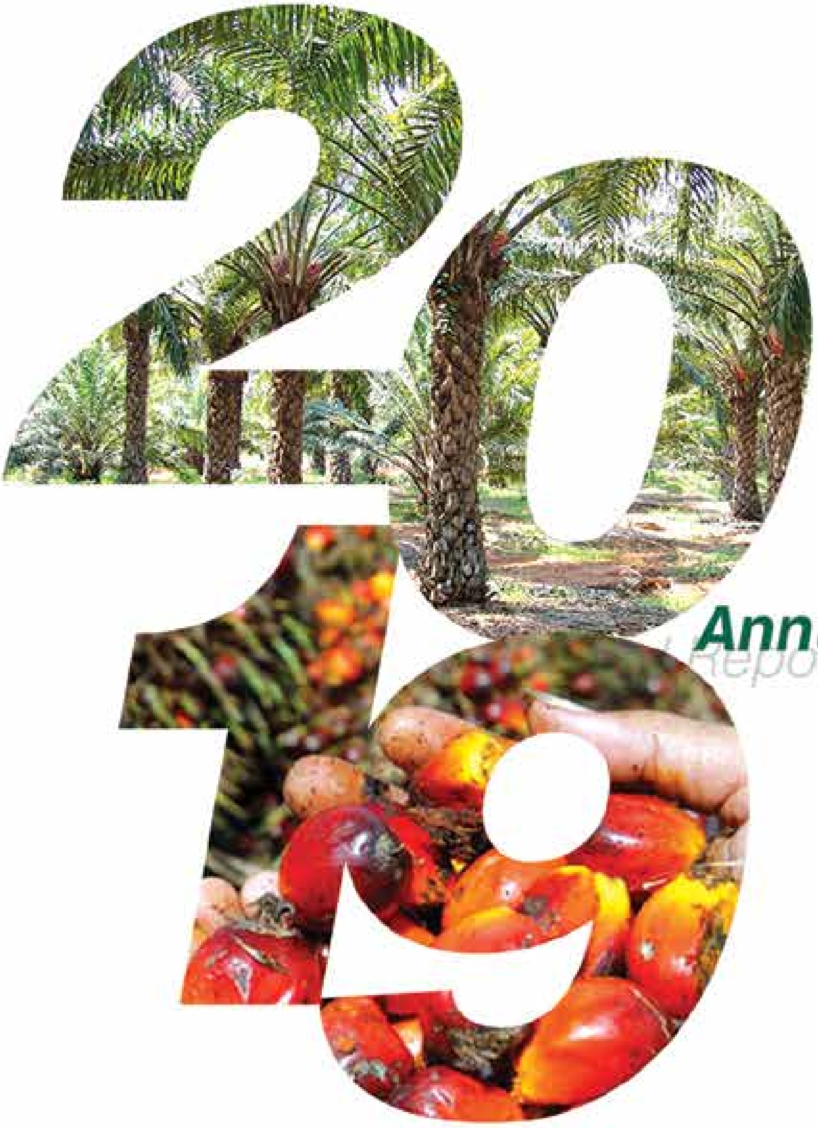


Annual Report

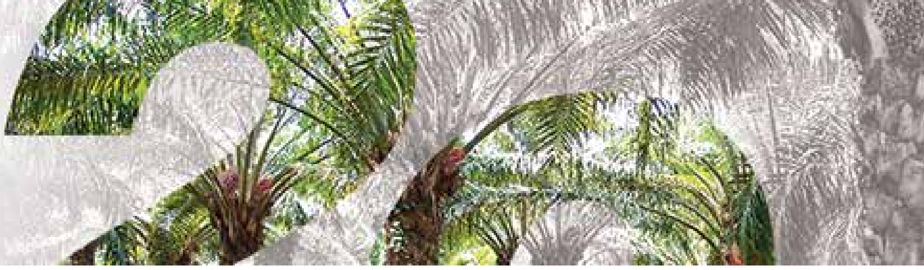
MHC Plantations Bhd

[196001000393 (4060-V)]

(Incorporated in Malaysia)

Contents

Financial Statements



MHC Plantations Bhd
[196001000393 (4060-V)]
(Incorporated in Malaysia)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixtieth (60th) Annual General Meeting ("60th AGM" and/or "AGM") of the Company will be held at Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1, 35900 Tanjung Malim, Perak, Malaysia on Thursday, 23 July 2020 at 11.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS:	ORDINARY RESOLUTION NO.
1. To receive the Audited Financial Statements for the financial year ended 31 December 2019, together with the Directors' and Auditors' Reports thereon.	**Please refer to Note 1**
2. To approve the payment of Directors' benefits payable to Non-Executive Directors up to RM162,000 from 24 July 2020 until the conclusion of the next AGM of the Company.	**1**
3. To re-elect the following Directors retiring in accordance with the Company's Constitution:	
3.1 Tan Sri Dr Mah King Thian	**2**
3.2 Mr. Chan Kam Leong	**3**
4. To appoint Auditors and to authorise the Directors to fix their remuneration.	**4**
4.1 Messrs Ernst & Young PLT, the retiring Auditors have expressed that they do not wish to seek re-appointment at this 60th Annual General Meeting.	
4.2 Special Notice pursuant to Sections 280(2)(b)(ii) and 322 of the Companies Act, 2016, a copy of which is set out and marked "Annexure A", has been received by the Company to propose the following Ordinary Resolution:	
"THAT Messrs PKF, be hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Ernst & Young PLT, to hold office until the conclusion of the next Annual General Meeting and that authority be hereby given to the Directors of the Company to determine their remuneration."	

As **SPECIAL BUSINESS**, to consider and, if thought fit, with or without any modification, to pass the following ordinary resolutions:

5. **RETENTION OF MR. CHAN KAM LEONG AS INDEPENDENT NON-EXECUTIVE DIRECTOR**	**5**
That subject to his re-election as a Director of the Company under Ordinary Resolution 3, 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 until the conclusion of the next AGM in accordance with the Malaysian Code of Corporate Governance ("MCCG").	
6. **RETENTION OF PUAN WAN SALMAH BINTI WAN ABDULLAH AS INDEPENDENT NON-EXECUTIVE DIRECTOR**	**6**
That Puan Wan Salmah Binti Wan Abdullah, 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 until the conclusion of the next AGM in accordance with the Malaysian Code of Corporate Governance ("MCCG").	

As **SPECIAL BUSINESS**, to consider and, if thought fit, with or without any modification, to pass the following ordinary resolutions: (cont'd)

7. **AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016** **7**

   "THAT pursuant to Section 76 of the Companies Act, 2016, the Directors be and are hereby empowered to allot and issue Shares in the share capital of the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company at the time of issue, subject always to the Constitution of the Company and approval for the listing of and quotation for the additional Shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant bodies where such approval is necessary."

8. 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 15 July 2020 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 EOI LENG
(SSM PC No. 202008003055)
(MAICSA 7030866)

Chartered Secretary

Ipoh, Perak Darul Ridzuan, Malaysia
25 June 2020

EXPLANATORY NOTES:

1. AGENDA 1 - AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Agenda item no. 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 is not put forward for voting.

2. 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 1 for Payment of Directors' benefits to Non-Executive Directors from 24 July 2020 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.

The Company had, during its Fifty-Ninth (59th) AGM held on 10 May 2019, obtained its shareholders' approval for the mandate on the payment of Directors' benefits to Non-Executive Directors of RM160,000 which is insufficient due to the AGM of the Company has been extended to 23 July 2020. Therefore, the Company will seek for shareholders' approval at this coming AGM for the additional amount of RM2,000 to meet the shortfall.

EXPLANATORY NOTES: (cont'd)

3. RE-ELECTION OF DIRECTORS

Tan Sri Dr Mah King Thian and Mr. Chan Kam Leong are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election at this 60th 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.

4. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Practice 4.2 of the MCCG provides that shareholders' approval be sought in the event that the Company intends for an Independent Director who has served in the capacity for more than nine (9) years, to continue to act as Independent Director of the Company.

The Board is recommending to the shareholders for Mr. Chan Kam Leong and Puan Wan Salmah Binti Wan Abdullah who have served as Independent Non-Executive Directors of the Company for a cumulative term of eleven (11) years and ten (10) years respectively to continue to act as Independent Non-Executive Directors of the Company.

The Board through the Nomination Committee had assessed and endorsed that Mr. Chan Kam Leong and Puan Wan Salmah Binti Wan Abdullah be retained as Independent Non-Executive Directors of the Company as they have continued to display high level of integrity and are objective in their judgement and decision-making in the best interest of the Company, shareholders and stakeholders and are able to express unbiased views without any influence. The detailed justifications are as set out in the Corporate Governance Overview Statement.

5. AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016

The Company had, during its Fifty-Ninth (59th) AGM held on 10 May 2019, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 76 of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

The proposed Ordinary Resolution 7 is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the total number of issued shares of the Company at the time of issue (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

This authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding investment project(s), working capital and/or acquisition. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

Notes:

IMPORTANT NOTICE: In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the AGM in order to safeguard the health of attendees at AGM. You are requested to read and adhere to the Administrative Details which can be downloaded from the Company's website or announcement via Bursa website.

(1) *Pursuant to Paragraph 8.29A of the Listing Requirements, voting at General Meeting will be conducted by poll rather than show of hands. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.*

(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 at the office of the Share Registrar of our Company, Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting, either by hand, post, courier, electronic mail to (bsr.helpdesk@boardroomlimited.com) or fax (603)78904670, otherwise the instrument of proxy should not be treated as valid.*

(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.*

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 (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ANNUAL REPORT 2019, CORPORATE GOVERNANCE REPORT 2019

The Annual Report 2019 and Corporate Governance Report 2019 may be downloaded at www.mhc.com.my

MHC Plantations Bhd
[196001000393 (4060-V)]
(Incorporated in Malaysia)

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
55A Medan Ipoh 1A
Medan Ipoh Bistari
31400 Ipoh
Perak Darul Ridzuan
Malaysia
Tel. No. +605-5474833
Fax No. +605-5474363

PRINCIPAL PLACE OF BUSINESS
Kompleks Pejabat Behrang 2020
Jalan Persekutuan 1
35900 Tanjung Malim
Perak Darul Ridzuan
Malaysia
Tel. No. +605-4590001/2
Fax No. +605-4590003

REGISTRARS
Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No. +603-78904700
Fax No. +603-78904670

COMPANY SECRETARY
Chan Eoi Leng
(SSM PC No. 202008003055)
(MAICSA 7030866)

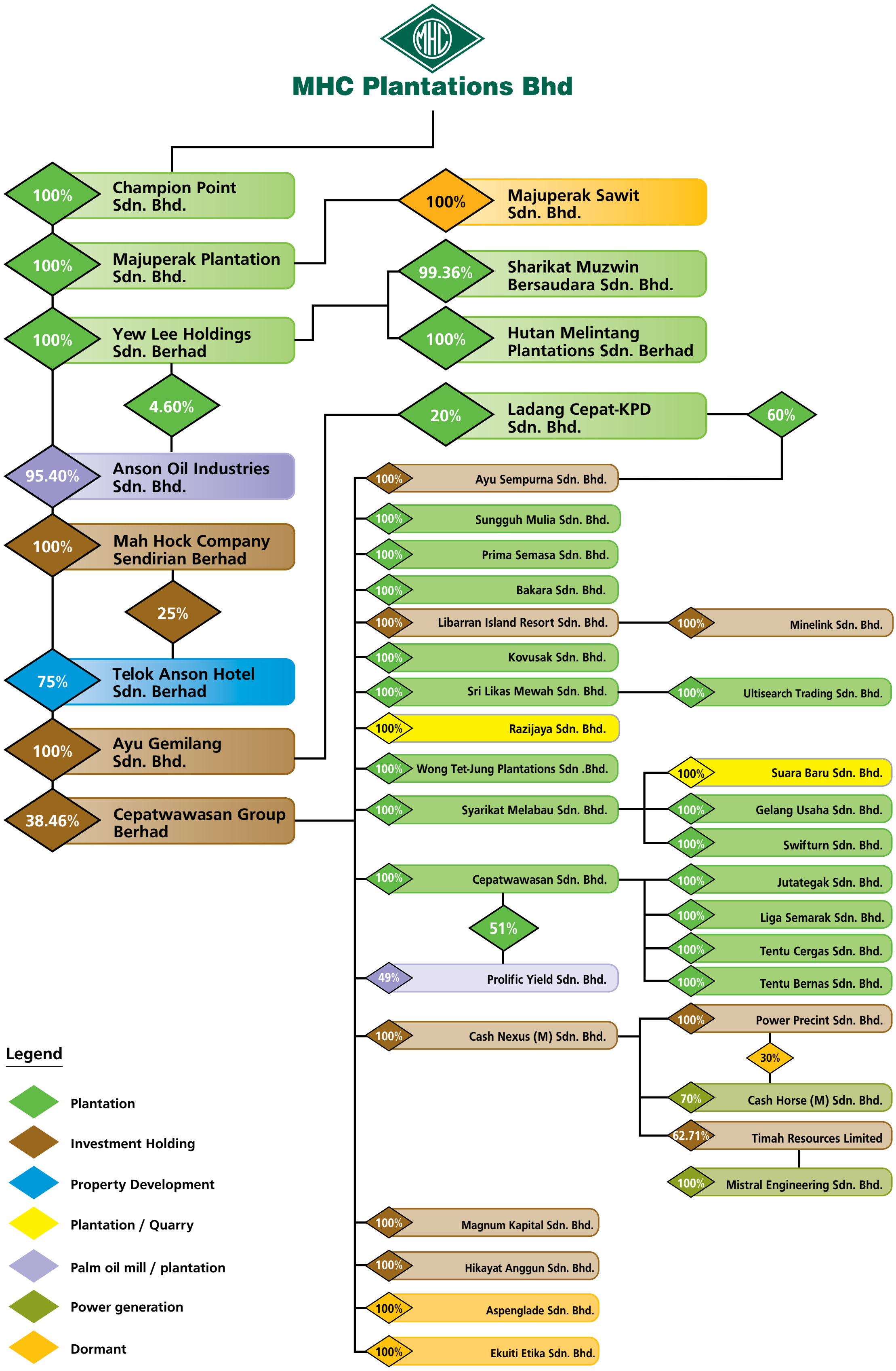
AUDITORS
Ernst & Young PLT
Chartered Accountants

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

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad

COUNTRY OF INCORPORATION
Malaysia

Corporate Structure



Profile of Directors

Dato' Seri Mah King Seng — *Executive Chairman*
Aged 61, 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 56, 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 79, 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 66, 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 all the Board Meetings held during the financial year.

Heng Beng Fatt — *Independent Non-Executive Director*
Aged 56, 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 Chief Operating Officer, Malaysia for GSC.
- He also serves on the Board of Enterprise Advance System Intelligence Sdn. Bhd. and as a committee member for the Malaysian Association of Film Exhibitors.
- He does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company.
- He has not been convicted of any offence in the last five years.
- He attended all the Board Meetings held during the financial year.

Mah Li-Na — *Alternate Director to Dato' Seri Mah King Seng*
Aged 30, 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 28, 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 obtained her Bachelor of Medicine and Bachelor of Surgery (MBChB) from the University of Glasgow, United Kingdom (UK) in 2016. Upon graduation, she forwent her training post in the NHS Hospitals in Durham, UK to pursue a corporate career. In anticipation of her current role, she subsequently embarked on her postgraduate studies in Law in the UK, and successfully completed her Bar Professional Training Course (BPTC) at CITY, University of London in July 2019. She has been admitted to Lincoln's Inn as a Barrister 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 currently assisting Tan Sri Dr Mah King Thian in the performance of his duties.
- 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 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 61, Male, Malaysian

- Refer to the Profile of Directors on page 8.

Tan Sri Dr Mah King Thian
Managing Director
Aged 56, Male, Malaysian

- Refer to the Profile of Directors on page 8.

Soong Swee Koon
Chief Operating Officer
Aged 64, 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 65, 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 47, 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.

