												
Opening balance at 1 January 2016		196,543,970	5,736,883	(1,946,494)	789,026	79,457	88,432	8,169	209,643,605	410,943,048	515,567,546	926,510,594
Net profit for the financial year		-	-	-	-	-	-	-	9,104,574	9,104,574	13,278,716	22,383,290
Other comprehensive income		-	-	-	-	58,475	64,467	-	-	122,942	62,781	185,723
Total comprehensive income		-	-	-	-	58,475	64,467	-	9,104,574	9,227,516	13,341,497	22,569,013
Acquisition of non-controlling interests	14(a)	-	-	13	-	-	-	-	(294)	(281)	(1,324,723)	(1,325,004)
Cost of capital raising		-	-	3,493	-	-	-	-	-	3,493	-	3,493
Transactions with owners:												
Dividends	10	-	-	-	-	-	-	-	(2,948,160)	(2,948,160)	-	(2,948,160)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(3,262,039)	(3,262,039)
Total transactions with owners		-	-	-	-	-	-	-	(2,948,160)	(2,948,160)	(3,262,039)	(6,210,199)
Closing balance at 31 December 2016		196,543,970	5,736,883	(1,942,988)	789,026	137,932	152,899	8,169	215,799,725	417,225,616	524,322,281	941,547,897

Statements of Changes in Equity
for the financial year ended 31 December 2017 (cont'd)

Company	Note	Share capital RM	Non - Distributable: Fair value adjustment reserve RM	Distributable: Retained profits RM	Total equity RM
Opening balance at 1 January 2017		196,543,970	93,696	6,449,176	203,086,842
Net profit for the financial year		-	-	6,605,641	6,605,641
Other comprehensive income		-	32,052	-	32,052
Total comprehensive income		-	32,052	6,605,641	6,637,693
Transactions with owners:					
- Dividends, representing total transaction with owners	10	-	-	(2,948,160)	(2,948,160)
Closing balance at 31 December 2017		196,543,970	125,748	10,106,657	206,776,375
Opening balance at 1 January 2016		196,543,970	80,313	4,707,411	201,331,694
Net profit for the financial year		-	-	4,689,925	4,689,925
Other comprehensive income		-	13,383	-	13,383
Total comprehensive income		-	13,383	4,689,925	4,703,308
Transactions with owners:					
- Dividends, representing total transaction with owners	10	-	-	(2,948,160)	(2,948,160)
Closing balance at 31 December 2016		196,543,970	93,696	6,449,176	203,086,842

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Operating activities				
Profit before taxation	49,174,286	31,094,623	6,539,311	4,367,158
Adjustments for:				
Amortisation of land use rights	179,093	179,093	-	-
Bad debts written off	-	20,291	-	-
Depreciation of property, plant and equipment	15,887,979	15,379,174	619,522	398,403
Dividend income	(101,275)	(794)	(7,976,361)	(7,028,504)
Fair value gain on investment	-	(10,586)	-	(10,586)
Fair value gain on investment properties	(1,187,581)	-	(50,000)	-
Impairment loss on investment	3,320	46,807	3,320	-
Impairment loss on receivables	30,487	54,171	-	-
Gain on disposal of biological assets	(400,888)	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(256,942)	69,783	16,000	39,884
Interest expense	7,759,092	9,361,946	902,314	970,116
Interest income	(8,446,519)	(7,304,255)	(21,357)	(22,443)
Property, plant and equipment written off	564,402	74,304	-	43,639
Unrealised gain on foreign exchange	(1,017)	(44,261)	-	-
Total adjustments	14,030,151	17,825,673	(6,506,562)	(5,609,491)
Operating cash flows before changes in working capital	63,204,437	48,920,296	32,749	(1,242,333)
Changes in working capital:				
Inventories	(3,367,801)	3,483,385	(12,719)	188,479
Receivables	7,794,694	(16,071,985)	182,148	(231,232)
Payables	(3,868,200)	10,158,395	(365,573)	910,349
Subsidiary companies' accounts	-	-	(385,501)	789,869
Total changes in working capital	558,693	(2,430,205)	(581,645)	1,657,465
Cash flows from/(used in) operations	63,763,130	46,490,091	(548,896)	415,132
Interest received	881,411	753,910	21,357	22,443
Interest paid	(7,759,092)	(9,361,946)	(902,314)	(970,116)
Tax (paid)/refund	(8,624,981)	(5,196,626)	31,578	214,910
Net cash flows from/(used in) operating activities	48,260,468	32,685,429	(1,398,275)	(317,631)

Statements of Cash Flows
for the financial year ended 31 December 2017 (cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Investing activities				
Acquisition from non-controlling interest	-	(1,325,004)	-	-
Additional placement of pledged fixed deposits	(306,985)	(26,462)	(10,175)	(10,174)
Dividends received	101,275	794	7,976,361	7,028,504
Net cash outflow on acquisition of subsidiary companies (Note 14(a))	-	-	-	(1,324,364)
Net investment in short term investments	(3,980,469)	(2,029,082)	(3,233)	(1,992)
Proceeds from disposal of biological asssets	518,603	-	-	-
Proceeds from disposal of property, plant and equipment	1,840,865	60,924	19,000	17,264
Purchase of property, plant and equipment	(12,547,951)	(9,041,184)	(1,081,365)	(2,100,019)
Purchase of biological assets	(1,354,813)	(2,204,870)	-	-
Net cash flows (used in)/from investing activities	(15,729,475)	(14,564,884)	6,900,588	3,609,219
Financing activities				
Cost of capital raising	-	3,493	-	-
Drawdown of revolving credit	23,800,000	3,000,000	-	1,900,000
Drawdown of term loan	1,500,000	7,000,000	-	-
Repayment of revolving credit	(30,500,000)	(8,500,000)	-	-
Repayment of term loan	(21,331,089)	(14,640,502)	(2,200,000)	(2,200,000)
Repayment of hire purchase obligations	(927,683)	(1,101,155)	(46,875)	(51,222)
Dividends paid to shareholders	(2,948,160)	(2,948,160)	(2,948,160)	(2,948,160)
Dividends paid to non-controlling interests	(3,662,039)	(3,262,039)	-	-
Net cash flows used in financing activities	(34,068,971)	(20,448,363)	(5,195,035)	(3,299,382)

Statements of Cash Flows
for the financial year ended 31 December 2017 (cont'd)

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Net (decrease)/increase in cash and cash equivalents	(1,537,978)	(2,327,818)	307,278	(7,794)
Effect of foreign exchange rate changes on cash and cash equivalents	(158,490)	181,200	-	-
Cash and cash equivalents as at 1 January	26,264,727	28,411,345	416,995	424,789
Cash and cash equivalents as at 31 December (Note 21)	24,568,259	26,264,727	724,273	416,995
During the financial year, the Group and the Company acquired property, plant and equipment by:				
Cash	12,547,951	9,041,184	1,081,365	2,100,019
Hire purchase arrangement	306,000	607,000	-	99,000
	12,853,951	9,648,184	1,081,365	2,199,019

Changes in liability arising from financing activities:

	Group		
	1 January 2017	Cash flows	31 December 2017
	RM	RM	RM
Hire purchase payables (Note 24)	1,653,948	(621,683)	1,032,265
Borrowings (Note 25)	173,634,979	(26,531,089)	147,103,890
	175,288,927	(27,152,772)	148,136,155

	Company		
	1 January 2017	Cash flows	31 December 2017
	RM	RM	RM
Hire purchase payables (Note 24)	163,459	(46,875)	116,584
Borrowings (Note 25)	19,150,000	(2,200,000)	16,950,000
	19,313,459	(2,246,875)	17,066,584

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Notes to the Financial Statements
– 31 December 2017

1. Corporate information

MHC Plantations Bhd. ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1, 35900 Tanjung Malim, Perak Darul Ridzuan.

The principal activities of the Company consist of oil palm cultivation, investment holding and the operation of a hotel and the principal activities of the subsidiary companies are set out in Note 14 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after the dates as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following new and amended FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description	**Effective for annual periods beginning on or after**
FRS 107 Disclosure Initiative (Amendments to FRS 107)	1 January 2017
FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)	1 January 2017
Annual Improvements to FRS Standards 2014–2016 Cycle: Amendments to FRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in FRS 12	1 January 2017

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

FRS 107 Disclosure Initiative (Amendments to FRS 107)

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in the statements of cash flows, the application of these amendments has had no impact on the Group and on the Company.

FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to FRS Standards 2014–2016 Cycle

Amendments to FRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in FRS 12

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.3 Malaysian Financial Reporting Standards ("MFRS")

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

(i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;

(ii) Evaluation of any training requirements; and

(iii) Preparation of a conversion plan.

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(b) Implementation and review phase

This phase aims to:

(i) develop training programs for the staff;

(ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;

(iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and

(iv) develop disclosures required by the MFRS Framework.

The consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework. Set out below are the Group's best estimates of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework as at the date of preparing these financial statements. However, the actual effects of transition to the MFRS Framework may differ from the estimates disclosed below due to the ongoing assessment being undertaken by the Group's project team.

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 1 January 2017 (date of transition)

Group	As at 1 January 2017 Under FRS RM	Note	Adjustments RM	As at 1 January 2017 Under MFRS RM
Assets				
Non-current assets				
Property, plant and equipment	441,654,796	(i), (ii) & (iii)	(39,390,039)	402,264,757
Investment properties	48,062,419		-	48,062,419
Biological assets	464,221,925	(i), (ii) & (iii)	(464,221,925)	-
Investment in securities	527,983		-	527,983
Land use rights	13,183,628	(iii)	(11,217,358)	1,966,270
Deferred tax assets	3,203,519		-	3,203,519
Trade and other receivables	149,501,211		-	149,501,211
Goodwill on consolidation	109,017,339	(iii)	(65,149,719)	43,867,620
	1,229,372,820			649,393,779
Current assets				
Inventories	28,018,290		-	28,018,290
Biological assets	-	(ii)	4,924,981	4,924,981
Trade and other receivables	26,589,414		-	26,589,414
Tax recoverable	1,456,741	(iii)	-	1,456,741
Short term investments	13,625,290		-	13,625,290
Fixed deposits with licensed banks	11,069,868		-	11,069,868
Cash and bank balances	17,830,423		-	17,830,423
	98,590,026			103,515,007
Total assets	1,327,962,846			752,908,786

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 1 January 2017 (date of transition) (cont'd)

Group	As at 1 January 2017 Under FRS RM	Note	Adjustments RM	As at 1 January 2017 Under MFRS RM
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	196,543,970		-	196,543,970
Reserves	220,681,646	(i), (ii) & (iii)	(185,288,767)	35,392,879
	417,225,616			231,936,849
Non-controlling interests	524,322,281	(i), (ii) & (iii)	(267,781,376)	256,540,905
Total equity	941,547,897			488,477,754
Non-current liabilities				
Hire purchase payables	783,982		-	783,982
Borrowings	86,747,471		-	86,747,471
Deferred tax liabilities	167,970,835	(i), (ii) & (iii)	(121,983,917)	45,986,918
Lease rental payable	267,050		-	267,050
	255,769,338			133,785,421
Current liabilities				
Payables	40,860,345		-	40,860,345
Hire purchase payables	869,966		-	869,966
Borrowings	86,887,508		-	86,887,508
Taxation	2,027,792		-	2,027,792
	130,645,611			130,645,611
Total liabilities	386,414,949			264,431,032
Total equity and liabilities	1,327,962,846			752,908,786

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 1 January 2017 (date of transition) (cont'd)

Company	As at 1 January 2017 Under FRS RM	Note	Adjustments RM	As at 1 January 2017 Under MFRS RM
Assets				
Non-current assets				
Property, plant and equipment	9,540,297	(i)	2,913,943	12,454,240
Investment properties	1,200,000		-	1,200,000
Biological assets	3,565,843	(i)	(3,565,843)	-
Investment in subsidiary companies	209,070,973		-	209,070,973
Investment in securities	516,364		-	516,364
Deferred tax assets	320,724	(i)	(320,724)	-
	224,214,201			223,241,577
Current assets				
Inventories	89,898		-	89,898
Biological assets	-	(ii)	212,135	212,135
Trade and other receivables	582,360		-	582,360
Tax recoverable	34,724		-	34,724
Short term investments	51,730		-	51,730
Fixed deposits with licensed banks	359,340		-	359,340
Cash and bank balances	416,995		-	416,995
	1,535,047			1,747,182
Total assets	225,749,248			224,988,759

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 1 January 2017 (date of transition) (cont'd)

Company	As at 1 January 2017 Under FRS RM	Note	Adjustments RM	As at 1 January 2017 Under MFRS RM
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	196,543,970		-	196,543,970
Reserves	6,542,872	(i) & (ii)	(1,018,414)	5,524,458
Total equity	203,086,842			202,068,428
Non-current liabilities				
Deferred tax liabilities	-	(i)	257,925	257,925
Hire purchase payables	116,584		-	116,584
Borrowings	1,850,000		-	1,850,000
	1,966,584			2,224,509
Current liabilities				
Payables	3,348,947		-	3,348,947
Hire purchase payables	46,875		-	46,875
Borrowings	17,300,000		-	17,300,000
	20,695,822			20,695,822
Total liabilities	22,662,406			22,920,331
Total equity and liabilities	225,749,248			224,988,759

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 31 December 2017 (date of transition)

Company	As at 31 December 2017 Under FRS RM	Note	Adjustments RM	As at 31 December 2017 Under MFRS RM
Assets				
Non-current assets				
Property, plant and equipment	436,472,443	(i), (ii) & (iii)	(43,504,920)	392,967,523
Investment properties	49,250,000		-	49,250,000
Biological assets	465,459,023	(i), (ii) & (iii)	(465,459,023)	-
Investment in securities	559,287		-	559,287
Land use rights	13,004,535	(iii)	(11,066,211)	1,938,324
Deferred tax assets	3,399,408		-	3,399,408
Trade and other receivables	142,917,529		-	142,917,529
Goodwill on consolidation	109,017,339	(iii)	(65,149,719)	43,867,620
	1,220,079,564			634,899,691
Current assets				
Inventories	31,386,091		-	31,386,091
Biological assets	-	(ii)	3,203,014	3,203,014
Trade and other receivables	32,954,195		-	32,954,195
Tax recoverable	1,215,544	(iii)	-	1,215,544
Short term investments	17,605,759		-	17,605,759
Fixed deposits with licensed banks	9,878,973		-	9,878,973
Cash and bank balances	17,631,835		-	17,631,835
	110,672,397			113,875,411
Total assets	1,330,751,961			748,775,102

