Annual Report 2018

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-Ninth (59th) Annual General Meeting ("59th AGM" and/or "AGM") of the Company will be held at Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1, 35900 Tanjung Malim, Perak, Malaysia on Friday, 10 May 2019 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 2018, 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 1.5 sen per share in respect of the financial year ended 31 December 2018.	**1**
3. To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM160,000 from 11 May 2019 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 Dato' Seri Mah King Seng	**3**
4.2 Heng Beng Fatt	**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	
6. To consider and, if thought fit, pass the following Ordinary Resolutions:	
6.1 RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR 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.	**6**
6.2 AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016 "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."	**7**

As SPECIAL BUSINESS (cont'd)

6. To consider and, if thought fit, pass the following Ordinary Resolutions: (cont'd)

6.3 PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY **SPECIAL RESOLUTION**

"That approval be and is hereby given for the company to revoke its existing Memorandum and Articles of Association with immediate effect and in place thereof, the proposed new Constitution as set out in the Circular to Shareholders dated 11 April 2019 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT only members whose names appear on the Record of Depositors as at 30 April 2019 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.

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

Chartered Secretaries

Ipoh, Perak Darul Ridzuan, Malaysia
11 April 2019

NOTES:

1. PROXY

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 but the proportion of holdings to be represented by each proxy must be specified.

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.

NOTES: (cont'd)

1. ***PROXY*** (cont'd)

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 2018***

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 2019 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.

5. ***RE-ELECTION OF DIRECTORS***

Dato' Seri Mah King Seng and Heng Beng Fatt are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election at this 59th 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 59th AGM.

NOTES: (cont'd)

7. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The proposed Ordinary Resolution 6, if passed, will enable Mr. Chan Kam Leong 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 has remained independent and actively participated in the 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 acts 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 Ordinary 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 10 May 2018. 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.

SPECIAL RESOLUTION:

PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

The Special Resolution proposed under item 6.3, if passed, will bring the Company's Constitution in line with the Companies Act, 2016 and Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad and to enhance administrative efficiency. The proposed new Constitution is set out in the Circular to Shareholders dated 11 April 2019.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The details of Directors standing for re-election one set out in the Profile of Directors and the details of their interests in the securities of the Company are disclosed in this Annual Report.

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
Boardroom Share Registrars Sdn. Bhd.
(formerly known as 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)

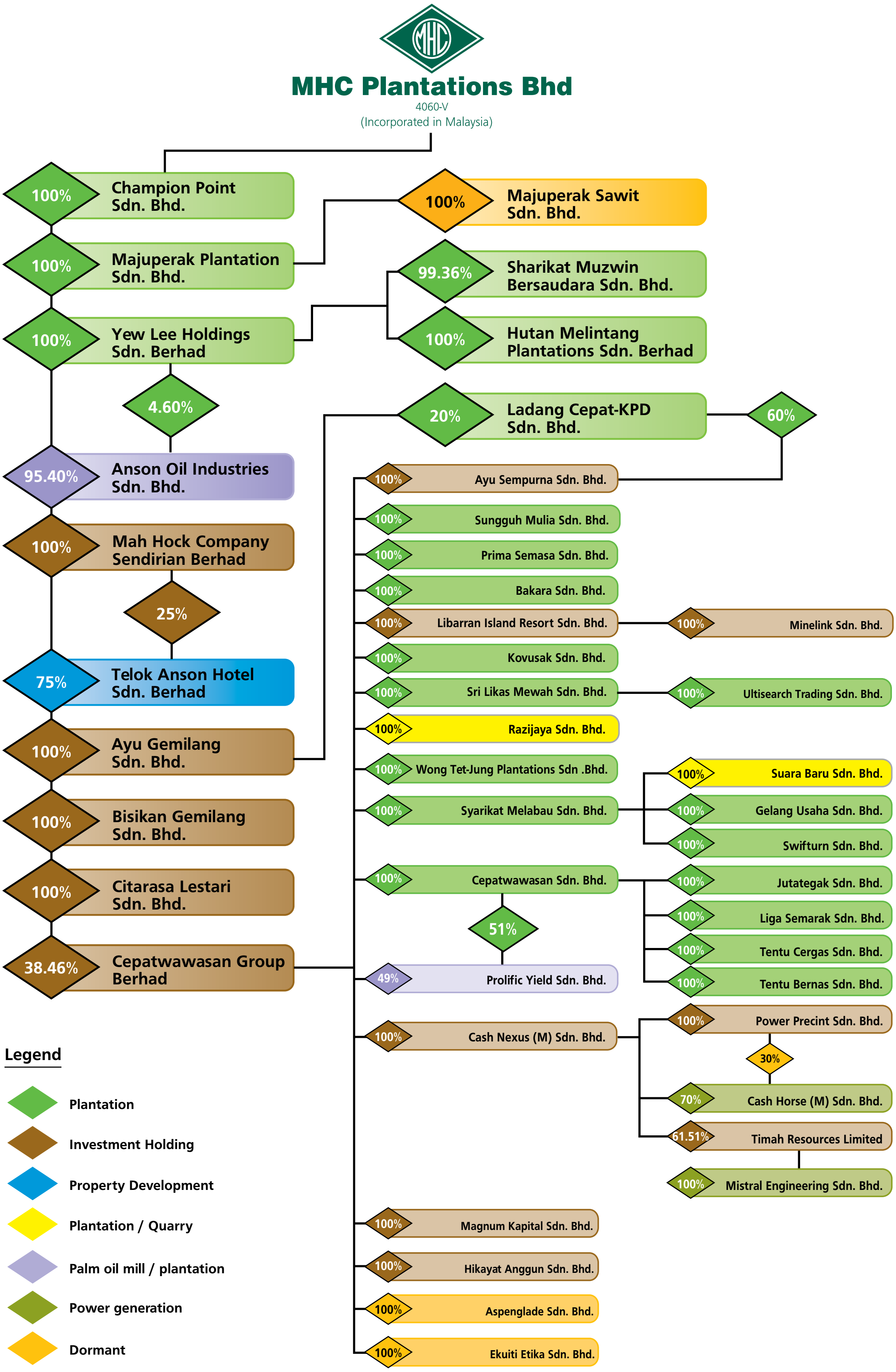
AUDITORS
Ernst & Young
Chartered Accountants

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 60, 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 55, 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 all the Board Meetings held during the financial year.

Chan Kam Leong
Independent Non-Executive Director
Aged 78, 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 65, 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 55, 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 3 out of 4 Board Meetings held during the financial year.

Mah Li-Na
Alternate Director to Dato' Seri Mah King Seng
Aged 29, 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 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 an Alternate Director of Cepatwawasan Group Berhad, a company listed on the Main Market of Bursa Securities and an Alternate Director of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange. She is also currently with Cepatwawasan Group Berhad as Management Accountant and assists the Managing Director of Cepatwawasan Group Berhad, Dato' Seri Mah King Seng in management duties.
- 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 27, 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 graduated from the University of Glasgow, United Kingdom (UK) with a Bachelor of Medicine and Bachelor of Surgery (MBChB) in 2016.
- In anticipation of her current role, she subsequently embarked on her postgraduate studies in Law in the UK, and successfully completed it in 2017. She is currently pursuing the Bar Professional Training Course to gain admission to the BAR of England and Wales.
- She is an Alternate Director of Cepatwawasan Group Berhad, a company listed on the Main Market of Bursa Securities and an Alternate Director of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.
- 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 60, Male, Malaysian

- Refer to the Profile of Directors on page 8.

Tan Sri Dr Mah King Thian
Managing Director
Aged 55, Male, Malaysian

- Refer to the Profile of Directors on page 8.

Soong Swee Koon
Chief Operating Officer
Aged 63, 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 Subsidiary of MHC, Cepatwawasan Group Berhad
Aged 64, 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.

Chan Kim Meng
Group Accountant
Aged 46, 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

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
INCOME STATEMENT					
Revenue	343,447	390,284	341,097	301,089	338,300
Profit before tax	12,648	44,345	33,315	13,923	27,050
Profit attributable to owners of the Company	4,458	16,011	10,016	3,346	13,814
FINANCIAL POSITION					
ASSETS					
Property, plant and equipment	397,058	396,060	403,235	408,112	429,573
Investment properties	49,250	49,250	48,062	48,062	48,062
Investment in securities	388	559	528	506	491
Land use rights	1,910	1,938	1,966	1,994	2,022
Deferred tax assets	3,031	3,339	3,105	3,388	4,163
Trade and other receivables	140,836	142,918	149,502	134,538	108,184
Goodwill on consolidation	43,867	43,867	43,867	43,867	43,867
Current assets	98,271	113,787	103,456	95,903	93,130
Total assets	734,611	751,718	753,721	736,370	729,492
EQUITY					
Share capital	196,544	196,544	196,544	196,544	196,544
Reserves	51,503	51,368	38,379	30,021	31,536
Equity attributable to owners of the Company	248,047	247,912	234,923	226,565	228,080
Non-controlling interests	266,956	269,870	256,039	246,867	249,281
Total equity	515,003	517,782	490,962	473,432	477,361
LIABILITIES					
Deferred tax liabilities	49,169	46,488	44,315	42,779	43,849
Borrowings	64,047	66,013	87,531	98,219	90,664
Other non-current liabilities	267	267	267	267	267
Current liabilities	106,125	121,168	130,646	121,673	117,351
Total liabilities	219,608	233,936	262,759	262,938	252,131
Total equity and liabilities	734,611	751,718	753,721	736,370	729,492
FINANCIAL INDICATORS					
Basic earning per share (sen)	2.27	8.15	5.10	1.70	7.03
Net dividend per share (sen)	2.00	1.50	1.50	2.00	2.00
Net assets per share (RM)	1.26	1.26	1.20	1.15	1.16

2018

Revenue (RM'000)
343,447

Total equity (RM'000)
515,003

Basic earning per share (sen)
2.27

Total assets (RM'000)
734,611

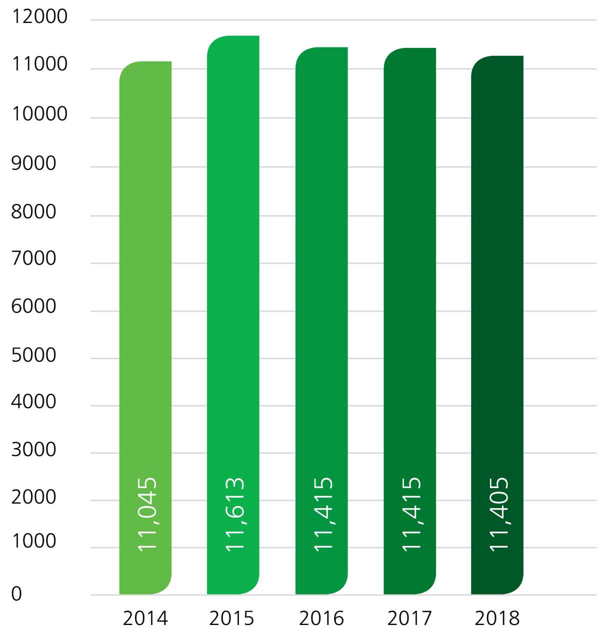
Total liabilities (RM'000)
219,608

Net dividend per share (sen)
2.00

Net assets per share (RM)
1.26

Five-Year Plantation Statistics

		Group				
		2018	**2017**	**2016**	**2015**	**2014**
Oil Palm						
Production:						
FFB	(mt)	161,100	171,219	162,202	187,141	202,105
Crude palm oil	(mt)	111,702	99,109	85,095	97,415	108,906
Palm kernel	(mt)	29,720	25,914	21,334	24,281	26,990
Average selling price:						
FFB	(RM/mt)	408	536	513	361	438
Crude palm oil	(RM/mt)	2,226	2,756	2,592	2,137	2,314
Palm kernel	(RM/mt)	1,748	2,475	2,527	1,569	1,661
Yield per matured hectare	(mt)	16.94	18.03	17.03	18.95	20.51
Oil extraction rate	%	19.45	19.55	19.72	20.37	20.28
Palm kernel rate	%	5.18	5.11	4.94	5.08	5.03
Planted Oil Palm Area						
(Weighted average hectares):		11,405	11,415	11,415	11,613	11,045
Mature		9,508	9,494	9,524	9,876	9,853
Immature		1,897	1,921	1,891	1,737	1,192
Total planted area		11,405	11,415	11,415	11,613	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 2018.

Group Performance

The Group recorded a revenue of RM343.45 million and profit before tax of RM12.65 million for the financial year ended 31 December 2018 ("FY2018") as compared to RM390.28 million and RM44.35 million respectively for the financial year ended 31 December 2017 ("FY2017").

Revenue and profit before tax decreased by 12% and 71% respectively mainly due to decreases in:

a) Prices of Crude Palm Oil ("CPO"), Palm Kernel ("PK") and Fresh Fruit Bunches ("FFB") by 19%, 29% and 24% respectively;
b) FFB production by 6%;
c) Power sales recognition by RM2.84 million as a result of a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements; and
d) Electricity export by 9% and average selling price of Empty Fruit Bunches ("EFB") oil by 32%.

The highlights of the Group performance are stated below:

Average selling price per tonne:-

	FY2018 RM	FY2017 RM	Difference (%)
CPO	2,226	2,756	-19%
Kernel	1,748	2,475	-29%
FFB	408	536	-24%

Production:-

	FY2018 MT	FY2017 MT	Difference (%)
CPO	111,702	99,109	13%
Kernel	29,720	25,914	15%
FFB	161,100	171,219	-6%

Extraction rate:-

	FY2018 (%)	FY2017 (%)	Difference (%)
CPO	19.45	19.55	-1%
Kernel	5.18	5.11	1%

	FY2018 MWh	FY2017 MWh	Difference (%)
Electricity Export	69,054	75,622	-9%

Dividend

Your Board has recommended for your approval a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2018.

Malaysian Sustainable Palm Oil Certification ("MSPO")

MSPO is Malaysia's national sustainability certification scheme aiming to promote sustainable management in the palm oil industry. All oil palm industry players in Malaysia are mandated to be certified under the MSPO certification scheme by the end of 2019.

Our Group is preparing to fully subscribe to the MSPO principles and standards. Our oil mill and nine (9) estates in Teluk Intan were recently certified under the MSPO scheme in January 2019. All the other estates and palm oil mill are expected to be certified under MSPO by the 2nd quarter of 2019.

Prospect and Outlook

The Group expects CPO prices to remain volatile in 2019 in view of the uncertainty in the global economy, overhang in stocks and weak demand.

The Group expects its FFB production to increase in 2019 due to more replanted areas reaching maturity and a recovery in FFB production from the estates in Sabah which have experienced unusually low production in 2018.

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 will also continuously focus on the maturity profile of its oil palm trees and for the past few years, we had undertaken accelerated replanting programmes.

The Group also expects a better contribution from its Sandakan Biogas plant following the replacement of the existing gas engines with more efficient and reliable engines scheduled to be completed in 2019. Besides, the Group is also upgrading its Biogas Power Plant in Teluk Intan for the purpose of supplying up to 1 MW of electricity to Tenaga Nasional Berhad starting on 3 July 2019 at the FiT rate of RM0.4669/kWh.

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 2018.

Prestasi Kumpulan

Kumpulan Syarikat telah mencatatkan pendapatan sebanyak RM343.45 juta dan keuntungan sebelum cukai sebanyak RM12.65 juta bagi tahun kewangan berakhir 31 Disember 2018 ("TK2018") berbanding dengan masing-masing RM390.28 juta dan RM44.35 juta bagi tahun kewangan berakhir 31 Disember 2017 ("TK2017").

Pendapatan dan keuntungan sebelum cukai masing-masing telah menurun sebanyak 12% dan 71% disebabkan terutamanya oleh kemerosotan dalam:

a) Harga Minyak Sawit Mentah ("CPO"), kernel ("PK") dan Buah Tandan Segar ("FFB") masing-masing sebanyak 19%, 29% dan 24%;

b) Pengeluaran FFB sebanyak 6%;

c) Pengiktirafan jualan Tenaga Letrik sebanyak RM2.84 juta yang disebabkan oleh perubahan dalam anggaran yang digunakan untuk pengiktirafan jualan Tenaga Letrik di bawah IC Interpretation 12 Service Concession Agreements; dan

d) Eksport elektrik sebanyak 9% dan purata harga jualan Minyak Tandan Buah Kosong ("EFB") sebanyak 32%.

Sorotan prestasi Kumpulan Syarikat adalah seperti berikut:

Harga Purata Jualan Per Tan Metrik:-

	TK2018 RM	TK2017 RM	Perbezaan (%)
CPO	2,226	2,756	-19%
Kernel	1,748	2,475	-29%
FFB	408	536	-24%

Pengeluaran dalam Tan Metrik:-

	TK2018 MT	TK2017 MT	Perbezaan (%)
CPO	111,702	99,109	13%
Kernel	29,720	25,914	15%
FFB	161,100	171,219	-6%

Kadar Pengekstrakan:-

	TK2018 (%)	TK2017 (%)	Perbezaan (%)
CPO	19.45	19.55	-1%
Kernel	5.18	5.11	1%

	TK2018 MWh	TK2017 MWh	Perbezaan (%)
Eksport Elektrik	69,054	75,622	-9%

Dividen

Lembaga Pengarah telah mencadangkan dividen muktamad satu tier sebanyak 1.5 sen sesaham bagi tahun kewangan berakhir 31 Disember 2018.

Skim Pensijilan Minyak Sawit Mampan Malaysia ("MSPO")

MSPO adalah skim pensijilan kemampanan negara yang bertujuan untuk menggalakkan pengurusan mampan dalam industri minyak kelapa sawit. Semua pekebun dan pengilang kelapa sawit di Malaysia diberi mandat untuk diperakui di bawah skim pensijilan MSPO menjelang akhir tahun 2019.

Kumpulan kami sedang dalam proses untuk memenuhi semua prinsip dan piawaian MSPO. Kilang minyak kelapa sawit dan sembilan (9) ladang kami di Teluk Intan telah mendapat pensijilan dibawah skim MSPO baru-baru ini pada bulan Januari 2019. Semua ladang-ladang lain dan kilang minyak kelapa sawit kami di Sandakan dijangka disahkan di bawah MSPO menjelang suku kedua tahun 2019.

Prospek dan Pandangan

Kumpulan menjangka harga CPO terus tidak menentu pada tahun 2019 memandangkan ketidakpastian dalam ekonomi global, stok tinggi dan permintaan yang lemah.

Kumpulan menjangka pengeluaran FFBnya akan meningkat pada tahun 2019 disebabkan oleh lebih banyak kawasan-kawasan tanaman semula dan baru akan matang dan juga pemulihan pengeluaran FFB dari ladang-ladang di Sabah yang mengalami pengeluaran rendah yang luar biasa pada tahun 2018.

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 akan terus memberi tumpuan kepada profil kematangan pokok-pokok kelapa sawitnya dan untuk beberapa tahun yang lepas, kami telah mempercepatkan program penanaman semula.

Kumpulan juga menjangka sumbangan yang lebih baik dari Loji Kuasa Biogas di Sandakan berikutan penggantian enjin-enjin gas sedia ada dengan enjin-enjin yang lebih cekap dan andal, yang dijadualkan akan siap dalam tahun 2019. Selain itu, Kumpulan juga menaik taraf Loji Kuasa Biogas di Teluk Intan bagi tujuan membekalkan sehingga 1 MW elektrik kepada Tenaga Nasional Berhad bermula pada 3 Julai 2019 dengan kadar FiT sebanyak RM0.4669/kWh.