MHC Plantations Bhd
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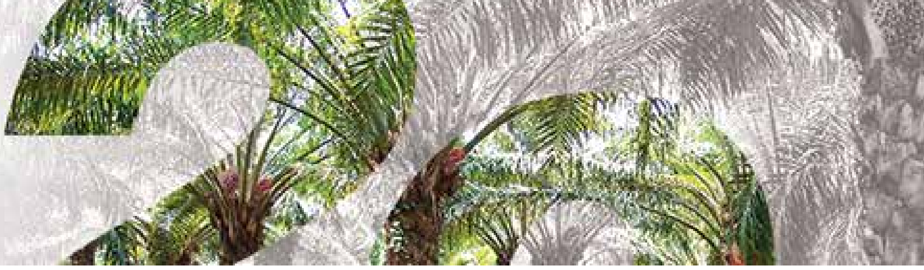


Five-Year Financial Highlights

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
INCOME STATEMENT					
Revenue	301,368	343,447	390,284	341,097	301,089
Profit before tax	9,750	12,648	44,345	33,315	13,923
Profit attributable to owners of the Company	2,509	4,458	16,011	10,016	3,346
FINANCIAL POSITION					
ASSETS					
Property, plant and equipment	404,149	397,058	396,060	403,235	408,112
Investment properties	49,924	49,250	49,250	48,062	48,062
Investment in securities	395	388	559	528	506
Land use rights	-	1,910	1,938	1,966	1,994
Deferred tax assets	4,623	3,031	3,339	3,105	3,388
Trade and other receivables	134,849	140,836	142,918	149,502	134,538
Goodwill on consolidation	43,867	43,867	43,867	43,867	43,867
Current assets	96,189	98,271	113,787	103,456	95,903
Total assets	733,996	734,611	751,718	753,721	736,370
EQUITY					
Share capital	196,544	196,544	196,544	196,544	196,544
Reserves	50,850	51,503	51,368	38,379	30,021
Equity attributable to owners of the Company	247,394	248,047	247,912	234,923	226,565
Non-controlling interests	264,799	266,956	269,870	256,039	246,867
Total equity	512,193	515,003	517,782	490,962	473,432
LIABILITIES					
Deferred tax liabilities	53,000	49,169	46,488	44,315	42,779
Borrowings	55,163	64,047	66,013	87,531	98,219
Other non-current liabilities	-	267	267	267	267
Lease liabilities	3,689	-	-	-	-
Current liabilities	109,951	106,125	121,168	130,646	121,673
Total liabilities	221,803	219,608	233,936	262,759	262,938
Total equity and liabilities	733,996	734,611	751,718	753,721	736,370
FINANCIAL INDICATORS					
Basic earning per share (sen)	1.28	2.27	8.15	5.10	1.70
Net dividend per share (sen)	1.50	2.00	1.50	1.50	2.00
Net assets per share (RM)	1.26	1.26	1.26	1.20	1.15

2019

Revenue (RM'000)
301,368

Total equity (RM'000)
512,193

Total assets (RM'000)
733,996

Total liabilities (RM'000)
221,803

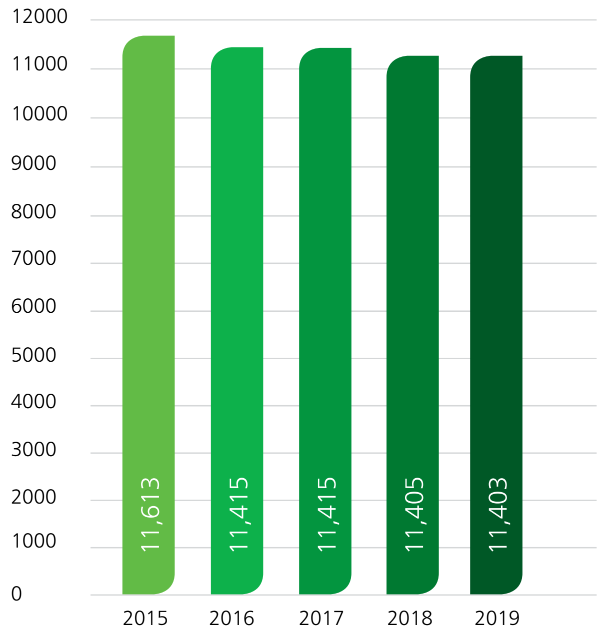
Basic earning per share (sen)
1.28

Net dividend per share (sen)
1.50

Net assets per share (RM)
1.26

Five-Year Plantation Statistics

		Group				
		2019	2018	2017	2016	2015
Oil Palm						
Production:						
FFB	(mt)	161,181	161,101	171,219	162,202	187,141
Crude palm oil	(mt)	104,000	111,702	99,109	85,095	97,415
Palm kernel	(mt)	26,883	29,720	25,914	21,334	24,281
Average selling price:						
FFB	(RM/mt)	374	408	536	513	361
Crude palm oil	(RM/mt)	2,071	2,226	2,756	2,592	2,137
Palm kernel	(RM/mt)	1,231	1,748	2,475	2,527	1,569
Yield per matured hectare	(mt)	18.14	16.94	18.03	17.03	18.95
Oil extraction rate	%	19.57	19.45	19.55	19.72	20.37
Palm kernel rate	%	5.06	5.18	5.11	4.94	5.08
Planted Oil Palm Area						
(Weighted average hectares):		11,403	11,405	11,415	11,415	11,613
Mature		8,887	9,508	9,494	9,524	9,876
Immature		2,516	1,897	1,921	1,891	1,737
Total planted area		11,403	11,405	11,415	11,415	11,613



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 2019.

Group Performance

The Group recorded a revenue of RM301.37 million and profit before tax of RM9.75 million for the financial year ended 31 December 2019 ("FY2019") as compared to RM343.45 million and RM12.65 million respectively for the financial year ended 31 December 2018 ("FY2018").

The decreases in revenue and profit before tax were mainly due to:

a) Decreases in selling prices of CPO, PK and FFB by 7%, 30% and 8% respectively; and
b) Decreases in sales volume of CPO and PK by 5% and 10% respectively.

The highlights of the Group performance are stated below:

Average selling price per tonne:-

	FY2019 RM	FY2018 RM	Difference (%)
CPO	2,071	2,226	-7%
Kernel	1,231	1,748	-30%
FFB	374	408	-8%

Production:-

	FY2019 MT	FY2018 MT	Difference (%)
CPO	104,000	111,702	-7%
Kernel	26,883	29,720	-10%
FFB	161,181	161,100	0%

Extraction rate:-

	FY2019 (%)	FY2018 (%)	Difference (%)
CPO	19.57	19.45	1%
Kernel	5.06	5.18	-2%

	FY2019 MWh	FY2018 MWh	Difference (%)
Electricity Export	71,285	69,054	3%

Dividend

On 14 May 2020, the Board approved a first interim single tier dividend of 1.5 sen per share for the financial year ending 31 December 2020.

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.

I am pleased to inform you that all our oil mills have obtained MSPO certification in 2019 while 9,887 hectares of the Group's plantation have achieved MSPO status in February 2020. The remaining estates have completed their MSPO Audit and Certificates will be issued in due course. Our oil mill in Teluk Intan and Sandakan were also certified under the MSPO Supply Chain Module on 21 December 2019 and 9 March 2020 respectively.

Awards & Recognition

I am proud to announce that MHC Plantations Bhd has been awarded with the 'Highest Growth in Profit after Tax over Three Years' award in the Plantation sector at the Edge Malaysia's inaugural Centurion Award Ceremony 2019. This prestigious award acknowledges MHC's strong presence in the industry and sets a benchmark for the Group's future performance. We shall strive to achieve further success in the coming years.

To be eligible for the corporate awards, a member of The Edge Malaysia Centurion Club & Corporate Awards must have been listed for at least four calendar years before the cut-off date of end-March of the current year as companies are evaluated on their financial performance over three years.

The methodology for the awards is both stringent and transparent and the results are audited by Deloitte Malaysia. Members eligible for the Highest Return on Equity over Three Years and Highest Growth in Profit After Tax over Three Years awards must have been profitable for every year of the evaluation period. For this year's awards, the evaluation period was from FY2015 to FY2018.

Prospect and Outlook

Palm oil prices have declined significantly by more than 20% from a high of RM3,134 per MT in early January 2020 due to soft demand and lockdowns from the Global COVID-19 outbreak. The Group expects CPO prices to gradually recover in the second half of 2020 in view of declining CPO inventories and anticipated lower FFB production.

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 have undertaken a accelerated replanting programmes.

The Group also expects a better contribution from its power plant division following the successful commissioning of its Biogas Power Plant in Teluk Intan for the purpose of supplying up to 1MW of electricity to Tenaga Nasional Berhad starting on 8 August 2019 at the FiT rate of RM0.4669/kWh.

On the whole, the Board is optimistic that the Group will perform satisfactorily in the year 2020 subject to uncertainties arising from the global outbreak of COVID-19.

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 2019.

Prestasi Kumpulan

Kumpulan Syarikat telah mencatatkan pendapatan sebanyak RM301.37 juta dan keuntungan sebelum cukai sebanyak RM9.75 juta bagi tahun kewangan berakhir 31 Disember 2019 ("TK2019") berbanding dengan masing-masing RM343.45 juta dan RM12.65 juta bagi tahun kewangan berakhir 31 Disember 2018 ("TK2018").

Pendapatan dan keuntungan sebelum cukai masing-masing telah menurun disebabkan terutamanya oleh kemerosotan dalam:

a) Harga Minyak Sawit Mentah ("CPO"), kernel ("PK") dan Buah Tandan Segar ("FFB") masing-masing sebanyak 7%, 30% dan 8%; dan
b) Jualan CPO dan PK masing-masing sebanyak 5% dan 10%.

Sorotan prestasi Kumpulan Syarikat adalah seperti berikut:

Harga Purata Jualan Per Tan Metrik:-

	TK2019 RM	TK2018 RM	Perbezaan (%)
CPO	2,071	2,226	-7%
Kernel	1,231	1,748	-30%
FFB	374	408	-8%

Pengeluaran dalam Tan Metrik:-

	TK2019 MT	TK2018 MT	Perbezaan (%)
CPO	104,000	111,702	-7%
Kernel	26,883	29,720	-10%
FFB	161,181	161,100	0%

Kadar Pengekstrakan:-

	TK2019 (%)	TK2018 (%)	Perbezaan (%)
CPO	19.57	19.45	1%
Kernel	5.06	5.18	-2%

	TK2019 MWh	TK2018 MWh	Perbezaan (%)
Eksport Elektrik	71,285	69,054	3%

Dividen

Pada 14 Mei 2020, Lembaga Pengarah telah meluluskan dividen interim pertama sebanyak 1.5 sen sesaham untuk tahun kewangan berakhir 31 Disember 2020.

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.

Skim Pensijilan Minyak Sawit Mampan Malaysia ("MSPO") (samb)

Saya dengan sukacita memaklumkan bahawa semua kilang minyak kelapa sawit Kumpulan telah mendapat pensijilan dibawah skim MSPO pada tahun 2019 sementara 9,887 hektar ladang-ladang Kumpulan telah mencapai status MSPO pada Februari 2020. Kawasan selebihnya telah menyelesaikan Audit MSPO mereka dan Sijil MSPO akan dikeluarkan pada waktunya. Kilang minyak kelapa sawit kami di Teluk Intan dan Sandakan juga disahkan di bawah Modul Rantaian Bekalan MSPO masing-masing pada 21 Disember 2019 dan 9 Mac 2020.

Anugerah & Pengiktirafan

Saya dengan sukacitanya mengumumkan bahawa MHC Plantations Bhd telah dianugerahkan dengan anugerah 'Pertumbuhan Paling Tinggi dalam Keuntungan selepas Cukai selama Tiga Tahun' di sektor Perladangan di Anugerah Korporat Edge-Centurion Club 2019 yang dianjurkan buat julung kalinya oleh The Edge Malaysia. Anugerah unggul ini mengiktiraf kehadiran MHC yang kukuh dalam industri serta meletakkan tanda aras untuk prestasi masa depan Kumpulan. Kami akan berusaha untuk mencapai kejayaan lebih lanjut pada tahun-tahun akan datang.

Untuk layak mendapat anugerah korporat, ahli Kelab dan Anugerah Korporat The Edge Malaysia Centurion mestilah telah disenaraikan untuk sekurang-kurangnya empat tahun kalendar sebelum tarikh tutup pada akhir bulan Mac tahun semasa, kerana prestasi kewangan syarikat akan dinilai sepanjang tiga tahun.

Metodologi bagi anugerah ini adalah ketat dan telus dan hasilnya diaudit oleh Deloitte Malaysia. Ahli-ahli yang layak untuk anugerah Pulangan Tertinggi ke atas Ekuiti selama Tiga Tahun dan Pertumbuhan Tertinggi dalam Keuntungan Selepas Cukai selama Tiga Tahun mestilah beruntung untuk setiap tahun dalam tempoh penilaian. Untuk anugerah tahun ini, tempoh penilaian adalah dari TK2015 hingga TK2018.

Prospek dan Pandangan

Harga CPO telah menurun dengan ketara sebanyak lebih daripada 20% daripada paras tertinggi RM3,134 setiap MT pada awal Januari 2020 disebabkan oleh wabak global COVID-19. Kumpulan menjangkakan pemulihan harga CPO secara beransur-ansur pada separuh kedua tahun 2020 memandangkan penurunan inventori CPO dan jangkaan pengeluaran FFB yang lebih rendah.

Kumpulan akan terus menghadapi cabaran dari kenaikan kos-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 menjangkakan sumbangan yang lebih baik dari bahagian loji janakuasa berikutan kejayaan pentauliahan Loji Kuasa Biogas di Teluk Intan bagi tujuan membekalkan sehingga 1MW elektrik kepada Tenaga Nasional Berhad bermula pada 8 Ogos 2019 dengan kadar FiT sebanyak RM0.4669/kWh.

Secara keseluruhannya, Lembaga Pengarah yakin bahawa prospek Kumpulan untuk tahun 2020 akan menunjukkan prestasi yang memuaskan tertakluk kepada ketidakpastian yang timbul daripada wabak global COVID-19.

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 2019.

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 2019, 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 4.0 Megawatt Biogas Power Plant ("Biogas Plant"), both in Sandakan, Sabah. The Group has also upgraded its existing Biogas Power Plant in Teluk Intan to connect it to the grid to export renewable power up to 1 MW to Tenaga Nasional Berhad starting on 8 August 2019 at a Feed-in Tariff rate of RM0.4669/kWh.

FINANCIAL REVIEW

Revenue

The Group's revenue for the financial year 2019 has decreased by 12% to RM301.37 million as compared to RM343.45 million registered in 2018. The decreases in revenue and profit before tax were mainly due to:

a) Decreases in selling prices of CPO, PK and FFB by 7%, 30% and 8% respectively; and
b) Decreases in sales volume of CPO and PK by 5% and 10% respectively.

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

	FY2019 RM	FY2018 RM	Difference (%)
CPO	2,071	2,226	-7%
Kernel	1,231	1,748	-30%
FFB	374	408	-8%
Electricity/kWh	0.3700	0.3538	5%
EFB Oil	1,423	1,459	-2%

Sales Volume:-

	FY2019	FY2018	Difference (%)
CPO (MT)	106,116	111,286	-5%
Kernel (MT)	26,922	29,912	-10%
FFB (MT)	43,191	38,871	11%
Electricity (MWh)	71,285	69,054	3%
EFB Oil (MT)	7,238	7,295	-1%

PROFIT BEFORE TAXATION

The Group reported a profit before tax of RM9.75 million for the financial year 2019, which is a decrease of 23% from the previous financial year mainly due to:

a) Decreases in selling prices of CPO, PK and FFB by 7%, 30% and 8% respectively; and
b) Decreases in sales volume of CPO and PK by 5% and 10% respectively.

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 Segment profit by RM4.03 million (41%) from RM9.72 million to RM5.69 million was mainly due to a decrease in FFB price by 8%.

(ii) Oil Mill – The decrease in Segment profit by RM1.19 million (10%) from RM12.32 million to RM11.13 million was mainly due to a decrease in FFB processed by 7% and competitions for crops resulting in a squeeze in milling margin.

(iii) Power Plant – The increase in Segment profit by RM3.22 million (54%) from RM5.94 million to RM9.16 million was mainly due to an increase in average selling price of Power export to Sabah Electricity Sdn Bhd (SESB) from RM0.35/kWh to RM0.37/kWh for our Sandakan Biogas Power Plant and a higher contribution from its Teluk Intan Biogas power plant which was successfully commissioned, exporting electricity up to 1MW to Tenaga Nasional Berhad starting on 8 August 2019 at the Feed-in Tariff rate of RM0.4669/kWh.