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 31 December 2017 (date of transition) (cont'd)

Group	As at 31 December 2017 Under FRS RM	Note	Adjustments RM	As at 31 December 2017 Under MFRS RM
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	196,543,970		-	196,543,970
Reserves	235,198,966	(i), (ii) & (iii)	(184,665,005)	50,533,961
	431,742,936			247,077,931
Non-controlling interests	540,706,420	(i), (ii) & (iii)	(273,870,567)	266,835,853
Total equity	972,449,356			513,913,784
Non-current liabilities				
Hire purchase payables	533,679		-	533,679
Borrowings	65,479,137		-	65,479,137
Deferred tax liabilities	170,855,273	(i), (ii) & (iii)	(123,441,287)	47,413,986
Lease rental payable	267,050		-	267,050
	237,135,139			113,693,852
Current liabilities				
Payables	37,034,371		-	37,034,371
Hire purchase payables	498,586		-	498,586
Borrowings	81,624,753		-	81,624,753
Taxation	2,009,756		-	2,009,756
	121,167,466			121,167,466
Total liabilities	358,302,605			234,861,318
Total equity and liabilities	1,330,751,961			748,775,102

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 31 December 2017 (date of transition) (cont'd)

Company	As at 31 December 2017 Under FRS RM	Note	Adjustments RM	As at 31 December 2017 Under MFRS RM
Assets				
Non-current assets				
Property, plant and equipment	9,967,140	(i)	2,992,167	12,959,307
Investment properties	1,250,000		-	1,250,000
Biological assets	3,565,843	(i)	(3,565,843)	-
Investment in subsidiary companies	209,070,973		-	209,070,973
Investment in securities	545,096		-	545,096
Deferred tax assets	408,036	(i)	(408,036)	-
	224,807,088			223,825,376
Current assets				
Inventories	102,617		-	102,617
Biological assets	-	(ii)	129,347	129,347
Trade and other receivables	388,987		-	388,987
Short term investments	54,963		-	54,963
Fixed deposits with licensed banks	369,515		-	369,515
Cash and bank balances	724,273		-	724,273
	1,640,355			1,769,702
Total assets	226,447,443			225,595,078

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(a) Reconciliation of equity as at 31 December 2017 (date of transition) (cont'd)

Company	As at 31 December 2017 Under FRS RM	Note	Adjustments RM	As at 31 December 2017 Under MFRS RM
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	196,543,970		-	196,543,970
Reserves	10,232,405	(i) & (ii)	(1,074,457)	9,157,948
Total equity	206,776,375			205,701,918
Non-current liabilities				
Deferred tax liabilities	-	(i)	222,092	222,092
Hire purchase payables	71,507		-	71,507
	71,507			293,599
Current liabilities				
Payables	2,586,648		-	2,586,648
Hire purchase payables	45,077		-	45,077
Borrowings	16,950,000		-	16,950,000
Taxation	17,836		-	17,836
	19,599,561			19,599,561
Total liabilities	19,671,068			19,893,160
Total equity and liabilities	226,447,443			225,595,078

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(c) Reconciliation of total comprehensive income for the year ended 31 December 2017

Group	For the year ended 31 December 2017 Under FRS RM	Note	Adjustments RM	For the year ended 31 December 2017 Under MFRS RM
Revenue	390,284,330		-	390,284,330
Cost of sales	(326,541,728)	(i), (ii) & (iii)	7,053,444	(319,488,284)
Gross profit	63,742,602			70,796,046
Other income	12,567,779		-	12,567,779
Administrative expenses	(13,912,007)		-	(13,912,007)
Other operating expenses	(5,566,271)	(ii)	(1,466,698)	(7,032,969)
Operating profit	56,832,103			62,418,849
Finance costs	(7,759,092)		-	(7,759,092)
Income from investments	101,275		-	101,275
Profit before taxation	49,174,286			54,761,032
Income tax expense	(11,536,691)	(i) & (iii)	(2,186,161)	(13,722,852)
Profit net of tax	37,637,595			41,038,180
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets				
- Gain on fair value changes	34,624		-	34,624
Exchange differences on translation of foreign operations	(160,561)		-	(160,561)
	(125,937)			(125,937)
Total comprehensive income for the year	37,511,658			40,912,243

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(c) Reconciliation of total comprehensive income for the year ended 31 December 2017 (cont'd)

Company	For the year ended 31 December 2017 Under FRS RM	Note	Adjustments RM	For the year ended 31 December 2017 Under MFRS RM
Revenue	5,049,101		-	5,049,101
Cost of sales	(3,448,723)	(i)	78,224	(3,370,499)
Gross profit	1,600,378			1,678,602
Other income	328,771			328,771
Administrative expenses	(2,463,885)	(ii)	(82,788)	(2,546,673)
Operating loss	(534,736)			(539,300)
Finance costs	(902,314)		-	(902,314)
Income from investments	7,976,361		-	7,976,361
Profit before taxation	6,539,311			6,534,747
Income tax expense	66,330	(i)	(51,479)	14,851
Profit net of tax	6,605,641			6,549,598
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets				
- Gain on fair value changes	32,052		-	32,052
Total comprehensive income for the year attributable to owners of the Company	6,637,693			6,581,650

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(i) Upon adoption of MFRS 141, biological assets/bearer plants are within the scope of MFRS 16: Property, Plant and Equipment and the Group will measure the bearer plants using the cost model. Whereas the unripe fresh fruit bunch ("FFB") on bearer plant is within the scope of MFRS 141: Agriculture. The unripe FFB will be measure at fair value less cost to sell with the changes in fair value recognised in profit or loss and will be classified as current assets as the unripe FFB will be harvested within a year from the reporting date.

Prior to adoption of MFRS 141, bearer plants were measured using the capital maintenance method and are not amortised. Replanting expenditure are recognised in profit or loss in the year of which the expenditure are incurred. Under MFRS 141, replanting expenditure will be capitalised. On maturity, these expenditures are amortised over the useful life of the bearer plants.

(ii) This represents the carrying value of agricultural produce measured at fair value less costs to sell. Fair value changes of agricultural produce will be taken to profit or loss.

(iii) The Group has elected for retrospective application of MFRS 3 Business Combination from the Group's first business combination, which would require restatement of all business combination.

During the financial year 2001, the Group undertook a restructuring exercise involving S & P Food Industries (M) Bhd ("SPF"), Cepatwawasan Group Berhad ("CGB"), Cepatwawasan Sdn. Bhd. ("Cepat") and others. The Group identified CGB as the acquirer and accounted for the restructuring using the acquisition method resulting in the recognition of goodwill of approximately RM92 million and the corresponding deferred tax liabilities.

Under MFRS 3 Business Combination, Cepat was assessed to be the accounting acquirer in the above restructuring instead of CGB as CGB was a non-trading shell company. When Cepat was identified as the acquirer, the consolidated financial statements of the CGB will reflect the assets and liabilities of Cepat Group at their respective book values. As a result, there will be no goodwill arising from the 'acquisition' of Cepat Group and neither will there be a corresponding deferred tax arising.

The directors consider the Group has control of CGB even though it has less than 50% of the voting rights. The directors assessed that the Group has had control over CGB since July 2006. The application of MFRS 10 are applied retrospectively from the day when the Group has control of CGB. Therefore, CGB has become a subsidiary company of the Company since 31 July 2006.

2. Summary of significant accounting policies (cont'd)

2.3 Malaysian Financial Reporting Standards ("MFRS") (cont'd)

(iv) MFRS 9 Financial Instruments introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group has not completed its assessment of the financial effects in respect of MFRS 9. The assessment will be based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will, instead be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The AFS reserve related to those securities, which is currently presented in OCI will be reclassified to retained earnings.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, based on its assessment on the market information currently available and the reputation and the past credit history of trade receivables with which the Group traded with, the Group do not expect credit loss on trade receivables.

(v) MFRS 15 Revenue from Contracts with Customers establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group plans to adopt the new standard on the required effective date using the retrospective with cumulative method. As at todate, the directors have assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 15. The directors will continue to assess the effect of appliying the new standard on the Group financial statements.

The Group will continue to assess the effect of applying the new standards on the Group financial statements.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated when the Company obtains control over the subsidiary company and ceases when the Company losses control of the subsidiary company. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary company are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. The resulting difference is recognised directly in equity and attributed to owners of the Company.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

When the Group loses control of a subsidiary company, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary company and any non-controlling interests, is recognised in profit or loss. The subsidiary company's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained profits. The fair value of any investment retained in the former subsidiary company at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiary companies are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary company acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.6.

2. Summary of significant accounting policies (cont'd)

2.5 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2.6 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

Certain property, plant and equipment have subsequently been revalued and are stated in the statements of financial position at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation. The Group and the Company have availed themselves of the transitional provision in International Accounting Standard 16 (Revised) - 'Property, Plant and Equipment', as previously adopted by the Malaysian Accounting Standards Board (''MASB''), by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations (subject to continuity in depreciation policy and requirement to write an asset down to its recoverable amounts, as applicable), if it does not further revalue such assets.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Direct expenditure incurred on quarry development is capitalised under quarry development expenditure. A portion of the indirect overheads which include general and administrative expenses and interest expense incurred on quarry development is similarly capitalised under quarry development expenditure until such time when the quarry commences operation.

Quarry development expenditure is amortised based on the proportion of volume of stone extracted over the estimated volume of extractable stone from the quarry reserve.

Freehold land has an unlimited useful life and therefore is not depreciated whilst leasehold land is amortised over the term of the lease ranging between 60 and 999 years.

Depreciation is provided on all other property, plant and equipment, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life. The annual rates used are as follows:

	%
Buildings	2 - 10
Plant and machinery	5 - 10
Furniture and fittings, office equipment, laboratory equipment, electrical installation, road and drainage	5 - 10
Motor vehicles	10 - 20

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.8 Biological assets

The expenditure incurred on new planting and replanting of a different produce crop incurred from land clearing to the point of harvesting is capitalised and is not amortised. Replanting expenditure incurred in respect of the same crop is recognised as an expense in profit or loss in the period they are incurred.

Biological assets are initially recorded at cost. Certain biological assets have subsequently been revalued and stated in the statements of financial position at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation. These assets have since not been revalued. The Group and the Company have not adopted a policy of regular revaluation of such assets and have availed themselves of the transitional provisions of International Accounting Standard 16 (Revised) - 'Property, Plant and Equipment', as previously adopted by the MASB, by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations (subject to continuity in depreciation policy and requirement to write an asset down to its recoverable amounts, as applicable), if it does not further revalue such assets. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained profits.

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of the investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2. Summary of significant accounting policies (cont'd)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Processed crude palm oil, milled oil palm produce and quarry inventories: costs of direct materials, direct labour, other direct charges and appropriate proportions of factory overheads. These costs are assigned on weighted average cost method.

- Nursery seedlings are valued at weighted average method of cost of seed, fertilisers and sprays.

- Stores and materials are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method.

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

2.11 Subsidiary companies

A subsidiary company is an entity over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.12 Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

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

The Group and the Company have not designated any financial assets as at fair value through profit or loss.

(b) Loans and receivables

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

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

Loans and receivables are classified as current, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

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

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

Held-to-maturity investments are classified as non-current, except for those having maturity within 12 months after the reporting date which are classified as current.

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

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

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any accumulated impairment losses.

Available-for-sale financial assets are classified as non-current unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.13 Service concession arrangements

The Group recognises revenue from the construction of the renewable energy power plant in accordance with its accounting policy for construction contracts set out in Note 2.14. Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2.12.

Subsequent costs and expenditures related to infrastructure and equipment arising from the Group's commitments to concession contracts or that increase future revenue are recognised as additions to the financial asset. Repairs and maintenance and other expenses that are routine in nature are expensed and recognised in the profit or loss as incurred.

2. Summary of significant accounting policies (cont'd)

2.14 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed the total costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

2. **Summary of significant accounting policies** (cont'd)

2.15 Impairment of financial assets (cont'd)

(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.16 Revenue recognition

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

(a) Sales of plantation produce

Sales of plantation produce is recognised on an accrual basis upon delivery of products to customers, less returns.

2. Summary of significant accounting policies (cont'd)

2.16 Revenue recognition (cont'd)

(b) Sales of earth and stones

Sales of earth and stones is recognised upon delivery of products and customers' acceptance.

(c) Hotel operation income

Revenue from hotel operation is recognised upon performance of services.

(d) Supply of electricity

Supply of electricity is recognised when electricity is generated and transmitted.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Dividend income

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

(g) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(h) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.14.

2.17 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2. Summary of significant accounting policies (cont'd)

2.17 Financial liabilities (cont'd)

(a) Financial liabilities at fair value through profit or loss (cont'd)

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

As at reporting date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiary companies where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiary companies and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

2. Summary of significant accounting policies (cont'd)

2.17 Financial liabilities (cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.19 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.19 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20 Employee benefits

Defined contribution plans

The Group participates in the national pension scheme as defined by the laws of the country in which it has operations. The companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.21 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16(g).

2.23 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

2. Summary of significant accounting policies (cont'd)

2.23 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.24 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits 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. These also include bank overdrafts that form an integral part of the Group's cash management.

2.25 Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 Warrants

The issue of ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

2. Summary of significant accounting policies (cont'd)

2.27 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

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

2.28 Land use rights

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

2. Summary of significant accounting policies (cont'd)

2.29 Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments are disclosed in Note 35.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset of liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

2.30 Contingencies

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

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

2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting estimates and judgements

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Control over Cepatwawasan Group Berhad ("CGB")

As disclosed in Note 14, the directors consider that the Group has control of CGB even though it has less than 50% of the voting rights. The Group is the majority shareholder of CGB with a 38.46% equity interest. All other shareholders individually own less than 3% of the equity shares of CGB. Historically, the other shareholders did not form a group to exercise their votes collectively. The directors assessed that the Group has had control over CGB since July 2006. Therefore, in accordance with the requirements of FRS 10, CGB has become a subsidiary company of the Company since 1 January 2013. During the year under review, the Group reassessed and concluded that it controls CGB, despite having less than a majority of the voting rights, based on the guidance under FRS 10.