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 2018.

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 2018, 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 starting on 3 July 2019 at a Feed-in Tariff rate of RM0.4669/kWh.

FINANCIAL REVIEW

Revenue

The Group's revenue for the financial year 2018 has decreased by 12% to RM343.45 million as compared to RM390.28 million registered in 2017, mainly due to decreases in the selling prices of oil palm products and FFB production.

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

	FY2018 RM	FY2017 RM	Difference (%)
CPO	2,226	2,756	-19%
Kernel	1,748	2,475	-29%
FFB	408	536	-24%

Production:-

	FY2018 MT	FY2017 MT	Difference (%)
CPO	111,702	99,109	13%
Kernel	29,720	25,914	15%
FFB	161,100	171,219	-6%

Sales Volume:-

	FY2018 MT	FY2017 MT	Difference (%)
CPO	111,286	98,327	13%
Kernel	29,912	25,672	17%
FFB	38,871	52,615	-26%

PROFIT BEFORE TAXATION

The Group reported a profit before tax of RM12.65 million for the financial year 2018, which is a decrease of 71% from the previous financial year mainly due to:

(a) Decreases in selling prices of CPO, PK and FFB by 19%, 29% and 24% respectively;
(b) Decrease in FFB production by 6%; and
(c) Decrease in Power Plant sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in electricity export by 9%. In addition, the decrease in average selling price of EFB oil by 32% caused a further decrease in the Group's profit before taxation.

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

(i) Plantation – The decrease in profit before tax by RM28.55 million (75%) from RM38.27 million to RM9.72 million was mainly due to decreases in FFB production and selling price by 6% and 24% respectively.

(ii) Oil Mill – The increase in profit before tax by RM0.52 million (4%) from RM11.80 million to RM12.32 million was mainly due to an increase in milling productivity by 13% and higher milling margin.

(iii) Power Plant – The decrease in profit before tax by RM5.65 million (49%) from RM11.59 million to RM5.94 million was mainly due to decreases in Power sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in electricity export to SESB by 9%. In addition, the decrease in average selling price of EFB oil by 32% caused a further decrease in the segment profit. The decline in profit was also partly attributed to higher maintenance and repair charges incurred on the existing biogas engines amounting to RM1,362,726, as compared to the lower gas engine maintenance and repair charges of RM774,456 incurred during the preceding year period. The 12 MW Biomass Power Plant generated and exported 51,106 MWh (2017 : 60,288 MWh) whereas the 3.8 MW Biogas Power Plant generated and exported 17,947 MWh (2017 : 15,333 MWh) to SESB. The decrease in power generation during the year was mainly due to the shutdown of the Biomass Plant for 27 days to carry out major overhaul and maintenance. As the plant approaches the end of the operating cycle before the shutdown for overhaul, it begins to decline in efficiency and productivity.

Other Income

Other income decreased by 11% from RM12.57 million to RM11.15 million mainly due to a fair value gain on investment properties of RM1.19 million recorded in the previous financial year.

Finance Cost

Finance cost decreased by 8% from RM7.76 million to RM7.12 million in line with the decrease in bank borrowings.

Taxation

The effective tax rate for the financial year 2018 was higher than the statutory tax rate of 24% principally due to a reversal of deferred tax assets previously recognised on unutilised tax losses, as a result of change in the income tax legislation and 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 decreased by 72% year-on-year to RM4.46 million and 2.27 sen respectively.

Cash Flow

In FY2018, the Group generated lower net cash from operating activities of RM31.27 million as compared to RM52.37 million in the previous financial year, mainly due to lower selling prices of oil palm products and FFB production.

The net cash used in investing activities amounted to RM15.66 million in FY2018, primarily relating to the Group's capital expenditure requirements.

The net cash used in financing activities in FY2018 amounted to RM19.59 million, primary relating to the repayment of bank borrowings and payment of final dividend to shareholders.

Overall, the Group registered a decrease in cash and cash equivalents of RM3.98 million during the year, bringing total cash and cash equivalents to RM20.17 million as at 31 December 2018.

OPERATIONAL REVIEW

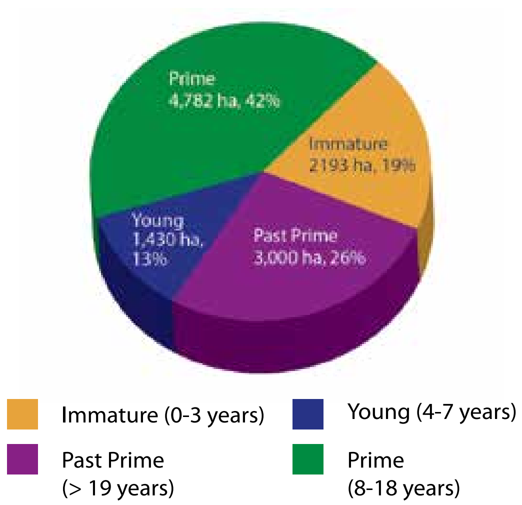
Plantation Operations

As at 31 December 2018, the Group's total plantation land stood at approximately 14,000 hectares, of which 81% or 11,405 hectares are planted with oil palms. From the total planted area, approximately 81% or 9,212 hectares are mature, while the remaining 19% or 2,193 hectares are immature. The Group recorded lower FFB production of 161,100 MT (2017 – 171,219 MT) as our estates in Sabah have experienced unusually low production in 2018. As such, the average yield per hectare for the year was lower at 16.94 MT/hectare as compared to 18.03 MT/hectare in 2017.

For productivity improvement, the Group will continue to 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.

The age profile of the developed area is shown below:

Oil Palm Age Profile



Particulars	Hectare	%
0 – 3 years (Immature)	2,193	19
4 – 7 years (Young)	1,430	13
8 – 18 years (Prime)	4,782	42
> 19 years (Past Prime)	3,000	26
Total	**11,405**	**100**

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 2018, total CPO produced by the mills was 111,702 MT, representing an increase of 13%, as compared to 99,109 MT in 2017. Similarly, total kernel production increased by 15% at 29,720 MT (2017 : 25,914 MT).

The Group's oil extraction rate ("OER") slightly decreased to 19.45% in 2018 as compared to 19.55% in 2017, while kernel extraction rate ("KER") increased to 5.18% in 2018 from 5.11% in 2017.

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

OPERATIONAL REVIEW (cont'd)

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 12 MW Biomass Power Plant generated and exported 51,106 MWh (2017 : 60,288 MWh) whereas the 3.8 MW Biogas Power Plant generated and exported 17,947 MWh (2017 : 15,333 MWh) to SESB. The decrease in power generation during the year was mainly due to the shutdown of the Biomass Plant for 27 days to carry out major overhaul and maintenance. As the plant approaches the end of the operating cycle before the shutdown for overhaul, it begins to decline in efficiency and productivity.

PROSPECT

The Group expects CPO prices to remain volatile in 2019 in view of the uncertainty in the global economy, overhang in stocks and weak demand.

The Group expects its FFB production to increase in 2019 due to more replanted areas reaching maturity and a recovery in FFB production from the estates in Sabah which have experienced unusually low production in 2018.

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 will also continuously focus on the maturity profile of its oil palm trees and for the past few years, we had undertaken accelerated replanting programmes.

The Group also expects a better contribution from its Sandakan Biogas plant following the replacement of the existing gas engines with more efficient and reliable engines scheduled to be completed in 2019. Besides, the Group is also upgrading its Biogas Power Plant in Teluk Intan for the purpose of supplying up to 1 MW of electricity to Tenaga Nasional Berhad starting on 3 July 2019 at the FiT rate of RM0.4669/kWh.

Sustainability Statement

ABOUT THIS STATEMENT

We are pleased to present our Group Sustainability Statement for year 2018, which is prepared for the first time in accordance with Bursa Malaysia Securities Berhad's Sustainability Reporting Guidelines.

The period covered is the 12 months ended 31 December 2018, and where applicable, historical data of the preceding year have been included for comparison.

The scope of this report covers the environmental, social and economic performances across the Group's operations in Malaysia.

The Group recognises the values of Sustainability which is 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.

As this is our first sustainability report in this format, we will continue to strengthen our performance and disclosures to various stakeholders by monitoring our specific targets and key performance indicators, fostering close relationship with our stakeholders as well as harmonising material sustainability risks across the Group.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Chief Operating Officer ("COO") is primary responsible for providing the overall direction, leading strategic decision-making and driving the execution for all sustainability-related matters of our Group. The Board of Directors, which provides oversight of our Group's sustainability practices, is kept informed and regularly updated on the progress of sustainability matters and any issues arising therefrom.

The Group has established a sustainability governance structure as depicted below: -

Committee	Responsibilities
Board of Directors	• Approve and monitor the development of corporate sustainability strategy, policies and performance by the Management.
Chief Operating Officer	• Responsible for providing the overall direction, leading strategic decision making and driving the execution for all sustainability matters of the Group.
Sustainability Committee	• Lead the implementation of the sustainability strategy and policies within their respective departments; • Monitor and provide constant update to the COO in relation to the department's sustainability performance, based on the strategic direction set out by the Board; • Identify, assess, evaluate, manage and report material sustainability risks and opportunities relevant to the Group's operations for approval; and • Facilitate the sustainability disclosures as required by laws and regulations, and subsequently recommend it for approval.

The Sustainability Policy of the Group can be found on the Company's website at www.mhc.com.my

MATERIALITY

In 2018, a materiality analysis exercise was conducted by taking into consideration the view and responses from all the Group's stakeholders on significant environmental, economic, and social aspects, impacts, risks and opportunities which are crucial for the success and continued growth of the Group.

The feedback from the stakeholders for the above mentioned exercise is analysed and assessed. Thirteen (13) key sustainability issues were identified as being of high concern to stakeholders and of high significance for the Group.

The 13 key sustainability issues are listed below: -

1.	Economic Performance	6.	Occupational Safety and Health	11.	Water Management
2.	Governance and Business Ethics	7.	Training and Education	12.	Energy
3.	Employee Retention & Engagement	8.	Labour Relations and Human Rights	13.	Stakeholder Engagement
4.	Regulatory Compliance	9.	Community Care & CSR Initiatives		
5.	Sustainability Certification	10.	Greenhouse Gas (GHG) Emission		

STAKEHOLDER ENGAGEMENT

The Group recognises that stakeholder engagement and their feedback are an integral part of its sustainability strategy and initiatives.

The stakeholder engagement process involves both formal and informal approaches. The following table provides an overview of the efforts involved in the Group's focus on stakeholders' engagement.

Stakeholder	Modes of Engagement	Key Areas of Interest
Employees	• Meetings • Internal communications • Training sessions • Events and functions	• Safety and health issues and practices • Employee engagement • Wages and remuneration • Suggestions and areas for improvement
Smallholders and local communities	• Formal and informal meetings • Corporate social responsibility events	• MSPO certification program for oil palm cultivation • Employment opportunities • Complaints and grievances
Customers	• One-to-one meetings • Phone calls • Site visits	• Product quality • Price competitiveness
Government and Regulators	• One-to-one meetings • Site visits and inspections • Events and seminars	• Compliance of relevant regulatory requirements
Shareholders and investors	• Quarterly reporting • Annual General Meeting • As and when needed	• Operational performance • Good corporate governance • Business strategy
Contractors and Suppliers	• One-to-one meetings • Visits • Product/technology trial	• Company's policies and governance • Sustainability related matters

Investor and Shareholder Relations

The Board recognises the importance of timely dissemination of information to its shareholders and investing community 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. The Board of Directors and key members of management team are available to answer questions raised.

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.

MARKET PLACE

Governance and Business Ethics

Our business conduct shall be guided by honesty, integrity and a commitment to excellence. We are committed in 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 stakeholders and 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 in this Annual Report.

In line with good corporate governance and the Group's Whistleblowing Policy (Policy), all our employees and workers are encouraged to raise genuine concerns regarding any improper conduct. Wrongdoings include, but are not limited to, any breach of trust, corruption, fraud, waste and/or misappropriation of Group resources, abuse of power or position, sexual harassment, endangering employees or public health and safety and any attempt to conceal or suppress information relating to the above.

The Code of Conduct and Ethics and Whistleblowing Policy are accessible through the Group's website at www.mhc.com.my.

Malaysian Sustainable Palm Oil Certification ("MSPO")

MSPO is Malaysia's national sustainability certification scheme which aims to promote sustainable management in the palm oil industry. All oil palm industry players in Malaysia are mandated to be certified under the MSPO certification scheme by the end of 2019.

Our oil mill and nine (9) estates in Teluk Intan were recently certified under the MSPO scheme in January 2019. All the other estates and palm oil mill are expected to be certified under MSPO by the 2nd quarter of 2019.

Apart from MSPO, most of our estates and mills have also been certified under the Code of Good Agriculture Practice and Code of Good Milling Practice by the Malaysian Palm Oil Board (MPOB) during 2018.

MARKET PLACE (cont'd)

Economic Performance

The Group recorded revenue of RM343.45 million and profit before tax of RM12.65 million for the financial year ended 31 December 2018 as compared to RM390.28 million and RM44.35 million respectively in the previous financial year. Further details of the Group's economic performance for FY2018 can be found in the Financial Statement in this Annual Report.

Value Distribution

The direct economic value generated and distributed by our Group for 2018 is tabulated below.

	RM'000
Employee wages and benefits	41,821
Payments to Government	17,608
CSR contribution	615

Employment Practices

We are providing employment opportunities to the local community. As at 31 December 2018, more than 90% of our staff are local.

Procurement Practices

We strive to ensure that our materials are sourced as much as possible from local suppliers so as to empower and boost the local communities. The Group sources all our purchases locally and do not purchase directly from outside of Malaysia in 2018.

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. Our Group is preparing to fully subscribe to the MSPO principles and standards. Our oil mill and nine (9) estates in Teluk Intan were recently certified under the MSPO scheme in January 2019. All the other estates and palm oil mill are expected to be certified under MSPO by the 2nd quarter of 2019.

Greenhouse Gas (GHG) Emission

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.

Methane emissions from the treatment of palm oil mill effluent ("POME") is a large contributor to operational GHG emissions. Two biogas plants have been commissioned by our Group, one in Sandakan and another in Teluk Intan, to capture methane and mitigate GHG emissions, thereby contributing to a GHG reduction of 124,000 MT of CO2 per year.

In addition, our oil mill recycles the POME residual solids, namely belt press solid and decanter cake, into organic fertilisers which are then reapplied to our estates. This will help preserve the environment by reducing the application of chemical fertilisers while reducing the cost of fertilisers.

ENVIRONMENT (cont'd)

Water Management

The Group's water management involves measures taken to preserve and protect waterways, and optimise the usage of water throughout the Group.

The Group also adopts a zero discharge of POME into the waterways by polishing the POME in the Biogas Plant before discharging it via land irrigation.

Measures and practices that have been implemented in our Group include:-

i. optimising water usage in nurseries through drip-irrigation;
ii. land irrigation and application with treated POME;
iii. installing watergates at strategic locations along drains to keep an optimum water table level in the estate;
iv. increase in water reservoirs and storage tanks for rainwater harvesting in the housing sites; and
v. riparian zones or areas which are identified and maintained to avoid runoff from cultivated land into the natural waterways.

Energy Consumption

<u>At Our Estates</u>

Fossil fuels are primarily used by mechanised equipment, agricultural machinery and vehicles for the operation of our estates.

In 2018, total diesel fuel consumption by our estates and housing quarters was 1.97 million litres.

In the year under review, two (2) estates had installed solar panels to generate power to supply to the houses which were located away from the main complex. The Group will continue to explore installing additional solar panels in the other estates where the source of power supply is still dependant on diesel-powered generation.

<u>At Our Oil Mills</u>

The main source of power supply for our palm oil mill operation is renewable energy generated by our Biogas Power Plant and using biomass as fuel in the boilers. Biomass used are fiber, shell and empty fruit bunches derived from oil palm fruit bunches.

In 2018, most of the energy consumption in our oil mills amounting to almost 97% came from renewable source.

Zero Burning Policy

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

Integrated Pest Management

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 our 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 our crops. Substitution of chemical fertilisers with nutrient-rich organic matter such as empty fruit bunches and treated palm oil mill effluents is also common practice in our estates.

The Group had stopped purchasing Paraquat herbicide since 2011 due to the concerns raised over potential poisoning from Paraquat. In adhering to the government regulations, only chemicals approved by the Pesticides Board are used.

WORK PLACE

Fair Employment Practices

The Group believes that its employees are one of its greatest assets and they are major contributors. The Group advocates fair employment policies and practices as it is committed to equal employment opportunities without discrimination in regard to gender, age, religion, race, ethnicity, and origin. We will not use forced labour, support the use of child labour or be involved in human trafficking.

The equality policy is embedded in all workplace procedures, starting from the recruitment process. A Sexual Harassment Policy is also in place to ensure women employees are free from sexual harassment or any form of violence against female employees and workers.

In addition, a guideline on the complaint and grievance procedure has been established as part of our Group's Employment Policy.

Employees Wages and Welfare

The Group complies with the minimum wages stipulated by the Minimum Wages Order 2016. 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, and involvement in Group's activities. Our reward philosophy covers basic salary, benefits, short-term variable bonus as well as promotion.

Providing a comfortable environment for our workers and their dependents to work and to live in is also our commitment. To this end, 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.

Occupational Safety and Health

The Group is committed to providing a safe and healthy working environment for all employees and contractors engaged at work. An Occupational Safety & Health (OSH) Policy is in place that applies across the Group in providing a safe and healthy working condition.

A Safety and Health Committee consisting of management and employee representatives is in place in all our estates and oil mills.

The Group's Safety and Health Officer (SHO) makes periodic workplace inspections to ensure safety programmes are implemented and in compliance with legislative requirements. 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 to at all times by all the parties concerned. Safety operating procedures and system checks for all processes and equipment are in place and product quality standards are stringently maintained in a responsible manner.

Our target is to achieve zero fatality at the workplace. For the past one year, there was zero fatality at the workplace for the whole Group.

WORK PLACE (cont'd)

Training

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.

During the year under review, we have organised a health screening and Cardio Pulmonary Resuscitation (CPR) training session for our staff, conducted by Hospital Tanjong Malim. Besides, the Group has engaged an external training provider to conduct first aid courses and training to the employees.

In addition to the above, the Group has carried out internal training at each operating unit throughout the year on personal protective equipment (PPE), chemical handling, hazard guidance, vehicle competency training, safety work procedures, and safety handling of tools & equipment at mechanical and vehicle workshops.

Recruitment and Employee Retention

The Group faces challenges from the shortage of foreign labour in the palm oil industry due to strict entry rules into Malaysia as well as improving job opportunities in the workers' home countries such as Indonesia.

The Group also finds it difficult to attract and retain younger employees due to the remote location of the plantation and the nature of the plantation tasks.

The Group mitigates high employee turnover and job dissatisfaction through comprehensive employee benefits, competitive remuneration, training and personal development, and a conducive working culture.

We are continuously devising ways to mechanise and increase efficiency and productivity to mitigate the risk of labour shortages.

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 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 Cepatwawasan-Humana Education Resource Centre has about 200 students who are mostly children of our workers with the others from nearby communities. 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. This centre offers classes based on the Indonesian curriculum in preparation for the children's repatriation to their home country in the future. In 2018, the number of students attending this learning centre was 25.