Other Income

Other income increased by 8% from RM11.15 million to RM12.05 million mainly due to a fair value gain on biological assets of RM1.35 million.

Finance Cost

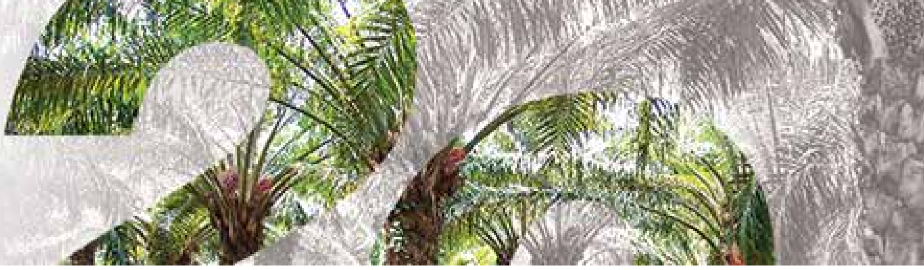
Finance cost decreased by 1% from RM7.12 million to RM7.05 million in line with the decrease in bank borrowings.

Taxation

The effective tax rate for the financial year 2019 was higher than the statutory tax rate of 24% principally due to certain deferred tax assets was not recognised on business loss for the current period and certain expenses was 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 44% year-on-year to RM2.51 million and 1.28 sen respectively.



Cash Flow

In FY2019, the Group generated higher net cash from operating activities of RM37.42 million as compared to RM31.27 million in the previous financial year.

The net cash used in investing activities amounted to RM26.21 million in FY2019, primarily relating to the Group's capital expenditure requirements.

The net cash used in financing activities in FY2019 amounted to RM13.85 million, primarily 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 RM2.73 million during the year, bringing total cash and cash equivalents to RM17.43 million as at 31 December 2019.

OPERATIONAL REVIEW

Plantation Operations

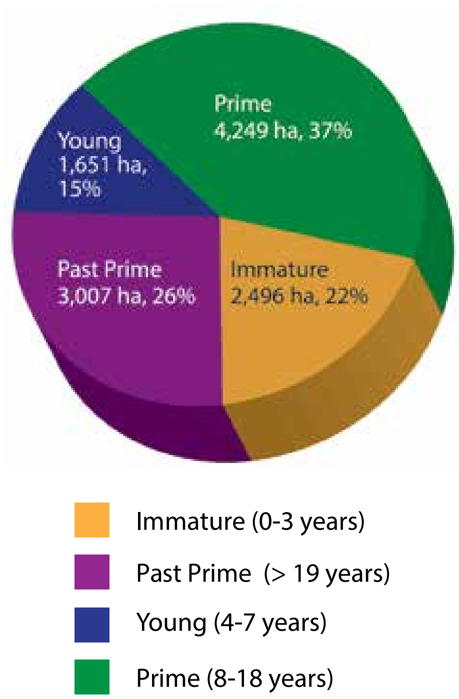
As at 31 December 2019, the Group's total plantation land stood at approximately 14,000 hectares, of which 81% or 11,403 hectares are planted with oil palms. From the total planted area, approximately 78% or 8,907 hectares are mature, while the remaining 22% or 2,496 hectares are immature. The Group recorded a total FFB production of 161,181 MT (2018 – 161,100 MT). The average yield per hectare for the year under review was higher at 18.14 MT/hectare as compared to 16.94 MT/hectare in 2018.

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:

Particulars	Hectare	%
0 – 3 years (Immature)	2,496	22
4 – 7 years (Young)	1,651	15
8 – 18 years (Prime)	4,249	37
> 19 years (Past Prime)	3,007	26
Total	**11,403**	**100**

Oil Palm Age Profile



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. During the year under review, the Group's mills processed a total FFB quantity of 0.53 million MT as compared to 0.57 million MT in the previous financial year. Total CPO produced by the mills during the year under review was 104,000 MT, representing a decrease of 7%, as compared to 111,702 MT in the previous financial year. Similarly, total kernel production decreased by 10% at 26,883 MT (2018 : 29,720 MT).

The Group's oil extraction rate ("OER") increased to 19.57% in 2019 as compared to 19.45% in 2018, while kernel extraction rate ("KER") decreased to 5.06% in 2019 from 5.18% in 2018.

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 renewable energy division consisting of a 12 Megawatt Biomass Plant and a 4.0 Megawatt Biogas Plant, both in Sandakan and 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 two Biogas Plants generate 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 for the 4.0 Megawatt Biogas Plant to sell renewable electricity to SESB for 16 years commencing from 15 February 2017. The Group has also obtained the FiT Approval from SEDA on 5 May 2017 for the 2.4 Megawatt Biogas Plant in Teluk Intan to sell renewable electricity up to 1MW to Tenaga Nasional Berhad ("TNB") at the FiT rate of RM0.4669/kWh for 16 years commencing from 3 July 2019.

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 our power plants to improve the efficiency and stability of power production.

During the year under review, the Group's power plants generated and exported 71,285 MWh as compared to 69,053 MWh in the previous financial year.

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.

I am pleased to inform you all that all our mills have obtained MSPO certification in 2019 while 9,887 hectares of the Group's plantation have achieved MSPO status as of February 2020. The remaining estate have completed their MSPO Audit and Certificates will be issued in due course. We achieved a second milestone where our oil mill in Teluk Intan and Sandakan were certified under the MSPO Supply Chain Certification on 21 December 2019 and 9 March 2020 respectively. This further reinforces our sustainability credential with our customers and enhance their confidence in our sustainably managed business.

OPERATIONAL REVIEW (cont'd)

PROSPECT

Palm oil prices have declined significantly by more than 20% from a high of RM3,134 per MT in early January 2020 due to soft demand and lockdowns from the Global COVID-19 outbreak. The Group expects CPO prices to gradually recover in the second half of 2020 in view of declining CPO inventories and anticipated lower FFB production.

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 have undertaken a accelerated replanting programmes.

The Group also expects a better contribution from its power plant division following the successful commissioning of its Biogas Power Plant in Teluk Intan for the purpose of supplying up to 1MW of electricity to Tenaga Nasional Berhad starting on 8 August 2019 at the FiT rate of RM0.4669/kWh.

On the whole, the Board is optimistic that the Group will perform satisfactorily in the year 2020 subject to uncertainties arising from the global outbreak of COVID-19.

Sustainability Statement

ABOUT THIS STATEMENT

We are pleased to present our Group Sustainability Statement for the year 2019, which is prepared in accordance with Bursa Malaysia Securities Berhad's Sustainability Reporting Guidelines (2nd edition).

The period covered is the 12 months ended 31 December 2019, 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.

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

SUSTAINABILITY GOVERNANCE STRUCTURE

The Chief Operating Officer ("COO") is primarily 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

For the current year's Sustainability Statement, we relied on information from various internal sources and external stakeholders engagement for our materiality risk assessment. The Sustainability Committee has reviewed significant environmental, economic, and social aspects, impacts, risks and opportunities which are crucial for the success and continued growth of the Group.

From the evaluation of the Group's Sustainability Risk and Opportunities, we have concluded to maintain our identified 13 key sustainability issues under Economic, Environment, and Social aspects which we have assessed as being of high concern to stakeholders and of high significance for our Group in 2018 and endorsed to continue in 2019. These material issues have been prioritized through our materiality assessment process. Material issues identified are then assessed to establish if proper policies and procedures are implemented to manage and monitor these issues.

The 13 key sustainability issues are listed below:-

KEY SUSTAINABILITY MATTERS	SUSTAINABILITY FRAMEWORK
Economic Performance	MARKET PLACE
Governance and Business Ethics	
Regulatory compliance	
Sustainability Certification	
Stakeholder Engagement	
Water Management	ENVIRONMENT
Energy	
Greenhouse Gas (GHG) Emission	
Training and Education	WORKPLACE
Labour Relations and Human rights	
Occupational Safety and Health	
Employee Retention & Engagement	
Community Care and CSR initiatives	COMMUNITY

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 • Morning muster • 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

STAKEHOLDER ENGAGEMENT (cont'd)

Stakeholder	Modes of Engagement	Key Areas of Interest
Customers	• One-to-one meetings • Phone calls • Site visits	• Product quality • Compliance with sustainability standards • Supply chain and traceability of product • Price competitiveness
Government and Regulators	• Two-way dialogue through forums and workshops • 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 to promoting responsible practices among our business partners, showing care for the wellbeing of our customers, and upholding good corporate governance to meet the expectations of our 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 of 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

MARKET PLACE (cont'd)

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.

All our oil mills have obtained MSPO certification during 2019 while 9,887 hectares of the Group's plantation have achieved MSPO status as of February 2020. The remaining estates have completed their MSPO Audit and Certificates will be issued in due course. In addition, our oil mill in Teluk Intan was also certified under MSPO Supply Chain Module on 21 December 2019. This further reinforces our sustainability credential with our customers and enhance their confidence in our sustainably managed business.

Traceability and Supply Chain

The Group aims to source and produce safe, high quality and sustainable palm products throughout the supply chain. To achieve this, we are working closely with FFB suppliers to achieve a traceable, transparent and sustainable palm oil supply chain by the end of 2020.

Economic Performance

The Group recorded revenue of RM301.37 million and profit before tax of RM9.75 million for the financial year ended 31 December 2019 as compared to RM343.45 million and RM12.65 million respectively in the previous financial year. Further details of the Group's economic performance for FY2019 can be found in the Financial Statement in this Annual Report.

Value Distribution

The direct economic value generated and distributed by our Group for 2019 is tabulated below:

	2019 **RM'000**	**2018** **RM'000**
Employee wages and benefits	38,678	41,821
Payment to Government	17,064	17,608
Payment to Shareholders (Dividend)	2,948	3,931
CSR contribution	621	615

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 2019.

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.

Conservation and Biodiversity

Our objectives are conducting our operations under the best principles of agriculture that is compatible with the natural environment and in full support of Integrated Pest Management techniques and Best Management Practices for existing plantations on peat. We are promoting the conservation and development of biodiversity within our group of plantations. The Group is committed to No Development on High Carbon Stock Forests (HCS), No Development on High Conservation Value Forest Area (HCV), No New Development on Peat Land and not to operate or develop within international or nationally designated protected areas. We strive to maintain an open and dynamic approach towards continuous improvement in respect of HCV and HCS to strengthen our commitment on No Deforestation.

HCV areas considered socially valuable are erected with signboards to create awareness for the surrounding community such as prohibitions on encroaching, trapping, hunting and fishing as well as prohibition for outsiders trespassing with intention to damage the HCV areas.

As of December 2019, a total of 162 hectares of land have been declared as Conservation and HCV areas within the Group.

We are continuously working on sound soil management e.g. determining appropriate amount and composition of nutrients based on annual leaf nutrient analyses, empty fruit bunches systematically applied in field, and planting of leguminous cover crops. We work to mitigate our water footprint related to our operations, maintaining buffers along natural waterways, harvesting rainwater, frugal water usage, monitoring of its quality and judicious use of pesticides and weedicides.

Greenhouse Gas (GHG) Emission

To mitigate the emission of Greenhouse Gas, the Group constructed and operates two Biogas Power Plants ("Biogas Plant") as well as a Biomass Power Plant ("Biomass Plant") to generate and export green power to the electricity grid as well as used for own operations.

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 approximately 243,000MT 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 to 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.

For the year 2019, the Group's palm oil mill maintained a water consumption (in unit of mt) per mt of fruit fresh bunches processed at 1.81 MT water per MT of FFB processed as compared to 1.97 water per MT of FFB processed in the year 2018.

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 2019, total diesel fuel consumption by our estates and housing quarters was approximately 1.82 million (2018 - 1.97 million) litres.

Presently, 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 2019, most of the energy consumption in our oil mills amounting to almost 95% (2018 – 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.

ENVIRONMENT (cont'd)

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 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.

Biomass Recycling

In accordance with our Group's biomass recycling best practices, empty fruit bunches ("EFB") are extensively used in our estates. The benefits of EFB application on plantation land are well documented, especially for moisture retention and increasing the organic matter in the soil for better nutrient utilisation and uptake.

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 (Amendment) 2018. 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.

WORK PLACE (cont'd)

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 protocols are implemented and in compliance with legislative requirements. Workers are provided with safety equipment and working procedures to follow. 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. There was zero fatality at the workplace for the whole Group for the past two years and the Lost Time Injury Frequency Rate ("LTIFR") was at 2.08 for Year 2019.

LTIFR represents the number of accidents with lost days for every (1) million-man hours worked.

Every accident is formally investigated to determine the root cause and to prevent the recurrence of such incidents.

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.

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.

McDonald's Happy Party to celebrate Hari Raya Aidilfitri 2019, hosted by MHC Plantations Bhd on 27 June 2019 for orphans, underprivileged and indigenous children in Teluk Intan.

In conjunction with the Deepavali Celebration, MHC Plantations Bhd and Dato' Seri Mah Pooi Soo Benevolent Fund held the "Majlis Sambutan Hari Deepavali 2019 bersama Golongan Asnaf". This is one of the many occasions that the Company has collaborated with the Jabatan Kebajikan Masyarakat Teluk Intan to give back 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 149 (2018 – 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 2019, the number of students attending this learning centre was 52 (2018 – 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, 135 children have graduated from this learning centre between 2008 – 2018, and 17 children attended this learning centre in 2019.

The Group also contributed to the establishment of a Bistari IT Centre 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.

This Statement is made in accordance with the resolution of the Board of Directors passed on 25 February 2020.

Corporate Governance Overview Statement

Introduction

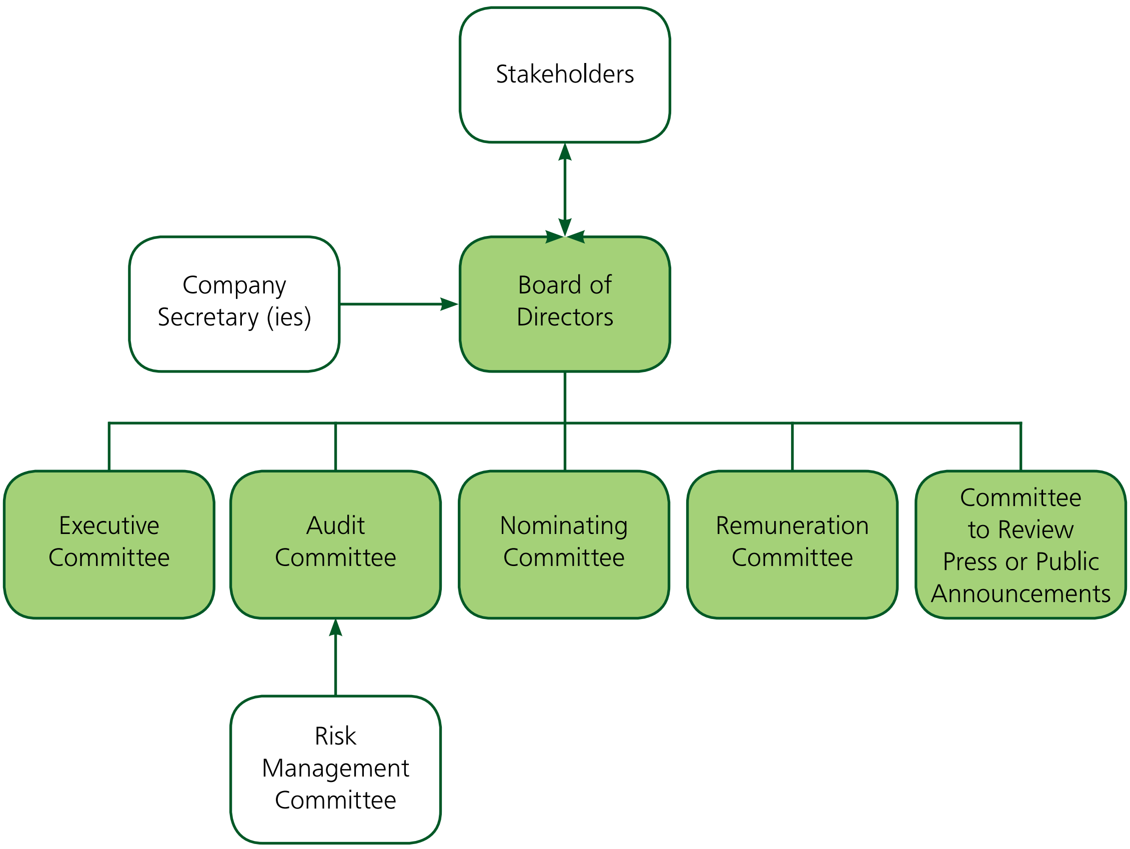
The Board of Directors recognises the importance of adopting high standards of corporate governance throughout the Company and the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the Group's financial performance.