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the fair value less costs to sell and value in use of the cash-generating units to which goodwill is allocated.

When value in use ("VIU") calculations are undertaken, management must estimate the expected future cash flows from the cash-generating units ("CGUs") by estimating the growth rate of revenue, operating cost by referring to internal information and determine the appropriate discount rate in order to calculate the present value of cash flows from respective CGUs.

The recoverable amount is sensitive to the discount rate used for the VIU model as well as the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group.

Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying values of deferred tax assets of the Group and of the Company at 31 December 2017 amounted to RM42,475,861 (2016 : RM40,380,441) and RM1,122,420 (2016: RM905,519) respectively. The recognised tax losses and unabsorbed capital, agriculture and reinvestment allowances and others of the Group and of the Company amounted to RM176,982,754 (2016 : RM168,251,838) and RM4,676,750 (2016: RM3,772,996) respectively.

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(c) Service concession assets

The service concession assets are determined based on the fair values of the services delivered. In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in Malaysia with an AAA rating. The bonds have been selected based on the expected duration of the tenure and taking into consideration the yield curve respectively.

(d) Impairment of investment in subsidiary companies

The carrying amounts of the investments in subsidiary companies of the Company as at 31 December 2017 was RM209,070,973 (2016 : RM209,070,973).

The Company assesses whether there are any indicators of impairment for its investments in subsidiary companies at each reporting date. In assessing whether there is any indication that its investments in subsidiary companies may be impaired, the Company considers the external and internal sources of information.

The market capitalisation of the Company's listed subsidiary company, Cepatwawasan Group Berhad ("CGB") is lower than the net tangible assets of the subsidiary company, indicating that the carrying amount of the investment in the subsidiary company of RM99,266,114 as at 31 December 2017 may be impaired. Accordingly, the Company estimated the recoverable amount of this investment in subsidiary company based on Value-in-use ("VIU") of the Cash Generating Units ("CGU") under CGB. Estimating the VIU of CGUs involved estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate.

The recoverable amount is sensitive to the discount rate used for the VIU as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to impairment review of investment in subsidiaries by the Company. If the estimated post-tax discount rate used in the calculation had been 1% higher than management's estimate, the recoverable amount would have been RM43 million lower.

4. Revenue

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Sales of fresh fruit bunches	28,177,801	20,102,423	4,393,854	3,686,623
Sales of crude palm oil	271,021,842	225,906,296	-	-
Sales of palm kernel	63,543,851	54,030,108	-	-
Sales of earth and stones	815,474	1,228,817	-	-
Sales of empty fruit bunches oil	11,415,753	9,935,783	-	-
Revenue from hotel operations	655,247	450,245	655,247	450,245
Construction	1,075,462	16,809,275	-	-
Supply of electricity	13,578,900	12,634,476	-	-
	390,284,330	341,097,423	5,049,101	4,136,868

5. Finance costs

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Interests on:				
- hire purchase	81,976	111,798	8,733	8,726
- revolving credit	3,345,758	3,809,723	757,507	710,824
- term loan	4,331,358	5,440,425	136,074	250,566
	7,759,092	9,361,946	902,314	970,116

6. Income from investments

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Gross dividend income from:				
- subsidiary companies	-	-	7,971,832	7,027,923
- quoted investments in Malaysia	4,742	794	4,529	581
- unquoted investments in Malaysia	96,533	-	-	-
	101,275	794	7,976,361	7,028,504

7. Profit before taxation

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
This is arrived at after charging:				
Auditors' remuneration				
- current year's provision	419,846	481,198	56,000	51,000
- under provision in prior year	14,100	33,370	5,000	3,000
- other assurance services	5,000	5,200	5,000	5,200
- other non-audit services	208,291	102,319	8,500	8,500
- under provision in prior year	2,100	-	-	-
Amortisation of land use rights	179,093	179,093	-	-
Bad debts written off	-	20,291	-	-
Depreciation of property, plant and equipment	15,887,979	15,379,174	619,522	398,403
Impairment loss on investment	3,320	46,807	3,320	-
Impairment loss on receivables	30,487	54,171	-	-
Loss on disposal of property, plant and equipment	23,533	71,352	16,000	39,884
Property, plant and equipment written off	564,402	74,304	-	43,639
Rentals				
- premises	265,165	283,452	61,100	56,400
- land	45,120	131,858	3,660	3,660
- computer software	46,626	1,200	-	-
Unrealised loss on foreign exchange	193	345,450	-	-
and crediting:				
Fair value gain on investment	-	10,586	-	10,586
Fair value gain on investment properties	1,187,581	-	50,000	-
Gain on disposal of biological assets	400,888	-	-	-
Gain on disposal of property, plant and equipment	280,475	1,569	-	-
Interest income from:				
- fixed deposits	275,152	392,278	10,504	10,175
- short term investments	598,639	354,011	3,233	1,992
- advances to subsidiary companies	-	-	-	2,656
- amount due from customer on service concession	7,565,108	6,550,346	-	-
- others	7,620	7,620	7,620	7,620

7. Profit before taxation (cont'd)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
and crediting: (cont'd)				
Realised gain on foreign exchange	8,099	588	-	-
Rental income				
- equipment hire	79,736	62,905	48,969	89,605
- landed property	50,237	35,045	45,457	32,045
- investment properties	69,300	67,992	69,300	67,992
- land	10,632	6,181	3,971	4,905
Sundry income	19,844	322	7,131	322
Unrealised gain on foreign exchange	1,210	389,711	-	-

8. Income tax expense

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current tax:				
- Malaysian income tax	8,656,915	6,618,032	20,982	-
- Under provision in prior years	191,227	19,266	-	-
	8,848,142	6,637,298	20,982	-
Deferred taxation (Note 26):				
- Relating to origination and reversal of temporary differences	3,697,186	1,741,139	(82,641)	(330,785)
- (Over)/Under provision in prior years	(1,008,637)	332,896	(4,671)	8,018
	2,688,549	2,074,035	(87,312)	(322,767)
	11,536,691	8,711,333	(66,330)	(322,767)

8. Income tax expense (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rates which range from 20% to 24% (2016 : 24%) of the estimated assessable profit for the Year of Assessment 2017 and Year of Assessment 2018. The reduction in the income tax rate is based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment.

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before taxation	49,174,286	31,094,623	6,539,311	4,367,158
Taxation at applicable statutory tax rate (2016 : 24%)	11,801,829	7,462,710	1,569,435	1,048,118
Income not subject to tax	(197,317)	(92,678)	(1,927,103)	(1,687,956)
Expenses not deductible for tax purposes	717,588	989,139	296,009	309,053
Effect of fair value gain subject to a lower tax rate	32,000	-	-	-
Under/(Over) provision in prior years				
- current tax	191,227	19,266	-	-
- deferred tax	(1,008,637)	332,896	(4,671)	8,018
Tax expense for the year	11,536,691	8,711,333	(66,330)	(322,767)

9. Earnings per share

(a) Basic earnings per share

The basic earnings per share of 8.92 sen (2016 : 4.63 sen) is calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the Company of RM17,538,234 (2016 : RM9,104,574) by the number of ordinary shares of 196,543,970 (2016 : 196,543,970).

9. Earnings per share (cont'd)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Group 2017 RM	2016 RM
Profit attributable to owners of the Company	17,538,234	9,104,574
	Number of shares 2017	**2016**
Number of ordinary shares for basic earnings per share computation	196,543,970	196,543,970
Effect of dilution:		
- On assumption that all warrants are exercised	-	56,155,420
Number of ordinary shares for diluted earnings per share computation	196,543,970	252,699,390
Diluted earnings per share (sen)	8.92	3.60

10. Dividends

	Group and Company 2017 RM	2016 RM
In respect of financial year ended 31 December 2016:		
Final single tier dividend of 1.50 sen per share	2,948,160	-
In respect of financial year ended 31 December 2015:		
Final single tier dividend of 1.50 sen per share	-	2,948,160
Proposed but not recognised as liabilities as at 31 December 2017:		
Final single tier dividend of 2.00 sen per share	3,930,879	-
Proposed but not recognised as liabilities as at 31 December 2016:		
Final single tier dividend of 1.50 sen per share	-	2,948,160

At the forthcoming Annual General Meeting, a final single tier dividend of 2.00 sen per share in respect of the current financial year ended 31 December 2017 on 196,543,970 ordinary shares, amounting to a dividend payable of RM3,930,879 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect these proposed dividends. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

11. Property, plant and equipment

Group	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Buildings* RM	Plant and machinery RM	Furniture and fittings RM	Office equipment and laboratory equipment RM	Electrical installation, road and drainage RM	Motor vehicles RM	Assets under construction RM	Total RM
At 31 December 2017											
Cost/Valuation											
At 1 January 2017	12,763,647	182,138,506	7,139,309	192,262,477	89,943,230	4,553,797	637,966	6,042,251	7,709,356	11,737,309	514,927,848
Additions	507,661	-	-	941,650	1,747,279	439,068	36,020	55,377	912,350	8,214,546	12,853,951
Disposals	-	(16,728)	-	-	(1,339)	-	-	-	(468,326)	(1,485,075)	(1,971,468)
Reclassification	-	-	-	394,995	15,697,969	362,960	82,145	-	-	(16,538,069)	-
Transfer	-	-	-	599,072	-	87,291	-	-	-	(686,363)	-
Write off	-	-	-	(9,129)	(1)	(799)	-	-	-	(564,111)	(574,040)
At 31 December 2017	13,271,308	182,121,778	7,139,309	194,189,065	107,387,138	5,442,317	756,131	6,097,628	8,153,380	678,237	525,236,291
Representing:											
At cost	10,367,355	182,121,778	7,139,309	194,053,169	107,387,138	5,442,317	756,131	6,097,628	8,153,380	678,237	522,196,442
At valuation - 1976	2,903,953	-	-	135,896	-	-	-	-	-	-	3,039,849
	13,271,308	182,121,778	7,139,309	194,189,065	107,387,138	5,442,317	756,131	6,097,628	8,153,380	678,237	525,236,291
Accumulated depreciation											
At 1 January 2017	-	17,249,350	2,038,533	23,225,642	22,922,413	1,814,755	420,629	1,864,437	3,737,293	-	73,273,052
Charge for the year	-	2,422,146	125,315	5,226,857	6,471,739	507,230	37,512	298,395	798,785	-	15,887,979
Disposals	-	(3,493)	-	-	(713)	-	-	-	(383,339)	-	(387,545)
Reclassification	-	-	-	(59,091)	14,580	36,296	8,215	-	-	-	-
Write off	-	-	-	(9,128)	-	(510)	-	-	-	-	(9,638)
At 31 December 2017	-	19,668,003	2,163,848	28,384,280	29,408,019	2,357,771	466,356	2,162,832	4,152,739	-	88,763,848
Net carrying amount											
At 31 December 2017	13,271,308	162,453,775	4,975,461	165,804,785	77,979,119	3,084,546	289,775	3,934,796	4,000,641	678,237	436,472,443

11. Property, plant and equipment (cont'd)

Group (cont'd)	**Freehold land RM**	**Long term leasehold land RM**	**Short term leasehold land RM**	**Buildings* RM**	**Plant and machinery RM**	**Furniture and fittings RM**	**Office equipment and laboratory equipment RM**	**Electrical installation, road and drainage RM**	**Motor vehicles RM**	**Assets under construction RM**	**Total RM**
At 31 December 2016											
Cost/Valuation											
At 1 January 2016	12,763,647	182,138,506	7,139,309	179,883,192	87,762,529	5,693,182	681,530	6,042,251	6,947,683	18,620,880	507,672,709
Additions	-	-	-	566,625	2,224,619	378,467	29,297	-	1,005,589	5,443,587	9,648,184
Disposals	-	-	-	-	(81,780)	(1,609,153)	-	-	(216,266)	-	(1,907,199)
Write off	-	-	-	-	(153,953)	(231,382)	(72,861)	-	(27,650)	-	(485,846)
Reclassification	-	-	-	11,812,660	191,815	322,683	-	-	-	(12,327,158)	-
At 31 December 2016	12,763,647	182,138,506	7,139,309	192,262,477	89,943,230	4,553,797	637,966	6,042,251	7,709,356	11,737,309	514,927,848
Representing:											
At cost	9,859,694	182,138,506	7,139,309	192,126,581	89,943,230	4,553,797	637,966	6,042,251	7,709,356	11,737,309	511,887,999
At valuation - 1976	2,903,953	-	-	135,896	-	-	-	-	-	-	3,039,849
	12,763,647	182,138,506	7,139,309	192,262,477	89,943,230	4,553,797	637,966	6,042,251	7,709,356	11,737,309	514,927,848
Accumulated depreciation											
At 1 January 2016	-	14,827,020	1,913,220	18,193,923	16,915,915	3,041,154	450,816	1,567,558	3,172,306	-	60,081,912
Charge for the year	-	2,422,330	125,313	5,031,719	6,162,965	546,016	38,286	296,879	755,666	-	15,379,174
Disposals	-	-	-	-	(44,866)	(1,552,007)	-	-	(179,619)	-	(1,776,492)
Write off	-	-	-	-	(111,601)	(220,408)	(68,473)	-	(11,060)	-	(411,542)
At 31 December 2016	-	17,249,350	2,038,533	23,225,642	22,922,413	1,814,755	420,629	1,864,437	3,737,293	-	73,273,052
Net carrying amount											
At 31 December 2016	12,763,647	164,889,156	5,100,776	169,036,835	67,020,817	2,739,042	217,337	4,177,814	3,972,063	11,737,309	441,654,796

11. Property, plant and equipment (cont'd)

*Buildings comprise:

Group	Leasehold property RM	Oil mill and other buildings RM	Plantation infrastructure development expenditure RM	Quarry RM	Total RM
At 31 December 2017					
Cost/Valuation					
At 1 January 2017	592,166	64,117,579	107,552,732	20,000,000	192,262,477
Additions	-	941,650	-	-	941,650
Reclassification	-	(180,160)	575,155	-	394,995
Transfer	-	599,072	-	-	599,072
Write off	-	(9,129)	-	-	(9,129)
At 31 December 2017	592,166	65,469,012	108,127,887	20,000,000	194,189,065
Representing:					
At cost	592,166	65,333,116	108,127,887	20,000,000	194,053,169
At valuation - 1976	-	135,896	-	-	135,896
	592,166	65,469,012	108,127,887	20,000,000	194,189,065
Accumulated depreciation					
At 1 January 2017	-	15,946,710	5,285,477	1,993,455	23,225,642
Charge for the year	-	3,853,117	1,373,740	-	5,226,857
Reclassification	-	(59,091)	-	-	(59,091)
Write off	-	(9,128)	-	-	(9,128)
At 31 December 2017	-	19,731,608	6,659,217	1,993,455	28,384,280
Net carrying amount					
At 31 December 2017	592,166	45,737,404	101,468,670	18,006,545	165,804,785
At 31 December 2016					
Cost/Valuation					
At 1 January 2016	592,166	61,312,598	97,978,428	20,000,000	179,883,192
Additions	-	552,989	13,636	-	566,625
Reclassification	-	2,251,992	9,560,668	-	11,812,660
At 31 December 2016	592,166	64,117,579	107,552,732	20,000,000	192,262,477
Representing:					
At cost	592,166	63,981,683	107,552,732	20,000,000	192,126,581
At valuation - 1976	-	135,896	-	-	135,896
	592,166	64,117,579	107,552,732	20,000,000	192,262,477
Accumulated depreciation					
At 1 January 2016	-	12,392,523	3,917,148	1,884,252	18,193,923
Charge for the year	-	3,554,187	1,368,329	109,203	5,031,719
At 31 December 2016	-	15,946,710	5,285,477	1,993,455	23,225,642
Net carrying amount					
At 31 December 2016	592,166	48,170,869	102,267,255	18,006,545	169,036,835

11. Property, plant and equipment (cont'd)

Company	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Electrical installation RM	Motor vehicles RM	Assets under construction RM	Total RM
At 31 December 2017										
Cost/Valuation										
At 1 January 2017	3,006,617	388,220	7,217,646	185,791	1,015,803	522,833	163,715	941,329	236,638	13,678,592
Additions	-	-	533,919	30,550	35,351	31,820	-	-	449,725	1,081,365
Disposal	-	-	-	-	-	-	-	(135,000)	-	(135,000)
Reclassification	-	-	(590,905)	145,800	362,960	82,145	-	-	-	-
Transfer	-	-	599,072	-	87,291	-	-	-	(686,363)	-
At 31 December 2017	3,006,617	388,220	7,759,732	362,141	1,501,405	636,798	163,715	806,329	-	14,624,957
Representing:										
At cost	102,664	388,220	7,623,836	362,141	1,501,405	636,798	163,715	806,329	-	11,585,108
At valuation - 1976	2,903,953	-	135,896	-	-	-	-	-	-	3,039,849
	3,006,617	388,220	7,759,732	362,141	1,501,405	636,798	163,715	806,329	-	14,624,957
Accumulated depreciation										
At 1 January 2017	-	-	2,610,069	50,352	494,901	384,515	135,185	463,273	-	4,138,295
Charge for the year	-	-	445,542	2,840	92,424	27,465	2,918	48,333	-	619,522
Disposal	-	-	-	-	-	-	-	(100,000)	-	(100,000)
Reclassification	-	-	(59,091)	14,580	36,296	8,215	-	-	-	-
At 31 December 2017	-	-	2,996,520	67,772	623,621	420,195	138,103	411,606	-	4,657,817
Net carrying amount										
At 31 December 2017	3,006,617	388,220	4,763,212	294,369	877,784	216,603	25,612	394,723	-	9,967,140

11. Property, plant and equipment (cont'd)

Company	Freehold land RM	Long term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Electrical installation RM	Motor vehicles RM	Assets under construction RM	Total RM
At 31 December 2016										
Cost/Valuation										
At 1 January 2016	3,006,617	388,220	4,950,470	302,446	2,424,511	570,827	163,715	884,600	877,714	13,569,120
Additions	-	-	443,997	-	97,365	24,867	-	128,004	1,504,786	2,199,019
Disposal	-	-	-	-	(1,609,153)	-	-	-	-	(1,609,153)
Write off	-	-	-	(116,655)	(219,603)	(72,861)	-	(71,275)	-	(480,394)
Transfer	-	-	1,823,179	-	322,683	-	-	-	(2,145,862)	-
At 31 December 2016	3,006,617	388,220	7,217,646	185,791	1,015,803	522,833	163,715	941,329	236,638	13,678,592
Representing:										
At cost	102,664	388,220	7,081,750	185,791	1,015,803	522,833	163,715	941,329	236,638	10,638,743
At valuation - 1976	2,903,953	-	135,896	-	-	-	-	-	-	3,039,849
	3,006,617	388,220	7,217,646	185,791	1,015,803	522,833	163,715	941,329	236,638	13,678,592
Accumulated depreciation										
At 1 January 2016	-	-	2,439,719	118,907	2,123,568	424,411	132,233	489,814	-	5,728,652
Charge for the year	-	-	170,350	14,840	136,951	28,577	2,952	44,733	-	398,403
Disposal	-	-	-	-	(1,552,005)	-	-	-	-	(1,552,005)
Write off	-	-	-	(83,395)	(213,613)	(68,473)	-	(71,274)	-	(436,755)
At 31 December 2016	-	-	2,610,069	50,352	494,901	384,515	135,185	463,273	-	4,138,295
Net carrying amount										
At 31 December 2016	3,006,617	388,220	4,607,577	135,439	520,902	138,318	28,530	478,056	236,638	9,540,297

11. Property, plant and equipment (cont'd)

Group and Company

Property, plant and equipment of the Group and of the Company shown at valuation are based on fair market value expressed by independent licensed appraisers. As allowed by the transitional provisions of International Accounting Standard 16 (Revised), 'Property, Plant and Equipment', previously adopted by the MASB, these assets have continued to be stated on the basis of their valuations in 1976.

Information on the carrying amounts of the revalued assets that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation is not available and therefore has not been disclosed as required by FRS 116 - Property, Plant and Equipment.

(i) Assets held under finance leases

The carrying amounts of property, plant and equipment of the Group and of the Company held under hire purchase arrangements are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Motor vehicles	1,249,672	2,562,162	306,415	335,376
Plant and machinery	1,889,554	2,422,546	-	-
	3,139,226	4,984,708	306,415	335,376

(ii) Assets pledged as security

In addition to assets held under finance leases, the net carrying amounts of the Group's and the Company's property, plant and equipment pledged as securities for banking facilities granted to the Group and the Company (Note 25) are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Freehold land	3,006,617	3,006,617	3,006,617	3,006,617
Leasehold land	27,690,892	28,096,588	-	-
Buildings	13,863,053	14,989,132	1,112,936	1,144,621
Plantation infrastructure development expenditure	36,294,876	36,380,779	-	-
Plant and machinery	36,833,842	20,966,405	133,843	127,119
Furniture and fittings	2,121,221	1,362,096	93,083	119,969
Office equipment	216,601	128,486	112,273	128,486
Electrical installation	25,613	28,530	25,612	28,530
Assets under construction	3,683,930	14,582,499	-	-
	123,736,645	119,541,132	4,484,364	4,555,342

12. Investment properties

	2017 RM	2016 RM
Group		
Fair value		
At 1 January	48,062,419	48,062,419
Gain from fair value adjustment recognised in profit or loss	1,187,581	-
At 31 December	49,250,000	48,062,419
Company		
Fair value		
At 1 January	1,200,000	1,200,000
Gain from fair value adjustment recognised in profit or loss	50,000	-
At 31 December	1,250,000	1,200,000

The Group measures its investment properties using fair value model. The management has appointed an accredited independent valuer during the financial year to carry out fair valuation of the Group's investment properties as at 31 December 2017. The independent valuers are specialists in valuing this type of investment property. The fair value of the properties take into account of the ability to generate economic benefits by using the assets in their highest and best use. These properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the properties.

Fair value information

Fair value of investment properties are categorised as follows:

	2017			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
Freehold land	-	-	48,000,000	48,000,000
Shophouse	-	-	1,250,000	1,250,000
Company				
Shophouse	-	-	1,250,000	1,250,000

	2016			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
Freehold land	-	-	46,862,419	46,862,419
Shophouse	-	-	1,200,000	1,200,000
Company				
Shophouse	-	-	1,200,000	1,200,000

12. Investment properties (cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted market price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted market prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There is no transfer between Level 1 and Level 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable input for the investment property.

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

Significant increases (decreases) in estimated price per square feet in isolation would result in a significantly higher (lower) fair value.

Transfer into or out of Level 3

There is no transfer from Level 1 and Level 2 into or out of Level 3 during the financial year.

The following are recognised in profit or loss in respect of investment property:

	Group and Company	
	2017	**2016**
	RM	**RM**
Rental income	69,300	67,992
Direct operating expenses	(3,684)	(3,656)

13. Biological assets

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Plantation development expenditure				
At 1 January	464,221,925	462,017,055	3,565,843	3,565,843
Additions	1,354,813	2,204,870	-	-
Disposal	(117,715)	-	-	-
At 31 December	465,459,023	464,221,925	3,565,843	3,565,843
Representing:				
At cost	456,115,380	454,878,282	3,565,843	3,565,843
At valuation				
- 1982	5,351,230	5,351,230	-	-
- 1988	3,992,413	3,992,413	-	-
	465,459,023	464,221,925	3,565,843	3,565,843

Plantation development expenditure shown at valuation is based on the opinion of open market value expressed by independent licensed appraisers. Certain plantation development expenditure of the Group have not been revalued since they were revalued in 1982 and 1988. As allowed by the transitional provisions of International Accounting Standard 16 (Revised), 'Property, Plant and Equipment', previously adopted by MASB, these assets have continued to be stated on the basis of their valuation in the respective years.

Information on the carrying amounts of the revalued assets that would have been included in these financial statements had these assets been carried at cost is not available and therefore has not been disclosed as required by FRS 116 - Property, Plant and Equipment.

The Group's and the Company's biological assets with carrying amount of RM67,968,912 and RM3,565,843 (2016 : RM66,614,101 and RM3,565,843) respectively are pledged as securities for banking facilities granted to the Group and the Company (Note 25).

14. Investment in subsidiary companies

	Company 2017 RM	Company 2016 RM
At cost		
Unquoted investments	109,804,859	109,804,859
Quoted investment	99,266,114	99,266,114
	209,070,973	209,070,973
At market value	71,953,272	77,283,144

14. Investment in subsidiary companies (cont'd)

(a) Details of the Group's subsidiary companies are as follows: (cont'd)

Subsidiary companies	Country of incorporation	Principal activities	% of ownership interest held by the Group* 2017	% of ownership interest held by the Group* 2016	% of ownership interest held by non-controlling interests* 2017	% of ownership interest held by non-controlling interests* 2016
Held by the Company						
Champion Point Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	100	100	-	-
Yew Lee Holdings Sdn. Berhad	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	100	100	-	-
Majuperak Plantation Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	100	100	-	-
Anson Oil Industries Sdn. Bhd.	Malaysia	Cultivation of oil palm, milling and sale of oil palm products.	100	100	-	-
Ayu Gemilang Sdn. Bhd.	Malaysia	Investment holding.	100	100	-	-
Telok Anson Hotel Sdn. Berhad	Malaysia	Property development.	100	100	-	-
Bisikan Gemilang Sdn. Bhd.	Malaysia	Investment holding.	100	100	-	-
Citarasa Lestari Sdn. Bhd.	Malaysia	Investment holding.	100	100	-	-
Mah Hock Company Sendirian Berhad	Malaysia	Property investment, housing development and cultivation of oil palm.	100	100	-	-
Cepatwawasan Group Berhad ("CGB")	Malaysia	Investment holding and provision of management services to its subsidiary companies.	38.46	38.46	61.54	61.54
Held through Yew Lee Holdings Sdn. Berhad						
Sharikat Muzwin Bersaudara Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	99	99	1	1
Hutan Melintang Plantations Sdn. Berhad	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	100	100	-	-
Held through Majuperak Plantation Sdn. Bhd.						
Majuperak Sawit Sdn. Bhd.	Malaysia	Dormant.	100	100	-	-

14. Investment in subsidiary companies (cont'd)

(a) Details of the Group's subsidiary companies are as follows: (cont'd)

Subsidiary companies	Country of incorporation	Principal activities	% of ownership interest held by the Group* 2017	2016	% of ownership interest held by non-controlling interests* 2017	2016
Held through Cepatwawasan Group Berhad						
Cepatwawasan Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Syarikat Melabau Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Wong Tet-Jung Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Razijaya Sdn. Bhd.	Malaysia	Cultivation of oil palm, sale of fresh fruit bunches and operation of a quarry.	38.46	38.46	61.54	61.54
Sri Likas Mewah Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Kovusak Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Libarran Island Resort Sdn. Bhd.	Malaysia	Investment holding.	38.46	38.46	61.54	61.54
Bakara Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Sungguh Mulia Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Prima Semasa Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Ayu Sempurna Sdn. Bhd.	Malaysia	Investment holding.	38.46	38.46	61.54	61.54
Cash Nexus (M) Sdn. Bhd.	Malaysia	Investment holding.	38.46	38.46	61.54	61.54
Magnum Kapital Sdn. Bhd.	Malaysia	Investment holding.	38.46	38.46	61.54	61.54
Hikayat Anggun Sdn. Bhd.	Malaysia	Investment holding.	38.46	38.46	61.54	61.54
Aspenglade Sdn. Bhd.	Malaysia	Dormant.	38.46	38.46	61.54	61.54
Ekuiti Etika Sdn. Bhd.	Malaysia	Dormant.	38.46	38.46	61.54	61.54
Held through Cepatwawasan Sdn. Bhd.						
Prolific Yield Sdn. Bhd.	Malaysia	Milling and sales of oil palm products.	38.46	38.46	61.54	61.54
Jutategak Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Liga Semarak Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Tentu Cergas Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Tentu Bernas Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54