The Group is partnering with Yayasan Orang Asli Perak to provide basic education and care for the children of Orang Asli at Pusat Kecemerlangan Pendidikan Orang Asli Perak located between Simpang Pulai and Cameron Highlands. In total, 120 children have graduated from this learning centre between 2008 – 2017, and 15 children attended this learning centre in 2018.

The Group also contributed to the establishment of a Bistari IT Center at the Pusat Kecemerlangan Pendidikan Orang Asli Perak. This IT College is intended to improve the living standard of Orang Asli by providing them skill training in the field of computer science, business management and engineering in welding (Oil & Gas). A total number of 72 students have completed these courses, and 28 students attended training at this learning centre in 2018.

This Statement is made in accordance with the resolution of the Board of Directors passed on 26 February 2019.

Corporate Governance Overview Statement

Introduction

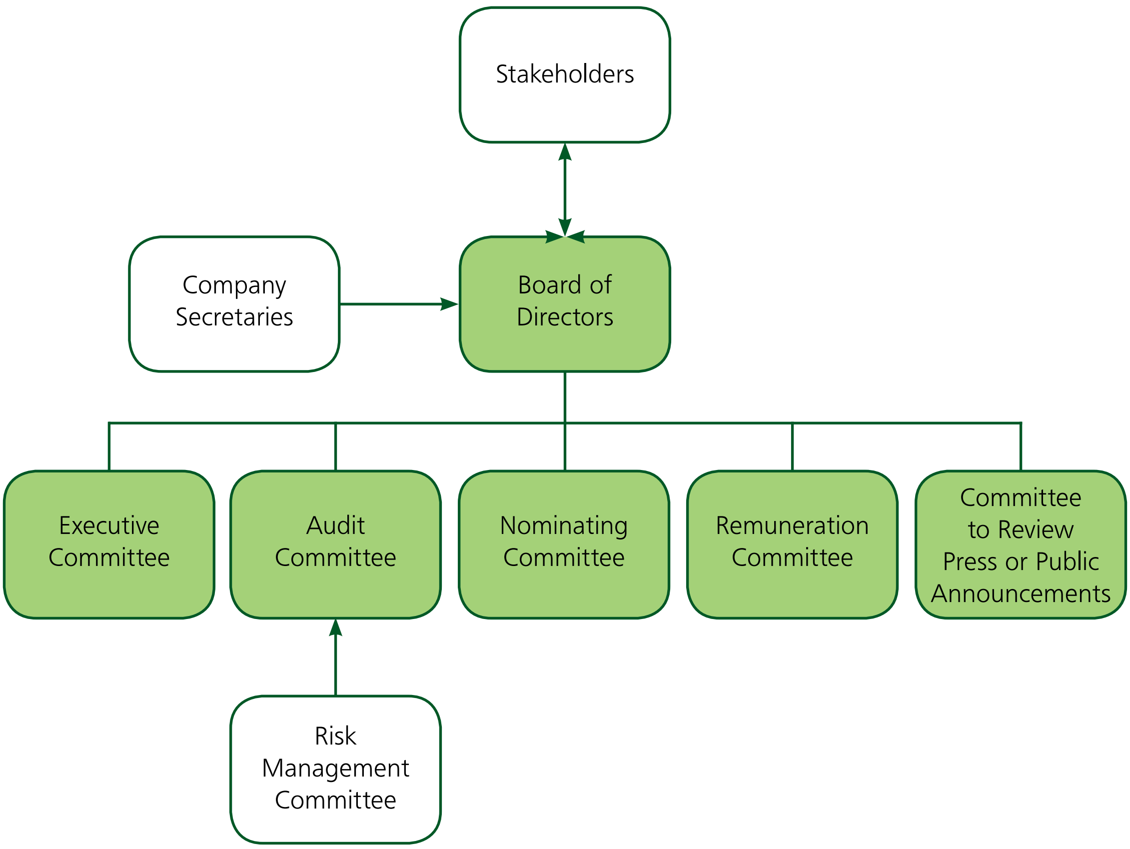
The Board of Directors of the Company presents this statement to provide shareholders and investors with an overview of the Corporate Governance (CG) practices of the Company under the leadership of the Board during the financial year 2018. This overview takes guidance from the key CG principles as set 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 2018 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 2018:

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

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 decision in any matter concerning the Company, is required to immediately disclose to the Board.

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.

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

Board Composition and Independence (cont'd)
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 limit 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 Nominating 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 2018.

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 Company does not have a policy on gender diversity but 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.

Dato' Seri Mah King Seng and Heng Beng Fatt will be retiring by rotation at the forthcoming AGM to be held on 10 May 2019. At the recommendation of the Nominating Committee and as approved by the Board, they will be seeking re-election as Directors at the 2019 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 2018, the following training programmes and seminars were attended by the Directors:

- Briefing for Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements
- Mid Year Outlook 2018
- Training in IT for Business
- Ground Consolidation and Waterproofing in Underground Structures
- Technical Talk of Geosynthetic Cementitious Composite Mat (GCCM)
- Trends & Development of Precast Concrete Arch Bridges in Malaysia
- Road Safety Inspection (RSI): An Introduction and Moving Forward
- SST 2.0 Awareness & Impacts on Construction Projects and Consultants
- Coaching & Mentoring
- Tender Process
- MFRS 16 Leases
- Digital Transformation and Navigating Through its Disruptive Nature
- Corporate Liability under the Malaysian Anti-Corruption Amendment Act 2018 (MACCA 2018) - *Implications on the company, directors and management, and defences available*
- Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies
- MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
- IBBK 3rd Agro-Industrial Biogas Training Seminar
- IBBK Asia Pacific Biogas Forum 2018
- Rabobank Financial Markets Outlook 2019

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 and summary of work of the Audit Committee are set out in the Audit Committee Report on pages 45 to 46 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)

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

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)

The Nominating Committee meets as and when necessary. One meeting was held during the financial year ended 31 December 2018.

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:

- Reviewing the mix of skills, independence, experience and other qualities of the Board.
- Reviewing the performance of the Audit Committee, Nominating Committee and the Remuneration Committee.
- Assessing the Directors retiring at the next Annual General Meeting of the Company.
- Assessing the independence of the Independent Directors.
- Reviewing 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 28 November 2018, 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 director. 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 were 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 2018.

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, and the cost of 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
<u>**Group**</u>							
Executive Directors							
Dato' Seri Mah King Seng	1,126	-	264	40	-	167	1,597
Tan Sri Dr Mah King Thian	1,126	-	264	40	24	167	1,621
Total	2,252	-	528	80	24	334	3,218
Non-Executive Directors							
Chan Kam Leong	-	55	-	46	-	-	101
Wan Salmah Binti Wan Abdullah	-	-	-	45	-	-	45
Heng Beng Fatt	-	-	-	45	-	-	45
	-	55	-	136	-	-	191
Alternate Director							
Mah Li-Na	82	-	13	-	-	11	106

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	-	93	-	-	71	661
Total	497	-	93	-	-	71	661
Non-Executive Directors							
Chan Kam Leong	-	-	-	46	-	-	46
Wan Salmah Binti Wan Abdullah	-	-	-	45	-	-	45
Heng Beng Fatt	-	-	-	45	-	-	45
	-	-	-	136	-	-	136

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 41 to 44 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 45 to 46 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 26 February 2019 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 2019.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on Page 40 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 45 to 46 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)
- Practice 12.3 (Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:-
  - including voting in absentia; and
  - remote shareholders' participation at General Meetings)

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 26 February 2019.

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 2018 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 movements 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/Operation 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. - The Group is upgrading the living quarters of guest workers complete with amenities including electricity and water, medical care, crèche, recreational and sports facilities in phases to attract and retain skilled workforce. - To cope with the adverse climatic conditions affecting 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 2018 totalled RM23,600.

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 2018 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 is the Statement factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 26 February 2019.

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
(Independent Non-Executive Director)

The terms of reference of Audit Committee 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 27 February 2018, 10 May 2018, 26 July 2018 and 28 November 2018 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	3 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:

- Check roll and compliance with labour law and regulations;
- FFB harvesting and collections; and
- Estate yield management (estate maintenance and fertiliser application)

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 2018

- **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 2018 are as follows:

	Group RM	Company RM
Audit fees	411,368	56,000
Non-Audit fees	169,538	13,800
	580,906	69,800

- **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 169 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.

List of Properties
as at 31 December 2018

Location of Property Peninsular Malaysia	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 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 Durian Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	849.8 acres	Oil palm estate	3,335	1998
2 MHC Plantations Bhd. Lot Nos. 2327, 5299, 5300, 8275 and 16413, Mukim of Durian Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	702.6 acres	Oil palm estate	2,783	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	1,032	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	2018
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	4,384	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	3,518	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	2018
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	1,973	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	2,892	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	2,637	1998

List of Properties
as at 31 December 2018 (cont'd)

Location of Property Peninsular Malaysia	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 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	28.02.2111	978.9 acres	Oil palm estate	5,081	1998
12 Champion Point Sdn. Bhd. Lot Nos. 10065, 10066, 10068, 10069, 10071-10075 (Incl.), PT 30768 Mukim of Durian Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	188.88 acres	Oil palm estate	2,673	1998
13 Mah Hock Company Sendirian Berhad Lot Nos. PT 30770, Mukim of Durian Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	20.68 acres	Oil palm estate	51	N/A

List of Properties
as at 31 December 2018 (cont'd)

	Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 RM'000	Date of last Revaluation ®
14	Prolific, Wong Tet-Jung Plantations	Leasehold 99 years	2069	39.752 hectares	Oil Palm Plantation	6,927	N/A
	Off KM 63.7,		2070	30.607 hectares	& Oil Mill		
	Sandakan-Lahad Datu Highway		2074	8.010 hectares			
			2075	207.991 hectares			
			2076	9.967 hectares			
			2077	24.460 hectares			
			2082	6.463 hectares			
			2082	72.790 hectares			
		Perpetuity					
		(Sublease 99 years)	2097	6.435 hectares			
	Kolapis-Beluran Area	Leasehold 99 years	2073	2.250 hectares	Plantable Reserve		
	District of Labuk Sugut			**408.725 hectares**			
	Prolific Yield	Under Sub Division	2081	**167.22 Sq.M**	Double Storey	123	N/A
	Lot 38, Block C	Leasehold 99 years			Terrace Shoplot		
	Taman Indah Jaya Phase 4A,	(Parent title					
	Mile 4, Jalan Utara, Sandakan	TL077552035)					
15	Melabau, Suara Baru, Gelang Usaha	Leasehold 99 years	2069	27.480 hectares	Oil Palm Plantation	602	N/A
	0.2 Km East of KM 96,		2078	17.110 hectares	Oil Palm Plantation	16,491	N/A
	Sandakan-Lahad Datu Highway		2079	260.780 hectares	& Quarry		
			2080	202.303 hectares			
			2081	136.615 hectares			
			2082	88.690 hectares			
			2085	252.660 hectares			
			2086	14.930 hectares			
			2095	4.993 hectares			
			2093	154.700 hectares			
			2097	12.300 hectares			
		Perpetuity					
		(Sublease 99 years)	2075	316.549 hectares			
			2080	136.763 hectares			
			2093	5.751 hectares			
			2097	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	Leasehold 99 years	2085	10.120 hectares	Oil Palm Plantation	3,089	N/A
	2.6 KM north of KM 31,		2094	386.100 hectares			
	Sukau Road		2096	168.700 hectares			
			2098	47.750 hectares			
				612.670 hectares			
17	Bakara	Leasehold 99 years	2085	150.300 hectares	Oil Palm Plantation	1,731	N/A
	Bukit Garam/Sg. Lokan		2087	400.000 hectares			
	Off KM 76.5,						
	Sandakan-Lahad Highway			**550.300 hectares**			
18	Cepatwawasan & Kovusak	Leasehold 99 years	2061	992.700 hectares	Oil Palm Plantation	14,768	N/A
	KM 4.5, Jalan Beluran		2071	133.550 hectares			
			2078	485.300 hectares			
				1,611.550 hectares			
19	Razijaya & Sungguh Mulia	Leasehold 99 years	2098	**362.200 hectares**	Oil Palm Plantation,	13,210	N/A
	Sungai-Sungai Locality,				Quarry &		
	99 KM North-West of Sandakan				Plantable Reserve		

List of Properties
as at 31 December 2018 (cont'd)

Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 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	34,210	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	5,160	N/A
22 Ladang Cepat-KPD 85 KM South-West of Beaufort	Leasehold 99 years	2087	**1,602.840 hectares**	Oil Palm Plantation	26,425	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	973	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	144	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	151	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	399	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	327	N/A
28 Mistral Engineering Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**3.115 hectares**	Biogas power plant	354	N/A
29 Cash Horse Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**7.070 hectares**	Biomass power plant	6,054	N/A

List of Properties
as at 31 December 2018 (cont'd)

	Location of Property Kuala Lumpur	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 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	2018
	Minelink HS (D) 118740, No. PT 9104 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**877.693 Sq.M**	High-end residential property	7,181	2018
	Minelink HS (D) 118741, No. PT 9105 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.829 Sq.M**	High-end residential property	7,337	2018
	Minelink HS (D) 118742, No. PT 9106 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**878.490 Sq.M**	High-end residential property	7,188	2018
	Minelink HS (D) 118743, No. PT 9107 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**884.183 Sq.M**	High-end residential property	7,234	2018
	Minelink HS (D) 118744, No. PT 9108 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**863.043 Sq.M**	High-end residential property	7,061	2018

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 2018.

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 13 to the financial statements.

Results

	Group RM	Company RM
Profit for the year	6,468,073	6,008,661
Attributable to:		
Owners of the Company	4,458,047	6,008,661
Non-controlling interests	2,010,026	-
	6,468,073	6,008,661

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 dividend paid by the Company in respect of the financial year ended 31 December 2017 was as follows:

	RM
Final single tier dividend of 2.00 sen per share	3,930,879

At the forthcoming Annual General Meeting, a final single tier dividend of 1.50 sen per share in respect of the current financial year ended 31 December 2018 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 will be proposed for shareholders' approval.

The financial statements for the current financial year do not reflect this proposed dividend. 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 2019.

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)
Dr Jordina Mah Siu Yi (alternate director to Tan Sri Dr Mah King Thian)

* These directors are also directors of the Company's subsidiaries.

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
Mustapha Bin Mohamed
Ng Choo Beng
Soong Swee Koon
Kalimin Bin Sahadi
Derrick Martin De Souza (appointed on 9 June 2018)
Honorsius Bosuin (appointed on 1 October 2018)
Michelle Siew Yee Lee (resigned on 9 June 2018)
YB Datuk Saddi Bin Abdu Rahman (resigned on 1 October 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 below) 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' benefits (cont'd)

The directors' benefits are as follows:

	Group RM	Company RM
Salaries and other emoluments	2,549,760	632,800
Fees	55,000	-
Bonus	541,166	93,150
Defined contribution plan	344,210	70,794
Benefit-in-kind	23,950	-
	3,514,086	796,744

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 2018	Bought	Sold	31 December 2018
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	131,800	-	141,800
Mah Li-Na	-	1,000	-	1,000
Deemed interest				
Dato' Seri Mah King Seng	90,188,024	1,000	-	90,189,024
Tan Sri Dr Mah King Thian	90,188,024	-	-	90,188,024
Chan Kam Leong	708,294	-	-	708,294

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 interests 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 Group or as a result of duties performed by the directors on behalf of the Group. Such indemnity remain in force as at the end of the financial year. The total insurance premium paid for directors and officers of the Group is RM4,735.

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 all known bad debts had been written off 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) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company 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) As 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.

Subsequent event

Details of subsequent event are disclosed in Note 38 to the financial statements.

Auditors

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

Auditors' remuneration of the Group and of the Company for the financial year amounted to RM411,368 and RM56,000 respectively.

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 29 March 2019.

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 65 to 182 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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 29 March 2019.

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 65 to 182 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 Teluk Intan in the State of Perak
Darul Ridzuan on 29 March 2019.

Chan Kim Meng
MIA 20736

Before me,

Siti Suhadah Binti Shoeb (A240)
Pesuruhjaya 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 2018, 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 65 to 182.

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

Basis 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 17 to the financial statements.)

As at 31 December 2018, the carrying amount of the Group's goodwill amounted to RM43,867,118, representing 7% and 6% 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.

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

Report on the audit of the financial statements (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 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 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 17 to the financial statements.

Impairment of property, plant and equipment

(Refer to the summary of significant accounting policies in Note 2.7, significant accounting estimates and judgement in Note 3.2(g) and disclosure on property, plant and equipment in Note 11 to the financial statements.)

As stated in Note 11 to the financial statements as at 31 December 2018, the carrying value of property, plant and equipment of the Group was RM397,058,286, representing 62% and 54% of the Group's total non-current assets and total assets respectively.

The Group is required to assess at each reporting date whether there is any indication that the Group's property, plant and equipment may be impaired. During the financial year, management has identified external indicators of impairment in respect of the Group's property, plant and equipment. The Group estimated the recoverable amount of the cash generating units ("CGUs") based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate.

Report on the audit of the financial statements (cont'd)

Impairment of property, plant and equipment (cont'd)

Significant judgement is required in determining the assumptions to be used to estimate the recoverable amount of the CGUs and is based on assumptions that are affected by expected future demand and economic conditions. The assumptions used include estimates of future sales volumes, prices, operating cost, terminal value growth rates and the discount rate to use.

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 CGU;

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

(c) assessed whether the assumptions on which the cash flow projections are based are consistent with past actual outcomes, in particular the assumptions about estimated revenue growth rates and possible variations in the timing of those future cash flows;

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

(e) valuated 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

(f) involved an internal specialist to assist us in assessing the terminal value growth rate and 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 also assessed the disclosures of the key assumptions on which the Group has based its cash flow projections. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 3.2 (g) to the financial statements.

Impairment of investments in subsidiary companies

(Refer to the disclosure on investments in subsidiary companies in Note 13 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 2018 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.

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

Report on the audit of the financial statements (cont'd)

Impairment of investments in subsidiary companies (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 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.

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

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

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.

Report on the audit of the financial statements (cont'd)

Impairment of investments in subsidiary companies (cont'd)

How our audit addressed the matter (cont'd)

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

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

(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 of 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.

(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.

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

Report on the audit of the financial statements (cont'd)

Impairment of investments in subsidiary companies (cont'd)

How our audit addressed the matter (cont'd)

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

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

(a) As stated in Note 2.2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.