This Corporate Governance Overview Statement ("Statement") sets out how the Company has applied the Principles of the Code and observed the Recommendations supporting the Principles and is to be read together with the Corporate Governance Report 2019 ("CG Report") which is available on the Company's corporate website at www.mhc.com.my as well as announcement on the website of Bursa Malaysia Securities Berhad ("Bursa Securities") and in conjunction with the other statements in the Annual Report (for example, Statement on Risk Management and Internal Control and Sustainability Statement).

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 2019:

(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 is led by the Executive Chairman and is supported by experienced Board members with a wide range of expertise, who play an important role in the stewardship of the direction and operations of the Group.

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
- Anti-Bribery and Corruption Policy
- Sustainability Policy
- Remuneration Policy and Procedures

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.

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

Board Composition and Independence *(cont'd)*

The Board comprises five (5) members, of whom two (2) are Executive Directors and three (3) are Independent Non-Executive Directors. The Company has thus satisfied Paragraph 15.02(1) of the Main Market Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), which requires that at least two or one-third of the Board members, whichever is the higher, comprises Independent Non-Executive Directors.

The Company has taken note of Principle 4.2 of the Code that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. However, the Company does not have term 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 2019.

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 Constitution, 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 Constitution also provide that all Directors shall retire at least once in three (3) years.

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

Tan Sri Dr Mah King Thian and Mr. Chan Kam Leong will be retiring by rotation at the forthcoming AGM to be held on 23 July 2020 and being eligible, offered themselves for re-election. At the recommendation of the Nominating Committee and as approved by the Board, they will be seeking re-election as Directors at the 2020 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.

During the financial year, the Directors have attended several conferences, seminars and training programmes as follows:

- Corporate Liability on Corruption: Is your Organisation ready to safeguard its Directors, Top Management and Personnel against a Corruption Prosecution?
- Training in IT for Business
- Restricted Power of Directors
- Directors' Duties and Responsibilities; Anti-Money Laundering in Malaysia; Cyber Attacks and You
- IT Securities Awareness Briefing
- Talk on Malaysia as World leader in Promotes Sustainable Bridge Technology
- Video Conferencing on Technical Talk on "Insights from Reliability Based Design to Comlemet Eurocode 7 Design Approach"
- Teleconferencing on "The Advent of 5G: Are we Ready for it?"
- Finance for Non-Finance Professionals
- 2020 Palm Oil Outlook
- Critical Issues facing the Malaysian Palm Oil Industry
- Construction Management Moving Forward

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

The Board will continuously evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors.

Qualified and Competent Company Secretary

The Board believes that the current Company Secretary is capable of carrying out her duties to ensure effective functioning of the Board. The Company Secretary ensure that all Board and Board Committee meetings are properly convened and that records of the deliberations, proceedings and resolutions passed are properly recorded and statutory registers are properly maintained at the registered office of the Company.

Access to Information and Advice

The Board has access to information within the Group and the advice and services of the Company Secretary. The Directors may obtain independent professional advice to enhance their duties whenever necessary at the Company's expense, subject to approval by the Chairman or the Board and depending on the quantum of the fees involved.

The Board members are provided with all meeting materials including updates on operational, financial and corporate issues as well as minutes of meetings of the various Board Committees at least seven (7) days prior to the meetings to enable Directors to obtain further explanations/clarifications, if necessary, in order to ensure the effectiveness of the proceeding of the meetings.

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

Board Committees

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

Audit Committee ("**AC**")
Executive Committee ("**EC**")
Nominating Committee ("**NC**")
Remuneration Committee ("**RC**")
Committee for the review of press releases or public announcements

AC

The AC 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 AC are set out in the AC Report on pages 48 to 49 of this Annual Report.

EC

The EC 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)

NC

The role of the NC is to assist the Board in ensuring that the Board comprises individuals with the requisite skills, knowledge, professional expertise and character.

The NC comprises exclusively Non-Executive Directors who are independent. Currently, the members are as follows:

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

The NC meets as and when necessary. One meeting was held during the financial year ended 31 December 2019.

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 NC during the financial year are as follows:

- Reviewed the mix of skills, independence, experience and other qualities of the Board.
- Reviewing the terms of office and performance of the AC, NC and the RC.
- Reviewed and recommended to the Board to put for the proposal for the re-election of Directors at the forthcoming Annual General Meeting of the Company.
- Assessed the independence of the Independent Directors.

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

Board Committees (cont'd)

NC (cont'd)

- Reviewed and recommended the continuation in office of an Independent Non-Executive Director for Chan Kam Leong and Wan Salmah Binti Wan Abdullah who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years;
- Reviewed 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 Roles and Responsibilities
  ii) The Board Operations and the Company Senior Management
  iii) Board Meetings and Facilities
  iv) Board Composition
  v) Board Committees

At the NC meeting held on 24 October 2019, the NC had conducted and carried out an annual assessment of the Board and its individual members, the AC and its members, and the RC 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 NC 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.

RC

The RC comprises the following three members:

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

The RC meets as and when necessary. One meeting was held during the financial year ended 31 December 2019.

The RC 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 RC 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

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.

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

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	-	198	40	-	159	1,523
Tan Sri Dr Mah King Thian	1,126	-	198	70	24	159	1,577
Total	2,252	-	396	110	24	318	3,100
Non-Executive Directors							
Chan Kam Leong	-	53	-	46	-	-	99
Wan Salmah Binti Wan Abdullah	-	-	-	46	-	-	46
Heng Beng Fatt	-	-	-	46	-	-	46
	-	53	-	138	-	-	191
Alternate Director							
Mah Li-Na	83	-	14	-	-	12	109

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

Remuneration of Directors and Key Senior Management Personnel (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	-	-	-	46	-	-	46
Heng Beng Fatt	-	-	-	46	-	-	46
	-	-	-	138	-	-	138

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 44 to 47 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 AC 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 AC Report set out on Pages 48 to 49 of this Annual Report.

Assessment of Suitability and Independence of External Auditors (EA)

The AC 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 PLT 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.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on Page 43 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 AC and Board of Directors matters that require the Board's attention. The AC 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 AC in relation to the external auditors is set out in the Report of AC on Pages 48 to 49 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

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, voting of all resolutions at general meetings shall be conducted by way of poll rather than show of hands.

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 4.5 (The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.)
- Practice 4.6 (In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.)
- Practice 7.2 (The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.)
- Practice 11.2 (Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.)

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

The Statement and Corporate Governance Report were approved by the Board of Directors of MHC on 25 February 2020.

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 2019 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 2019 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 2019 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 25 February 2020.

Audit Committee Report

The Board of Directors ("Board") is pleased to present the report of the Audit Committee ("AC") for the financial year ended 31 December 2019.

Members of the Committee

The members of the AC are Non-Executive Directors with all of them being Independent Directors, namely:

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

Number of Meetings and Details of Attendance

The AC met four times during the financial year ended 31 December 2019 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 AC 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	4 of 4
Heng Beng Fatt	4 of 4

The terms of reference of Audit Committee can be found at the Company's website at www.mhc.com.my

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;

Summary of Work (cont'd)

(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's internal audit function is carried by an independent external firm of professional Internal Auditors, namely KPMG Management & Risk Consulting Sdn Bhd. 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.

During the financial year under review, the Internal Audit conducted a series of audit assignments on operating segments of the Group. Internal audit activities carried out for the financial year include, inter alia, the following:

- Procurement of FFB;
- Sales of CPO and kernel;
- Security and upkeep of oil mill; and
- General purchases.

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.

The cost incurred for the internal audit function of the Group for the financial year ended 31 December 2019 was RM23,600.

Additional Compliance Information

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad
for the year ended 31 December 2019

- **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 2019 are as follows:

	Group RM	Company RM
Audit fees	419,373	59,000
Non-Audit fees	157,814	13,800
	577,187	72,800

- **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 pages 162 to 164 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 2019

Location of Property Peninsular Malaysia	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2019 RM'000	Date of last Revaluation ®
1 MHC Plantations Bhd. Lot Nos. 2768, 3502, 3537, 4471, 4475, 5228, 5229, 5936, 9249 to 9295 (incl.), 12657 and 12658, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	849.8 acres	Oil palm estate	3,419	1998
2 MHC Plantations Bhd. Lot Nos. 2327, 5299, 5300, 8275 and 16413, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	702.6 acres	Oil palm estate	2,848	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	983	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	2019
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	4,266	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	3,384	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	2019
8 Anson Oil Industries Sdn. Bhd. Lot No. 26789, Mukim Durian Sebatang, Daerah Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	464 sq. metre	1½-storey semi-detached factory	674	2019
9 Majuperak Plantation Sdn. Bhd. Lot No. 10471, Mukim of Hutan Melintang, District of Hilir Perak, Perak Darul Ridzuan	Leasehold 99 years	26.08.2090	1,000.5 acres	Oil palm estate	2,249	1998
10 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	2,783	1998

List of Properties
as at 31 December 2019 (cont'd)

Location of Property Peninsular Malaysia	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2019 RM'000	Date of last Revaluation ®
11 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	2,668	1998
12 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	4,927	1998
13 Champion Point Sdn. Bhd. Lot Nos. 10065, 10066, 10068, 10069, 10071-10075 (Incl.), PT 30768, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	188.88 acres	Oil palm estate	2,661	1998
14 Mah Hock Company Sendirian Berhad Lot Nos. PT 30770, Mukim of Durien Sebatang, District of Hilir Perak, Perak Darul Ridzuan	Grant in perpetuity	N/A	20.68 acres	Oil palm estate	51	N/A

List of Properties
as at 31 December 2019 (cont'd)

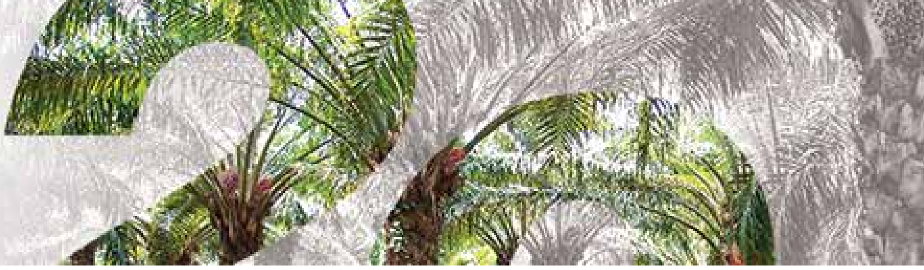
Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2019 RM'000	Date of last Revaluation ®
15 Prolific, Wong Tet-Jung Plantations	Leasehold 99 years	2069	39.752 hectares	Oil Palm Plantation	8,467	N/A
Off KM 63.7,		2070	30.607 hectares	& Oil Mill		
Sandakan-Lahad 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	119	N/A
Lot 38, Block C	Leasehold 99 years			Terrace Shoplot		
Taman Indah Jaya Phase 4A,	(Parent title					
Mile 4, Jalan Utara, Sandakan	TL077552035)					
16 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	18,924	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			
17 Sri Likas Mewah, Ultisearch Trading	Leasehold 99 years	2085	10.120 hectares	Oil Palm Plantation	2,701	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			
18 Bakara	Leasehold 99 years	2085	150.300 hectares	Oil Palm Plantation	2,566	N/A
Bukit Garam/Sg. Lokan		2087	400.000 hectares			
Off KM 76.5,						
Sandakan-Lahad Highway			**550.300 hectares**			
19 Cepatwawasan & Kovusak	Leasehold 99 years	2061	992.700 hectares	Oil Palm Plantation	19,565	N/A
KM 4.5, Jalan Beluran		2071	133.550 hectares			
		2078	485.300 hectares			
			1,611.550 hectares			
20 Razijaya & Sungguh Mulia	Leasehold 99 years	2098	**362.200 hectares**	Oil Palm Plantation,	12,852	N/A
Sungai-Sungai Locality,				Quarry &		
99 KM North-West of Sandakan				Plantable Reserve		

List of Properties
as at 31 December 2019 (cont'd)

Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2019 RM'000	Date of last Revaluation ®
21 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	33,362	N/A
22 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	4,937	N/A
23 Ladang Cepat-KPD 85 KM South-West of Beaufort	Leasehold 99 years	2087	**1,595.860 hectares**	Oil Palm Plantation	24,491	N/A
24 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	832	N/A
25 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	133	N/A
26 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	134	N/A
27 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	362	N/A
28 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	296	N/A
29 Mistral Engineering Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**3.115 hectares**	Biogas power plant	348	N/A
30 Cash Horse Off KM 63.7, Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**7.070 hectares**	Biomass power plant	5,692	N/A

List of Properties
as at 31 December 2019 (cont'd)

	Location of Property Kuala Lumpur	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2019 RM'000	Date of last Revaluation ®
31	Minelink HS (D) 118739, No. PT 9103 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.976 Sq.M**	High-end residential property	7,339	2019
	Minelink HS (D) 118740, No. PT 9104 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**877.693 Sq.M**	High-end residential property	7,181	2019
	Minelink HS (D) 118741, No. PT 9105 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.829 Sq.M**	High-end residential property	7,337	2019
	Minelink HS (D) 118742, No. PT 9106 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**878.490 Sq.M**	High-end residential property	7,188	2019
	Minelink HS (D) 118743, No. PT 9107 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**884.183 Sq.M**	High-end residential property	7,234	2019
	Minelink HS (D) 118744, No. PT 9108 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**863.043 Sq.M**	High-end residential property	7,061	2019



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 2019.

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	3,940,985	3,645,866
Attributable to:		
Owners of the Company	2,508,891	3,645,866
Non-controlling interests	1,432,094	-
	3,940,985	3,645,866

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 2018 was as follows:

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

On 14 May 2020, the directors approved an interim single tier dividend of 1.50 sen per share in respect of the next financial year ending 31 December 2020 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 payable on 12 June 2020.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2020.

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
Datin Seri Ooi Ah Thin
Datuk Chua Kim Yin
Datuk Palpanaban a/l Devarajoo (D.P. Naban)
Derrick Martin De Souza
Jack Tian Hock Tan
Koh Zheng Kai
Lee Chong Hoe
Mustapha Bin Mohamed
Ng Choo Beng
Soong Swee Koon
Lee Nyuk Choon @ Jamilah Ariffin (Appointed on 15 August 2019)
Andree Alexander Funk (Appointed on 4 November 2019)
Kalimin Bin Sahadi (Resigned on 15 July 2019)
Honorsius Bosuin (Resigned on 4 November 2019)

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 33 to the financial statements.

Directors' benefits (cont'd)

The directors' benefits are as follows:

	Group RM	Company RM
Salaries and other emoluments	2,583,092	634,800
Fees	53,000	-
Bonus	409,960	93,150
Defined contribution plan	329,575	70,806
Benefit-in-kind	23,950	-
	3,399,577	798,756

Directors' interests

According to the register of directors' shareholdings, the interests 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 2019	Bought	Sold	31 December 2019
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	141,800	13,000	-	154,800
Mah Li-Na	1,000	-	-	1,000
Deemed interest				
Dato' Seri Mah King Seng	90,189,024	-	-	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 RM4,725.

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 other than as disclosed in Note 40 to the financial statements.

Significant event

Details of significant event are disclosed in Note 39 to the financial statements.

Subsequent event

Details of subsequent event are disclosed in Note 40 to the financial statements.

Auditors

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039 was registered on 2 January 2020 and with effect from that date, Ernst & Young (AF 0039), a conventional partnership, was converted to a limited liability partnership pursuant to the Limited Liability Partnerships Act 2012.

The auditors, Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company for the financial year amounted to RM419,373 and RM59,000 respectively.

To the extent permitted by law, the Group/the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 June 2020.