14. Investment in subsidiary companies (cont'd)

(a) Details of the Group's subsidiary companies are as follows: (cont'd)

Subsidiary companies	Country of incorporation	Principal activities	% of ownership interest held by the Group* 2017	2016	% of ownership interest held by non-controlling interests* 2017	2016
Held through Syarikat Melabau Sdn. Bhd.						
Suara Baru Sdn. Bhd.	Malaysia	Cultivation of oil palm, sale of fresh fruit bunches and operation of a quarry.	38.46	38.46	61.54	61.54
Gelang Usaha Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Swifturn Sdn. Bhd.	Malaysia	Letting of oil palm fresh fruit bunches collection center.	38.46	38.46	61.54	61.54
Held through Sri Likas Mewah Sdn. Bhd.						
Ultisearch Trading Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	38.46	38.46	61.54	61.54
Held through Libarran Island Resort Sdn. Bhd.						
Minelink Sdn. Bhd.	Malaysia	Investment property holding.	38.46	38.46	61.54	61.54
Held through Ayu Sempurna Sdn. Bhd. and Ayu Gemilang Sdn. Bhd.						
Ladang Cepat - KPD Sdn. Bhd.	Malaysia	Cultivation of oil palm and sale of fresh fruit bunches.	43.08	43.08	56.92	56.92
Held through Cash Nexus (M) Sdn. Bhd.						
Power Precinct Sdn. Bhd.	Malaysia	Investment holding.	38.46	38.46	61.54	61.54
Cash Horse (M) Sdn. Bhd.	Malaysia	Power generation and sale of biomass by-products.	38.46	38.46	61.54	61.54
Timah Resources Limited**	Australia	Investment holding.	23.66	23.66	76.34	76.34
Held through Magnum Kapital Sdn. Bhd.						
Richester Pte Ltd.***	Singapore	Investment holding.	-	38.46	-	61.54
Held through Timah Resources Limited						
Mistral Engineering Sdn. Bhd.	Malaysia	Power generation.	23.66	23.66	76.34	76.34

All the above companies, except for Timah Resources Limited are audited by Ernst & Young, Malaysia.

* Equals to the proportion of voting rights held
** Listed on the Australian Securities Exchange Ltd or ASX Limited
*** Struck off

14. Investment in subsidiary companies (cont'd)

(a) Details of the Group's subsidiary companies are as follows: (cont'd)

2016

(i) On 11 March 2016, Ayu Sempurna Sdn. Bhd., a wholly owned subsidiary company of CGB acquired 2 ordinary shares of RM1 each in Ladang Cepat-KPD Sdn. Bhd. ("KPD"), representing 0.002% equity interest for a total consideration of RM640.

(ii) On 3 June 2016, the Company acquired the remaining 44,001 ordinary shares of RM1 each in Mah Hock Company Sendirian Berhad ("MAH"), representing 31.89% equity interest for a total consideration of RM1,324,364. As a result, MAH became a wholly-owned subsidiary company of the Company.

(b) Summarised financial information of Cepatwawasan Group Berhad which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised consolidated statement of financial position

	2017 RM	2016 RM
Non-current assets	618,581,087	623,964,254
Current assets	91,471,975	82,707,468
Total assets	710,053,062	706,671,722
Current liabilities	89,339,682	97,539,558
Non-current liabilities	103,713,937	116,875,076
Total liabilities	193,053,619	214,414,634
Net assets	516,999,443	492,257,088
Equity attributable to owners of the Company	198,837,986	189,322,076
Non-controlling interests	318,161,457	302,935,012

14. Investment in subsidiary companies (cont'd)

(b) Summarised financial information of Cepatwawasan Group Berhad which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. (cont'd)

(ii) Summarised consolidated statement of comprehensive income

	2017 RM	2016 RM
Revenue	274,133,846	254,668,133
Profit for the year	31,137,418	22,488,029
Profit attributable to owners of the Company	13,468,295	9,511,334
Profit attributable to the non-controlling interests	17,669,123	12,976,695
	31,137,418	22,488,029
Other comprehensive income attributable to owners of the Company	(41,298)	24,794
Other comprehensive income attributable to non-controlling interests	(119,263)	102,454
	(160,561)	127,248
Total comprehensive income	30,976,857	22,615,277
Total comprehensive income attributable to owners of the Company	13,426,997	9,536,128
Total comprehensive income attributable to non-controlling interests	17,549,860	13,079,149
	30,976,857	22,615,277

(iii) Summarised consolidated statement of cash flows

	2017 RM	2016 RM
Net cash generated from operating activities	38,664,183	24,987,604
Net cash used in investing activities	(12,063,547)	(10,379,578)
Net cash generated from financing activities	(26,591,601)	(18,080,682)
Net increase/(decrease) in cash and cash equivalents	9,035	(3,472,656)
Net foreign exchange difference	(158,490)	181,200
Cash and cash equivalents at 1 January	19,364,534	22,655,990
Cash and cash equivalents at end of the year	19,215,079	19,364,534

15. Investment in securities

	2017		2016	
	Carrying amount RM	Market value of quoted investments RM	Carrying amount RM	Market value of quoted investments RM
Group				
Non-current				
Available-for-sale financial assets				
- Equity instruments (quoted in Malaysia)	178,589	178,589	147,285	147,285
- Equity instruments (unquoted), at cost	314,170	-	314,170	-
Held-to-maturity investment				
- 6% preference shares	66,528	-	66,528	-
	559,287		527,983	
Company				
Non-current				
Available-for-sale financial assets				
- Equity instruments (quoted in Malaysia)	166,584	166,584	137,852	137,852
- Equity instruments (unquoted), at cost	311,984	-	311,984	-
Held-to-maturity investment				
- 6% preference shares	66,528	-	66,5288	-
	545,096		516,364	

16. Land use rights

	Group	
	2017 RM	2016 RM
Cost		
At 1 January and 31 December	13,900,000	13,900,000
Accumulated amortisation		
At 1 January	716,372	537,279
Amortisation for the year	179,093	179,093
At 31 December	895,465	716,372
Net carrying amount	13,004,535	13,183,628
Amount to be amortised:		
- Not later than 1 year	179,093	179,093
- Later than 1 year but not later than 5 years	716,372	716,372
- Later than 5 years	12,109,070	12,288,163
	13,004,535	13,183,628

17. Trade and other receivables

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current				
Trade receivables				
Third parties	18,646,966	14,747,230	188,417	337,073
Amount due from customer on service concession	8,045,828	5,509,639	-	-
	26,692,794	20,256,869	188,417	337,073
Less: Allowance for impairment	(343,169)	(343,169)	-	-
	26,349,625	19,913,700	188,417	337,073
Other receivables				
Sundry receivables	1,866,351	2,208,677	62,370	34,049
Prepayments and deposits	4,786,688	3,185,269	77,772	114,675
Termination compensation receivable	695,276	1,327,607	-	-
Amounts owing by subsidiary companies	-	-	60,428	71,653
Prepayment for equity shares in a foreign company	4,774,432	7,900,787	-	-
Goods and Services Tax receivables	261,405	443,862	-	24,910
	12,384,152	15,066,202	200,570	245,287
Less: Allowance for impairment	(5,779,582)	(8,390,488)	-	-
	6,604,570	6,675,714	200,570	245,287
	32,954,195	26,589,414	388,987	582,360

17. Trade and other receivables (cont'd)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current				
Trade receivables				
Amount due from customer on service concession	142,917,529	149,501,211	-	-
Total trade and other receivables (current and non-current)	175,871,724	176,090,625	388,987	582,360
Less: Prepayments and non-refundable deposits	(3,282,233)	(1,734,565)	(77,772)	(114,675)
Less: Goods and Services Tax receivables	(261,405)	(443,862)	-	(24,910)
	172,328,086	173,912,198	311,215	442,775
Short term investments (Note 20)	17,605,759	13,625,290	54,963	51,730
Fixed deposits with licensed banks (Note 21)	9,878,973	11,069,868	369,515	359,340
Cash and bank balances (Note 21)	17,631,835	17,830,423	724,273	416,995
Total loans and receivables	217,444,653	216,437,779	1,459,966	1,270,840

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk except as disclosed in Note 34. Trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount owing from a subsidiary company amounting to RM183,735 (2016 : RM331,639).

17. Trade and other receivables (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	169,214,214	169,395,033	188,417	337,073
1 to 30 days past due not impaired	-	-	-	-
31 to 60 days past due not impaired	52,940	19,878	-	-
61 to 90 days past due not impaired	-	-	-	-
More than 91 days past due not impaired	-	-	-	-
	52,940	19,878	-	-
Impaired	343,169	343,169	-	-
	169,610,323	169,758,080	188,417	337,073

(a) Trade receivables

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

(b) Trade and other receivables

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM52,940 (2016 : RM19,878) that are past due at the reporting date but not impaired.

Receivables that are impaired

The allowance for impairment for both trade and other receivables arise from the consolidation of Cepatwawasan Group Berhad ("CGB") as subsidiary company. Receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. Trade and other receivables (cont'd)

(b) Trade and other receivables (cont'd)

	Group 2017 RM	Group 2016 RM
Trade receivables		
At 1 January	343,169	346,486
Written off	-	(3,317)
At 31 December	343,169	343,169
Other receivables		
At 1 January	8,390,488	8,381,552
Charge for the year	30,487	54,171
Written off	(2,641,393)	(45,235)
At 31 December	5,779,582	8,390,488

(c) Amounts owing by subsidiary companies

The amounts owing by subsidiary companies are unsecured, non-interest bearing and repayable on demand.

(d) Prepayment for equity shares in a foreign company

On 7 September 2011, a wholly owned subsidiary company of CGB, Magnum Kapital Sdn. Bhd. entered into a Conditional Sale and Purchase Agreement ("CSPA") with three Indonesian citizens in relation to the proposed acquisition of 500 fully paid up shares of IDR25,000,000 each in PT Mukti Sejahtera Abadi, at a maximum purchase consideration of IDR125,000,000 (approximately RM46,125).

The acquisition is yet to be completed pending the satisfaction of certain conditions as stated in the CSPA. However, on 15 May 2016, the Group had entered into agreement to dispose of its rights persuant to the CSPA at a purchase consideration of RM1,539,000. An impairment of RM7,408,000 has been recognised in the financial statements in previous financial year on the shortfall between the estimated disposal price and the investment cost.

17. Trade and other receivables (cont'd)

(e) Termination compensation receivable

On 8 December 2015, the subsidiary companies of CGB, Mistral Engineering Sdn. Bhd. ("MESB") and Cash Horse (M) Sdn. Bhd. ("CHSB"), have entered into two Termination of Emission Reductions Purchase Agreements ("Agreements") with NE Climate A/S ("NE") for the purpose of terminating and cancelling the respective Emission Reductions Purchase Agreement entered with NE on 11 October 2010, including the respective Supplemental Agreement entered on 31 May 2011 due to a number of factors including high equipment maintenance costs associated with monitoring, the low level of Certified Emission Reductions ("CERs") currently being generated by the biogas plant and a lack of interest in purchasing CERs particularly from the Eurozone.

The Group will receive termination compensation totalling RM2,000,011 from NE in three payments within two years. This represents the last instalment which was carried at fair value.

(f) Service concession arrangements

A subsidiary company of CGB, Cash Horse (M) Sdn. Bhd. ("CHSB"), and Sabah Electricity Sdn. Bhd. ("SESB") have entered into a Renewable Energy Power Purchase Agreement on 2 November 2010 ("REPPA") to design, construct, own, operate and maintain a Renewable Energy Power Plant ("the Facilities"), to sell and deliver electrical energy to SESB under the Small Renewable Energy Power Programme.

In accordance to the terms of the REPPA, SESB agrees to purchase the Annual Baseline Energy generated from the Facilities at a fixed tariff for 21 years from the commercial operation date.

On 1 January 2015, CHSB entered into a FiT-REPPA with SESB to design, construct, own and maintain the facility and to sell and deliver electrical energy to SESB under Feed-In Tariff Programme in which the REPPA entered previously had been terminated by a Settlement Agreement. The construction of the facility commenced in year 2012 and was completed and available for use in year 2014. CHSB will be responsible for any maintenance service required during the concession period. On 1 April 2015, a subsidiary company of CGB, Mistral Engineering Sdn. Bhd. ("MESB") had also entered into FiT-REPPA with SESB to design, construct, own and maintain the facility and to sell and deliver electrical energy to SESB under Feed-In Tariff Programme. The construction of the facility had commenced in year 2014 and was completed on 14 February 2017. Under the terms of the agreement, MESB will operate the Facility for a period of 16 years starting from 15 February 2017. MESB will be responsible for any maintenance service required during the concession period.

For the year ended 31 December 2017, total trade receivables relating to service concession arrangement amounted to RM150,963,357.

For the year ended 31 December 2017, CHSB has recognised revenue of RM10.24 million (2016 : RM12 million) on the operation of the Facility. The revenue recognised in relation to construction in year 2014 represents the fair value of the construction services provided in constructing the Facility. CHSB has recognised a service concession receivable, measured initially at the fair value of the construction services discounted at a rate of 4.6%.

For the year ended 31 December 2017, MESB has recognised revenue of RM4.41 million (2016 : RM16.89 million) consisting RM1.07 million (2016 : RM16.8 million) on construction of the Facility and RM3.34 million (2016 : RM0.09 million) on the operation of the Facility. The revenue recognised in relation to construction in year 2017 represents the fair value of the construction services provided in constructing the Facility. CHSB has recognised a service concession receivable, measured initially at the fair value of the construction services discounted at a rate of 5.45%.