(b) 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: 29 March 2019

Statements of Comprehensive Income

for the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	4	343,446,892	390,284,330	4,067,896	5,049,101
Cost of sales		(313,429,922)	(329,377,482)	(3,364,559)	(3,370,499)
Gross profit		30,016,970	60,906,848	703,337	1,678,602
Other income		11,149,679	12,567,779	229,978	328,771
Administrative expenses		(13,755,533)	(15,905,966)	(2,568,730)	(2,546,673)
Other operating expenses		(7,664,328)	(5,566,271)	-	-
Operating profit/(loss)		19,746,788	52,002,390	(1,635,415)	(539,300)
Finance costs	5	(7,123,971)	(7,759,092)	(832,248)	(902,314)
Income from investments	6	25,539	101,275	8,954,952	7,976,361
Profit before taxation	7	12,648,356	44,344,573	6,487,289	6,534,747
Income tax (expense)/benefit	8	(6,180,283)	(10,788,361)	(478,628)	14,851
Profit net of tax		6,468,073	33,556,212	6,008,661	6,549,598
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Net fair value (loss)/gain on financial assets at fair value through other comprehensive income ("FVOCI")		(16,944)	34,624	8,325	32,052
Exchange differences on translation of foreign operations		(410,158)	(160,561)	-	-
		(427,102)	(125,937)	8,325	32,052
Total comprehensive income for the year		6,040,971	33,430,275	6,016,986	6,581,650
Profit attributable to:					
Owners of the Company		4,458,047	16,010,616	6,008,661	6,549,598
Non-controlling interests		2,010,026	17,545,596	-	-
		6,468,073	33,556,212	6,008,661	6,549,598
Total comprehensive income attributable to:					
Owners of the Company		4,188,815	15,937,862	6,016,986	6,581,650
Non-controlling interests		1,852,156	17,492,413	-	-
		6,040,971	33,430,275	6,016,986	6,581,650
Earnings per share attributable to owners of the Company					
Basic	9	2.27 sen	8.15 sen		
Diluted	9	2.27 sen	8.15 sen		
Net dividends per share	10	2.00 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 2018

	Note	Group As at 31 December 2018 RM	Group As at 31 December 2017 RM	Group As at 1 January 2017 RM	Company As at 31 December 2018 RM	Company As at 31 December 2017 RM	Company As at 1 January 2017 RM
Assets							
Non-current assets							
Property, plant and equipment	11	397,058,286	396,060,382	403,234,813	12,811,020	12,959,307	12,454,240
Investment properties	12	49,250,000	49,250,000	48,062,419	1,250,000	1,250,000	1,200,000
Investments in subsidiary companies	13	-	-	-	209,070,973	209,070,973	209,070,973
Investments in securities	14	387,730	559,287	527,983	224,909	545,096	516,364
Land use rights	15	1,910,383	1,938,324	1,966,265	-	-	-
Deferred tax assets	26	3,031,476	3,338,879	3,105,387	-	-	-
Trade and other receivables	16	140,835,609	142,917,529	149,501,211	-	-	-
Goodwill on consolidation	17	43,867,118	43,867,118	43,867,118	-	-	-
		636,340,602	637,931,519	650,265,196	223,356,902	223,825,376	223,241,577
Current assets							
Inventories	18	30,691,009	31,386,091	28,018,290	155,111	102,617	89,898
Biological assets	19	1,386,106	3,114,082	4,865,771	73,500	129,347	212,135
Trade and other receivables	16	24,988,542	32,954,195	26,589,414	793,025	388,987	582,360
Tax recoverable		3,391,648	1,215,544	1,456,741	3,145	-	34,724
Short term investments	20	14,421,004	17,605,759	13,625,290	56,488	54,963	51,730
Fixed deposits with licensed banks	21	9,192,962	9,878,973	11,069,868	379,690	369,515	359,340
Cash and bank balances	21	14,199,198	17,631,835	17,830,423	326,840	724,273	416,995
		98,270,469	113,786,479	103,455,797	1,787,799	1,769,702	1,747,182
Total assets		734,611,071	751,717,998	753,720,993	225,144,701	225,595,078	224,988,759

		Group			Company		
	Note	**As at 31 December 2018 RM**	**As at 31 December 2017 RM**	**As at 1 January 2017 RM**	**As at 31 December 2018 RM**	**As at 31 December 2017 RM**	**As at 1 January 2017 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	196,543,970	196,543,970
Reserves	23	51,503,135	51,368,440	38,378,738	11,177,003	9,292,400	5,658,910
		248,047,105	247,912,410	234,922,708	207,720,973	205,836,370	202,202,880
Non-controlling interests		266,956,202	269,869,792	256,039,418	-	-	-
Total equity		515,003,307	517,782,202	490,962,126	207,720,973	205,836,370	202,202,880
Non-current liabilities							
Hire purchase payables	24	2,534,373	533,679	783,982	33,240	71,507	116,584
Borrowings	25	61,513,129	65,479,137	86,747,471	-	-	1,850,000
Deferred tax liabilities	26	49,168,856	46,488,464	44,314,753	587,249	87,640	123,473
Lease rental payable	27	267,050	267,050	267,050	-	-	-
		113,483,408	112,768,330	132,113,256	620,489	159,147	2,090,057
Current liabilities							
Payables	28	29,445,694	37,034,371	40,860,345	1,664,972	2,586,648	3,348,947
Hire purchase payables	24	1,000,195	498,586	869,966	38,267	45,077	46,875
Borrowings	25	75,629,178	81,624,753	86,887,508	15,100,000	16,950,000	17,300,000
Taxation		49,289	2,009,756	2,027,792	-	17,836	-
		106,124,356	121,167,466	130,645,611	16,803,239	19,599,561	20,695,822
Total liabilities		219,607,764	233,935,796	262,758,867	17,423,728	19,758,708	22,785,879
Total equity and liabilities		734,611,071	751,717,998	753,720,993	225,144,701	225,595,078	224,988,759

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 2018

		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 2018 (FRS framework)		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
Cumulative effects of adopting MFRS	2.2(ii)	-	-	(30,156,859)	-	-	(82,656)	-	(153,591,011)	(183,830,526)	(270,836,628)	(454,667,154)
Opening balance at 1 January 2018 (MFRS framework)		196,543,970	5,736,883	(32,099,847)	789,026	172,556	37,135	8,169	76,798,788	247,912,410	269,869,792	517,782,202
Effect on adopting MFRS 9	2.2(iii)	-	-	-	-	(110,524)	-	-	(12,717)	(123,241)	(153,030)	(276,271)
Opening balance at 1 January 2018 (Restated)		196,543,970	5,736,883	(32,099,847)	789,026	62,032	(37,135)	8,169	76,786,071	247,789,169	269,716,762	517,505,931
Net profit for the financial year		-	-	-	-	-	-	-	4,458,047	4,458,047	2,010,026	6,468,073
Other comprehensive income		-	-	-	-	(16,944)	(252,288)	-	-	(269,232)	(157,870)	(427,102)
Total comprehensive income		-	-	-	-	(16,944)	(252,288)	-	4,458,047	4,188,815	1,852,156	6,040,971
Transactions with owners:												
Dividends	10	-	-	-	-	-	-	-	(3,930,879)	(3,930,879)	-	(3,930,879)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(4,612,716)	(4,612,716)
Total transactions with owners		-	-	-	-	-	-	-	(3,930,879)	(3,930,879)	(4,612,716)	(8,543,595)
Closing balance at 31 December 2018		196,543,970	5,736,883	(32,099,847)	789,026	45,088	(289,423)	8,169	77,313,239	248,047,105	266,956,202	515,003,307

	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
		Equity attributable to owners of the Company										
		Non - distributable						Distributable				
Group												
Opening balance at 1 January 2017 (FRS framework)		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
Cumulative effects of adopting MFRS	2.2(i)	-	-	(30,156,859)	-	-	(82,656)	-	(152,063,393)	(182,302,908)	(268,282,863)	(450,585,771)
Opening balance at 1 January 2017 (MFRS framework)		196,543,970	5,736,883	(32,099,847)	789,026	137,932	70,243	8,169	63,736,332	234,922,708	256,039,418	490,962,126
Net profit for the financial year		-	-	-	-	-	-	-	16,010,616	16,010,616	17,545,596	33,556,212
Other comprehensive income		-	-	-	-	34,624	(107,378)	-	-	(72,754)	(53,183)	(125,937)
Total comprehensive income		-	-	-	-	34,624	(107,378)	-	16,010,616	15,937,862	17,492,413	33,430,275
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	(32,099,847)	789,026	172,556	(37,135)	8,169	76,798,788	247,912,410	269,869,792	517,782,202

Statements of Changes in Equity
for the financial year ended 31 December 2018 (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 2018 (FRS framework)		196,543,970	125,748	10,106,657	206,776,375
Cumulative effects of adopting MFRS	2.2(ii)	-	-	(940,005)	(940,005)
Opening balance at 1 January 2018 (MFRS framework)		196,543,970	125,748	9,166,652	205,836,370
Effect of adopting MFRS 9	2.2(iii)	-	(194,240)	(7,264)	(201,504)
Opening balance at 1 January 2018 (Restated)		196,543,970	(68,492)	9,159,388	205,634,866
Net profit for the financial year		-	-	6,008,661	6,008,661
Other comprehensive income		-	8,325	-	8,325
Total comprehensive income		-	8,325	6,008,661	6,016,986
Transaction with owners:					
- Dividends, representing total transaction with owners	10	-	-	(3,930,879)	(3,930,879)
Closing balance at 31 December 2018		196,543,970	(60,167)	11,237,170	207,720,973

Statements of Changes in Equity
for the financial year ended 31 December 2018 (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 (FRS framework)		196,543,970	93,696	6,449,176	203,086,842
Cumulative effects of adopting MFRS	2.2(i)	-	-	(883,962)	(883,962)
Opening balance at 1 January 2017 (MFRS framework)		196,543,970	93,696	5,565,214	202,202,880
Net profit for the financial year		-	-	6,549,598	6,549,598
Other comprehensive income		-	32,052	-	32,052
Total comprehensive income		-	32,052	6,549,598	6,581,650
Transaction 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	9,166,652	205,836,370

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 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Operating activities				
Profit before taxation	12,648,356	44,344,573	6,487,289	6,534,747
Adjustments for:				
Amortisation of land use rights	27,941	27,941	-	-
Bad debts written off	10,883	-	49,492	-
Depreciation of property, plant and equipment	21,087,606	21,112,401	765,012	737,464
Dividend income	(25,539)	(101,275)	(8,954,952)	(7,976,361)
Fair value loss on biological assets	1,727,976	1,751,689	55,847	82,788
Fair value gain on investment properties	-	(1,187,581)	-	(50,000)
Impairment loss on investment	-	3,320	-	3,320
Impairment loss on receivables	-	30,487	-	-
(Gain)/Loss on disposal of property, plant and equipment	(5,716)	(657,830)	1,552	16,000
Interest expense	7,123,971	7,759,092	832,248	902,314
Interest income	(8,193,643)	(8,446,519)	(19,320)	(21,357)
Property, plant and equipment written off	93,266	2,676,167	5,071	-
Reversal of expected credit losses	(184,526)	-	-	-
Unrealised loss/(gain) on foreign exchange, net	33,589	(1,017)	-	-
Total adjustments	21,695,808	22,966,875	(7,265,050)	(6,305,832)
Operating cash flows before changes in working capital	34,344,164	67,311,448	(777,761)	228,915
Changes in working capital:				
Inventories	695,082	(3,367,801)	(52,494)	(12,719)
Receivables	16,465,777	7,794,694	(13,392)	182,148
Payables	(6,661,017)	(3,868,200)	(921,676)	(365,573)
Subsidiary companies' accounts	-	-	(313,130)	(385,501)
Total changes in working capital	10,499,842	558,693	(1,300,692)	(581,645)
Cash flows from/(used in) operations	44,844,006	67,870,141	(2,078,453)	(352,730)
Interest received	798,104	881,411	19,320	21,357
Interest paid	(7,123,971)	(7,759,092)	(832,248)	(902,314)
Tax (paid)/refund	(7,250,538)	(8,624,981)	-	31,578
Net cash flows from/(used in) operating activities	31,267,601	52,367,479	(2,891,381)	(1,202,109)

Statements of Cash Flows
for the financial year ended 31 December 2018 (cont'd)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Investing activities				
Additional placement of pledged fixed deposits	(284,487)	(306,985)	(10,175)	(10,175)
Dividends received	25,539	101,275	8,954,952	7,976,361
Net investment in short term investments	3,184,755	(3,980,469)	(1,525)	(3,233)
Proceeds from disposal of property, plant and equipment	360,680	2,359,468	20,000	19,000
Purchase of property, plant and equipment	(18,948,043)	(18,009,775)	(643,348)	(1,277,531)
Net cash flows (used in)/from investing activities	(15,661,556)	(19,836,486)	8,319,904	6,704,422
Financing activities				
Repayment of hire purchase obligations	(1,083,394)	(927,683)	(45,077)	(46,875)
Drawdown of revolving credit	4,500,000	23,800,000	-	-
Drawdown of term loan	20,259,000	1,500,000	-	-
Repayment of revolving credit	(11,250,000)	(30,500,000)	-	-
Repayment of term loan	(23,470,583)	(21,331,089)	(1,850,000)	(2,200,000)
Dividends paid to shareholders	(3,930,879)	(2,948,160)	(3,930,879)	(2,948,160)
Dividends paid to non-controlling interests	(4,612,716)	(3,662,039)	-	-
Net cash flows used in financing activities	(19,588,572)	(34,068,971)	(5,825,956)	(5,195,035)

Statements of Cash Flows
for the financial year ended 31 December 2018 (cont'd)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Net (decrease)/increase in cash and cash equivalents	(3,982,527)	(1,537,978)	(397,433)	307,278
Effect of foreign exchange rate changes on cash and cash equivalents	(420,608)	(158,490)	-	-
Cash and cash equivalents as at 1 January	24,568,259	26,264,727	724,273	416,995
Cash and cash equivalents as at 31 December (Note 21)	20,165,124	24,568,259	326,840	724,273

During the financial year, the Group and the Company acquired property, plant and equipment by:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash	18,948,043	18,009,775	643,348	1,277,531
Hire purchase arrangement	3,585,697	306,000	-	-
	22,533,740	18,315,775	643,348	1,277,531

Changes in liabilities arising from financing activities:

	Group			
	1 January 2018 RM	Acquisition RM	Cash flows RM	31 December 2018 RM
Hire purchase payables (Note 24)	1,032,265	3,585,697	(1,083,394)	3,534,568
Borrowings (Note 25)	147,103,890	-	(9,961,583)	137,142,307
	148,136,155	3,585,697	(11,044,977)	140,676,875

	Group			
	1 January 2017 RM	Acquisition RM	Cash flows RM	31 December 2017 RM
Hire purchase payables (Note 24)	1,653,948	306,000	(927,683)	1,032,265
Borrowings (Note 25)	173,634,979	-	(26,531,089)	147,103,890
	175,288,927	306,000	(27,458,772)	148,136,155

Statements of Cash Flows
for the financial year ended 31 December 2018 (cont'd)

Changes in liabilities arising from financing activities: (cont'd)

	Company		
	1 January 2018 RM	Cash flows RM	31 December 2018 RM
Hire purchase payables (Note 24)	116,584	(45,077)	71,507
Borrowings (Note 25)	16,950,000	(1,850,000)	15,100,000
	17,066,584	(1,895,077)	15,171,507

	Company		
	1 January 2017 RM	Cash flows RM	31 December 2017 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 2018

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 13 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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

For all periods up to and including the year ended 31 December 2017, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. Please refer to Note 2.2 for information on the Group's and the Company's adoption of MFRS and the impact of transition to MFRS.

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 First-time adoption of Malaysian Financial Reporting Standards

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. For periods up to and including the year ended 31 December 2017, the Group and Company had prepared their financial statements in accordance with Financial Reporting Standards ("FRS Framework").

Accordingly, the Group and the Company have prepared financial statements that comply with MFRS applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 January 2017, the Group's and the Company's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Company in restating their FRS financial statements, including the statements of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017.

The classification of certain item in the comparative information is changed in conformity with current period presentation and classification.

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

Exemption applied on adoption of MFRS 1

(a) MFRS 1 allows first time adopter exemptions from the retrospective application of certain requirements under MFRS 1. The Group has applied short term exemption on MFRS 9. The comparative information do not comply with MFRS 9 Financial Instruments. The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. Differences arising from the adoption of MFRS 9 have been recognised directly in retained profits.

(b) The Group elected to apply the optional exemption whereby the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. The entire balance in the exchange translation reserve of the Group at the date of transition has been transferred to retained profits.

The following is the reconciliation of the impact arising from first time adoption of MFRS 1 including application of the new accounting standards on 1 January 2017 and 31 December 2017.

(i) 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)	70,210,536	403,234,813
		(ii)	(108,630,519)	
Investment properties	48,062,419		-	48,062,419
Biological assets	464,221,925	(i)	(177,831,581)	-
		(ii)	(286,390,344)	
Investment in securities	527,983		-	527,983
Land use rights	13,183,628	(ii)	(11,217,363)	1,966,265
Deferred tax assets	3,203,519	(i)	(98,132)	3,105,387
Trade and other receivables	149,501,211		-	149,501,211
Goodwill on consolidation	109,017,339	(ii)	(65,150,221)	43,867,118
	1,229,372,820			650,265,196
Current assets				
Inventories	28,018,290		-	28,018,290
Biological assets	-	(i)	4,865,771	4,865,771
Trade and other receivables	26,589,414		-	26,589,414
Tax recoverable	1,456,741		-	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			103,455,797
Total assets	1,327,962,846			753,720,993

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(i) 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)	(31,470,256)	38,378,738
		(ii)	(150,832,652)	
	417,225,616			234,922,708
Non-controlling interests	524,322,281	(i)	(50,950,675)	256,039,418
		(ii)	(217,332,188)	
Total equity	941,547,897			490,962,126
Non-current liabilities				
Hire purchase payables	783,982		-	783,982
Borrowings	86,747,471		-	86,747,471
Deferred tax liabilities	167,970,835	(i)	(20,432,475)	44,314,753
		(ii)	(103,223,607)	
Lease rental payable	267,050		-	267,050
	255,769,338			132,113,256
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			262,758,867
Total equity and liabilities	1,327,962,846			753,720,993

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(i) 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	-	(i)	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 bank	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)

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(i) 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)	(883,962)	5,658,910
Total equity	203,086,842			202,202,880
Non-current liabilities				
Hire purchase payables	116,584		-	116,584
Borrowings	1,850,000		-	1,850,000
Deferred tax liabilities	-	(i)	123,473	123,473
	1,966,584			2,090,057
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			22,785,879
Total equity and liabilities	225,749,248			224,988,759

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

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

Group	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)	66,816,944	396,060,382
		(ii)	(107,229,005)	
Investment properties	49,250,000		-	49,250,000
Biological assets	465,459,023	(i)	(179,068,680)	-
		(ii)	(286,390,343)	
Investment in securities	559,287		-	559,287
Land use rights	13,004,535	(ii)	(11,066,211)	1,938,324
Deferred tax assets	3,399,408	(i)	(60,529)	3,338,879
Trade and other receivables	142,917,529		-	142,917,529
Goodwill on consolidation	109,017,339	(ii)	(65,150,221)	43,867,118
	1,220,079,564			637,931,519
Current assets				
Inventories	31,386,091		-	31,386,091
Biological assets	-	(i)	3,114,082	3,114,082
Trade and other receivables	32,954,195		-	32,954,195
Tax recoverable	1,215,544		-	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			113,786,479
Total assets	1,330,751,961			751,717,998

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(ii) 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)	(33,823,365)	51,368,440
		(ii)	(150,007,161)	
	431,742,936			247,912,410
Non-controlling interests	540,706,420	(i)	(53,859,081)	269,869,792
		(ii)	(216,977,547)	
Total equity	972,449,356			517,782,202
Non-current liabilities				
Hire purchase payables	533,679		-	533,679
Borrowings	65,479,137		-	65,479,137
Deferred tax liabilities	170,855,273	(i)	(21,515,738)	46,488,464
		(ii)	(102,851,071)	
Lease rental payable	267,050		-	267,050
	237,135,139			112,768,330
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			233,935,796
Total equity and liabilities	1,330,751,961			751,717,998

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(ii) 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	-	(i)	129,347	129,347
Trade and other receivables	388,987		-	388,987
Short term investments	54,963		-	54,963
Fixed deposits with licensed bank	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)

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(ii) 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)	(940,005)	9,292,400
Total equity	206,776,375			205,836,370
Non-current liabilities				
Hire purchase payables	71,507		-	71,507
Deferred tax liabilities	-	(i)	87,640	87,640
	71,507			159,147
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			19,758,708
Total equity and liabilities	226,447,443			225,595,078

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(iii) 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)	(4,630,691)	(329,377,482)
		(ii)	1,794,937	
Gross profit	63,742,602			60,906,848
Other income	12,567,779		-	12,567,779
Administrative expenses	(13,912,007)	(i)	(1,751,689)	(15,905,966)
		(ii)	(242,270)	
Other operating expenses	(5,566,271)			(5,566,271)
Operating profit	56,832,103			52,002,390
Finance costs	(7,759,092)		-	(7,759,092)
Income from investments	101,275		-	101,275
Profit before taxation	49,174,286			44,344,573
Income tax expense	(11,536,691)	(i)	1,120,865	(10,788,361)
		(ii)	(372,535)	
Profit net of tax	37,637,595			33,556,212
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			33,430,275

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(iii) 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)	(i)	(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)

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

The significant accounting policies adopted in preparing the financial statement are consistent with those of the audited financial statement for the year ended 31 December 2017, except as discussed below:

(i) Bearer plants and biological assets

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

Upon the adoption of the Amendments to MFRS 141, the Group and the Company are required to measure biological assets separately from bearer plants. New replanting and pre-cropping expenditure are classified as bearer plants and would be accounted for the same as property, plant and equipment under MFRS 116, whereas the produce growing on the bearer plants falls within the scope of MFRS 141 Biological Assets and valued at fair value less cost to sell with the changes of fair value recognised in profit or loss and will be classified as current assets. The resulting adjustments were recognised against retained profits.