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 69 to 180 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 2019 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 3 June 2020.

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 69 to 180 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 3 June 2020.

Chan Kim Meng
MIA 20736

Before me,

Kong Wai Ngee (A213)
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 2019, 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 69 to 180.

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 2019 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Emphasis of matter

We draw attention to Note 3.1(b) and Note 39 to the financial statements. On 8 January 2020, an indirect subsidiary of the Company, Mistral Engineering Sdn. Bhd. ("MESB"), received a letter from the Sustainable Energy Development Authority Malaysia ("SEDA'') dated 24 December 2019 informing MESB that they have decided not to revoke MESB's Feed-in Approval to participate in the Feed-in Tariff scheme granted by SEDA, subject to MESB complying with Rule 3(c)(i) of the Renewable Energy (Feed-in Approval and Feed-in Tariff Rate) Rules 2011. MESB has been granted six months by SEDA to restructure its shareholdings to comply with above rule.

However, the COVID-19 outbreak has significantly impacted the progress of the restructuring exercise. MESB has also written to SEDA on 25 March 2020 seeking an extension of time to complete the restructuring. As at the date these financial statements are authorised for issue, MESB has not received SEDA's reply to the request for extension. However, the Board of directors of the Company and the Board of the directors of MESB are confident that their application will be approved by SEDA. Should SEDA revoke MESB's Feed-In Approval, the impact to the Group is as disclosed in Note 39 to the financial statements. Our opinion is not modified in respect of this matter.

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.

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)

Key audit matters (cont'd)

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 judgements in Note 3.2(a) and the disclosure of Goodwill in Note 17 to the financial statements.)

As at 31 December 2019, 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.

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.

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)

Key audit matters (cont'd)

Impairment of property, plant and equipment

(Refer to the summary of significant accounting policies in Note 2.7, significant accounting estimates and judgements 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 2019, the carrying value of property, plant and equipment of the Group was RM404,148,619, representing 63% and 55% 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") and fair value less cost to sell ("FVLCS"). 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.

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 and the discount rate to use.

For ("FVLCS"), the Group has engaged an independent valuer to determine the fair value of the property, plant and equipment as at 31 December 2019.

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;

(f) involved an internal specialist to assist us in assessing 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;

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)

Key audit matters (cont'd)

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

How our audit addressed the matter (cont'd)

Our audit procedures included, amongst others, the following procedures (cont'd):

(g) considered the objectivity, independence and expertise of the independent valuer; and

(h) obtained an understanding of the valuation methodology used by the independent valuer in determining the fair value of property, plant and equipment.

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 summary of significant accounting policies in Note 2.21, significant accounting estimates and judgements in Note 3.2(d) and disclosure on investments in subsidiary companies in Note 13 to the financial statements.)

The market value 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 2019 may be impaired. Accordingly, the Company estimated the recoverable amount of this investment in subsidiary company based on Value-in-use ("VIU") of the Cash Generating Units ("CGU") under CGB. Estimating the VIU of CGUs involved estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate.

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

How our audit addressed the matter

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

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

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

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

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)

(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.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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.

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)

Auditors' responsibilities for the audit of the financial statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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)

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

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Lee Ai Chung
No. 03265/04/2021 J
Chartered Accountant

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 3 June 2020

Statements of Comprehensive Income
for the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	4	301,367,796	343,446,892	3,912,785	4,067,896
Cost of sales		(276,224,097)	(313,429,922)	(3,499,582)	(3,364,559)
Gross profit		25,143,699	30,016,970	413,203	703,337
Other income		12,051,156	11,149,679	386,318	229,978
Administrative expenses		(13,324,043)	(13,755,533)	(2,391,422)	(2,568,730)
Other operating expenses		(7,082,603)	(7,664,328)	-	-
Operating profit/(loss)		16,788,209	19,746,788	(1,591,901)	(1,635,415)
Finance costs	5	(7,047,237)	(7,123,971)	(786,995)	(832,248)
Income from investments	6	8,963	25,539	6,014,945	8,954,952
Profit before taxation	7	9,749,935	12,648,356	3,636,049	6,487,289
Income tax (expense)/benefit	8	(5,808,950)	(6,180,283)	9,817	(478,628)
Profit net of tax		3,940,985	6,468,073	3,645,866	6,008,661
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Net fair value gain/(loss) on financial assets at fair value through other comprehensive income ("FVOCI")		6,772	(16,944)	10,648	8,325
Exchange differences on translation of foreign operations		(86,598)	(410,158)	-	-
		(79,826)	(427,102)	10,648	8,325
Total comprehensive income for the year		3,861,159	6,040,971	3,656,514	6,016,986
Profit attributable to:					
Owners of the Company		2,508,891	4,458,047	3,645,866	6,008,661
Non-controlling interests		1,432,094	2,010,026	-	-
		3,940,985	6,468,073	3,645,866	6,008,661
Total comprehensive income attributable to:					
Owners of the Company		2,461,357	4,188,815	3,656,514	6,016,986
Non-controlling interests		1,399,802	1,852,156	-	-
		3,861,159	6,040,971	3,656,514	6,016,986
Earnings per share attributable to owners of the Company					
Basic	9	1.28 sen	2.27 sen		
Diluted	9	1.28 sen	2.27 sen		
Net dividend per share	10	1.50 sen	2.00 sen		

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

Statements of Financial Position

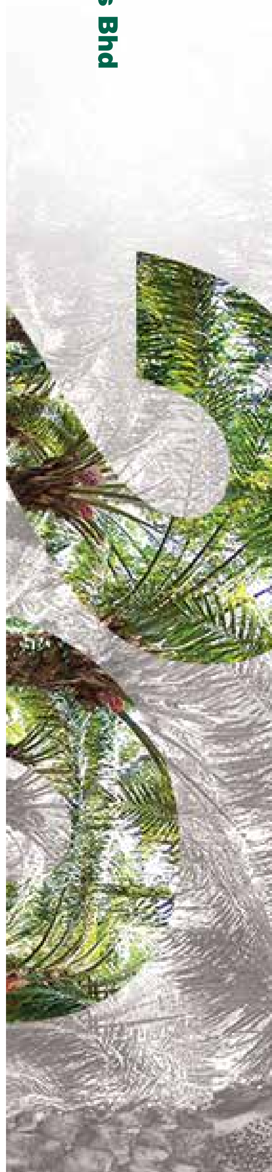
as at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	11	404,148,619	397,058,286	12,445,606	12,811,020
Investment properties	12	49,923,826	49,250,000	1,250,000	1,250,000
Investments in subsidiary companies	13	-	-	209,070,973	209,070,973
Investments in securities	14	394,505	387,730	235,557	224,909
Land use rights	15	-	1,910,383	-	-
Deferred tax assets	26	4,623,487	3,031,476	-	-
Trade and other receivables	16	134,848,846	140,835,609	-	-
Goodwill on consolidation	17	43,867,118	43,867,118	-	-
		637,806,401	636,340,602	223,002,136	223,356,902
Current assets					
Inventories	18	25,355,182	30,691,009	186,371	155,111
Biological assets	19	2,737,438	1,386,106	213,058	73,500
Trade and other receivables	16	29,509,197	24,988,542	1,234,291	793,025
Tax recoverable		1,503,106	3,391,648	3,145	3,145
Short term investments	20	16,319,942	14,421,004	12,174	56,488
Fixed deposits with licensed banks	21	7,623,917	9,192,962	396,042	379,690
Cash and bank balances	21	13,140,619	14,199,198	821,847	326,840
		96,189,401	98,270,469	2,866,928	1,787,799
Total assets		733,995,802	734,611,071	225,869,064	225,144,701

Statements of Financial Position
as at 31 December 2019 (cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	22	196,543,970	196,543,970	196,543,970	196,543,970
Reserves	23	50,850,433	51,503,135	11,885,357	11,177,003
		247,394,403	248,047,105	208,429,327	207,720,973
Non-controlling interests		264,798,153	266,956,202	-	-
Total equity		512,192,556	515,003,307	208,429,327	207,720,973
Non-current liabilities					
Hire purchase payables	24	-	2,534,373	-	33,240
Borrowings	25	55,163,121	61,513,129	-	-
Deferred tax liabilities	26	53,000,176	49,168,856	577,432	587,249
Lease rental payable	27	-	267,050	-	-
Lease liabilities	28	3,688,674	-	9,599	-
		111,851,971	113,483,408	587,031	620,489
Current liabilities					
Payables	29	31,799,478	29,445,694	1,729,065	1,664,972
Hire purchase payables	24	-	1,000,195	-	38,267
Borrowings	25	76,100,008	75,629,178	15,100,000	15,100,000
Lease liabilities	28	1,143,304	-	23,641	-
Taxation		908,485	49,289	-	-
		109,951,275	106,124,356	16,852,706	16,803,239
Total liabilities		221,803,246	219,607,764	17,439,737	17,423,728
Total equity and liabilities		733,995,802	734,611,071	225,869,064	225,144,701

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 2019

Group	Note	Equity attributable to owners of the Company — Non - distributable: Share capital RM	Capital reserve RM	Other reserve RM	Revaluation reserve RM	Fair value adjustment reserve RM	Foreign currency translation reserve RM	Distributable: Capital reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total equity RM
Opening balance at 1 January 2019		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
Net profit for the financial year		-	-	-	-	-	-	-	2,508,891	2,508,891	1,432,094	3,940,985
Other comprehensive income		-	-	-	-	6,772	(54,306)	-	-	(47,534)	(32,292)	(79,826)
Total comprehensive income		-	-	-	-	6,772	(54,306)	-	2,508,891	2,461,357	1,399,802	3,861,159
Effect of subsidiary share transaction		-	-	(165,899)	-	-	-	-	-	(165,899)	(103,814)	(269,713)
Transactions with owners:												
Dividends	10	-	-	-	-	-	-	-	(2,948,160)	(2,948,160)	-	(2,948,160)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(3,454,037)	(3,454,037)
Total transactions with owners		-	-	-	-	-	-	-	(2,948,160)	(2,948,160)	(3,454,037)	(6,402,197)
Closing balance at 31 December 2019		196,543,970	5,736,883	(32,265,746)	789,026	51,860	(343,729)	8,169	76,873,970	247,394,403	264,798,153	512,192,556

Statements of Changes in Equity
for the financial year ended 31 December 2019 (cont'd)

		Equity attributable to owners of the Company										
		Non - distributable						Distributable				
Group	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
Opening balance at 1 January 2018		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

Statements of Changes in Equity
for the financial year ended 31 December 2010 (cont'd)

			Non - distributable	Distributable	
Company	**Note**	**Share capital RM**	**Fair value adjustment reserve RM**	**Retained profits RM**	**Total equity RM**
Opening balance at 1 January 2019		196,543,970	(60,167)	11,237,170	207,720,973
Net profit for the financial year		-	-	3,645,866	3,645,866
Other comprehensive income		-	10,648	-	10,648
Total comprehensive income		-	10,648	3,645,866	3,656,514
Transaction with owners:					
- Dividends, representing total transaction with owners	10	-	-	(2,948,160)	(2,948,160)
Closing balance at 31 December 2019		196,543,970	(49,519)	11,934,876	208,429,327

Statements of Changes in Equity
for the financial year ended 31 December 2019 (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		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

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 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Operating activities				
Profit before taxation	9,749,935	12,648,356	3,636,049	6,487,289
Adjustments for:				
Allowance for expected credit losses	71,455	-	-	-
Amortisation of land use rights	-	27,941	-	-
Bad debts written off	119,053	10,883	-	49,492
Depreciation of property, plant and equipment	20,899,232	21,087,606	765,365	765,012
Dividend income	(8,963)	(25,539)	(6,014,945)	(8,954,952)
Fair value (gain)/loss on biological assets	(1,351,332)	1,727,976	(139,558)	55,847
(Gain)/Loss on disposal of property, plant and equipment	(272,555)	(5,716)	(2,440)	1,552
Interest expense	7,047,237	7,123,971	786,995	832,248
Interest income	(8,102,890)	(8,193,643)	(47,731)	(19,320)
Property, plant and equipment written off	64,882	93,266	-	5,071
Reversal of expected credit losses	(161,738)	(184,526)	-	-
Unrealised (gain)/loss on foreign exchange, net	(18,724)	33,589	-	-
Total adjustments	18,285,657	21,695,808	(4,652,314)	(7,265,050)
Operating cash flows before changes in working capital	28,035,592	34,344,164	(1,016,265)	(777,761)
Changes in working capital:				
Inventories	5,335,827	695,082	(31,260)	(52,494)
Receivables	9,525,831	16,465,777	(176,894)	(13,392)
Payables	1,624,852	(6,661,017)	64,093	(921,676)
Subsidiary companies' accounts	-	-	(264,372)	(313,130)
Total changes in working capital	16,486,510	10,499,842	(408,433)	(1,300,692)
Cash flows from/(used in) operations	44,522,102	44,844,006	(1,424,698)	(2,078,453)
Interest received	758,993	798,104	47,731	19,320
Interest paid	(7,040,449)	(7,123,971)	(786,995)	(832,248)
Tax paid	(821,904)	(7,250,538)	-	-
Net cash flows from/(used in) operating activities	37,418,742	31,267,601	(2,163,962)	(2,891,381)

Statements of Cash Flows
for the financial year ended 31 December 2019 (cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Investing activities				
Additional placement of pledged fixed deposits	(105,795)	(284,487)	(16,352)	(10,175)
Dividends received	8,963	25,539	6,014,945	8,954,952
Net investment in short term investments	(1,898,938)	3,184,755	44,314	(1,525)
Proceeds from disposal of property, plant and equipment	365,219	360,680	4,800	20,000
Purchase of investment property	(673,826)	-	-	-
Purchase of property, plant and equipment	(23,910,075)	(18,948,043)	(402,311)	(643,348)
Net cash flows (used in)/from investing activities	(26,214,452)	(15,661,556)	5,645,396	8,319,904
Financing activities				
Repayment of hire purchase obligations	-	(1,083,394)	-	(45,077)
Drawdown of revolving credit	10,500,000	4,500,000	-	-
Drawdown of term loan	16,400,000	20,259,000	-	-
Repayment of revolving credit	(10,300,000)	(11,250,000)	-	-
Repayment of term loan	(22,479,178)	(23,470,583)	-	(1,850,000)
Repayment of lease liabilities	(1,303,081)	-	(38,267)	-
Purchase of subsidiary's treasury shares	(269,713)	-	-	-
Dividends paid to shareholders	(2,948,160)	(3,930,879)	(2,948,160)	(3,930,879)
Dividends paid to non-controlling interests	(3,454,037)	(4,612,716)	-	-
Net cash flows used in financing activities	(13,854,169)	(19,588,572)	(2,986,427)	(5,825,956)
Net (decrease)/increase in cash and cash equivalents	(2,649,879)	(3,982,527)	495,007	(397,433)
Effect of foreign exchange rate changes on cash and cash equivalents	(83,540)	(420,608)	-	-
Cash and cash equivalents as at 1 January	20,165,124	24,568,259	326,840	724,273
Cash and cash equivalents as at 31 December (Note 21)	17,431,705	20,165,124	821,847	326,840

Statements of Cash Flows
for the financial year ended 31 December 2019 (cont'd)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
(a) The Group and the Company acquired property, plant and equipment by:				
Cash	23,910,075	18,948,043	402,311	643,348
Hire purchase arrangement	809,411	3,585,697	-	-
	24,719,486	22,533,740	402,311	643,348

(b) The Group acquired investment property by way of cash.

(c) Changes in liabilities arising from financing activities:

Group	1 January 2019 RM	Acquisition RM	Cash flows RM	Others RM	31 December 2019 RM
Borrowings (Note 25)	137,142,307	-	(5,879,178)	-	131,263,129
Dividend payable	-	-	(6,402,197)	6,402,197	-
	137,142,307	-	(12,281,375)	6,402,197	131,263,129

Group	1 January 2018 RM	Acquisition RM	Cash flows RM	Others 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
Dividend payable	-	-	(8,543,595)	8,543,595	-
	148,136,155	3,585,697	(19,588,572)	8,543,595	140,676,875

Statements of Cash Flows
for the financial year ended 31 December 2019 (cont'd)

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

	Company			
	1 January 2019 RM	Cash flows RM	Others RM	31 December 2019 RM
Borrowings (Note 25)	15,100,000	-	-	15,100,000
Dividend payable	-	(2,948,160)	2,948,160	-
	15,100,000	(2,948,160)	2,948,160	15,100,000

	Company			
	1 January 2018 RM	Cash flows RM	Others 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
Dividend payable	-	(3,930,879)	3,930,879	-
	17,066,584	(5,825,956)	3,930,879	15,171,507

(d) The changes in liabilities arising from lease liabilities for the Group and the Company are disclosed in Note 28.