18. Goodwill on consolidation

	Group	
	2017 RM	2016 RM
At cost		
At 1 January and 31 December	109,017,339	109,017,339

Allocation of goodwill

The carrying amount of goodwill has been allocated to the Group's CGU identified according to business segments as follows:

	Group	
	2017 RM	2016 RM
Plantation	76,912,223	76,912,223
Oil mill segment	32,105,116	32,105,116
	109,017,339	109,017,339

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by the management covering a five-year period.

The calculations of value in use for the CGUs are based on the following assumptions:

(i) Budgeted gross margin
Gross margins are based on average values achieved in the three years preceding the start of the budget period.

(ii) Growth rates
The growth rates are based on the management's estimate of commodity prices and palm yields as well as cost of production.

(iii) Discount rates
Discount rates reflect the current market assessment of the risks specific to the CGUs. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity.

The sensitivity to change in key assumptions used in value in use calculations are as follows:

(i) Growth rates
A reduction by 0.5% in growth rate in both segment would not cause the amount of the CGUs to materially exceed their recoverable amounts.

(ii) Discount rates
Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a post-tax discount rate. A rise in the post-tax discount rate of 1% in both segment would not cause the carrying amount of the CGU to materially exceed their recoverable amounts.

19. Inventories

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
At cost				
Crude palm oil	6,770,711	5,614,707	-	-
Palm kernel	1,947,953	1,742,671	-	-
Quarry stocks	15,979,208	16,746,483	-	-
Nursery seedlings, stores and materials	6,688,219	3,914,429	102,617	89,898
	31,386,091	28,018,290	102,617	89,898

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM21,051,925 (2016 : RM15,262,672).

There were no inventories stated at net realisable value as at 31 December 2017 and 31 December 2016.

20. Short term investments

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
AmIncome	14,556,258	12,119,376	-	-
AmCash Management	3,049,501	1,505,914	54,963	51,730
	17,605,759	13,625,290	54,963	51,730

Group and Company

(a) AmIncome

AmIncome is a short to medium-term money market fund that aims to provide investors with a stream of income. The withdrawal proceeds will be received in the following manner:

(i) the first RM2 million and below, not later than the 7th day of receipt of repurchase notice; and

(ii) any amount above RM2 million, not later than the 30th day of receipt of repurchase notice.

(b) AmCash Management

AmCash Management is a short term money market fund designed to provide investors with a stream of income. It is managed with the aim of maintaining the Fund's unit price at RM1. The redemption proceeds for investments in AmCash Management will normally be collected by the next business day.

20. Short term investments (cont'd)

The floating interest rates of short term investments at the reporting date are as follows:

	Group 2017 % per annum	Group 2016 % per annum	Company 2017 % per annum	Company 2016 % per annum
Short term investments	2.68 - 3.39	2.59 - 3.24	2.68	2.59

The maturities of short term investments as at the end of the financial year are as follows:

	Group 2017 Days	Group 2016 Days	Company 2017 Days	Company 2016 Days
Short term investments	1	1	1	1

21. Cash and cash equivalents

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Fixed deposits with licensed banks	9,878,973	11,069,868	369,515	359,340
Cash and bank balances	17,631,835	17,830,423	724,273	416,995
	27,510,808	28,900,291	1,093,788	776,335
Fixed deposits pledged	(2,942,549)	(2,635,564)	(369,515)	(359,340)
	24,568,259	26,264,727	724,273	416,995

The fixed interest rates of fixed deposits at the reporting date are as follows:

	Group 2017 % per annum	Group 2016 % per annum	Company 2017 % per annum	Company 2016 % per annum
Fixed deposits with licensed banks	2.95 - 3.03	2.90 - 3.19	2.95	2.90

The maturities of deposits as at the end of the financial year are as follows:

	Group 2017 Days	Group 2016 Days	Company 2017 Days	Company 2016 Days
Fixed deposits with licensed banks	30 - 365	30 - 365	30 - 31	30 - 31

21. Cash and cash equivalents (cont'd)

Group

Fixed deposits with licensed banks of RM2,942,549 (2016 : RM2,635,564) are pledged as securities for banking facilities granted to the Group. These fixed deposits include fixed deposits amounting to RM369,515 (2016 : RM359,340), which are registered in the name of two of the Company's directors and held in trust for the Company.

Company

Fixed deposits with licensed banks of RM369,515 (2016 : RM359,340) which are registered in the name of two of the Company's directors and held in trust for the Company, are pledged as securities for bankers' guarantee facilities granted to the Group.

22. Share capital

	Group and Company			
	Number of ordinary shares		Amount	
	2017	2016	2017 RM	2016 RM
Authorised	-	500,000,000	-	500,000,000
Issued and fully paid	196,543,970	196,543,970	196,543,970	196,543,970

The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Warrants 2012/2017

On 30 July 2012, a total of 56,155,420 free Warrants have been issued and allotted to the shareholders pursuant to the Bonus Issue of two (2) free Warrants for every five (5) existing ordinary shares of RM1.00 each in MHC Plantations Bhd ("MHC Share(s)") held on 25 July 2012. The Warrants were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 3 August 2012.

Each Warrant carries the entitlement to subscribe for one (1) new MHC Share at the exercise price of RM1.56 and at any time during the exercise period up to the date of expiry on 29 July 2017. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

The new shares to be issued arising from the exercise of Warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other form of distribution ("Distribution") that may be declared, made or paid for which the entitlement date for the Distribution precedes the date of allotment and issuance of the new shares arising from the exercise of Warrants.

As of the end of the reporting period, the entire allotted Warrants remained unexercised. The Warrants have expired on 28 July 2017 and delisted on 31 July 2017.

23. Reserves

	2017 RM	2016 RM
Group		
Distributable		
- Capital reserve	8,169	8,169
- Retained profits	230,389,799	215,799,725
	230,397,968	215,807,894
Non-distributable		
- Capital reserve	5,736,883	5,736,883
- Other reserve	(1,942,988)	(1,942,988)
- Revaluation reserve	789,026	789,026
- Fair value adjustment reserve	172,556	137,932
- Foreign currency translation reserve	45,521	152,899
	4,800,998	4,873,752
	235,198,966	220,681,646
Company		
Distributable		
- Retained profits	10,106,657	6,449,176
Non-distributable		
- Fair value adjustment reserve	125,748	93,696
	10,232,405	6,542,872

Distributable reserves

The Company may distribute dividends out of its entire distributable reserves as at 31 December 2017 and 31 December 2016 under the single tier system.

Capital reserve

Group

The distributable capital reserve comprises mainly gains arising from disposal of property, plant and equipment and investments whereas the non-distributable capital reserve represents amount capitalised for bonus issue from post-acquisition reserve of a subsidiary company.

Other reserve

Other reserve represents the difference between the adjusted carrying amount of the non-controlling interests and the fair value of the consideration paid.

Revaluation reserve

Revaluation reserve represents net surplus arising from the revaluation of certain subsidiary companies' freehold land, buildings and biological assets in 1976, 1982 and 1988 respectively.

On the subsequent sale or retirement of a revalued asset, the attributable surplus remaining in the revaluation reserve is transferred to distributable reserve.

23. Reserves (cont'd)

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiary companies whose functional currencies are different from that of the Group's presentation currency.

24. Hire purchase payables

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Future minimum hire purchase payments:				
- within one year	545,075	943,952	50,928	55,608
- within one to two years	333,004	440,209	41,664	50,928
- within two and not later than five years	232,760	397,326	34,806	76,470
	1,110,839	1,781,487	127,398	183,006
Finance charges on hire purchase	(78,574)	(127,539)	(10,814)	(19,547)
Present value of hire purchase liabilities	1,032,265	1,653,948	116,584	163,459
Analysis of present value of hire purchase liabilities:				
- within one year	498,586	869,966	45,077	46,875
- within one to two years	319,171	410,718	38,267	45,077
- within two and not later than five years	214,508	373,264	33,240	71,507
	1,032,265	1,653,948	116,584	163,459
Less: Amounts due within 12 months	(498,586)	(869,966)	(45,077)	(46,875)
Amounts due after 12 months	533,679	783,982	71,507	116,584

The hire purchase payables of the Group and the Company bear effective fixed interest rates of 2.48% to 5.95% (2016 : 2.48% to 5.95%) and 2.48% to 3.77% (2016 : 2.48% to 3.77%) per annum respectively.

25. Borrowings

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Short term borrowings				
Secured:				
Term loans				
- Loan at COF + 1.00% p.a.	1,850,000	2,200,000	1,850,000	2,200,000
- Loan at COF + 1.10% p.a.	8,000,008	8,000,008	-	-
- Loan at COF + 1.125% p.a.	1,924,745	2,100,000	-	-
- Loan at COF + 1.50% p.a.	9,950,000	7,987,500	-	-
Short term revolving credit				
- RC at COF + 1.10% p.a.	16,500,000	16,500,000	14,000,000	14,000,000
- RC at ICOF + 1.20% p.a.	16,800,000	23,000,000	-	-
- RC at COF + 1.125% p.a.	16,000,000	16,000,000	-	-
- RC at COF + 1.5% p.a.	9,500,000	10,000,000	-	-
Unsecured:				
Short term revolving credit				
- RC at COF + 1.50% p.a.	1,100,000	1,100,000	1,100,000	1,100,000
	81,624,753	86,887,508	16,950,000	17,300,000
Long term borrowings				
Secured:				
Term loans				
- Loan at COF + 1.00% p.a.	-	1,850,000	-	1,850,000
- Loan at COF + 1.10% p.a.	37,504,137	45,045,815	-	-
- Loan at COF + 1.125% p.a.	-	1,926,656	-	-
- Loan at COF + 1.50% p.a.	27,975,000	37,925,000	-	-
	65,479,137	86,747,471	-	1,850,000
Total borrowings				
Secured:				
Term loans	87,203,890	107,034,979	1,850,000	4,050,000
Short term revolving credit	58,800,000	65,500,000	14,000,000	14,000,000
Unsecured:				
Short term revolving credit	1,100,000	1,100,000	1,100,000	1,100,000
	147,103,890	173,634,979	16,950,000	19,150,000
Maturity of borrowings:				
Within 1 year	81,624,753	86,887,508	16,950,000	17,300,000
More than 1 year and less than 2 years	17,704,312	21,726,664	-	1,850,000
More than 2 years and less than 5 years	36,124,825	51,975,026	-	-
5 years and more	11,650,000	13,045,781	-	-
	147,103,890	173,634,979	16,950,000	19,150,000

25. Borrowings (cont'd)

Loan at Cost of Finance ("COF") + 1.00% p.a.

This loan is secured by legal charges over freehold agricultural lands and a specific debenture over the land together with the buildings erected thereon, fixtures and fittings, all plant, machinery, vehicles, computers and office and other equipment, together with all accessories and spare parts and tools on the properties of the Company.

Loan at COF + 1.10% p.a.

One of the loans is secured by legal charges over leasehold agricultural lands, specific debenture over the land together with the fixture and fittings of a subsidiary company, corporate guarantee given by the Company and Credit Guarantee Corporation (M) Bhd ("CGC") under Green Technology Financing Scheme ("GTFS"). An interest subsidy of 2% p.a. is granted to its subsidiary company under GTFS.

Another loan is secured by legal charges over certain leasehold plantations, debentures incorporating fixed and floating charges over all the assets of subsidiary companies presently owned and subsequently acquired and corporate guarantees given by the subsidiary companies.

Loan at COF + 1.125% p.a.

This loan is secured by legal charges over certain leasehold plantations together with the plant and machinery and oil mill of subsidiary companies, debentures incorporating fixed and floating charges over all the assets of subsidiary companies presently owned and subsequently acquired and corporate guarantees given by the subsidiary companies.

Loan at COF + 1.5% p.a.

This loan is secured by legal charges over sub-divided land together with the power plant erected thereon of subsidiary companies, debentures incorporating fixed and floating charges over all the assets of the subsidiary companies and corporate guarantees given by a subsidiary company and short term deposits with licensed bank.

Revolving credit ("RC") at COF + 1.10% p.a.

This revolving credit is secured by legal charges over freehold agricultural land of the Company and leasehold lands of a subsidiary company and specific debenture over the land together with the fixture and fittings and corporate guarantee given by the Company and short term deposits with licensed bank.

RC at COF + 1.125% p.a., at Islamic Cost of Fund ("ICOF") + 1.20% p.a. and at COF + 1.5% p.a.

These are denominated in RM, and secured by legal charges over certain leasehold plantations together with the plant and machinery and palm oil mill of subsidiary companies, sub-divided land together with the power plant erected thereon of a subsidiary company, debentures incorporating fixed and floating charges over all the assets of subsidiary companies presently owned and subsequently acquired and corporate guarantees given by the subsidiary companies.

26. Deferred tax liabilities

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
At 1 January	164,767,316	162,693,281	(320,724)	2,043
Recognised in profit or loss (Note 8)	2,688,549	2,074,035	(87,312)	(322,767)
At 31 December	167,455,865	164,767,316	(408,036)	(320,724)
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	170,855,273	167,970,835	-	-
Deferred tax assets	(3,399,408)	(3,203,519)	(408,036)	(320,724)
	167,455,865	164,767,316	(408,036)	(320,724)

The components and movements of deferred tax liabilities/(assets) during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	At 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016 RM	Recognised in profit or loss RM	At 31.12.2017 RM
Property, plant and equipment	76,162,010	(1,327,256)	74,834,754	2,591,028	77,425,782
Biological assets	106,965,471	555,113	107,520,584	254,091	107,774,675
Revaluation of leasehold land and buildings	896,417	(38,734)	857,683	(36,930)	820,753
Fair value changes to investment property	1,187,860	-	1,187,860	32,000	1,219,860
Amount due from customer on service concession	12,693,930	8,052,946	20,746,876	1,943,780	22,690,656
Total	197,905,688	7,242,069	205,147,757	4,783,969	209,931,726

26. Deferred tax liabilities (cont'd)

Deferred tax assets of the Group:

	At 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016 RM	Recognised in profit or loss RM	At 31.12.2017 RM
Unabsorbed business losses	(7,705,881)	(137,194)	(7,843,075)	442,500	(7,400,575)
Unabsorbed capital and agriculture allowances	(24,359,574)	(4,292,142)	(28,651,716)	(2,452,459)	(31,104,175)
Unabsorbed reinvestment and investment tax allowances	(3,116,468)	(24,071)	(3,140,539)	62,356	(3,078,183)
Others	(30,484)	(714,627)	(745,111)	(147,817)	(892,928)
Total	(35,212,407)	(5,168,034)	(40,380,441)	(2,095,420)	(42,475,861)

Deferred tax liabilities of the Company:

	At 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016 RM	Recognised in profit or loss RM	At 31.12.2017 RM
Property, plant and equipment	250,229	154,627	404,856	129,589	534,445
Biological assets	134,452	-	134,452	-	134,452
Revaluation of leasehold land and buildings	15,529	-	15,529	-	15,529
Fair value changes to investment property	29,958	-	29,958	-	29,958
Total	430,168	154,627	584,795	129,589	714,384

Deferred tax assets of the Company:

	At 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016 RM	Recognised in profit or loss RM	At 31.12.2017 RM
Unabsorbed business losses	(263,582)	(220,586)	(484,168)	(9,584)	(493,752)
Unabsorbed capital and agriculture allowances	(164,543)	(256,808)	(421,351)	(207,317)	(628,668)
Total	(428,125)	(477,394)	(905,519)	(216,901)	(1,122,420)

26. Deferred tax liabilities (cont'd)

Unrecognised capital allowances

At the reporting date, the Group has unabsorbed capital allowances of approximately RM770,892 (2016 : RM905,565) that are available for offset against future taxable profits of the companies in which the unabsorbed capital allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

27. Lease rental payable

This represents sublease rental for 107 parcels of leasehold land of certain subsidiary companies which is payable over the remaining lease term of 48 years commencing in the year 2049.

28. Payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	15,536,951	15,691,674	-	-
Other payables	7,464,449	8,940,491	1,010,389	1,346,158
Accruals and deposits	13,330,768	15,402,546	611,561	646,203
Amounts owing to subsidiary companies	-	-	959,860	1,356,586
Goods and Services Tax payable	702,203	825,634	4,838	-
	37,034,371	40,860,345	2,586,648	3,348,947
Total trade and other payables	37,034,371	40,860,345	2,586,648	3,348,947
Less: Goods and Services Tax payable	(702,203)	(825,634)	(4,838)	-
	36,332,168	40,034,711	2,581,810	3,348,947
Hire purchase payables (Note 24)	1,032,265	1,653,948	116,584	163,459
Borrowings (Note 25)	147,103,890	173,634,979	16,950,000	19,150,000
Lease rental payable	267,050	267,050	-	-
Total financial liabilities carried at amortised cost	184,735,373	215,590,688	19,648,394	22,662,406

Group

(a) Trade payables are non-interest bearing and are normally settled on 30 - 90 days terms.

(b) Other payables are non-interest bearing. The normal trade credit terms granted to the Group range from 30 days to 90 days.

Company

The amounts owing to subsidiary companies are unsecured, non-interest bearing and repayable on demand.

29. Employee information

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Staff costs				
Salaries, wages, bonus, overtime, allowances, annual leave pay and other related expenses	32,901,698	33,317,708	2,825,585	2,759,027
Employees Provident Fund contributions	2,009,755	1,821,214	253,518	237,733
	34,911,453	35,138,922	3,079,103	2,996,760

Included in staff costs of the Group and of the Company are remuneration of directors of the Company amounting to RM3,519,718 (2016 : RM3,590,659) and RM878,888 (2016 - RM867,296) respectively as further disclosed in Note 30.

30. Directors' emoluments

	Salaries and other emoluments RM	Fees RM	Bonus RM	Allowance RM	Defined contribution plan RM	Benefit-in-kind RM	Total RM
Group							
2017							
Executive:							
Dato' Seri Mah King Seng	1,126,080	-	322,920	30,000	173,884	-	1,652,884
Tan Sri Dr Mah King Thian	1,126,080	-	322,920	30,000	173,884	23,950	1,676,834
	2,252,160	-	645,840	60,000	347,768	23,950	3,329,718
Non-executive:							
Chan Kam Leong	-	53,000	-	46,000	-	-	99,000
Heng Beng Fatt	-	-	-	46,000	-	-	46,000
Wan Salmah Binti Wan Abdullah	-	-	-	45,000	-	-	45,000
	-	53,000	-	137,000	-	-	190,000
Total directors' remuneration	2,252,160	53,000	645,840	197,000	347,768	23,950	3,519,718

30. Directors' emoluments

	Salaries and other emoluments RM	Fees RM	Bonus RM	Allowance RM	Defined contribution plan RM	Benefit-in-kind RM	Total RM
Group							
2016							
Executive:							
Dato' Seri Mah King Seng	1,126,080	-	351,900	40,000	177,360	-	1,695,340
Tan Sri Dr Mah King Thian	1,126,080	-	351,900	40,000	177,360	9,979	1,705,319
	2,252,160	-	703,800	80,000	354,720	9,979	3,400,659
Non-executive:							
Chan Kam Leong	-	53,000	-	46,000	-	-	99,000
Heng Beng Fatt	-	-	-	45,000	-	-	45,000
Wan Salmah Binti Wan Abdullah	-	-	-	46,000	-	-	46,000
	-	53,000	-	137,000	-	-	190,000
Total directors' remuneration	2,252,160	53,000	703,800	217,000	354,720	9,979	3,590,659

30. Directors' emoluments (cont'd)

Company	Salaries and other emoluments RM	Fees RM	Bonus RM	Allowance RM	Defined contribution plan RM	Benefit-in-kind RM	Total RM
2017							
Executive:							
Tan Sri Dr Mah King Thian	496,800	-	165,600	-	79,488	-	741,888
Non-executive:							
Chan Kam Leong	-	-	-	46,000	-	-	46,000
Wan Salmah Binti Wan Abdullah	-	-	-	45,000	-	-	45,000
Heng Beng Fatt	-	-	-	46,000	-	-	46,000
	-	-	-	137,000	-	-	137,000
Total directors' remuneration	496,800	-	165,600	137,000	79,488	-	878,888
2016							
Executive:							
Tan Sri Dr Mah King Thian	496,800	-	155,250	-	78,246	-	730,296
Non-executive:							
Chan Kam Leong	-	-	-	46,000	-	-	46,000
Wan Salmah Binti Wan Abdullah	-	-	-	46,000	-	-	46,000
Heng Beng Fatt	-	-	-	45,000	-	-	45,000
	-	-	-	137,000	-	-	137,000
Total directors' remuneration	496,800	-	155,250	137,000	78,246	-	867,296

31. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

(i)	Plantation	-	Cultivation of oil palm
(ii)	Oil mill	-	Milling and sale of oil palm products
(iii)	Power plant	-	Power generation and sale of biomass by-products
(iv)	All other segments	-	Extraction and sale of earth stones, operation of a hotel and others

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

31. Segment information (cont'd)

	Plantation		Oil mill		Power plant		All other segments		Adjustment and elimination		Note	Per consolidated financial statements	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM		2017 RM	2016 RM
Revenue:													
External customers	28,177,801	20,102,423	334,565,693	279,936,404	26,070,115	39,379,534	1,470,721	1,679,062	-	-		390,284,330	341,097,423
Inter-segment	67,670,165	67,950,469	-	-	-	1,685,036	3,325,245	8,074,329	(70,995,410)	(77,709,834)	A	-	-
Total revenue	95,847,966	88,052,892	334,565,693	279,936,404	26,070,115	41,064,570	4,795,966	9,753,391	(70,995,410)	(77,709,834)		390,284,330	341,097,423
Results:													
Interest income	552,516	418,948	2,603,496	2,513,017	7,692,713	6,651,645	4,574,611	3,349,782	(6,976,817)	(5,629,137)		8,446,519	7,304,255
Depreciation and amortisation	3,409,952	4,047,911	6,280,698	5,270,033	780,206	753,583	956,960	738,281	4,639,256	4,748,459		16,067,072	15,558,267
Segment profit	39,047,692	31,505,354	11,798,362	3,596,777	11,592,300	11,468,523	10,058,740	5,486,623	(23,322,808)	(20,962,654)	B	49,174,286	31,094,623

31. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B The profit from inter-segment sales is deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income.

Geographical information

No geographical information has been provided as the Group's activities are predominantly in Malaysia.

32. Related party disclosures

(a) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2017 RM	**2016 RM**
Group		
Transactions with non-group enterprise:		
Rental of premises	52,000	48,000
Company		
Transactions with subsidiary companies:		
Interest receivable on advances	-	2,656
Rental income of equipment	48,969	89,605
Rental expenses of equipment	(57,166)	(52,793)
Sale of fresh fruit bunches	4,218,880	3,509,561
Sale of motor vehicles	19,000	-
Non-group enterprise:		
Rental of premises	52,000	48,000

Non-group enterprise is considered to be related where the directors have control over the financial and operating decisions of the enterprise or where the directors have significant financial interest.

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in the respective notes to the financial statements.

32. Related party disclosures (cont'd)

(b) Compensation of key management personnel

The remuneration of the key management personnel other than the directors of the Group and of the Company are as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Salaries and other emoluments	4,964,119	4,670,564	474,355	349,498
Employees Provident Fund contributions	411,560	380,934	48,540	34,416
Total key management personnel's remuneration	5,375,679	5,051,498	522,895	383,914

33. Commitments

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
(a) Capital commitments Property, plant and equipment				
- Approved and contracted for	7,382,671	5,021,885	-	1,001,750
- Approved but not contracted for	5,068,327	6,014,180	-	-
(b) Service concession facilities commitment Property, plant and equipment				
- Approved and contracted for	1,735,848	-	-	-

(c) Operating lease commitments – as lessor

The Group and the Company have entered into cancellable operating lease agreements on certain investment properties. The lessee is required to give 3 months' notice for the termination of the agreement.

34. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, foreign currency risk, liquidity risk, commodity price risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an going basis and the Group's exposure to bad debts is very minimal. The Group usually trades only with recognised and creditworthy customers in which there is no requirement for collateral. For new customers, the Group will request financial guarantees from them.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM118,300,000 (2016 : RM118,300,000) relating to corporate guarantees provided by Cepatwawasan Group Berhad to banks as securities for banking facilities granted to its subsidiary companies.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

<u>Credit risk concentration profile</u>

At the reporting date, approximately 57% of the Group's trade receivables were due from 7 major customers.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks and other financial institutions, and short-term investment that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

34. Financial risk management objectives and policies (cont'd)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have no significant interest-bearing financial assets, while the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest-bearing financial assets are mainly short term in nature.

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. The Group and the Company manage their interest rate exposure by minimizing its borrowings using a mix of fixed and floating rate debts.

The interest rates as at the reporting date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk have been disclosed in Note 21, 24 and 25 to the financial statements.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the impact is immaterial to the Group's and the Company's profit net of tax.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group holds cash and cash equivalents denominated in foreign currency for working capital purposes. At the reporting date, such foreign currency balances (mainly AUD, EUR and GBP) amounted to RM6 million (2016 : RM6.5 million).

Sensitivity analysis for foreign currency risk

At the reporting date, if the AUD, EUR and GBP had strengthened/weakened by 5%, with all other variables held constant, the impact is immaterial to the Group's profit net of tax.

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. The Group and the Company actively manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

34. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2017			
	On demand or within one year RM	**One to five years RM**	**Over five years RM**	**Total RM**
Group				
Financial liabilities:				
Borrowings	87,355,335	64,446,978	6,436,650	158,238,963
Hire purchase payables	545,075	565,764	-	1,110,839
Payables	36,332,168	-	-	36,332,168
Total undiscounted financial liabilities	124,232,578	65,012,742	6,436,650	195,681,970
Company				
Financial liabilities:				
Borrowings	17,757,129	-	-	17,757,129
Hire purchase payables	50,928	76,470	-	127,398
Payables	2,581,810	-	-	2,581,810
Total undiscounted financial liabilities	20,389,867	76,470	-	20,466,337

	2016			
	On demand or within one year RM	**One to five years RM**	**Over five years RM**	**Total RM**
Group				
Financial liabilities:				
Borrowings	93,886,510	80,831,335	20,833,384	195,551,229
Hire purchase payables	943,952	837,535	-	1,781,487
Payables	40,034,711	-	-	40,034,711
Total undiscounted financial liabilities	134,865,173	81,668,870	20,833,384	237,367,427
Company				
Borrowings	18,214,599	1,900,068	-	20,114,667
Hire purchase payables	55,608	127,398	-	183,006
Payables	3,348,947	-	-	3,348,947
Total undiscounted financial liabilities	21,619,154	2,027,466	-	23,646,620

34. Financial risk management objectives and policies (cont'd)

(e) Commodity price risk

The prices of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops.

Sensitivity analysis for commodity price risk

At the reporting date, if the Crude Palm Oil price had been 5% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM2,021,273 higher/lower.

(f) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest).

The Group and the Company are exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad and classified as available-for-sale financial assets.

Sensitivity analysis for equity price risk

At the reporting date, the impact of changes in 5% on the FTSE Bursa Malaysia KLCI, with all other variables constant, is immaterial to the Group's and the Company's profit net of tax and equity.

35. Fair value of financial instruments

(A) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	2017		2016	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Financial assets:				
Investment securities (non-current)				
- Unquoted investment at cost (Note 15)	314,170	*	314,170	*
- Held-to-maturity investment - 6% preference shares	66,528	**	66,528	**
Company				
Financial assets:				
Investment securities (non-current)				
- Unquoted investment at cost (Note 15)	311,984	*	311,984	*
- Held-to-maturity investment - 6% preference shares	66,528	**	66,528	**

35. Fair value of financial instruments (cont'd)

(A) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)

* Investment in equity instruments carried at cost (Note 15)

Fair value information has not been disclosed for the Group's and the Company's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments are not quoted on any market and do not have any comparable industry peer that is listed. The Group and the Company do not intend to dispose of these investments in the foreseeable future.

** Investment held-to-maturity (Note 15)

Fair value information has not been disclosed for the Group's and the Company's held-to-maturity investment that are carried at cost because fair value cannot be measured reliably. This held-to-maturity investment is not quoted on any market and does not have any comparable industry peer that is listed. The Group and the Company have the positive intention and ability to hold the investment to maturity.