The impact arising from the change is summarised as follows:

	31 December 2017 RM	1 January 2017 RM
Group		
Non-current assets		
Property, plant and equipment	66,816,944	70,210,536
Biological assets	(179,068,680)	(177,831,581)
Deferred tax assets	(60,529)	(98,132)
Current asset		
Biological assets	3,114,082	4,865,771
Equity attributable to owners of the Company		
Reserves	(33,823,365)	(31,470,256)
Non-controlling interest	(53,859,081)	(50,950,675)
Non-current liability		
Deferred tax liabilities	(21,515,738)	(20,432,475)
Statement of comprehensive income		
Cost of sales	(4,630,691)	Not applicable
Administrative expenses	(1,751,689)	Not applicable
Income tax expenses	1,120,865	Not applicable

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(i) Bearer plants and biological assets (cont'd)

	31 December 2017 RM	1 January 2017 RM
Company		
Non-current assets		
Property, plant and equipment	2,992,167	2,913,943
Biological assets	(3,565,843)	(3,565,843)
Deferred tax assets	(408,036)	(320,724)
Current asset		
Biological assets	129,347	212,135
Equity attributable to owners of the Company		
Reserves	(940,005)	(883,962)
Non-current liability		
Deferred tax liabilities	87,640	123,473
Statement of comprehensive income		
Cost of sales	78,224	Not applicable
Administrative expenses	(82,788)	Not applicable
Income tax expenses	(51,479)	Not applicable

(ii) MFRS 3 Business Combination

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 combinations.

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 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.

On 1 January 2013, the directors considered that the Group had control of CGB even though it had less than 50% of the voting rights. The Group was 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.

The Group has accounted for investments in CGB as investments in subsidiary company in accordance with the relevant transitional provisions as set out in MFRS 10 as if the acquisition of CGB had been accounted for in accordance with MFRS 3 as at 1 January 2013. On 1 January 2013, the Company had engaged an independent valuer to measure all the assets and liabilities of CGB at their fair values and the valuation surplus on property, plant and equipment and bearer plants were reflected in the consolidated financial statements.

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(ii) MFRS 3 Business Combination (cont'd)

Under the application of MFRS Framework on 1 January 2018, the application of MFRS 10 is applied retrospectively from the day when the Group had control of CGB. Therefore, CGB has become a subsidiary company of the Company since 31 July 2006. Accordingly, the Group engaged an independent valuer to measure all the assets and liabilities of CGB at their fair value as at 31 July 2006. This valuation is lower as compared to the valuation performed in 2013. As a results, there is reduction in carrying value of property, plant and equipment and land use rights as reflected in the consolidated financial statements.

(iii) MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The changes arising from the adoption of MFRS 9 have been applied retrospectively. The Group and the Company have elected to apply the exemption in MFRS 1 and have not restated comparative information in the year of initial application. The impact arising from MFRS 9 adoption was included in the opening retained profits at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of MFRS 139.

The impact arising from the changes is, as follows:

Group		**1 January 2018 RM**
Non-current assets		
Investment in securities	(iii)(a)	(154,612)
Current asset		
Trade and other receivables	(iii)(a)&(b)	(200,196)
Equity		
Fair value adjustment reserve	(iii)(a)	(110,524)
Retained profits	(iii)(a)&(b)	(12,717)
Non-controlling interests	(iii)(b)	(153,030)
Non-current liability		
Deferred tax liabilities	(iii)(b)	(78,537)
Company		
Non-current asset		
Investment in securities	(iii)(a)	(328,512)
Current asset		
Trade and other receivables	(iii)(a)	127,008
Equity		
Fair value adjustment reserve	(iii)(a)	(194,240)
Retained profits	(iii)(a)	(7,264)

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(iii) MFRS 9 Financial Instruments (cont'd)

The nature of this adjustment is described below:

(a) Classification and Measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("OCI"). The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group and the Company. The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139.

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

- Trade receivables and other non-current financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

- Unquoted equity shares previously held as available-for-sale ("AFS") financial assets are now classified and measured as equity instruments designated at fair value through other comprehensive income. The Group and the Company elected to classify irrevocably its unquoted equity shares under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(iii) MFRS 9 Financial Instruments (cont'd)

(a) Classification and Measurement (cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required or elected reclassifications:

	FRS 139 Carrying amount as at 31 December 2017	MFRS 9 measurement category as at 1 January 2018		
		Fair value through profit or loss	Amortised cost	Fair value through OCI
	RM	RM	RM	RM
Group				
Measurement category				
Loans and receivables				
Trade and other receivables	175,871,724	-	175,671,528	-
Available-for-sale financial assets				
Unquoted equity instruments	314,170	-	-	226,086
Held-to-maturity financial assets				
6% preference shares	66,528	-	-	-
Company				
Measurement category				
Loans and receivables				
Trade and other receivables	388,984	-	515,995	-
Available-for-sale financial assets				
Unquoted equity instruments	311,984	-	-	50,000
Held-to-maturity financial assets				
6% preference shares	66,528	-	-	-

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

2.2 First-time adoption of Malaysian Financial Reporting Standards (cont'd)

(iii) MFRS 9 Financial Instruments (cont'd)

(b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 139 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of MFRS 9, the Group recognised an additional impairment on the Group's trade receivables of RM327,204.

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following standards that have been issued but not yet effect:

Description	**Effective for annual periods beginning on or after**
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interest in Associates and Joint Venture (Amendments to MFRS 128)	1 January 2019
Annual Improvement to MFRS Standards 2015-2017 cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and interpretations will not have a material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Prepayment Features with Negative Compensation

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

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

2.3 Standards issued but not yet effective (cont'd)

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group has assessed the potential effect of MFRS16 and does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

IC Interpretation 23 – Uncertainty over income tax treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. The effect of uncertainty shall be measured using the method which best predicts the resolution of the uncertainty. IC interpretation 23 will be effective for annual reporting periods beginning on or after 1 January 2019.

The Group and the Company are currently assessing and have yet to quantify the potential impact on the adoption of the above standards.

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 loses 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.

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.

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

2.4 Basis of consolidation (cont'd)

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 an asset or liability are recognised in profit or loss.

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.

2.5 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.

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

2.6 Goodwill (cont'd)

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.

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 profits 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.

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

2.7 Property, plant and equipment (cont'd)

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 terms of the leases 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.

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 financial year the asset is derecognised.

Bearer plants comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop over 22 years which is deemed as the useful lives of the crop.

2.8 Biological assets

Biological assets comprised produce growing on bearer plants. Biological assets are classified as current assets for bearer plants that are expected to be harvested and sold or used for production on a date not more than 6 weeks after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of the net cash flows expected to be generated from the sale of oil palm fresh fruit bunches. The expected net cash flows are estimated using the expected output method.

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

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.

2.10 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 the weighted average cost method.

- Nursery seedlings are valued at the weighted average cost method of cost of seeds, 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. Summary of significant accounting policies (cont'd)

2.12 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2.13 Financial instruments – initial recognition and subsequent measurement

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Accounting policies applied from 1 January 2018

A financial instrument is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs. However, a trade receivable without a significant financing component is initially measured at the transaction price.

Accounting policies applied until 31 December 2017

A financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs.

(ii) Categories of financial instruments and subsequent measurement

Financial assets

Accounting policies applied from 1 January 2018

Categories of financial assets are determined on initial recognition and are not reclassified subsequently unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

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

2.13 Financial instruments – initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement (cont'd)

Financial assets (cont'd)

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

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) FVOCI – debt securities

A debt security is measured at fair value through other comprehensive income ("FVOCI") if it is held within a business model with the objective of both holding to collect contractual cash flows and selling; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as at fair value through profit or loss ("FVTPL").

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(c) FVOCI – equity securities

For an equity investment that is not held for trading, the Group or the Company may irrevocably elect to subsequently measure the equity securities at FVOCI on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

The Group and the Company elected to classify irrevocably their unquoted equity instruments under this category.

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

2.13 Financial instruments – initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement (cont'd)

Financial assets (cont'd)

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

(d) Fair value through profit or loss ("FVTPL")

All financial assets not classified and measured at amortised costs or FVOCI are measured at FVTPL. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gain or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

Accounting policies applied until 31 December 2017

In the previous financial year, financial assets were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurements as follows:

(a) Fair value through profit or loss ("FVTPL")

Financial assets held for trading and derivatives not designated as effective hedging instruments were classified at FVTPL. Such financial assets were subsequently measured at their fair values with the gain or loss taken to profit or loss.

(b) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Loans and receivables were subsequently measured at amortised cost using effective interest method.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets were non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Group or the Company had the positive intention and ability to hold to maturity. Held-to-maturity financial assets were subsequently measured at amortised cost using the effective interest method.

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

2.13 Financial instruments – initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement (cont'd)

Financial assets (cont'd)

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

(d) Available-for-sale financial assets

Available-for-sale ("AFS") financial assets were non-derivatives that are either designated in this category or not classified in any of the other categories. AFS financial assets were subsequently measured at fair value with changes in fair value taken to other comprehensive income, except for impairment losses. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated from a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment.

Impairment of financial assets

Accounting policies applied from 1 January 2018

An allowance is recognised for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI, contract assets and lease receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collaterals held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, a simplified approach is applied in calculating ECLs. Therefore, the Group does not tracked changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is established that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.13 Financial instruments – initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement (cont'd)

Impairment of financial assets (cont'd)

Accounting policies applied until 31 December 2017

All financial assets (expect for financial asset categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was any objective evidence of impairment. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial assets was estimated.

An impairment loss in respect of loan and receivables and held-to-maturity investments was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial 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.

Impairment losses recognised in profit or loss for an investment in any equity instrument classified as available-for-sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

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

2.13 Financial instruments – initial recognition and subsequent measurement (cont'd)

(ii) Categories of financial instruments and subsequent measurement (cont'd)

Financial liabilities

Accounting policies applied from 1 January 2018

The categories of financial liabilities, classified at initial recognition are as follows:

(a) Fair value through profit or loss ("FVTPL")

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group or the Company that do not meet the hedge accounting criteria.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense recognised in profit or loss.

For financial liabilities where they are designated as fair value through profit or loss upon initial recognition, the amount of change in fair value of the financial liability that is attributable to change in credit risk are recognised in the other comprehensive income and the remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the credit risk of the liability would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Accounting policies applied until 31 December 2017

All financial liabilities were subsequently measured at amortised cost other than those categorised as fair value through profit or loss. For financial liabilities measured at amortised cost, interest expense and foreign exchange gains and losses were recognised in profit or loss.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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

2.13 Financial instruments – initial recognition and subsequent measurement (cont'd)

(iii) Derecognition

Accounting policies applied from 1 January 2018

There is no change in accounting policies as compared to accounting policies applied until 31 December 2017.

Accounting policies applied until 31 December 2017

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received is recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iv) Offsetting

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

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.

Accounting policies applied from 1 January 2018

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

Accounting policies applied until 31 December 2017

Financial guarantees issued are initially measured at fair value. Subsequently, they are 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.

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

2.14 Service concession arrangements

A substantial portion of the Group's assets are used within the framework of concession contracts granted by a public sector customer ('grantor'). The characteristics of these contracts vary significantly depending on the country and activity concerned.

In order to fall within the scope of concession contract, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

- the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

Such infrastructure are not recognised in assets of the operator as property, plant and equipment but in financial assets ("financial asset model") depending on the remuneration commitments given by the grantor.

Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- amounts specified or determined in the contracts; or

- the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of this policy are recorded in the consolidated statement of financial position under the heading 'operating financial assets' and recognised at amortised cost.

An impairment loss is recognised if the carrying amount of these assets exceeds the fair value, as estimated during impairment tests. Fair value is estimated based on the recoverable amount, calculated by discounting future cash flows (value in use method).

The portion falling due within less than one year is presented in 'Current operating financial assets', while the portion falling due within more than one year is presented in the non-current heading.

Revenue associated with this financial model includes:

- revenue from the construction of the operating financial assets on a percentage of completion basis;

- finance income related to the capital investment in the operating financial assets; and

- operation and maintenance revenue.

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

2.15 Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and the Company have generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

(a) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(c) Determine the transaction price

The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Generally, the Group and the Company receive short-term advances from its customers. Using the practical expedient in MFRS 15, the Group and the Company do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(d) Allocate the transaction price to the performance obligation in the contract

For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

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

2.15 Revenue recognition (cont'd)

(e) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance obligation completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is met, revenue is recognised over time at which the performance obligation is satisfied.

For performance obligations that the Group and the Company satisfy over time, the Group and the Company determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group and the Company's effort and the transfer of service to the customer.

The following describes the performance obligation in contracts with customers:

(a) Sales of plantation produce

Revenue from the plantation segment is derived mainly from agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB") palm kernel ("PK") and empty fruit bunches oil.

Revenue from sales of plantation produce is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer.

The transaction price is allocated to each performance obligation based on the standalone selling price of the goods.

There is no element of financing present as the Group's and the Company's sales of goods are either on cash terms (immediate payment or advance payment not exceeding 30 days); or on credit terms of up to 30 days.

(b) Sales of earth and stones

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

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

2.15 Revenue recognition (cont'd)

(c) Revenue for concession arrangement

Under the power supply concession agreement, the Group is engaged to construct the facilities and infrastructure and supply electricity, which are separate performance obligations. The fair value of revenue, which is based on fixed price under the agreement has been allocated based on relative standalone selling price of the considerations for each of the separate performance obligations. The Group recognises construction revenue over time as the project being constructed has no alternative use to the Group and the Group has an enforceable right to the payment for the performance completed to date.

Revenue from supply of electricity is recognised when the electricity is generated and transmitted.

(d) Hotel operation income

Revenue from hotel operation is recognised upon performance of services.

(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.

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

2.17 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.

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.

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

2.17 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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.

2.18 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 Employees 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.

2.19 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.

2.20 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.

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

2.20 Leases (cont'd)

(a) As lessee (cont'd)

Leased assets are depreciated over the estimated useful lives of the assets. 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 2.15(g).

2.21 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.

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. Summary of significant accounting policies (cont'd)

2.22 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.

2.23 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.

2.24 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.

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

2.24 Foreign currency (cont'd)

(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.

2.25 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.

2.26 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.

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

2.26 Fair value measurement (cont'd)

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.

2.27 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.

2.28 Sales and services tax ("SST")

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Whereas, revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

2.29 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 13, 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 MFRS 10, CGB has become a subsidiary company of the Company since 31 July 2006. 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 MFRS 10.

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 ("CGU") 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 the respective CGU.

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 17.

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

3.2 Key sources of estimation uncertainty (cont'd)

(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 2018 amounted to RM41,544,963 (2017 : RM42,525,734) and RM720,630 (2017 : RM1,122,420) respectively. The recognised tax losses and unabsorbed capital, agriculture and reinvestment allowances and others of the Group and of the Company amounted to RM173,104,013 (2017 : RM177,190,558) and RM3,002,625 (2017 : RM4,676,750) respectively.

(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 investments in subsidiary companies

The carrying amounts of the investments in subsidiary companies of the Company as at 31 December 2018 was RM209,070,973 (2017 : 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 2018 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 CGU involved estimating the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate.

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) Impairment of investments in subsidiary companies (cont'd)

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 investments 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 RM42 million lower.

(e) Bearer plants

Bearer plants comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop over the useful economic lives of the crop. Management estimates the useful economic lives the Group and the Company's oil palms to be 22 years.

(f) Biological assets

The biological assets of the Group and the Company comprise of fresh fruit bunches ("FFB") prior to harvest. The valuation model to be adopted by the Group and the Company considers the present value of the net cash flows expected to be generated from the sale of FFB.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 6 weeks to harvest to be negligible, therefore the quantity of unripe FFB on bearer plants of up to 6 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 17% for FFB that are 5 to 6 weeks prior to harvest, 50% for FFB that are 3 to 4 weeks prior to harvest and 83% for FFB that are 1 to 2 weeks prior to harvest, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from tests. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

(g) Impairment of property, plant and equipment

The Group reviews the carrying amount of property, plant and equipment at each reporting date to assess whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The Group estimates the recoverable amount of the cash generating units ("CGUs") based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate. The carrying amounts of property, plant and equipment of the Group and of the Company as at the reporting date will be disclosed in the Note 11 to the financial statements.

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. With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed their recoverable amounts.