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

Notes to the Financial Statements
– 31 December 2019

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 of the Company is located at 55A, Medan Ipoh 1A, Medan Ipoh Bestari, 31400 Ipoh, Perak Darul Ridzuan. The principal place of business of the Company is 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.

At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs which are mandatory for financial periods beginning on or after the dates as described fully in Notes 2.2.

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

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

2.2 Change in accounting policies

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

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after the date stated below:

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 119 : Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
MFRS 128 : Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
IC Interpretation 23 : Uncertainty over Income Tax Treatments	1 January 2019

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

2.2 Change in accounting policies (cont'd)

The nature and impact of the new and amended MFRSs are described 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 application of these amendments has had no impact on the Group's and the Company's financial statements.

MFRS 16 : Leases

MFRS 16 supersedes MFRS 117 Leases, IC 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify all leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group and the Company is the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective approach. The Group and the Company elected to measure all of their right-of-use assets at the date of initial application at an amount equal to the lease liability. The Group and the Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Before the adoption of MFRS 16, the Group and the Company classified each of their leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

The effects of adoption of MFRS 16 as at 1 January 2019 are as follows:

– The Group's land use rights of RM1,910,383 were reclassified as right-of-use assets as at 1 January 2019. This is presented within the property, plant and equipment line in the statement of financial position.

– The Group's and the Company's long term leasehold land of RM120,619,028 and RM388,220 respectively which was classified as property, plant and equipment was reclassified as right-of-use assets as at 1 January 2019. This is presented within the property, plant and equipment line in the statement of financial position.

– The Group's short term leasehold land of RM4,850,148 which was classified as property, plant and equipment was reclassified as right-of-use assets as at 1 January 2019. This is presented within the property, plant and equipment line in the statement of financial position.

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 : Leases (cont'd)

The effects of adoption of MFRS 16 as at 1 January 2019 are as follows (cont'd):

– The Group's lease rental payable of RM267,050 was reclassified as lease liabilities as at 1 January 2019. This is presented within the lease liabilities line under non-current liabilities in the statement of financial position.

– The Group's and the Company's hire purchase payables of RM3,534,568 and RM71,507 respectively was reclassified as lease liabilities as at 1 January 2019. This is presented within the lease liabilities line under non-current liabilities and current liabilities in the statement of financial position.

– There is no impact to the Group's and the Company's retained profits as at 1 January 2019.

(i) Leases previously accounted for as operating leases

The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group and the Company also applied the available practical expedients wherein they:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(ii) Leases previously accounted for as finance leases

For those leases previously classified as finance leases, the right-of-use assets and lease liabilities are measured at the date of initial application at the same amounts as under MFRS 117 immediately before the date of initial application of MFRS 16.

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 : Leases (cont'd)

The following is a reconciliation of the financial statement line items from MFRS 117 to MFRS 16 at 1 January 2019:

Group	Under MFRS 117 RM	Reclassification RM	Effect of adoption of MFRS 16 RM	Under MFRS 16 RM
Non-current assets				
Property, plant and equipment	397,058,286	1,910,383	1,517,242	400,485,911
Land use rights	1,910,383	(1,910,383)	-	-
	398,968,669	-	1,517,242	400,485,911
Non-current liabilities				
Lease liabilities	-	(2,801,423)	(1,435,083)	(4,236,506)
Lease rental payable	(267,050)	267,050	-	-
Hire purchase payables	(2,534,373)	2,534,373	-	-
	(2,801,423)	-	(1,435,083)	(4,236,506)
Current liabilities				
Lease liabilities	-	(1,000,195)	(82,159)	(1,082,354)
Hire purchase payables	(1,000,195)	1,000,195	-	-
	(1,000,195)	-	(82,159)	(1,082,354)

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

2.2 Changes in accounting policies (cont'd)

MFRS 16 : Leases (cont'd)

The following is a reconciliation of the financial statement line items from MFRS 117 to MFRS 16 at 1 January 2019:

Company	Under MFRS 117 RM	Reclassification RM	Under MFRS 16 RM
Non-current liabilities			
Lease liabilities	-	(33,240)	(33,240)
Hire purchase payables	(33,240)	33,240	-
	(33,240)	-	(33,240)
Current liabilities			
Lease liabilities	-	(38,267)	(38,267)
Hire purchase payables	(38,267)	38,267	-
	(38,267)	-	(38,267)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group RM
Assets	
Operating lease commitments as at 31 December 2018	2,029,540
Weighted average incremental borrowing rate as at 1 January 2019	6.90% - 8.15%
Discounted operating lease commitments as at 1 January 2019	1,334,287
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	182,955
Lease liabilities recognised as at 1 January 2019 (Note 28)	1,517,242

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

2.2 Changes in accounting policies (cont'd)

Annual Improvement to MFRS Standards 2015 - 2017 Cycle

The improvement includes:

– **MFRS 12 : Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The application of these amendments has had no impact on the Group's and the Company's financial statements.

– **MFRS 123 : Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The application of these amendments has had no impact on the Group's and the Company's financial statements.

IC Interpretation 23 : Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

– Whether an entity considers uncertain tax treatments separately;

– The assumptions an entity makes about the examination of tax treatments by taxation authorities;

– How an entity determines taxable profit (tax loss), tax bases, unused tax losses unused tax credits and tax rates; and

– How an entity considers changes in facts and circumstances.

This interpretation has no impact on the Group's and the Company's financial statements as the Group and the Company do not operate in a complex tax environment.

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

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 – Definition of a Business	1 January 2020
Definition of Material (Amendments to MFRS 101 : Presentation of Financial Statements and MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2020
Interest Rate Benchmark Reform (Amendments to MFRS 9 : Financial Instruments, MFRS 139 : Financial Instruments: Recognition and Measurement and MFRS 7 : Financial Instruments: Disclosures)	1 January 2020
MFRS 17 : Insurance Contracts	1 January 2021
Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101 : Presentation of Financial Statements)	1 January 2022
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 Group's and the Company's financial statements in the period of initial application except as discussed below:

Amendments to MFRS 3 – Definition of a Business

Under MFRS 3, the amendments to the definition of a business is to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the following:

- Minimum requirements to be a business;
- Market participants' ability to replace missing elements;
- Assessing whether an acquired process is substantive;
- Narrowed the definitions of outputs; and
- Introduced an optional concentration test.

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

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

Amendments to MFRS 3 – Definition of a Business (cont'd)

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group does not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. These amendments are not expected to have any impact on the Group's financial statements.

Amendments to MFRS 101 and 108 – Definition of Material

Under MFRS 101 and MFRS 108, the amendments were made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

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

Amendments to MFRS 9, MFRS 139 and MFRS 7 – Interest Rate Benchmark Reform

The Interest Rate Benchmark Reform amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, companies are not required to apply the MFRS 139 retrospective assessment, but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80% – 125% range during the period of uncertainty arising from the reform.

The amendments shall apply to financial statements of annual periods beginning on or after 1 January 2020. Earlier application is permitted.

These amendments are not expected to have any 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)

Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 : Presentation of Financial Statements)

The amendments aim to promote consistency in applying the requirements by helping entities to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The amendments clarify, not change, existing requirements, and so are not expected to affect entities' financial statements significantly. However, they could result in entities reclassifying some liabilities from current to non-current, and vice versa; this could affect an entity's loan covenants. Early application of the amendments is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

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.

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

2.4 Basis of consolidation (cont'd)

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.

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

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.

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

2.4 Basis of consolidation (cont'd)

Business combinations (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

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.

Quarry development expenditure is amortised based on the proportion of stone 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.

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

2.7 Property, plant and equipment (cont'd)

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:

Bearer plant	22 years
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%

Capital work-in-progress 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 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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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.

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.

(ii) Categories of financial instruments and subsequent measurement

Financial assets

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)

(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)

(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.

Impairment of financial assets

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 ("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 ("lifetime ECL").

For trade receivables, a simplified approach is applied in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises 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)

Financial liabilities

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.

(iii) Derecognition

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.

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

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

(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.

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.

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.

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

2.14 Service concession arrangements (cont'd)

Financial asset model (cont'd)

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.

2.15 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.

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

2.15 Revenue recognition (cont'd)

(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.

(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) Does 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) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) Provides 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 a direct relationship between the Group's and the Company's effort and the transfer of service to the customer.

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

2.15 Revenue recognition (cont'd)

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.

(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.

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

2.15 Revenue recognition (cont'd)

The following describes the performance obligation in contracts with customers (cont'd):

(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.

2.17 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.

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

2.17 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

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

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

As lessor

Leases where the Group and the Company 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).

Accounting policies applied from 1 January 2019

The Group and the Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group and the Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Short term leasehold land	23 - 60 years
Long term leasehold land	99 - 999 years

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as set out in Note 2.21

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

2.20 Leases (cont'd)

As lessee (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to their short term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). They also apply the lease of low-value assets recognition exemption to leases that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Accounting policies applied until 31 December 2018

As lessee

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

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

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

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

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.

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

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

(c) Foreign operations

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

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

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

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 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

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

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

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

2.27 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 Service 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 32, 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:

(a) 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 been accounted for as 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. Significant accounting estimates and judgements (cont'd)

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 (cont'd).

3.1 Judgements made in applying accounting policies (cont'd)

(b) Mistral Engineering Sdn. Bhd. ("MESB") has written to Sustainable Energy Development Authority Malaysia ("SEDA'') on 25 March 2020 seeking an extension to complete the Proposed Restructuring as disclosed in Note 39. The Directors of MHC Plantations Bhd. ("MHC") and Directors of MESB are confident that their application for extension will be approved by SEDA taking into consideration the challenges faced globally on the lockdown due to the COVID-19 outbreak. In addition, the consultant appointed by MESB in dealing with the extension has been continuously following up on the status of the extension and believes that SEDA will grant the extension as MESB has progressively been taking actions to comply with SEDA's requirement and it is also in the best interest of Sabah since there is a shortage of supply of electricity. The Proposed Restructuring is near completion and is pending an Extraordinary General Meeting ("EGM") to be held by Timah Resources Limited ("TML") to seek the approval of its shareholders, the delay being caused by the COVID-19 outbreak. The primary benefit to TML's shareholders as a result of the Proposed Restructuring will be that MESB will be fully in compliant with SEDA's requirements to participate in the Feed-in Tariff scheme. Without the Proposed Restructuring, MESB will lose its Feed-in Approval. The Board of Directors of MHC and CGB, having considered all aspects of the Proposed Restructuring is of the opinion that this is in the best interest of the TML group and shareholders of TML. Accordingly, they are of the opinion that the likelihood of the Proposed Restructuring being rejected by the shareholders of TML is remote.

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 comprise unabsorbed business losses, unabsorbed capital and agriculture allowances, unabsorbed reinvestment and investment tax allowances of and others amounted to RM3,445,858 (2018 : RM7,168,659), RM34,937,067 (2018 : RM32,867,028), RM5,523,178 (2018 : RM1,108,742) and RM488,288 (2018 : RM490,534) respectively. The Company's deferred tax assets comprise unabsorbed capital and agriculture allowances amounted to RM801,689 (2018 : RM720,630).

(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 2019 was RM209,070,973 (2018 : 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 value 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 2019 may be impaired. Accordingly, the Company estimated the recoverable amount of the investment in this 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 RM28 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's 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 ascertained 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 are disclosed in 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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Type of goods or services				
Sales of fresh fruit bunches	16,135,717	15,735,918	3,242,200	3,439,599
Sales of crude palm oil	219,815,267	247,697,147	-	-
Sales of palm kernel	33,132,763	52,301,100	-	-
Sales of earth and stones	1,570,079	1,098,173	-	-
Sales of empty fruit bunches oil	10,300,510	10,643,642	-	-
Revenue from hotel operations	670,585	628,297	670,585	628,297
Construction of service concession power plants	3,308,405	6,354,226	-	-
Supply of electricity	16,434,470	8,988,389	-	-
Total revenue from contracts with customers	301,367,796	343,446,892	3,912,785	4,067,896
Timing of revenue recognition				
At a point in time	298,059,391	337,092,666	3,912,785	4,067,896
Over time	3,308,405	6,354,226	-	-
	301,367,796	343,446,892	3,912,785	4,067,896

5. Finance costs

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Interests on:				
- hire purchase	-	132,652	-	5,851
- lease liabilities	290,080	-	3,397	-
- revolving credit	2,830,279	3,153,594	783,598	795,499
- term loan	4,107,910	3,837,725	-	30,898
	7,228,269	7,123,971	786,995	832,248
Less: capitalised in bearer plants	(181,032)	-	-	-
	7,047,237	7,123,971	786,995	832,248

6. Income from investments

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Gross dividend income from:				
- subsidiary companies	-	-	6,006,196	8,945,352
- quoted investments in Malaysia	8,963	9,814	8,749	9,600
- unquoted investments in Malaysia	-	15,725	-	-
	8,963	25,539	6,014,945	8,954,952

7. Profit before taxation

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
This is arrived at after charging:				
Auditors' remuneration				
- audit services				
- current year's provision	419,373	411,368	59,000	56,000
- under provision in prior years	19,090	11,400	3,000	-
- other assurance services	5,000	5,000	5,000	5,000
- other non-audit services	152,814	141,538	8,800	8,800
- under provision in prior years	200	23,000	-	-
Amortisation of land use rights	-	27,941	-	-
Allowance for expected credit losses	71,455	-	-	-
Bad debts written off	119,053	10,883	-	49,492
Depreciation of property, plant and equipment	20,899,232	21,087,606	765,365	765,012
Expenses relating to short term leases	242,508	-	98,400	-
Fair value loss on biological assets	-	1,727,976	-	55,847
Loss on disposal of property, plant and equipment	-	199,263	-	1,552
Property, plant and equipment written off	64,882	93,266	-	5,071

7. Profit before taxation (cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
This is arrived at after charging (cont'd):				
Rentals				
- premises	-	289,364	-	93,700
- computer software	-	61,391	-	418
Realised loss on foreign exchange	7,379	-	-	-
Unrealised loss on foreign exchange	-	33,589	-	-
and crediting:				
Fair value gain on biological assets	1,351,332	-	139,558	-
Gain on disposal of property, plant and equipment	272,555	204,979	2,440	-
Interest income from:				
- fixed deposits	202,965	264,970	16,352	10,175
- short term investments	556,028	525,514	3,686	1,525
- advances to subsidiary companies	-	-	27,693	-
- amount due from customer on service concession	7,343,897	7,395,539	-	-
- others	-	7,620	-	7,620
Realised gain on foreign exchange	-	52,247	-	-
Rental income				
- equipment hire	-	76,086	20,768	21,473
- landed property	49,185	31,185	49,185	31,185
- investment properties	73,920	69,300	73,920	69,300
- land	7,118	8,194	2,318	6,408
Reversal of expected credit losses	161,738	184,526	-	-
Sundry income	10,084	20,878	-	7,136
Unrealised gain on foreign exchange	18,724	-	-	-

8. Income tax expense/(benefit)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current tax:				
- Malaysian income tax	3,413,948	3,360,748	-	-
- Under/(Over) provision in prior years	155,693	(246,781)	-	(20,981)
	3,569,641	3,113,967	-	(20,981)
Deferred tax (Note 26):				
- Relating to origination and reversal of temporary differences	823,534	2,284,867	(63,983)	396,678
- Under provision in prior years	1,415,775	781,449	54,166	102,931
	2,239,309	3,066,316	(9,817)	499,609
	5,808,950	6,180,283	(9,817)	478,628

Domestic income tax is calculated at the Malaysian statutory tax rates of 24% (2018 : 20% to 24%) of the estimated assessable profit for the Year of Assessment 2018 and Year of Assessment 2019.