(B) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	17
Hire purchase payables	24
Borrowings	25
Payables	28

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of hire purchase payables are reasonable approximations of fair values due to the insignificant impact of discounting.

The following methods and assumptions were used to estimate the fair value:

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as these subsidiary companies will be able to meet their short term loans and borrowings obligations as and when they are due.

35. Fair value of financial instruments (cont'd)

(B) Determination of fair value (cont'd)

Quoted equity instruments

The fair value of quoted shares is determined directly by reference to their published market bid price at the reporting date.

Trade and other receivables (non-current)

The fair value of the non-current trade receivables are measured initially at the fair value of the construction services discounted at a rate of 5.45%.

The fair value of the non-current other receivables are estimated by discounting expected future cash flows at cost of borrowing of CGB Group.

(C) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
At 31 December 2017				
Group				
Financial assets:				
Available-for-sale investments (Note 15) - Equity instruments (quoted in Malaysia)	178,589	-	-	178,589
Trade and other receivables (Note 17) - Amount due from customer on service concession	-	-	142,917,529	142,917,529

35. Fair value of financial instruments (cont'd)

(C) Fair value of financial instruments that are carried at fair value (cont'd)

	Quoted prices in active markets for identical instruments Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM	Total RM
At 31 December 2017				
Company				
Financial assets:				
Available-for-sale investments (Note 15) - Equity instruments (quoted in Malaysia)	166,584	-	-	166,584
At 31 December 2016				
Group				
Financial assets:				
Available-for-sale investments (Note 15) - Equity instruments (quoted in Malaysia)	147,285	-	-	147,285
Trade and other receivables (Note 17) - Amount due from customer on service concession	-	-	149,501,211	149,501,211
Company				
Financial assets:				
Available-for-sale investments (Note 15) - Equity instruments (quoted in Malaysia)	137,852	-	-	137,852

35. Fair value of financial instruments (cont'd)

(C) Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and

Level 3 - Inputs for the asset that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial year ended 31 December 2017 and 31 December 2016.

36. Contingent liabilities (unsecured)

(i) CGB's wholly owned subsidiary company, Suara Baru Sdn. Bhd. ("SBSB") had commenced legal proceedings against Borhill Estates Sdn. Bhd. ("BESB") in the Sessions Court at Sandakan vide Suit No. SDK-A 52-63/7-2013 ("Suit") on 19 July 2013 to claim for the sum of RM115,169, being the amount due and owing by BESB to SBSB in respect of block stones and crusher run A stones ("Stones") supplied by SBSB to BESB. In defending the Suit, BESB had contended, among others, that the Stones supplied by SBSB did not fit the description of stones ordered by BESB, were not of merchantable quality, and were not fit for the purpose they were ordered for. BESB has also filed a counterclaim against SBSB, among others, a sum of RM5,612,850 in respect of BESB's purported loss of profit allegedly caused by SBSB's alleged breach. The Suit was subsequently transferred to the High Court of Sabah and Sarawak at Sandakan on 13 October 2014 and registered as Suit No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The Suit was fixed for trial from 1 August 2016 to 5 August 2016. On 8 December 2016, the trial of the Suit had been concluded. SBSB has filed its closing submissions on 3 February 2017 and Submissions in Reply to BESB's Written Submissions on 20 February 2017. On 2 May 2017, the High Court had allowed SBSB's claim against BESB and dismissed BESB's counterclaim. BESB has filed an appeal to the Court of Appeal against the decision of the High Court. The appeal is presenting fixed for hearing on 18 July 2018.

The Board of Directors of the Company is of the view that the Suit will have no immediate material financial and operational impact on the Company and the Group as the Company expects that pursuant to the facts of the case, the documents presently available and advice of its solicitors, SESB will be able to advance a cogent defence to BESB's counterclaim.

(ii) On 14 June 2016, a wholly-owned subsidiary of the Company, Suara Baru Sdn. Bhd. ("SBSB") has been served with a Writ of Summons issued in the High Court in Sabah and Sarawak at Sandakan.

SBSB is the sub-lessee of 33 lots of land totalling approximately 500 acres situated in Sungai Sekong in the District of Sandakan, Sabah with a lease term of 99 years from year 1997 to 2096 by Suwaya (1st Defendant). The said lands had been transferred to the 1st Defendant by their previous 33 owners, including Yuh @ Abdul Salleh Bin Pompulu ("Plaintiff"). The said lands was recognised as lease rental payable by the Group amounting to RM99,357.

36. Contingent liabilities (cont'd)

The Plaintiff now, on his behalf and the other 32 previous owners, alleged that the transfer of the said lands to the 1st Defendant was through forged documents and therefore the said transfer is null and void and thus, the sublease to SBSB is likewise null and void.

The Board of Directors of the CGB is of the view that the suit will have no immediate material financial and operational impact on the Group and Company. The Company expects that pursuant to the facts of the case, the documents presently available and on the advice of its solicitors, the Company has a good defence against the Plaintiff's claim. The Company had filed their defence in the High Court in Sabah and Sarawak at Sandakan on 11 July 2016.

On 1 December 2016, the High Court in Sabah and Sarawak had dismissed the application on the ground that this was not a proper case to be disposed of by way of affidavit evidence.

On 28 December 2016, SBSB had filed an appeal to the Court of Appeal against the decision of the High Court. The appeal was heard and dismissed by Court of Appeal on 17 November 2017. SBSB had filed a motion for leave to appeal to the Federal Court on 12 December 2017. The leave to appeal is fixed for hearing on 10 April 2018.

37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptance level. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents.

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Hire purchase payables (Note 24)	1,032,265	1,653,948	116,584	163,459
Borrowings (Note 25)	147,103,890	173,634,979	16,950,000	19,150,000
Payables (Note 28)	37,034,371	40,860,345	2,586,648	3,348,947
Less: Cash and cash equivalents (Note 21)	(24,568,259)	(26,264,727)	(724,273)	(416,995)
Net debt	160,602,267	189,884,545	18,928,959	22,245,411
Capital:				
Equity attributable to owners of the parent	431,742,936	417,225,616	206,776,375	203,086,842
Capital and net debt	592,345,203	607,110,161	225,705,334	225,332,253
Gearing ratio	27%	31%	8%	10%

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 30 March 2018.

Statement of Shareholdings

as at 7 March 2018

Total Number of Issued Shares	:	RM196,543,970.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital
Less than 100	474	11.20	20,923	0.01
100 - 1,000	245	5.79	128,873	0.07
1,001 - 10,000	2,164	51.13	10,907,324	5.55
10,001 - 100,000	1,211	28.62	34,558,346	17.58
100,001 - 9,827,197(*)	132	3.12	51,431,349	26.17
9,827,198 and above (**)	3	0.07	99,015,959	50.38
Directors' Shareholdings	3	0.07	481,196	0.24
TOTAL	4,232	100.00	196,543,970	100.00

Note: * - Less than 5% of issued holdings
** - 5% and above of issued holdings

THIRTY LARGEST REGISTERED HOLDERS AS AT 7 MARCH 2018

	Name of Holder	Holdings	% of Issued Capital
1	Dato Mah Pooi Soo Realty Sdn. Bhd.	89,188,024	45.38
2	Tan Lai Kim (Holdings) Sdn. Bhd.	7,593,314	3.86
3	Reg Board Of Trustees of Dato Mah Pooi Soo Benevolent Fund	6,608,066	3.36
4	Juwitawan Sdn Bhd	5,441,738	2.77
5	Juwitawan Sdn Bhd	2,854,600	1.45
6	Tan Lai Kim (Holdings) Sdn. Bhd.	2,234,621	1.14
7	Ooi Ah Thin	1,905,888	0.97
8	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tee Kim Tee @ Tee Ching Tee*	1,857,700	0.95
9	Syarikat Majuperak Berhad	1,653,866	0.84
10	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yap Qwee Beng*	1,426,500	0.73
11	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chin Kiam Hsung*	1,106,832	0.56
12	Ngoi Eva	1,078,400	0.55
13	Menjelang Citarasa Sdn. Bhd.	1,000,000	0.51
14	Mercsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa*	728,800	0.37
15	Lee Choo Seong @ Lee Cho Seng	714,269	0.36
16	Leong Lai Ngan	705,186	0.36
17	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tee Kim Tee @ Tee Ching Tee*	617,600	0.31
18	TLK Capital Sdn. Bhd.	600,000	0.31
19	Leong Siew Mun	575,900	0.29

Statement of Shareholdings
as at 7 March 2018 (cont'd)

THIRTY LARGEST REGISTERED HOLDERS AS AT 7 MARCH 2018

	Name of Holder	Holdings	% of Issued Capital
20	Yeoh Kim Leng	513,800	0.26
21	Gan Keng Wah	500,000	0.25
22	Yaw Choong Yew	500,000	0.25
23	Cimsec Nominees (Tempatan) Sdn Bhd	466,666	0.24
	CIMB Bank for Tan Heng Chew	466,666	0.24
24	Wong Chee Boon	460,200	0.23
25	Lim Jit Hai	440,006	0.22
26	Cheng Gek Hong	409,032	0.21
27	Ken Fruits Sdn Bhd	407,960	0.21
28	Lim Cheng Hai	400,000	0.20
29	The Spastic Children's Association of Selangor and The FT	400,000	0.20
30	Gan Poh Tian	355,000	0.18

SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2018

According to the Register of Substantial Shareholders required to be kept under Section 144 of the Companies Act, 2016, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Deemed Interest (B)	%	Total Interest (A+B)	%
Dato Mah Pooi Soo Realty Sdn. Bhd.	89,188,024	45.38	-	-	89,188,024	45.38
Dato' Seri Mah King Seng	338,948	0.17	90,188,024 *	45.89	90,526,972	46.06
Tan Sri Dr Mah King Thian	93,248	0.05	90,188,024 *	45.89	90,281,272	45.94
Datin Seri Ooi Ah Thin	1,905,888	0.97	90,620,220 **	46.11	92,526,108	47.08
Tan Lai Kim (Holdings) Sdn. Bhd.	9,827,935	5.00	-	-	9,827,935	5.00

Notes:-

* Deemed interest by virtue of his shareholdings in Dato Mah Pooi Soo Realty Sdn. Bhd. and Menjelang Citarasa Sdn. Bhd.

** Deemed interest by virtue of the shareholdings of her children, namely Dato' Seri Mah King Seng and Tan Sri Dr Mah King Thian in MHC and her shareholdings in Dato Mah Pooi Soo Realty Sdn. Bhd. and Menjelang Citarasa Sdn. Bhd.

DIRECTORS' INTEREST AS AT 7 MARCH 2018

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016 the Directors' interests in the ordinary share capital of the Company and its subsidiary companies are as follows:

MHC PLANTATIONS BHD

Name of Director	Direct Interest (A)	%	Deemed Interest (B)	%	Total Interest (A+B)	%
Dato' Seri Mah King Seng	338,948	0.17	90,188,024 *	45.89	90,526,972	46.06
Tan Sri Dr Mah King Thian	93,248	0.05	90,188,024 *	45.89	90,281,272	45.94
Chan Kam Leong	49,000	0.02	708,294**	0.36	757,294	0.38
Wan Salmah Binti Wan Abdullah	-	-	-	-	-	-
Heng Beng Fatt	-	-	-	-	-	-

Notes:-

* Deemed interest by virtue of his shareholdings in Dato Mah Pooi Soo Realty Sdn. Bhd. and Menjelang Citarasa Sdn. Bhd.

** Deemed interest through his spouse.

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MHC Plantations Bhd
4060-V
(Incorporated in Malaysia)

Form of Proxy

No. of Shares Held	
CDS Account No.	
Telephone No.	

I/We, ____

NRIC No./Company No. ______________________ of ______________________

____ being a member of MHC Plantations Bhd hereby appoint the following person(s):

Name of Proxy & NRIC No.	No. of Shares	%
1. ______________________	__________	______
2. ______________________	__________	______

or failing him/her

1. ______________________	__________	______
2. ______________________	__________	______

or failing him/her, the Chairman of the Meeting as my/our proxy, to vote for me/us and on my/our behalf at the Fifty-Eighth (58th) Annual General Meeting ("58th AGM" and/or "AGM") of the Company to be held on 10 May 2018 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:

Ordinary Resolution No.	Ordinary Business	For	Against
1	The payment of a Final Single Tier Dividend.		
2	The payment of Directors' benefits to Non-Executive Directors.		
3	The re-election of Tan Sri Dr Mah King Thian as Director.		
4	The re-election of Puan Wan Salmah Binti Wan Abdullah as Director.		
5	The re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	Special Business		
6	The retention of Mr. Chan Kam Leong to act as an Independent Non-Executive Director.		
7	Authority to Allot and Issue Shares in General Pursuant to Section 75 of the Companies Act, 2016.		

Please indicate with (✓) or (×)how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Date:

____
Signature of Shareholder

NOTES:

1. Only members whose names appear on the Record of Depositors as at 30 April 2018 shall be entitled to attend the AGM or appoint proxies in his/her stead or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him/her. A proxy must be 18 years and above and may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company in an 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. If under the hand of attorney/authorised officer, the Power of Attorney or Letter of Authorisation must be attached.
6. The instrument appointing a proxy must be deposited with the Company Secretaries at 55A, Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting. Faxed or emailed copies are not acceptable.
7. For verification purposes, members and proxies are required to produce their original identity card at the registration counter. No person will be allowed to register on behalf of another person even with the original identity card of that other person.
8. Personal Data Privacy – By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company hereby agree and consent that any of your personal data in our possession shall be processed by us in accordance with the Personal Data Protection Act 2010. Further, you hereby warrant that relevant consent has been obtained by you for us to process any third party's personal data in accordance with the said Act.

Then fold here

80 SEN STAMP
(within Malaysia)

The Company Secretary

MHC Plantations Bhd (4060-V)

NO. 55A MEDAN IPOH 1A,
MEDAN IPOH BISTARI,
31400 IPOH, PERAK DARUL RIDZUAN,
MALAYSIA.

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MHC Plantations Bhd
4060-V
(Incorporated in Malaysia)

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