4. Revenue

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Type of goods or services				
Sales of fresh fruit bunches	15,735,918	28,177,801	3,439,599	4,393,854
Sales of crude palm oil	247,697,147	271,021,842	-	-
Sales of palm kernel	52,301,100	63,543,851	-	-
Sales of earth and stones	1,098,173	815,474	-	-
Sales of empty fruit bunches oil	10,643,642	11,415,753	-	-
Revenue from hotel operations	628,297	655,247	628,297	655,247
Construction of service concession power plants	6,354,226	1,075,462	-	-
Supply of electricity	8,988,389	13,578,900	-	-
Total revenue from contracts with customers	343,446,892	390,284,330	4,067,896	5,049,101
Timing of revenue recognition				
At a point in time	337,092,666	389,208,868	4,067,896	5,049,101
Over time	6,354,226	1,075,462	-	-
	343,446,892	390,284,330	4,067,896	5,049,101

5. Finance costs

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Interests on:				
- hire purchase	132,652	81,976	5,851	8,733
- revolving credit	3,153,594	3,345,758	795,499	757,507
- term loan	3,837,725	4,331,358	30,898	136,074
	7,123,971	7,759,092	832,248	902,314

6. Income from investments

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Gross dividend income from:				
- subsidiary companies	-	-	8,945,352	7,971,832
- quoted investments in Malaysia	9,814	4,742	9,600	4,529
- unquoted investments in Malaysia	15,725	96,533	-	-
	25,539	101,275	8,954,952	7,976,361

7. Profit before taxation

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
This is arrived at after charging:				
Auditors' remuneration				
- current year's provision	411,368	419,846	56,000	56,000
- under provision in prior year	11,400	14,100	-	5,000
- other assurance services	5,000	5,000	5,000	5,000
- other non-audit services	164,538	208,291	8,800	8,500
- under provision in prior year	-	2,100	-	-
Amortisation of land use rights	27,941	27,941	-	-
Bad debts written off	10,883	-	49,492	-
Depreciation of property, plant and equipment	21,087,606	21,112,401	765,012	737,464
Fair value loss on biological assets	1,727,976	1,751,689	55,847	82,788
Impairment loss on investment	-	3,320	-	3,320
Impairment loss on receivables	-	30,487	-	-
Loss on disposal of property, plant and equipment	199,263	23,533	1,552	16,000
Property, plant and equipment written off	93,266	2,676,167	5,071	-
Rentals				
- premises	289,364	265,165	93,700	61,100
- land	27,090	45,120	3,660	3,660
- computer software	61,391	46,626	418	-
Unrealised loss on foreign exchange	33,589	193	-	-
and crediting:				
Reversal of expected credit losses	184,526	-	-	-
Fair value gain on investment properties	-	1,187,581	-	50,000
Gain on disposal of property, plant and equipment	204,979	681,363	-	-
Interest income from:				
- fixed deposits	264,970	275,152	10,175	10,504
- short term investments	525,514	598,639	1,525	3,233
- amount due from customer on service concession	7,395,539	7,565,108	-	-
- others	7,620	7,620	7,620	7,620
Realised gain on foreign exchange	52,247	8,099	-	-
Rental income				
- equipment hire	76,086	79,736	21,473	48,969
- landed property	31,185	50,237	31,185	45,457
- investment properties	69,300	69,300	69,300	69,300
- land	8,194	10,632	6,408	3,971
Sundry income	20,878	19,844	7,136	7,131
Unrealised gain on foreign exchange	-	1,210	-	-

8. Income tax expense/(benefit)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current tax:				
- Malaysian income tax	3,360,748	8,656,915	-	20,982
- (Over)/Under provision in prior years	(246,781)	191,227	(20,981)	-
	3,113,967	8,848,142	(20,981)	20,982
Deferred taxation (Note 26):				
- Relating to origination and reversal of temporary differences	2,284,867	2,582,429	396,678	(31,162)
- Under/(Over) provision in prior years	781,449	(642,210)	102,931	(4,671)
	3,066,316	1,940,219	499,609	(35,833)
	6,180,283	10,788,361	478,628	(14,851)

Domestic income tax is calculated at the Malaysian statutory tax rates which range from 20% to 24% (2017 : 20% to 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.

8. Income tax expense/(benefit) (cont'd)

A reconciliation of income tax expense/(benefit) 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before taxation	12,648,356	44,344,573	6,487,289	6,534,747
Taxation at applicable statutory tax rate (2017 : 24%)	3,035,605	10,642,698	1,558,949	1,568,339
Income not subject to tax	(164,557)	(457,168)	(2,149,554)	(1,927,103)
Expenses not deductible for tax purposes	1,527,026	1,012,814	307,510	348,584
Effect of fair value gain subject to a lower tax rate	-	32,000	-	-
Effect of utilisation previously unrecognised unabsorbed capital allowance	(37,536)	-	-	-
Deferred tax assets not recognised on unutilised business loss	1,285,077	-	679,773	-
(Over)/Under provision in prior years				
- current tax	(246,781)	191,227	(20,981)	-
- deferred tax	781,449	(642,210)	102,931	(4,671)
Tax expense for the year	6,180,283	10,788,361	478,628	(14,851)

9. Earnings per share

(a) Basic earnings per share

The basic earnings per share of 2.27 sen (2017 : 8.15 sen) is calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the Company of RM4,458,047 (2017 : RM16,010,616) by the number of ordinary shares of 196,543,970 (2017 : 196,543,970).

(b) Diluted earnings per share

The Group has no potential ordinary shares in issue as at reporting date.

10. Dividends

	Group and Company	
	2018	2017
	RM	RM
In respect of financial year ended 31 December 2017:		
Final single tier dividend of 2.00 sen per share	3,930,879	-
In respect of financial year ended 31 December 2016:		
Final single tier dividend of 1.50 sen per share	-	2,948,160
Proposed but not recognised as liabilities as at 31 December 2018:		
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

At the forthcoming Annual General Meeting, a final single tier dividend of 1.50 sen per share in respect of the current financial year ended 31 December 2018 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 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 2019.

11. Property, plant and equipment

Group	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Bearer plant 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 2018												
Cost/Valuation												
At 1 January 2018 (FRS framework)	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
Cumulative effect of adopting MFRS	-	(37,856,997)	-	157,387,476	(66,181,494)	652,376	-	-	-	-	211,355	54,212,716
At 1 January 2018 (MFRS framework)	13,271,308	144,264,781	7,139,309	157,387,476	128,007,571	108,039,514	5,442,317	756,131	6,097,628	8,153,380	889,592	579,449,007
Additions	-	-	-	9,856,448	923,815	2,316,266	544,843	40,016	7,100	2,798,899	6,046,353	22,533,740
Disposals	-	-	-	-	-	-	-	-	-	(1,712,990)	-	(1,712,990)
Reclassification	-	-	-	(710,597)	328,999	1,835,342	-	-	-	-	(1,453,744)	-
Transfer	-	-	-	-	165,039	23,230	-	-	-	-	(188,269)	-
Write off	-	-	-	(704,326)	-	(148,101)	(37,087)	-	-	-	-	(889,514)
At 31 December 2018	13,271,308	144,264,781	7,139,309	165,829,001	129,425,424	112,066,251	5,950,073	796,147	6,104,728	9,239,289	5,293,932	599,380,243

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

Group (cont'd)	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Bearer plant 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
Accumulated depreciation												
At 1 January 2018 (FRS framework)	-	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
Cumulative effect of adopting MFRS	-	1,986,945	-	89,854,730	(3,547,462)	6,330,564	-	-	-	-	-	94,624,777
At 1 January 2018 (MFRS framework)	-	21,654,948	2,163,848	89,854,730	24,836,818	35,738,583	2,357,771	466,356	2,162,832	4,152,739	-	183,388,625
Charge for the year	-	1,990,805	125,313	6,294,297	3,967,643	6,976,115	582,476	47,216	292,780	810,961	-	21,087,606
Disposals	-	-	-	-	-	-	-	-	-	(1,358,026)	-	(1,358,026)
Write off	-	-	-	(622,610)	-	(146,345)	(27,293)	-	-	-	-	(796,248)
At 31 December 2018	-	23,645,753	2,289,161	95,526,417	28,804,461	42,568,353	2,912,954	513,572	2,455,612	3,605,674	-	202,321,957
Net carrying amount												
At 31 December 2018	13,271,308	120,619,028	4,850,148	70,302,584	100,620,963	69,497,898	3,037,119	282,575	3,649,116	5,633,615	5,293,932	397,058,286

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

	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Bearer plant 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
Group (cont'd)												
At 31 December 2017												
Cost/Valuation												
At 1 January 2017 (FRS framework)	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
Cumulative effect of adopting MFRS	-	(37,856,997)	-	158,365,331	(66,566,293)	652,376	-	-	-	-	115,632	54,710,049
At 1 January 2017 (MFRS framework)	12,763,647	144,281,509	7,139,309	158,365,331	125,696,184	90,595,606	4,553,797	637,966	6,042,251	7,709,356	11,852,941	569,637,897
Additions	507,661	-	-	4,981,302	1,326,449	1,747,279	439,068	36,020	55,377	912,350	8,310,269	18,315,775
Disposals	-	(16,728)	-	(117,715)	-	(1,339)	-	-	-	(468,326)	(1,485,075)	(2,089,183)
Reclassification	-	-	-	-	394,995	15,697,969	362,960	82,145	-	-	(16,538,069)	-
Transfer	-	-	-	-	599,072	-	87,291	-	-	-	(686,363)	-
Write off	-	-	-	(5,841,442)	(9,129)	(1)	(799)	-	-	-	(564,111)	(6,415,482)
At 31 December 2017	13,271,308	144,264,781	7,139,309	157,387,476	128,007,571	108,039,514	5,442,317	756,131	6,097,628	8,153,380	889,592	579,449,007

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

Group (cont'd)	Freehold land RM	Long term leasehold land RM	Short term leasehold land RM	Bearer plant 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
Accumulated depreciation												
At 1 January 2017 (FRS framework)	-	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
Cumulative effect of adopting MFRS	-	2,594,936	-	86,598,836	(2,530,794)	6,467,054	-	-	-	-	-	93,130,032
At 1 January 2017 (MFRS framework)	-	19,844,286	2,038,533	86,598,836	20,694,848	29,389,467	1,814,755	420,629	1,864,437	3,737,293	-	166,403,084
Charge for the year	-	1,814,155	125,315	6,985,571	4,210,189	6,335,249	507,230	37,512	298,395	798,785	-	21,112,401
Disposals	-	(3,493)	-	-	-	(713)	-	-	-	(383,339)	-	(387,545)
Reclassification	-	-	-	-	(59,091)	14,580	36,296	8,215	-	-	-	-
Write off	-	-	-	(3,729,677)	(9,128)	-	(510)	-	-	-	-	(3,739,315)
At 31 December 2017	-	21,654,948	2,163,848	89,854,730	24,836,818	35,738,583	2,357,771	466,356	2,162,832	4,152,739	-	183,388,625
Net carrying amount												
At 31 December 2017	13,271,308	122,609,833	4,975,461	67,532,746	103,170,753	72,300,931	3,084,546	289,775	3,934,796	4,000,641	889,592	396,060,382

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

*Buildings comprise:

	Leasehold property RM	Oil mill and other buildings RM	Plantation infrastructure development expenditure RM	Quarry RM	Total RM
Group					
At 31 December 2018					
Cost/Valuation					
At 1 January 2018 (FRS framework)	592,166	65,469,012	108,127,887	20,000,000	194,189,065
Cumulative effect of adopting MFRS	-	(4,652,319)	(56,161,196)	(5,367,979)	(66,181,494)
At 1 January 2018 (MFRS framework)	592,166	60,816,693	51,966,691	14,632,021	128,007,571
Additions	-	923,815	-	-	923,815
Reclassification	-	828,566	(499,567)	-	328,999
Transfer	-	165,039	-	-	165,039
At 31 December 2018	592,166	62,734,113	51,467,124	14,632,021	129,425,424
Accumulated depreciation					
At 1 January 2018 (FRS framework)	-	19,731,608	6,659,217	1,993,455	28,384,280
Cumulative effect of adopting MFRS	-	(48,100)	(4,031,394)	532,032	(3,547,462)
At 1 January 2018 (MFRS framework)	-	19,683,508	2,627,823	2,525,487	24,836,818
Charge for the year	-	3,280,029	687,614	-	3,967,643
At 31 December 2018	-	22,963,537	3,315,437	2,525,487	28,804,461
Net carrying amount					
At 31 December 2018	592,166	39,770,576	48,151,687	12,106,534	100,620,963

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

*Buildings comprise: (cont'd)

	Leasehold property RM	Oil mill and other buildings RM	Plantation infrastructure development expenditure RM	Quarry RM	Total RM
Group (cont'd)					
At 31 December 2017					
Cost/Valuation					
At 1 January 2017 (FRS framework)	592,166	64,117,579	107,552,732	20,000,000	192,262,477
Cumulative effect of adopting MFRS	-	(4,652,319)	(56,545,995)	(5,367,979)	(66,566,293)
At 1 January 2017 (MFRS framework)	592,166	59,465,260	51,006,737	14,632,021	125,696,184
Additions	-	941,650	384,799	-	1,326,449
Reclassification	-	(180,160)	575,155	-	394,995
Transfer	-	599,072	-	-	599,072
Write off	-	(9,129)	-	-	(9,129)
At 31 December 2017	592,166	60,816,693	51,966,691	14,632,021	128,007,571
Accumulated depreciation					
At 1 January 2017 (FRS framework)	-	15,946,710	5,285,477	1,993,455	23,225,642
Cumulative effect of adopting MFRS	-	209,726	(3,272,552)	532,032	(2,530,794)
At 1 January 2017 (MFRS framework)	-	16,156,436	2,012,925	2,525,487	20,694,848
Charge for the year	-	3,595,291	614,898	-	4,210,189
Reclassification	-	(59,091)	-	-	(59,091)
Write off	-	(9,128)	-	-	(9,128)
At 31 December 2017	-	19,683,508	2,627,823	2,525,487	24,836,818
Net carrying amount					
At 31 December 2017	592,166	41,133,185	49,338,868	12,106,534	103,170,753

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

	Freehold land RM	Long term leasehold land RM	Bearer plant 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
Company											
At 31 December 2018											
Cost											
At 1 January 2018 (FRS framework)	3,006,617	388,220	-	7,759,732	362,141	1,501,405	636,798	163,715	806,329	-	14,624,957
Cumulative effect of adopting MFRS	-	-	3,536,454	-	-	-	-	-	-	-	3,536,454
At 1 January 2018 (MFRS framework)	3,006,617	388,220	3,536,454	7,759,732	362,141	1,501,405	636,798	163,715	806,329	-	18,161,411
Additions	-	-	360,112	106,585	21,655	119,682	35,314	-	-	-	643,348
Disposal	-	-	-	-	-	-	-	-	(64,140)	-	(64,140)
Written off	-	-	(69,382)	-	-	-	-	-	-	-	(69,382)
At 31 December 2018	3,006,617	388,220	3,827,184	7,866,317	383,796	1,621,087	672,112	163,715	742,189	-	18,671,237

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

	Freehold land RM	Long term leasehold land RM	Bearer plant 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
Company (cont'd)											
Accumulated depreciation											
At 1 January 2018 (FRS framework)	-	-	-	2,996,520	67,772	623,621	420,195	138,103	411,606	-	4,657,817
Cumulative effect of adopting MFRS	-	-	544,287	-	-	-	-	-	-	-	544,287
At 1 January 2018 (MFRS framework)	-	-	544,287	2,996,520	67,772	623,621	420,195	138,103	411,606	-	5,202,104
Charge for the year	-	-	133,317	388,155	19,095	139,294	36,910	2,704	45,537	-	765,012
Disposal	-	-	-	-	-	-	-	-	(42,588)	-	(42,588)
Written off	-	-	(64,311)	-	-	-	-	-	-	-	(64,311)
At 31 December 2018	-	-	613,293	3,384,675	86,867	762,915	457,105	140,807	414,555	-	5,860,217
Net carrying amount											
At 31 December 2018	3,006,617	388,220	3,213,891	4,481,642	296,929	858,172	215,007	22,908	327,634	-	12,811,020

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

	Freehold land RM	Long term leasehold land RM	Bearer plant 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
Company (cont'd)											
At 31 December 2017											
Cost											
At 1 January 2017 (FRS framework)	3,006,617	388,220	-	7,217,646	185,791	1,015,803	522,833	163,715	941,329	236,638	13,678,592
Cumulative effect of adopting MFRS	-	-	3,340,288	-	-	-	-	-	-	-	3,340,288
At 1 January 2017 (MFRS framework)	3,006,617	388,220	3,340,288	7,217,646	185,791	1,015,803	522,833	163,715	941,329	236,638	17,018,880
Additions	-	-	196,166	533,919	30,550	35,351	31,820	-	-	449,725	1,277,531
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	3,536,454	7,759,732	362,141	1,501,405	636,798	163,715	806,329	-	18,161,411

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

Company (cont'd)	Freehold land RM	Long term leasehold land RM	Bearer plant 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
Accumulated depreciation											
At 1 January 2017 (FRS framework)	-	-	-	2,610,069	50,352	494,901	384,515	135,185	463,273	-	4,138,295
Cumulative effect of adopting MFRS	-	-	426,345	-	-	-	-	-	-	-	426,345
At 1 January 2017 (MFRS framework)	-	-	426,345	2,610,069	50,352	494,901	384,515	135,185	463,273	-	4,564,640
Charge for the year	-	-	117,942	445,542	2,840	92,424	27,465	2,918	48,333	-	737,464
Disposal	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)
Reclassification	-	-	-	(59,091)	14,580	36,296	8,215	-	-	-	-
At 31 December 2017	-	-	544,287	2,996,520	67,772	623,621	420,195	138,103	411,606	-	5,202,104
Net carrying amount											
At 31 December 2017	3,006,617	388,220	2,992,167	4,763,212	294,369	877,784	216,603	25,612	394,723	-	12,959,307

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

(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	
	2018 RM	2017 RM	2018 RM	2017 RM
Motor vehicles	3,899,032	1,249,672	277,453	306,415
Plant and machinery	2,595,067	1,889,554	-	-
	6,494,099	3,139,226	277,453	306,415

(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	
	2018 RM	2017 RM	2018 RM	2017 RM
Freehold land	3,006,617	3,006,617	3,006,617	3,006,617
Leasehold land	38,806,281	48,371,885	-	-
Bearer plant	43,897,013	46,678,201	3,149,580	2,992,167
Buildings	13,504,345	14,203,496	1,136,027	1,112,936
Plantation infrastructure development expenditure	36,299,934	36,501,620	-	-
Plant and machinery	35,376,017	36,833,842	139,765	133,843
Furniture and fittings	1,270,598	2,247,067	70,088	93,083
Office equipment	118,073	216,601	118,073	112,273
Electrical installation	22,908	25,613	22,908	25,612
Assets under construction	2,019,314	617,038	-	-
	174,321,100	188,701,980	7,643,058	7,476,531

12. Investment properties

	2018 RM	2017 RM
Group		
Fair value		
At 1 January	49,250,000	48,062,419
Gain from fair value adjustment recognised in profit or loss	-	1,187,581
At 31 December	49,250,000	49,250,000
Company		
Fair value		
At 1 January	1,250,000	1,200,000
Gain from fair value adjustment recognised in profit or loss	-	50,000
At 31 December	1,250,000	1,250,000

As at 31 December 2018 and 2017, the fair values of the properties are based on valuation performed by an accredited independent valuer.

The Group carried its investment properties at fair value with changes in fair value being recognised in the statement of profit or loss.

Fair value of the investment properties has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size and location. The most significant input into this valuation approach is price per square foot of comparable properties.

		Range	
		2018 %	2017 %
Valuation techniques	**Significant unobservable inputs**		
Market comparable approach	Difference in location, time, factor size, land, usage, shape and tenure	6 - 20	6 - 28

Highest and best use

For all investment properties that are measured at fair value, the current use of the respective property is considered the highest and best use.

12. Investment properties (cont'd)

Fair value information

Fair value of investment properties are categorised as follows:

	2018			
	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

	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

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 inputs 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.