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/(benefit) at the effective income tax rates of the Group and of the Company is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before taxation	9,749,935	12,648,356	3,636,049	6,487,289
Taxation at applicable statutory tax rate (2018 : 24%)	2,339,984	3,035,605	872,652	1,558,949
Income not subject to tax	(223,832)	(164,557)	(1,451,118)	(2,149,554)
Expenses not deductible for tax purposes	1,493,194	1,527,026	271,227	307,510
Effect of utilisation previously unrecognised unabsorbed capital allowance	(33,484)	(37,536)	-	-
Deferred tax assets not recognised on unutilised business loss	6,349,300	1,285,077	243,256	679,773
Deferred tax assets recognised from investment tax allowances	(5,687,680)	-	-	-
Under/(Over) provision of current tax in prior years	155,693	(246,781)	-	(20,981)
Under provision of deferred tax in prior years	1,415,775	781,449	54,166	102,931
Tax expense/(benefit) for the year	5,808,950	6,180,283	(9,817)	478,628

9. Earnings per share

(a) Basic earnings per share

The basic earnings per share of 1.28 sen (2018 : 2.27 sen) is calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the Company of RM2,508,891 (2018 : RM4,458,047) by the number of ordinary shares of 196,543,970 (2018 : 196,543,970).

(b) Diluted earnings per share

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

10. Dividends

	Group and Company	
	2019	2018
	RM	RM
In respect of financial year ended 31 December 2018:		
Final single tier dividend of 1.50 sen per share	2,948,160	-
In respect of financial year ended 31 December 2017:		
Final single tier dividend of 2.00 sen per share	-	3,930,879
Proposed but not recognised as liabilities as at 31 December 2018:		
Final single tier dividend of 1.50 sen per share	-	2,948,160

On 14 May 2020, the directors approved an interim single tier dividend of 1.50 sen per share in respect of the next financial year ending 31 December 2020 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 payable on 12 June 2020.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2020.

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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	Capital work-in-progress RM	Total RM
At 31 December 2019												
Cost/Valuation												
At 1 January 2019 (as previously stated)	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
Effect of adoption of MFRS 16 Leases (Note 2.2)	-	3,564,851	188,792	-	-	-	-	-	-	-	-	3,753,643
At 1 January 2019 (as restated)	13,271,308	147,829,632	7,328,101	165,829,001	129,425,424	112,066,251	5,950,073	796,147	6,104,728	9,239,289	5,293,932	603,133,886
Additions	-	-	-	13,740,462	919,371	1,953,560	510,043	36,956	28,049	379,479	7,151,566	24,719,486
Disposals	-	(10,120)	-	(193,630)	-	(74,001)	-	-	-	(4,800)	-	(282,551)
Transfer	-	-	-	(894,012)	6,292,760	5,235,929	5,735	-	434,583	-	(11,074,995)	-
Write off	-	-	-	(14,521,831)	-	(331,118)	(4,600)	-	-	-	(18,000)	(14,875,549)
At 31 December 2019	13,271,308	147,819,512	7,328,101	163,959,990	136,637,555	118,850,621	6,461,251	833,103	6,567,360	9,613,968	1,352,503	612,695,272
Accumulated depreciation												
At 1 January 2019 (as previously stated)	-	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
Effect of adoption of MFRS 16 Leases (Note 2.2)	-	326,018	-	-	-	-	-	-	-	-	-	326,018
At 1 January 2019 (as restated)	-	23,971,771	2,289,161	95,526,417	28,804,461	42,568,353	2,912,954	513,572	2,455,612	3,605,674	-	202,647,975
Charge for the year	-	2,095,052	133,521	5,783,411	3,958,849	7,195,490	590,702	49,240	287,360	805,607	-	20,899,232
Disposals	-	(2,321)	-	(111,127)	-	(73,999)	-	-	-	(2,440)	-	(189,887)
Write off	-	-	-	(14,483,006)	-	(323,275)	(4,386)	-	-	-	-	(14,810,667)
At 31 December 2019	-	26,064,502	2,422,682	86,715,695	32,763,310	49,366,569	3,499,270	562,812	2,742,972	4,408,841	-	208,546,653
Net carrying amount												
At 31 December 2019	13,271,308	121,755,010	4,905,419	77,244,295	103,874,245	69,484,052	2,961,981	270,291	3,824,388	5,205,127	1,352,503	404,148,619

** Long term leasehold land and short term leasehold land mainly consist of Right-Of-Use land.

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

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	Capital work-in-progress RM	Total RM
At 31 December 2018												
Cost/Valuation												
At 1 January 2018	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)
Transfer	-	-	-	(710,597)	494,038	1,858,572	-	-	-	-	(1,642,013)	-
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
Accumulated depreciation												
At 1 January 2018	-	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)

*Buildings comprise:

Group	Leasehold property RM	Oil mill and other buildings RM	Plantation infrastructure development expenditure RM	Quarry RM	Total RM
At 31 December 2019					
Cost/Valuation					
At 1 January 2019	592,166	62,734,113	51,467,124	14,632,021	129,425,424
Additions	-	213,785	705,586	-	919,371
Transfer	-	1,478,727	4,814,033	-	6,292,760
At 31 December 2019	592,166	64,426,625	56,986,743	14,632,021	136,637,555
Accumulated depreciation					
At 1 January 2019	-	22,963,537	3,315,437	2,525,487	28,804,461
Charge for the year	-	3,186,642	772,207	-	3,958,849
At 31 December 2019	-	26,150,179	4,087,644	2,525,487	32,763,310
Net carrying amount					
At 31 December 2019	592,166	38,276,446	52,899,099	12,106,534	103,874,245
At 31 December 2018					
Cost/Valuation					
At 1 January 2018	592,166	60,816,693	51,966,691	14,632,021	128,007,571
Additions	-	923,815	-	-	923,815
Transfer	-	993,605	(499,567)	-	494,038
At 31 December 2018	592,166	62,734,113	51,467,124	14,632,021	129,425,424
Accumulated depreciation					
At 1 January 2018	-	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)

Company	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	Capital work-in-progress RM	Total RM
At 31 December 2019											
Cost											
At 1 January 2019	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
Additions	-	-	288,218	8,004	26,000	24,957	5,266	8,048	-	41,818	402,311
Transfer	-	-	-	41,818	-	-	-	-	-	(41,818)	-
Disposal	-	-	-	-	-	-	-	-	(4,800)	-	(4,800)
At 31 December 2019	3,006,617	388,220	4,115,402	7,916,139	409,796	1,646,044	677,378	171,763	737,389	-	19,068,748
Accumulated depreciation											
At 1 January 2019	-	-	613,293	3,384,675	86,867	762,915	457,105	140,807	414,555	-	5,860,217
Charge for the year	-	-	138,717	391,446	20,242	140,657	37,085	2,859	34,359	-	765,365
Disposal	-	-	-	-	-	-	-	-	(2,440)	-	(2,440)
At 31 December 2019	-	-	752,010	3,776,121	107,109	903,572	494,190	143,666	446,474	-	6,623,142
Net carrying amount											
At 31 December 2019	3,006,617	388,220	3,363,392	4,140,018	302,687	742,472	183,188	28,097	290,915	-	12,445,606

* Long term leasehold land mainly consist of Right-Of-Use land.

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

Company	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	Total RM
At 31 December 2018										
Cost										
At 1 January 2018	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)
Write 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
Accumulated depreciation										
At 1 January 2018	-	-	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)
Write 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)

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Motor vehicles	-	3,899,032	-	277,453
Plant and machinery	-	2,595,067	-	-
	-	6,494,099	-	277,453

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Freehold land	3,058,105	3,006,617	3,006,617	3,006,617
Leasehold land	-	38,806,281	-	-
Bearer plant	53,754,668	43,897,013	3,363,392	3,213,891
Buildings	13,757,145	13,504,345	1,152,777	1,136,027
Plantation infrastructure development expenditure	40,854,181	36,299,934	-	-
Plant and machinery	32,618,979	35,376,017	135,819	139,765
Furniture and fittings	1,341,449	1,270,598	45,972	70,088
Office equipment	98,386	118,073	98,386	118,073
Electrical installation	28,097	22,908	28,097	22,908
Capital work-in-progress	1,141,787	2,019,314	-	-
Right-of-use assets				
- Leasehold land	41,822,417	-	-	-
- Plant and machinery	1,699,950	-	-	-
- Motor vehicle	3,613,415	-	248,491	-
	193, 788,579	174,321,100	8,079,551	7,707,369

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

(iii) Right-of-use assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Group	Long term leasehold land RM	Short term leasehold land RM	Plant and machinery RM	Motor Vehicles RM	Total RM
Cost					
At 1 January 2019	144,264,781	7,139,309	1,589,000	4,096,812	157,089,902
Effect of adoption of MFRS 16 Leases (Note 2.2)	3,564,851	188,792	-	-	3,753,643
At 1 January 2019 (as restated)	147,829,632	7,328,101	1,589,000	4,096,812	160,843,545
Additions (Note 28)	-	-	433,000	376,411	809,411
Disposal	(10,120)	-	-	-	(10,120)
At 31 December 2019	147,819,512	7,328,101	2,022,000	4,473,223	161,642,836
Accumulated depreciation					
At 1 January 2019	23,645,753	2,289,161	133,642	444,305	26,512,861
Effect of adoption of MFRS 16 Leases (Note 2.2)	326,018	-	-	-	326,018
At 1 January 2019 (as restated)	23,971,771	2,289,161	133,642	444,305	26,838,879
Depreciation	2,095,052	133,521	188,408	415,503	2,832,484
Disposal	(2,321)	-	-	-	(2,321)
At 31 December 2019	26,064,502	2,422,682	322,050	859,808	29,669,042
Net carrying amount					
At 31 December 2019	121,755,010	4,905,419	1,699,950	3,613,415	131,973,794

12. Investment properties

	2019 RM	2018 RM
Group		
Fair value		
At 1 January	49,250,000	49,250,000
Additions	673,826	-
At 31 December	49,923,826	49,250,000
Company		
Fair value		
At 1 January and 31 December	1,250,000	1,250,000

As at 31 December 2019 and 31 December 2018, 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 prices 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.

Valuation techniques	Significant unobservable inputs	Range 2019 %	Range 2018 %
Market comparable approach	Difference in location, time, factor size, land, usage, shape and tenure	(32) - 20	6 - 20

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:

	2019 Level 1 RM	2019 Level 2 RM	2019 Level 3 RM	2019 Total RM
Group				
Freehold land	-	-	48,000,000	48,000,000
Semi-Detached factory	-	-	673,826	673,826
Shophouse	-	-	1,250,000	1,250,000
Company				
Shophouse	-	-	1,250,000	1,250,000

	2018 Level 1 RM	2018 Level 2 RM	2018 Level 3 RM	2018 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.

12. Investment properties (cont'd)

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.

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 properties:

	Group and Company	
	2019 RM	2018 RM
Rental income	73,920	69,300
Direct operating expenses	(3,719)	(3,684)

13. Investments in subsidiary companies

	Company	
	2019 RM	2018 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	63,958,464	50,189,628

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* 2019	% of ownership interest held by the Group* 2018	% of ownership interest held by non-controlling interests* 2019	% of ownership interest held by non-controlling interests* 2018
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	-	-
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* 2019	% of ownership interest held by the Group* 2018	% of ownership interest held by non-controlling interests* 2019	% of ownership interest held by non-controlling interests* 2018
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	)	38.46	38.46	61.54	61.54
Wong Tet-Jung Plantations Sdn. Bhd.	Malaysia	)	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	)	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	)	38.46	38.46	61.54	61.54
Prima Semasa Sdn. Bhd.	Malaysia	)	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	)	38.46	38.46	61.54	61.54
Magnum Kapital Sdn. Bhd.	Malaysia	)	38.46	38.46	61.54	61.54
Hikayat Anggun Sdn. Bhd.	Malaysia	)	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	)	38.46	38.46	61.54	61.54
Tentu Cergas Sdn. Bhd.	Malaysia	)	38.46	38.46	61.54	61.54
Tentu Bernas Sdn. Bhd.	Malaysia	)	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* 2019	2018	% of ownership interest held by non-controlling interests* 2019	2018
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.	24.12	23.66	75.88	76.34
Held through Timah Resources Limited						
Mistral Engineering Sdn. Bhd.	Malaysia	Power generation.	24.12	23.66	75.88	76.34

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

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

13. Investments in subsidiary companies (cont'd)

(b) Summarised financial information of CGB 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

	2019 RM	2018 RM
Non-current assets	436,786,527	433,620,157
Current assets	79,505,035	83,150,419
Total assets	516,291,562	516,770,576
Current liabilities	80,665,099	79,398,976
Non-current liabilities	79,490,610	77,747,275
Total liabilities	160,155,709	157,146,251
Net assets	356,135,853	359,624,325
Equity attributable to owners of the Company	136,969,849	138,311,515
Non-controlling interests	219,166,004	221,312,810

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13. Investments in subsidiary companies (cont'd)

(b) Summarised financial information of CGB 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).

(ii) Summarised consolidated statement of comprehensive income

	2019 RM	2018 RM
Revenue	208,644,355	240,617,781
Profit for the year	2,702,344	5,068,857
Profit attributable to owners of the Company	1,263,547	2,355,441
Profit attributable to the non-controlling interests	1,438,797	2,713,416
	2,702,344	5,068,857
Other comprehensive income attributable to owners of the Company	(54,306)	(97,030)
Other comprehensive income attributable to non-controlling interests	(27,752)	(313,128)
	(82,058)	(410,158)
Total comprehensive income	2,620,286	4,658,699
Total comprehensive income attributable to owners of the Company	1,209,241	2,258,411
Total comprehensive income attributable to non-controlling interests	1,411,045	2,400,288
	2,620,286	4,658,699
Dividends paid to non-controlling interests	3,454,037	4,612,716
Effect of subsidiary's treasury share transactions	103,814	-

(iii) Summarised consolidated statement of cash flows

	2019 RM	2018 RM
Net cash generated from operating activities	25,587,457	18,621,870
Net cash used in investing activities	(18,580,440)	(9,887,149)
Net cash used in financing activities	(8,850,747)	(12,758,447)
Net decrease in cash and cash equivalents	(1,843,730)	(4,023,726)
Net foreign exchange difference	(83,540)	(420,608)
Cash and cash equivalents at 1 January	14,770,745	19,215,079
Cash and cash equivalents at end of the year	12,843,475	14,770,745

14. Investments in securities

	2019 Carrying amount RM	2019 Market value of quoted investments RM	2018 Carrying amount RM	2018 Market value of quoted investments RM
Group				
Non-current				
Financial assets				
- Equity instruments (quoted in Malaysia)	196,705	196,705	184,339	184,339
- Equity instruments (unquoted), at fair value	197,800	-	203,391	-
	394,505		387,730	
Company				
Non-current				
Financial assets				
- Equity instruments (quoted in Malaysia)	185,557	185,557	174,909	174,909
- Equity instruments (unquoted), at fair value	50,000	-	50,000	-
	235,557		224,909	

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15. Land use rights

	Group 2019 RM	Group 2018 RM
Cost		
At 1 January (as previously stated)	2,236,401	2,236,401
Effects of adoption of MFRS 16 Leases (Note 2.2)	(2,236,401)	-
At 1 January and at 31 December (as restated)	-	2,236,401
Accumulated amortisation		
At 1 January (as previously stated)	326,018	298,077
Effects of adoption of MFRS 16 Leases (Note 2.2)	(326,018)	-
At 1 January (as restated)	-	298,077
Amortisation for the year	-	27,941
At 31 December	-	326,018
Net carrying amount	-	1,910,383
Amount to be amortised:		
- Not later than 1 year	-	27,941
- Later than 1 year but not later than 5 years	-	111,764
- Later than 5 years	-	1,770,678
	-	1,910,383

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16. Trade and other receivables

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current				
Trade receivables				
Third parties	15,285,523	8,977,084	294,313	132,550
Amount due from customer on service concession	9,384,634	9,782,883	-	-
	24,670,157	18,759,967	294,313	132,550
Less: Allowance for expected credit losses	(325,142)	(485,847)	-	-
	24,345,015	18,274,120	294,313	132,550
Other receivables				
Sundry receivables	1,449,797	2,100,659	201,160	195,315
Prepayments and deposits	4,446,166	5,297,135	100,888	91,602
Amounts owing by subsidiary companies				
- Interest bearing	-	-	620,000	-
- Non-interest bearing	-	-	17,930	373,558
Goods and Services Tax receivables	341,843	321,778	-	-
	6,237,806	7,719,572	939,978	660,475
Less: Allowance for expected credit losses	(1,073,624)	(1,005,150)	-	-
	5,164,182	6,714,422	939,978	660,475
	29,509,197	24,988,542	1,234,291	793,025

16. Trade and other receivables (cont'd)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-current				
Trade receivables				
Amount due from customer on service concession	134,848,846	140,835,609	-	-
Total trade and other receivables (current and non-current)	164,358,043	165,824,151	1,234,291	793,025
Less: Prepayments and non-refundable deposits	(2,925,319)	(3,004,977)	(100,888)	(91,602)
Less: Goods and Services Tax receivables	(341,843)	(321,778)	-	-
	161,090,881	162,497,396	1,133,403	701,423
Short term investments (Note 20)	16,319,942	14,421,004	12,174	56,488
Fixed deposits with licensed banks (Note 21)	7,623,917	9,192,962	396,042	379,690
Cash and bank balances (Note 21)	13,140,619	14,199,198	821,847	326,840
Total financial assets measured at amortised cost	198,175,359	200,310,560	2,363,466	1,464,441

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 35. 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 RM129,966 (2018 : RM105,828).