12. Investment properties (cont'd)

Policy on transfer between levels (cont'd)

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	
	2018	**2017**
	RM	**RM**
Rental income	69,300	69,300
Direct operating expenses	(3,684)	(3,684)

13. Investments in subsidiary companies

	Company	
	2018	**2017**
	RM	**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	50,189,628	71,953,272

13. Investments in subsidiary companies (cont'd)

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

Subsidiary companies	Country of incorporation	Principal activities	% of ownership interest held by the Group* 2018	% of ownership interest held by the Group* 2017	% of ownership interest held by non-controlling interests* 2018	% of ownership interest held by non-controlling interests* 2017
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	-	-

13. Investments 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* 2018	% of ownership interest held by the Group* 2017	% of ownership interest held by non-controlling interests* 2018	% of ownership interest held by non-controlling interests* 2017
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

13. Investments 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* 2018	2017	% of ownership interest held by non-controlling interests* 2018	2017
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 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
*** Under striking off process

13. Investments in subsidiary companies (cont'd)

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

(i) Summarised consolidated statement of financial position

	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
Non-current assets	433,620,157	433,572,329	443,213,675
Current assets	83,150,419	94,102,044	86,472,816
Total assets	516,770,576	527,674,373	529,686,491
Current liabilities	79,398,976	89,339,680	97,537,322
Non-current liabilities	77,747,275	75,341,062	89,636,789
Total liabilities	157,146,251	164,680,742	187,174,111
Net assets	359,624,325	362,993,630	342,512,380
Equity attributable to owners of the Company	138,311,515	139,607,350	131,730,261
Non-controlling interests	221,312,810	223,386,280	210,782,119

(ii) Summarised consolidated statement of comprehensive income

	2018 RM	2017 RM
Revenue	240,617,781	274,133,846
Profit for the year	5,068,857	26,877,310
Profit attributable to owners of the Company	2,355,441	11,661,645
Profit attributable to the non-controlling interests	2,713,416	15,215,665
	5,068,857	26,877,310
Other comprehensive income attributable to owners of the Company	(97,030)	(41,298)
Other comprehensive income attributable to non-controlling interests	(313,128)	(119,263)
	(410,158)	(160,561)
Total comprehensive income	4,658,699	26,716,749
Total comprehensive income attributable to owners of the Company	2,258,411	11,620,347
Total comprehensive income attributable to non-controlling interests	2,400,288	15,096,402
	4,658,699	26,716,749

13. Investments in subsidiary companies (cont'd)

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

(iii) Summarised consolidated statement of cash flows

	2018 RM	2017 RM
Net cash generated from operating activities	18,621,870	47,974,000
Net cash used in investing activities	(9,887,149)	(15,566,000)
Net cash used in financing activities	(12,758,447)	(32,400,270)
Net (decrease)/increase in cash and cash equivalents	(4,023,726)	7,730
Net foreign exchange difference	(420,324)	(157,651)
Cash and cash equivalents at 1 January	19,215,079	19,365,000
Cash and cash equivalents at end of the year	14,771,029	19,215,079

14. Investment in securities

	2018		2017	
	Carrying amount RM	Market value of quoted investments RM	Carrying amount RM	Market value of quoted investments RM
Group				
Non-current				
Financial assets				
- Equity instruments (quoted in Malaysia)	184,339	184,339	178,589	178,589
- Equity instruments (unquoted), at cost	-	-	314,170	-
- Equity instruments (unquoted), at fair value	203,391	-	-	-
Held-to-maturity investment				
- 6% preference shares	-	-	66,528	-
	387,730		559,287	
Company				
Non-current				
Financial assets				-
- Equity instruments (quoted in Malaysia)	174,909	174,909	166,584	166,584
- Equity instruments (unquoted), at cost	-	-	311,984	-
- Equity instruments (unquoted), at fair value	50,000	-	-	-
Held-to-maturity investment				
- 6% preference shares	-	-	66,528	-
	224,909		545,096	

15. Land use rights

	Group 2018 RM	Group 2017 RM
Cost		
At 1 January (FRS framework)	13,900,000	13,900,000
Cumulative effect of adopting MFRS	(11,663,599)	(11,663,599)
At 1 January and 31 December (MFRS framework)	2,236,401	2,236,401
Accumulated amortisation		
At 1 January (FRS framework)	895,465	716,372
Cumulative effect of adopting MFRS	(597,388)	(446,236)
At 1 January and 31 December (MFRS framework)	298,077	270,136
Amortisation for the year	27,941	27,941
At 31 December	326,018	298,077
Net carrying amount	1,910,383	1,938,324
Amount to be amortised:		
- Not later than 1 year	27,941	27,941
- Later than 1 year but not later than 5 years	111,764	111,764
- Later than 5 years	1,770,678	1,798,619
	1,910,383	1,938,324

16. Trade and other receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current				
Trade receivables				
Third parties	8,977,084	18,646,966	132,550	188,417
Amount due from customer on service concession	9,782,883	8,045,828	-	-
	18,759,967	26,692,794	132,550	188,417
Less: Allowance for expected credit losses	(485,847)	(343,169)	-	-
	18,274,120	26,349,625	132,550	188,417
Other receivables				
Sundry receivables	2,409,308	1,866,351	195,315	62,370
Prepayments and deposits	5,297,135	4,786,688	91,602	77,772
Termination compensation receivable	-	695,276	-	-
Amounts owing by subsidiary companies	-	-	373,558	60,428
Goods and Services Tax receivables	13,119	261,405	-	-
	7,719,572	7,609,720	660,475	200,570
Less: Allowance for expected credit losses	(1,005,150)	(1,005,150)	-	-
	6,714,422	6,604,570	660,475	200,570
	24,988,542	32,954,195	793,025	388,987

16. Trade and other receivables (cont'd)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current				
Trade receivables				
Amount due from customer on service concession	140,835,609	142,917,529	-	-
Total trade and other receivables (current and non-current)	165,824,151	175,871,724	793,025	388,987
Less: Prepayments and non-refundable deposits	(3,004,977)	(3,282,233)	(91,602)	(77,772)
Less: Goods and Services Tax receivables	(13,119)	(261,405)	-	-
	162,806,055	172,328,086	701,423	311,215
Short term investments (Note 20)	14,421,004	17,605,759	56,488	54,963
Fixed deposits with licensed banks (Note 21)	9,192,962	9,878,973	379,690	369,515
Cash and bank balances (Note 21)	14,199,198	17,631,835	326,840	724,273
Total financial assets measured at amortised cost	200,619,219	217,444,653	1,464,441	1,459,966

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 of the Company is an amount owing from a subsidiary company amounting to RM105,828 (2017 : RM183,735).

Trade receivables are non-interest bearing and generally on 7 to 30-day (2017 : 7 to 30-day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

16. Trade and other receivables (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the trade receivables is as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Neither past due nor impaired	158,974,469	169,214,214	132,550	188,417
1 to 30 days past due not impaired	51,354	-	-	-
31 to 60 days past due not impaired	37,433	52,940	-	-
61 to 90 days past due not impaired	43,896	-	-	-
More than 91 days past due not impaired	2,577	-	-	-
	135,260	52,940	-	-
Impaired	485,847	343,169	-	-
	159,595,576	169,610,323	132,550	188,417

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.

(a) Trade receivables

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM135,260 (2017 : RM52,940) that are past due at the reporting date but not impaired.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Group 2018 RM	Group 2017 RM
At 1 January (FRS framework)	343,169	343,169
Effect of adopting MFRS	327,204	-
At 1 January (MFRS framework)	670,373	343,169
Reversal of expected credit losses	(184,526)	-
At 31 December	485,847	343,169

16. Trade and other receivables (cont'd)

(b) Other receivables

These amounts are unsecured and are repayable upon demand.

The interest bearing advances are subject to interest charge based on recovery of borrowing cost incurred by the Company.

Other receivables that are impaired

	Group	
	2018	**2017**
	RM	**RM**
Other receivables		
At 1 January	1,005,150	8,390,488
Charge for the year	-	30,487
Written off	-	(7,415,825)
At 31 December	1,005,150	1,005,150

(c) Termination compensation receivable

On 8 December 2015, two subsidiary companies of CGB, Mistral Engineering Sdn. Bhd. ("MESB") and Cash Horse Sdn. Bhd. ("CHSB"), had 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 into with NE on 11 October 2010, including the respective Supplemental Agreement entered into 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 has received termination compensation totalling RM2,000,011 from NE in three payments within two years from 2017.

(d) Trade receivable - Operating financial assets

A subsidiary of the Company of the CGB, Cash Horse (M) Sdn. Bhd. ("CHSB"), and Sabah Electricity Sdn. Bhd. ("SESB") had entered into the 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.

Subsequently on 1 January 2015, CHSB had entered into FiT-REPPA with SESB to design, construct, own and maintain a new the facility and to sell and deliver electrical energy to SESB under the Feed-In Tariff Programme in which the REPPA entered into previously had been terminated by a Settlement Agreement. The construction of the new facility commenced in 2012 and was completed and available for use in 2014. Under the terms of the new agreement, CHSB will operate for a period of 16 years starting from 1 January 2015 and CHSB will be responsible for any maintenance service required during the concession period.

16. Trade and other receivables (cont'd)

(d) Trade receivable - Operating financial assets (cont'd)

On 1 April 2015, another subsidiary company of CGB, Mistral Engineering Sdn. Bhd. ("MESB") had also entered into FiT-REPPA with SESB to design, construct, own and maintain another facility and to sell and deliver electrical energy to SESB under the Feed-In Tariff Programme. The construction of this facility commenced in 2014 and was completed on 14 February 2018. Under the terms of the agreement, MESB will operate for a period of 16 years starting from 15 February 2018 and MESB will be responsible for any maintenance service required during the concession period.

For the financial year ended 31 December 2018, CHSB has recognised revenue of RM7.1 million (2017 : RM10.24 million) on the operation of the facility in the form of supply of electricity. The revenue recognised in relation to the construction in 2014 represented the fair value of the construction services provided in constructing the facility. CHSB has recognised an operating financial asset, measured initially at the fair value of the construction services discounted at a rate of 4.6%.

For the financial year ended 31 December 2018, MESB has recognised revenue of RM8.2 million (2017 : RM4.41 million) consisting of RM6.3 million (2017 : RM1.07 million) on construction of the facility and RM1.9 million (2017 : RM3.34 million) on the operation of the facility in the form of supply of electricity. The revenue recognised in relation to the construction in 2018 represents the fair value of the construction services provided in constructing the facility. CHSB has recognised an operating financial asset, measured initially at the fair value of the construction services discounted at a rate of 5.45%.

17. Goodwill on consolidation

	Group 2018 RM	Group 2017 RM
At cost		
At 1 January (FRS framework)	109,017,339	109,017,339
Cumulative effect of adopting MFRS	(65,150,221)	(65,150,221)
At 1 January and 31 December (MFRS framework)	43,867,118	43,867,118

Impairment testing of goodwill

Goodwill which arose from business combinations has been allocated to cash-generating units ("CGU") of the plantation segment for impairment testing.

The recoverable amount of the above CGU has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period based on the following assumptions:

	Group 2018
Crude Palm Oil ("CPO") per MT (RM)	2,300 - 2,375
Palm Kernel ("PK") per MT (RM)	1,800
Discount rates	10.12% - 10.50%
Growth rate	0.5% - 1%

(i) CPO and PK prices used for cash flows discounting purpose are based on the current market outlook of product prices relating to the CGU.

(ii) Discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital.

(iii) Growth rate for the plantation segment is determined based on the management's estimate of commodity prices, palm yields, oil extraction rates and also cost of productions based on the industry trends and past performances of the segment.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the plantation segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU, including the goodwill to materially exceed their recoverable amounts.

18. Inventories

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At cost				
Crude palm oil	5,955,137	6,770,711	-	-
Palm kernel	889,006	1,947,953	-	-
Quarry stocks	14,957,502	15,979,208	-	-
Nursery seedlings, stores and materials	8,889,364	6,688,219	155,111	102,617
	30,691,009	31,386,091	155,111	102,617

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM24,719,377 (2017 : RM21,051,925).

There were no inventories stated at net realisable value as at 31 December 2018 and 31 December 2017.

19. Biological assets

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At fair value 1 January	3,114,082	4,865,771	129,347	212,135
Fair value changes	(1,727,976)	(1,751,689)	(55,847)	(82,788)
At 31 December	1,386,106	3,114,082	73,500	129,347

The biological assets of the Group and the Company comprise of oil palm fresh fruit bunches ("FFB") prior to harvest. The valuation model to be adopted by the Group and the Company considers the present value of the net cash flows expected to be generated from the sale of FFB.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 6 weeks to harvest to be negligible, therefore the quantity of unripe FFB on bearer plants of up to 6 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 17% for FFB that are 5 to 6 weeks prior to harvest, 50% for FFB that are 3 to 4 weeks prior to harvest and 83% for FFB that are 1 to 2 weeks prior to harvest, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from tests. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

The change in fair value of the biological assets in each accounting period is recognised in profit or loss.

The Group's and the Company's biological assets were fair valued within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

20. Short term investments

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Short term investments	14,421,004	17,605,759	56,488	54,963

Short term funds are investments in income trust funds in Malaysia. The trust funds invest in highly liquid assets which are readily convertible to known amounts of cash with insignificant changes in value.

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

	Group 2018 % per annum	Group 2017 % per annum	Company 2018 % per annum	Company 2017 % per annum
Short term investments	2.40 - 3.72	2.68 - 3.39	2.86	2.68

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

	Group 2018 Days	Group 2017 Days	Company 2018 Days	Company 2017 Days
Short term investments	1	1	1	1

The short term investments were fair valued within Level 1 of the fair value hierarchy.

21. Cash and cash equivalents

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed banks	9,192,962	9,878,973	379,690	369,515
Cash and bank balances	14,199,198	17,631,835	326,840	724,273
	23,392,160	27,510,808	706,530	1,093,788
Fixed deposits pledged	(3,227,036)	(2,942,549)	(379,690)	(369,515)
	20,165,124	24,568,259	326,840	724,273

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

	Group		Company	
	2018 % per annum	2017 % per annum	2018 % per annum	2017 % per annum
Fixed deposits with licensed banks	3.04 - 3.15	2.95 - 3.03	3.15	2.95

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

	Group		Company	
	2018 Days	2017 Days	2018 Days	2017 Days
Fixed deposits with licensed banks	30 - 365	30 - 365	30 - 31	30 - 31

Group

Fixed deposits with licensed banks of RM3,227,036 (2017 : RM2,942,549) are pledged as securities for banking facilities granted to the Group. These fixed deposits include fixed deposits amounting to RM379,690 (2017 : RM369,515), which are registered in the names of two of the Company's directors and held in trust for the Company.

Company

Fixed deposits with licensed banks of RM379,690 (2017 : RM369,515) which are registered in the names 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	
	2018	2017	2018 RM	2017 RM
Issued and fully paid	196,543,970	196,543,970	196,543,970	196,543,970

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.

23. Reserves

	2018 RM	2017 RM
Group		
Distributable		
- Capital reserve	8,169	8,169
- Retained profits	77,313,239	76,798,788
	77,321,408	76,806,957
Non-distributable		
- Capital reserve	5,736,883	5,736,883
- Other reserve	(32,099,847)	(32,099,847)
- Revaluation reserve	789,026	789,026
- Fair value adjustment reserve	45,088	172,556
- Foreign currency translation reserve	(289,423)	(37,135)
	(25,818,273)	(25,438,517)
	51,503,135	51,368,440
Company		
Distributable		
- Retained profits	11,237,170	9,166,652
Non-distributable		
- Fair value adjustment reserve	(60,167)	125,748
	11,177,003	9,292,400

23. Reserves (cont'd)

Distributable reserves

The Company may distribute dividends out of its entire distributable reserves as at 31 December 2018 and 31 December 2017 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.

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of equity instrument (unquoted) 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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Future minimum hire purchase payments:				
- within one year	1,153,924	545,075	41,664	50,928
- within one to two years	1,032,359	333,004	25,054	41,664
- within two and not later than five years	1,734,639	232,760	9,752	34,806
	3,920,922	1,110,839	76,470	127,398
Finance charges on hire purchase	(386,354)	(78,574)	(4,963)	(10,814)
Present value of hire purchase liabilities	3,534,568	1,032,265	71,507	116,584
Analysis of present value of hire purchase liabilities:				
- within one year	1,000,195	498,586	38,267	45,077
- within one to two years	933,313	319,171	23,641	38,267
- within two and not later than five years	1,601,060	214,508	9,599	33,240
	3,534,568	1,032,265	71,507	116,584
Less: Amounts due within 12 months	(1,000,195)	(498,586)	(38,267)	(45,077)
Amounts due after 12 months	2,534,373	533,679	33,240	71,507

The hire purchase payables of the Group and the Company bear effective fixed interest rates of 2.46% to 4.16% (2017 : 2.48% to 5.95%) and 2.48% to 3.77% (2017 : 2.48% to 3.77%) per annum respectively.

25. Borrowings

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Short 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.	11,500,008	8,000,008	-	-
- Loan at COF + 1.125% p.a.	4,170	1,924,745	-	-
- Loan at COF + 1.50% p.a.	10,975,000	9,950,000	-	-
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.	10,050,000	16,800,000	-	-
- RC at COF + 1.125% p.a.	16,000,000	16,000,000	-	-
- RC at COF + 1.50% p.a.	9,500,000	9,500,000	-	-
Unsecured:				
Short term revolving credit				
- RC at COF + 1.50% p.a.	1,100,000	1,100,000	1,100,000	1,100,000
	75,629,178	81,624,753	15,100,000	16,950,000
Long term borrowings				
Secured:				
Term loans				
- Loan at COF + 1.10% p.a.	44,513,129	37,504,137	-	-
- Loan at COF + 1.50% p.a.	17,000,000	27,975,000	-	-
	61,513,129	65,479,137	-	-
Total borrowings				
Secured:				
Term loans	83,992,307	87,203,890	-	1,850,000
Short term revolving credit	52,050,000	58,800,000	14,000,000	14,000,000
Unsecured:				
Short term revolving credit	1,100,000	1,100,000	1,100,000	1,100,000
	137,142,307	147,103,890	15,100,000	16,950,000
Maturity of borrowings:				
Within 1 year	75,629,178	81,624,753	15,100,000	16,950,000
More than 1 year and less than 2 years	22,750,008	17,704,312	-	-
More than 2 years and less than 5 years	31,146,212	36,124,825	-	-
5 years and more	7,616,909	11,650,000	-	-
	137,142,307	147,103,890	15,100,000	16,950,000

25. Borrowings (cont'd)

Loan at Cost of Finance ("COF") + 1.00% p.a.

This loan was 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 + 1.50% 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 a 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 + 1.50% 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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
At 1 January	43,149,585	164,767,316	87,640	(320,724)
Cumulative effect of adopting MFRS	-	(123,557,950)	-	444,197
Effect of adopting MFRS 9	(78,521)	-	-	-
	43,071,064	41,209,366	87,640	123,473
Recognised in profit or loss (Note 8)	3,066,316	1,940,219	499,609	(35,833)
At 31 December	46,137,380	43,149,585	587,249	87,640
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	49,168,856	46,488,464	587,249	87,640
Deferred tax assets	(3,031,476)	(3,338,879)	-	-
	46,137,380	43,149,585	587,249	87,640

26. Deferred tax liabilities (cont'd)

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 1.1.2017 (FRS framework) RM	Cumulative effect of adopting MFRS RM	At 1.1.2017 (MFRS framework) RM	Recognised in profit or loss RM	At 31.12.2017 RM	Effect of adopting MFRS 9 RM	Recognised in profit or loss RM	At 31.12.2018 RM
Property, plant and equipment	74,834,754	(16,719,500)	58,115,254	2,300,928	60,416,182	-	985,393	61,401,575
Bearer plant	107,520,584	(107,520,584)	-	-	-	-	-	-
Biological assets	-	684,481	684,481	(152,469)	532,012	-	(290,985)	241,027
Revaluation of leasehold land and buildings	857,683	(2,339)	855,344	(38,735)	816,609	-	(38,734)	777,875
Fair value changes to investment properties	1,187,860	-	1,187,860	32,000	1,219,860	-	2,500	1,222,360
Amount due from customer on service concession	20,746,876	(11,720)	20,735,156	1,955,500	22,690,656	-	1,348,850	24,039,506
Total	205,147,757	(123,569,662)	81,578,095	4,097,224	85,675,319	-	2,007,024	87,682,343

26. Deferred tax liabilities (cont'd)

Deferred tax assets of the Group:

	At 1.1.2017 (FRS framework) RM	Cumulative effect of adopting MFRS RM	At 1.1.2017 (MFRS framework) RM	Recognised in profit or loss RM	At 31.12.2017 RM	Effect of adopting MFRS 9 RM	Recognised in profit or loss RM	At 31.12.2018 RM
Unabsorbed business losses	(7,843,075)	(9)	(7,843,084)	441,159	(7,401,925)	-	233,266	(7,168,659)
Unabsorbed capital and agriculture allowances	(28,651,716)	11,721	(28,639,995)	(2,778,654)	(31,418,649)	-	(1,448,379)	(32,867,028)
Unabsorbed reinvestment and investment tax allowances	(3,140,539)	-	(3,140,539)	328,366	(2,812,173)	-	1,793,431	(1,018,742)
Others	(745,111)	-	(745,111)	(147,876)	(892,987)	(78,521)	480,974	(490,534)
Total	(40,380,441)	11,712	(40,368,729)	(2,157,005)	(42,525,734)	(78,521)	1,059,292	(41,544,963)

26. Deferred tax liabilities (cont'd)

Deferred tax liabilities of the Company:

	At 1.1.2017 (FRS framework) RM	Cumulative effect of adopting MFRS RM	At 1.1.2017 (MFRS framework) RM	Recognised in profit or loss RM	At 31.12.2017 RM	Recognised in profit or loss RM	At 31.12.2018 RM
Property, plant and equipment	404,856	578,649	983,505	181,068	1,164,573	95,319	1,259,892
Bearer plant	134,452	(134,452)	-	-	-	-	-
Revaluation of leasehold land and buildings	15,529	-	15,529	-	15,529	-	15,529
Fair value changes to investment property	29,958	-	29,958	-	29,958	2,500	32,458
Total	584,795	444,197	1,028,992	181,068	1,210,060	97,819	1,307,879

Deferred tax assets of the Company:

	At 1.1.2017 (FRS framework) RM	Cumulative effect of adopting MFRS RM	At 1.1.2017 (MFRS framework) RM	Recognised in profit or loss RM	At 31.12.2017 RM	Recognised in profit or loss RM	At 31.12.2018 RM
Unabsorbed business losses	(484,168)	-	(484,168)	(9,584)	(493,752)	493,752	-
Unabsorbed capital and agriculture allowances	(421,351)	-	(421,351)	(207,317)	(628,668)	(91,962)	(720,630)
Total	(905,519)	-	(905,519)	(216,901)	(1,122,420)	401,790	(720,630)

26. Deferred tax liabilities (cont'd)

The amount of temporary differences for which no deferred tax assets have been recognised are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unabsorbed capital allowances	592,302	748,701	-	-
Unutilised tax losses	5,354,484	-	2,832,388	-
	5,946,786	748,701	2,832,388	-
Potential tax assets not recognised at 24%	1,427,229	179,688	679,773	-

Deferred tax assets had not been recognised in respect of these items as it may not be probable that future taxable profits will be available against which the assets can be utilised.

27. Lease rental payable

This represents sublease rental for 107 parcels of leasehold land of certain subsidiary companies which are payable over the remaining lease term of 49 years commencing in the year 2049.

28. Payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables	11,264,107	15,536,951	-	-
Other payables	7,665,365	7,464,449	517,125	1,010,389
Accruals and deposits	10,510,008	13,330,768	309,187	611,561
Amounts owing to subsidiary companies	-	-	832,446	959,860
Goods and Services Tax payable	6,214	702,203	6,214	4,838
	29,445,694	37,034,371	1,664,972	2,586,648

28. Payables (cont'd)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Total trade and other payables	29,445,694	37,034,371	1,664,972	2,586,648
Less: Goods and Services Tax payable	(6,214)	(702,203)	(6,214)	(4,838)
	29,439,480	36,332,168	1,658,758	2,581,810
Hire purchase payables (Note 24)	3,534,568	1,032,265	71,507	116,584
Borrowings (Note 25)	137,142,307	147,103,890	15,100,000	16,950,000
Lease rental payable	267,050	267,050	-	-
Total financial liabilities carried at amortised cost	170,383,405	184,735,373	16,830,265	19,648,394

Group

(a) Trade payables are non-interest bearing and are normally settled on 30 to 90-day 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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Staff costs				
Salaries, wages, bonus, overtime, allowances, annual leave pay and other related expenses	39,635,386	32,901,698	2,434,204	2,825,585
Employees Provident Fund contributions	2,185,185	2,009,755	216,466	253,518
	41,820,571	34,911,453	2,650,670	3,079,103

Included in staff costs of the Group and of the Company are remuneration of directors of the Company amounting to RM3,484,238 (2017 : RM3,519,718) and RM796,744 (2017 : RM878,888) 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							
2018							
Executive:							
Dato' Seri Mah King Seng	1,126,080	-	263,783	40,000	166,806	-	1,596,669
Tan Sri Dr Mah King Thian	1,126,080	-	263,783	40,000	166,796	23,950	1,620,609
Directors of subsidiary companies	1,126,080	-	263,783	40,000	40,986	-	1,470,849
	3,378,240	-	791,349	120,000	374,588	23,950	4,688,127
Non-executive:							
Chan Kam Leong	-	55,000	-	46,000	-	-	101,000
Heng Beng Fatt	-	-	-	45,000	-	-	45,000
Wan Salmah Binti Wan Abdullah	-	-	-	45,000	-	-	45,000
Directors of subsidiary companies	-	110,000	-	12,000	-	-	122,000
	-	165,000	-	148,000	-	-	313,000
Alternate director:							
Mah Li-Na	81,600	-	13,600	-	10,608	-	105,808
Total directors' remuneration	3,459,840	165,000	804,949	268,000	385,196	23,950	5,106,935

30. Directors' emoluments (cont'd)

	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
Directors of subsidiary companies	1,126,080	-	322,920	40,000	39,749	-	1,528,749
	3,378,240	-	968,760	100,000	387,517	23,950	4,858,467
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
Directors of subsidiary companies	-	106,000	-	12,000	-	-	118,000
	-	159,000	-	149,000	-	-	308,000
Total directors' remuneration	3,378,240	159,000	968,760	249,000	387,517	23,950	5,166,467

30. Directors' emoluments (cont'd)

	Salaries and other emoluments RM	Fees RM	Bonus RM	Allowance RM	Defined contribution plan RM	Benefit-in-kind RM	Total RM
Company							
2018							
Executive:							
Tan Sri Dr Mah King Thian	496,800	-	93,150	-	70,794	-	660,744
Non-executive:							
Chan Kam Leong	-	-	-	46,000	-	-	46,000
Wan Salmah Binti Wan Abdullah	-	-	-	45,000	-	-	45,000
Heng Beng Fatt	-	-	-	45,000	-	-	45,000
	-	-	-	136,000	-	-	136,000
Total directors' remuneration	496,800	-	93,150	136,000	70,794	-	796,744
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

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	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM		2018 RM	2017 RM
Revenue:													
External customers	15,735,919	28,177,801	299,998,247	334,565,693	25,986,256	26,070,115	1,726,470	1,470,721	-	-		343,446,892	390,284,330
Inter-segment	51,629,690	67,670,165	-	-	-	-	4,063,600	3,325,245	(55,693,290)	(70,995,410)	A	-	-
Total revenue	67,365,609	95,847,966	299,998,247	334,565,693	25,986,256	26,070,115	5,790,070	4,795,966	(55,693,290)	(70,995,410)		343,446,892	390,284,330
Results:													
Interest income	547,022	552,516	2,726,545	2,603,496	7,537,727	7,692,713	5,180,871	4,574,611	(7,798,522)	(6,976,817)		8,193,643	8,446,519
Depreciation and amortisation	7,829,767	7,992,735	5,840,884	5,615,489	954,341	780,206	718,724	956,960	5,771,831	5,794,952		21,115,547	21,140,342
Segment profit	9,719,754	38,267,462	12,316,957	11,809,483	5,943,443	11,592,300	3,740,263	10,650,606	(19,072,061)	(27,975,278)	B	12,648,356	44,344,573

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:

	2018 RM	2017 RM
Group		
Transactions with non-group enterprise:		
Rental of premises	(44,000)	(52,000)
Sale of fertilisers	22,209	-
Transactions with substantial shareholders:		
Rental of premises	(42,000)	-
Company		
Transactions with subsidiary companies:		
Rental income of equipment	21,473	48,969
Rental expenses of equipment	(27,201)	(57,166)
Sale of fresh fruit bunches	3,319,498	4,218,880
Sale of motor vehicles	-	19,000
Purchase of fertilisers	75,238	13,419
Non-group enterprise:		
Rental of premises	(44,000)	(52,000)
Transactions with substantial shareholders:		
Rental of premises	(42,000)	-

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 interests in the enterprise.

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 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		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries and other emoluments	2,287,137	2,345,319	219,821	375,775
Employees Provident Fund contributions	212,996	222,768	26,520	36,636
Total key management personnel's remuneration	2,500,133	2,568,087	246,341	412,411

33. Commitments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(a) Capital commitments Property, plant and equipment				
- Approved and contracted for	1,744,657	7,382,671	-	-
- Approved but not contracted for	9,473,998	5,068,327	-	-
(b) Service concession facilities commitment Property, plant and equipment				
- Approved and contracted for	2,603,295	1,735,848	-	-
- Approved but not contracted for	256,000	-	-	-

(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 (2017 : 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 16.

Credit risk concentration profile

At the reporting date, approximately 53% of the Group's trade receivables were due from 5 major customers.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

34. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 16. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables for the quarry segment using a provision matrix:

	Trade receivables					
		Days past due				
	Current RM	31 - 60 days RM	61 - 90 days RM	91 - 120 days RM	More than 121 days RM	Total RM
31 December 2018						
Expected credit loss rate	**1%**	**3%**	**4%**	**6%**	**93%**	
Estimated total gross carrying amount at default	285,509	51,354	37,433	43,896	511,537	929,729
Expected credit loss	2,855	1,541	1,497	2,634	477,320	485,847
31 December 2017						
Expected credit loss rate	**1%**	**3%**	**4%**	**6%**	**97%**	
Estimated total gross carrying amount at default	635,016	34,711	31,655	2,573	677,817	1,381,772
Expected credit loss	6,350	1,041	1,266	154	661,562	670,373

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 their 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 20, 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 (2017 : RM6 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 their working capital requirements.

34. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

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.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 December 2018				
Group				
Financial liabilities:				
Borrowings	80,595,316	65,672,264	-	146,267,580
Hire purchase payables	1,153,924	2,766,988	-	3,920,922
Payables	29,439,480	-	-	29,439,480
Total undiscounted financial liabilities	111,188,720	68,439,262	-	179,627,982
Company				
Financial liabilities:				
Borrowings	15,901,810	-	-	15,901,810
Hire purchase payables	41,664	34,806	-	76,470
Payables	1,658,758	-	-	1,658,758
Total undiscounted financial liabilities	17,602,232	34,806	-	17,637,038

34. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 December 2017				
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

(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 RM1,398,596 higher/lower.

34. Financial risk management objectives and policies (cont'd)

(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 financial assets carried at fair value through other comprehensive income.

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

	2018		2017	
	Carrying amount RM	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Group				
Financial assets:				
Investment securities (non-current) (Note 14)				
- Unquoted investment at cost	-	-	314,170	*
- Held-to-maturity investment				
- 6% preference shares	-	-	66,528	**
Company				
Financial assets:				
Investment securities (non-current) (Note 14)				
- Unquoted investment at cost	-	-	311,984	*
- Held-to-maturity investment				
- 6% preference shares	-	-	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

Fair value information in previous year has not been disclosed for the Group's and the Company's investments in equity instruments that were carried at cost because fair value could not be measured reliably. These equity instruments were not quoted on any market and did not have any comparable industry peer that was listed. The Group and the Company did not intend to dispose of these investments in the foreseeable future.

** Investment held-to-maturity

Fair value information in previous year had not been disclosed for the Group's and the Company's held-to-maturity investment that were carried at cost because fair value could not be measured reliably. This held-to-maturity investment was not quoted on any market and did not have any comparable industry peer that was listed. The Group and the Company had 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)	16
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.

Unquoted equity instruments

The fair value of unquoted equity instruments is determined by reference to selling price of the unquoted shares 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 2018				
Group				
Financial assets:				
Investment in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	184,339	-	-	184,339
- Equity instruments (unquoted in Malaysia)	-	-	203,391	203,391
Trade and other receivables (Note 16)				
- Amount due from customer on service concession	-	-	140,835,609	140,835,609

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 2018				
Company				
Financial assets:				
Investment in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	174,909	-	-	174,909
- Equity instruments (unquoted in Malaysia)	-	-	50,000	50,000
At 31 December 2017				
Group				
Financial assets:				
Investment in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	178,589	-	-	178,589
Trade and other receivables (Note 16)				
- Amount due from customer on service concession	-	-	142,917,529	142,917,529
At 31 December 2017				
Company				
Financial assets:				
Investment in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	166,584	-	-	166,584

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 2018 and 31 December 2017.

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 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 had 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 Court of Appeal. The appeal was then fixed for hearing on 18 July 2018. The record of appeal has recently been perfected by the Defendant and the said appeal is presently tentatively fixed for hearing on 19 March 2019. On 19 March 2019, the Court of Appeal has dismissed BESB's appeal with costs of RM10,000 to SBSB subject to allocatur fee (appealing fee) of 4% of the costs.

(ii) On 14 June 2016, a wholly-owned subsidiary of CGB, 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 had been granted 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.

The Plaintiff has now, on his behalf and the other 32 previous owners, alleged that the transfer of the said lands to the 1st Defendant were through forged documents and therefore the said transfer are null and void and thus, the sublease to SBSB is likewise null and void.

36. Contingent liabilities (unsecured) (cont'd)

(ii) The Board of Directors of CGB is of the view that the suit will have no immediate material financial and operational impact on the Group. SBSB expects that pursuant to the facts of the case, the documents presently available and on the advice of its solicitors, SBSB has a good defence against the Plaintiff's claim. SBSB had filed its 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 the 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 was then fixed for hearing on 13 April 2018. The Company has on 23 April 2018 filed the appeal to the Federal Court. The leave to appeal will be fixed for hearing by the Federal Court in due course.

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 2018 and 31 December 2017.

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Hire purchase payables (Note 24)	3,534,568	1,032,265	71,507	116,584
Borrowings (Note 25)	137,142,307	147,103,890	15,100,000	16,950,000
Payables (Note 28)	29,445,694	37,034,371	1,664,972	2,586,648
Less: Cash and bank balances (Note 21)	(23,392,160)	(27,510,808)	(706,530)	(1,093,788)
Less: Short term investments (Note 20)	(14,421,004)	(17,605,759)	(56,488)	(54,963)
Net debt	132,309,405	140,053,959	16,073,461	18,504,481
Capital:				
Equity attributable to owners of the parent	248,047,105	247,912,410	207,720,973	205,836,370
Capital and net debt	380,356,510	387,966,369	223,794,434	224,340,851
Gearing ratio	35%	36%	7%	8%

38. Subsequent event

On 29 January 2019, a wholly-owned subsidiary of the Company, Anson Oil Industries Sdn. Bhd. has entered into a Sale and Purchase Agreement with Anson Oil Properties Sdn. Bhd., a person connected to certain Directors of the Company, and Chong Sang Onn Sdn. Bhd. to acquire a one and half storey semi-detached industry building for a total consideration of RM658,000. The acquisition has yet to be completed as at the date of financial statements were authorised for issued.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019.

MHC Plantations Bhd
4060-V
(Incorporated in Malaysia)

Statement of Shareholdings
as at 8 March 2019

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	481	11.65	21,019	0.01
100 - 1,000	243	5.89	125,911	0.06
1,001 - 10,000	2,081	50.43	10,471,448	5.33
10,001 - 100,000	1,182	28.64	33,693,558	17.14
100,001 - 9,827,197 (*)	135	3.27	62,469,014	31.78
9,827,198 and above (**)	1	0.02	89,188,024	45.38
Directors' Shareholdings	4	0.10	574,996	0.29
TOTAL	4,127	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 8 MARCH 2019

	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	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tee Kim Tee @ Tee Ching Tee*	1,907,600	0.97
8	Ooi Ah Thin	1,905,888	0.97
9	Syarikat Majuperak Berhad	1,653,866	0.84
10	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yap Qwee Beng*	1,401,500	0.71
11	Ngoi Eva	1,211,400	0.62
12	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chin Kiam Hsung*	1,106,832	0.56
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*	940,000	0.48
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*	667,600	0.34
18	Leong Siew Mun	608,500	0.31
19	TLK Capital Sdn. Bhd.	600,000	0.31

Statement of Shareholdings
as at 8 March 2019 (cont'd)

THIRTY LARGEST REGISTERED HOLDERS AS AT 8 MARCH 2019

	Name of Holder	Holdings	% of Issued Capital
20	Yeoh Kim Leng	513,800	0.26
21	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Chee Boon*	513,200	0.26
22	Gan Keng Wah	500,000	0.25
23	Lim Cheng Hai	500,000	0.25
24	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Heng Chew*	466,666	0.24
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	Gan Poh Tian	400,000	0.20
29	The Spastic Children's Association of Selangor and The FT	400,000	0.20
30	Lim Miau Chin	383,800	0.20

SUBSTANTIAL SHAREHOLDERS AS AT 8 MARCH 2019

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	90,189,024 *	45.89	90,527,972	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, Menjelang Citarasa Sdn Bhd and his daughter, Mah Li-Na.

** 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 8 MARCH 2019

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	90,189,024*	45.89	90,527,972	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	141,800	0.07	708,294***	0.36	850,094	0.43
Wan Salmah Binti Wan Abdullah	-	-	-	-	-	-
Heng Beng Fatt	-	-	-	-	-	-
Mah Li-Na (Alternate Director to Dato' Seri Mah King Seng)	1,000	0.00	-	-	-	-
Dr Jordina Mah Siu Yi (Alternate Director to Tan Sri Dr Mah King Thian)	-	-	-	-	-	-

Notes:-

* Deemed interest by virtue of his shareholdings in Dato' Mah Pooi Soo Realty Sdn Bhd, Menjelang Citarasa Sdn Bhd and his daughter, Mah Li-Na.

** 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-Ninth (59th) Annual General Meeting ("59th AGM" and/or "AGM") of the Company to be held on 10 May 2019 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 Dato' Seri Mah King Seng as Director.		
4	The re-election of Heng Beng Fatt 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.		
Special Resolution	Proposed Adoption of new Constitution of the Company.		

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 2019 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 but the proportion of holdings to be represented by each proxy must be specified.
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.

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(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)

Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1,
35900 Tanjung Malim, Perak Darul Ridzuan.
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