Trade receivables are non-interest bearing and generally on 7 to 30-day (2018 : 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)

(a) Trade receivables

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM61,400 (2018 : RM135,260) 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	
	2019	**2018**
	RM	**RM**
At 1 January	485,847	670,373
Reversal of expected credit losses	(161,738)	(184,526)
Charge for the year	1,033	-
At 31 December	325,142	485,847

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments or debtors that have usually settled their debts beyond the prescribed credit terms. These receivables are not secured by any collateral or credit enhancements.

(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	
	2019	**2018**
	RM	**RM**
Other receivables		
At 1 January	1,005,150	1,005,150
Charge for the year	70,422	-
Written off	(1,948)	-
At 31 December	1,073,624	1,005,150

16. Trade and other receivables (cont'd)

(c) Amount due from customer on service concession

A subsidiary company of 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 a FiT-REPPA with SESB to design, construct, own and maintain a new facility and to sell and deliver electrical energy to SESB under the Feed-In Tariff Programme in which the REPPA entered into previously was 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.

On 1 April 2015, another subsidiary company of CGB, Mistral Engineering Sdn. Bhd. ("MESB") had also entered into a 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. MESB will be responsible for any maintenance service required during the concession period.

For the financial year ended 31 December 2019, CHSB has recognised revenue of RM9.5 million (2018 : RM7.1 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 2019, MESB has recognised revenue of RM8.9 million (2018 : RM8.2 million) consisting of RM3.3 million (2018 : RM6.3 million) on construction of the facility and RM5.6 million (2018 : RM1.9 million) on the operation of the facility in the form of supply of electricity. The revenue recognised in relation to the construction in 2019 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	
	2019 RM	2018 RM
At cost		
At 1 January and 31 December	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 2019
Crude Palm Oil ("CPO") per MT (RM)	2,078 - 2,358
Palm Kernel ("PK") per MT (RM)	1,400 - 1,750
Discount rates	9.5% - 10.5%
Growth rate	0.5% - 1.0%

(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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
At cost				
Crude palm oil	814,857	5,955,137	-	-
Palm kernel	964,078	889,006	-	-
Quarry stocks	13,742,742	14,957,502	-	-
Nursery seedlings, stores and materials	7,963,722	8,889,364	186,371	155,111
	23,485,399	30,691,009	186,371	155,111
At net realisable value				
Crude palm oil	1,869,783	-	-	-
	25,355,182	30,691,009	186,371	155,111

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM25,012,312 (2018 : RM24,719,377).

19. Biological assets

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
At fair value:				
At 1 January	1,386,106	3,114,082	73,500	129,347
Fair value changes	1,351,332	(1,727,976)	139,558	(55,847)
At 31 December	2,737,438	1,386,106	213,058	73,500

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 ascertained 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.

19. Biological assets (cont'd)

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.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Estimated FFB price	The estimated fair value would increase/(decrease) if: - the estimated FFB prices were higher/(lower)
Estimated production volume	- the estimated production volume were higher/(lower); or
Estimated harvest and transportation costs	- the estimated harvest and transportation costs were lower/(higher)

20. Short term investments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short term investments	16,319,942	14,421,004	12,174	56,488

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		Company	
	2019 % per annum	2018 % per annum	2019 % per annum	2018 % per annum
Short term investments	2.37 - 3.32	2.40 - 3.72	2.38	2.86

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

	Group		Company	
	2019 Days	2018 Days	2019 Days	2018 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed deposits with licensed banks	7,623,917	9,192,962	396,042	379,690
Cash and bank balances	13,140,619	14,199,198	821,847	326,840
	20,764,536	23,392,160	1,217,889	706,530
Fixed deposits pledged	(3,332,831)	(3,227,036)	(396,042)	(379,690)
	17,431,705	20,165,124	821,847	326,840

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

	Group		Company	
	2019 % per annum	2018 % per annum	2019 % per annum	2018 % per annum
Fixed deposits with licensed banks	2.95 - 3.04	3.04 - 3.15	2.95	3.15

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

	Group		Company	
	2019 Days	2018 Days	2019 Days	2018 Days
Fixed deposits with licensed banks	30 - 365	30 - 365	30 - 31	30 - 31

Group

Fixed deposits with licensed banks of RM3,332,831 (2018 : RM3,227,036) are pledged as securities for banking facilities granted to the Group. These fixed deposits include fixed deposits amounting to RM396,042 (2018 : RM379,690), 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 RM396,042 (2018 : RM379,690) 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	
	2019	2018	2019 RM	2018 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

	2019 RM	2018 RM
Group		
Distributable		
- Capital reserve	8,169	8,169
- Retained profits	76,873,970	77,313,239
	76,882,139	77,321,408
Non-distributable		
- Capital reserve	5,736,883	5,736,883
- Other reserve	(32,265,746)	(32,099,847)
- Revaluation reserve	789,026	789,026
- Fair value adjustment reserve	51,860	45,088
- Foreign currency translation reserve	(343,729)	(289,423)
	(26,031,706)	(25,818,273)
	50,850,433	51,503,135
Company		
Distributable		
- Retained profits	11,934,876	11,237,170
Non-distributable		
- Fair value adjustment reserve	(49,519)	(60,167)
	11,885,357	11,177,003

23. Reserves (cont'd)

Distributable reserves

The Company may distribute dividends out of its entire distributable reserves as at 31 December 2019 and 31 December 2018 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		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Future minimum hire purchase payments:				
- within one year	-	1,153,924	-	41,664
- within one to two years	-	1,032,359	-	25,054
- within two and not later than five years	-	1,734,639	-	9,752
	-	3,920,922	-	76,470
Finance charges on hire purchase	-	(386,354)	-	(4,963)
Present value of hire purchase liabilities	-	3,534,568	-	71,507
Analysis of present value of hire purchase liabilities:				
- within one year	-	1,000,195	-	38,267
- within one to two years	-	933,313	-	23,641
- within two and not later than five years	-	1,601,060	-	9,599
	-	3,534,568	-	71,507
Less: Amounts due within 12 months	-	(1,000,195)	-	(38,267)
Amounts due after 12 months	-	2,534,373	-	33,240

The hire purchase payables of the Group and the Company bear effective fixed interest 2.46% to 4.16% and 2.48% to 3.77% per annum respectively in Year 2018.

25. Borrowings

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Short term borrowings				
Secured:				
Term loans				
- Loan at COF + 1.10% p.a.	11,500,008	11,500,008	-	-
- Loan at COF + 1.125% p.a.	-	4,170	-	-
- Loan at COF + 1.50% p.a.	11,250,000	10,975,000	-	-
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.	10,250,000	10,050,000	-	-
- 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
	76,100,008	75,629,178	15,100,000	15,100,000
Long term borrowings				
Secured:				
Term loans				
- Loan at COF + 1.10% p.a.	49,413,121	44,513,129	-	-
- Loan at COF + 1.50% p.a.	5,750,000	17,000,000	-	-
	55,163,121	61,513,129	-	-
Total borrowings				
Secured:				
Term loans	77,913,129	83,992,307	-	-
Short term revolving credit	52,250,000	52,050,000	14,000,000	14,000,000
Unsecured:				
Short term revolving credit	1,100,000	1,100,000	1,100,000	1,100,000
	131,263,129	137,142,307	15,100,000	15,100,000
Maturity of borrowings:				
Within 1 year	76,100,008	75,629,178	15,100,000	15,100,000
More than 1 year and less than 2 years	17,250,008	22,750,008	-	-
More than 2 years and less than 5 years	24,354,113	31,146,212	-	-
5 years and more	13,559,000	7,616,909	-	-
	131,263,129	137,142,307	15,100,000	15,100,000

25. Borrowings (cont'd)

Loan at Cost of Finance ("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 the Green Technology Financing Scheme ("GTFS"). An interest subsidy of 2% p.a. is granted to its subsidiary company under the 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 a licensed bank.

RC at Islamic Cost of Fund ("ICOF") + 1.20% p.a., COF + 1.125% p.a. and COF + 1.50% p.a.

This revolving credit is 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 and short term deposits with licensed bank.

26. Deferred tax liabilities

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	46,137,380	43,071,064	587,249	87,640
Recognised in profit or loss (Note 8)	2,239,309	3,066,316	(9,817)	499,609
At 31 December	48,376,689	46,137,380	577,432	587,249
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	53,000,176	49,168,856	577,432	587,249
Deferred tax assets	(4,623,487)	(3,031,476)	-	-
	48,376,689	46,137,380	577,432	587,249

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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:

	At 1.1.2018 RM	Recognised in profit or loss RM	At 31.12.2018 RM	Recognised in profit or loss RM	At 31.12.2019 RM
Deferred tax liabilities of the Group:					
Property, plant and equipment	60,416,182	985,393	61,401,575	2,484,812	63,886,387
Biological assets	532,012	(290,985)	241,027	329,566	570,593
Revaluation of leasehold land and buildings	816,609	(38,734)	777,875	(49,039)	728,836
Fair value changes to investment properties	1,219,860	2,500	1,222,360	1,222,360	2,444,720
Amount due from customer on service concession	22,690,656	1,348,850	24,039,506	1,101,038	25,140,544
Total	85,675,319	2,007,024	87,682,343	5,088,737	92,771,080
Deferred tax assets of the Group:					
Unabsorbed business losses	(7,401,925)	233,266	(7,168,659)	3,722,801	(3,445,858)
Unabsorbed capital and agriculture allowances	(31,418,649)	(1,448,379)	(32,867,028)	(2,070,039)	(34,937,067)
Unabsorbed reinvestment and investment tax allowances	(2,812,173)	1,793,431	(1,018,742)	(4,504,436)	(5,523,178)
Others	(971,508)	480,974	(490,534)	2,246	(488,288)
Total	(42,604,255)	1,059,292	(41,544,963)	(2,849,428)	(44,394,391)

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 (cont'd):

	At 1.1.2018 RM	Recognised in profit or loss RM	At 31.12.2018 RM	Recognised in profit or loss RM	At 31.12.2019 RM
Deferred tax liabilities of the Company:					
Property, plant and equipment	1,164,573	95,319	1,259,892	(12,350)	1,247,542
Biological assets	-	-	-	51,134	51,134
Revaluation of leasehold land and buildings	15,529	-	15,529	-	15,529
Fair value changes to investment property	29,958	2,500	32,458	32,458	64,916
Total	1,210,060	97,819	1,307,879	71,242	1,379,121
Deferred tax assets of the Company:					
Unabsorbed business losses	(493,752)	493,752	-	-	-
Unabsorbed capital and agriculture allowance	(628,668)	(91,962)	(720,630)	(81,059)	(801,689)
Total	(1,122,420)	401,790	(720,630)	(81,059)	(801,689)

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Unabsorbed capital allowances	438,705	578,222	-	-
Unutilised tax losses	31,867,221	5,411,802	3,903,269	2,889,706
	32,305,926	5,990,024	3,903,269	2,889,706
Potential tax assets not recognised at 24%	7,753,422	1,437,606	936,785	693,529

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 50 years commencing in the year 2049.

28. Lease liabilities

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current	1,143,304	-	23,641	-
Non-current	3,688,674	-	9,599	-
	4,831,978	-	33,240	-

28. Lease liabilities (cont'd)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Future minimum finance leases payments:				
- within one year	1,373,795	-	25,054	-
- within one to two years	1,051,152	-	9,752	-
- within two and not later than five years	1,840,945	-	-	-
- more than five years	1,862,793	-	-	-
	6,128,685	-	34,806	-
Finance charge on finance leases	(1,296,707)	-	(1,566)	-
Present value of finance leases	4,831,978	-	33,240	-
Analysis of present value of finance leases:				
- within one year	1,143,304	-	23,641	-
- within one to two years	880,736	-	9,599	-
- within two and not later than five years	1,517,021	-	-	-
- more than five years	1,290,917	-	-	-
	4,831,978	-	33,240	-
Less: Amounts due within 12 months	(1,143,304)	-	(23,641)	-
Amounts due after 12 months	3,688,674	-	9,599	-

Obligations under finance leases

The finance leases of the Group and the Company bear effective fixed interest rates of 2.29% to 3.93% and 2.65% to 3.77% per annum respectively.

28. Lease liabilities (cont'd)

The movement of lease liabilities during the financial year is as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
At 1 January 2019 (as previously stated)	-	-	-	-
Effects of adoption of MFRS 16 Leases (Note 2.2)				
- Reclassification	3,801,618	-	71,507	-
- Recognition	1,517,242	-	-	-
At 1 January 2019 (as restated)	5,318,860	-	71,507	-
Accretion of interest	290,080	-	3,397	-
Payment of:				
- Principal	(1,303,081)	-	(38,267)	-
- Interest	(283,292)	-	(3,397)	-
Other changes				
New finance leases (Note 11(iii))	809,411	-	-	-
At 31 December 2019	4,831,978	-	33,240	-

Lease payments not recognised as liabilities

The Group has elected not to recognise lease liabilities for short term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Expenses relating to short term leases (Note 7)	242,508	-	98,400	-

As 31 December 2019, the Group is also committed to short-term leases amounting to RM54,108.

29. Payables

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Trade payables	15,219,549	11,264,107	-	-
Other payables	7,335,372	7,665,365	372,571	517,125
Accruals and deposits	9,236,643	10,510,008	495,710	309,187
Amounts owing to subsidiary companies	-	-	852,870	832,446
Sales and Service Tax payable	7,914	6,214	7,914	6,214
Total trade and other payables	31,799,478	29,445,694	1,729,065	1,664,972
Less: Sales and Service Tax payable	(7,914)	(6,214)	(7,914)	(6,214)
	31,791,564	29,439,480	1,721,151	1,658,758
Hire purchase payables (Note 24)	-	3,534,568	-	71,507
Borrowings (Note 25)	131,263,129	137,142,307	15,100,000	15,100,000
Lease rental payable	-	267,050	-	-
Lease liabilities (Note 28)	4,831,978	-	33,240	-
Total financial liabilities carried at amortised cost	167,886,671	170,383,405	16,854,391	16,830,265

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.

30. Employee information

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Staff costs				
Salaries, wages, bonus, overtime, allowances, annual leave pay and other related expenses	36,482,968	39,635,386	2,643,380	2,434,204
Employees Provident Fund contributions	2,194,928	2,185,185	216,787	216,466
	38,677,896	41,820,571	2,860,167	2,650,670

Included in staff costs of the Group and of the Company are remuneration of directors of the Company amounting to RM3,399,577 (2018 : RM3,514,086) and RM798,756 (2018 : RM796,744) respectively as further disclosed in Note 31.

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31. Directors' emoluments

	Salaries and other emoluments RM	Fees RM	Bonus RM	Allowance RM	Defined contribution plan RM	Benefit-in-kind RM	Total RM
Group							
2019							
Executive:							
Dato' Seri Mah King Seng	1,126,080	-	198,030	40,000	158,908	-	1,523,018
Tan Sri Dr Mah King Thian	1,126,080	-	198,030	69,532	158,907	23,950	1,576,499
Directors of subsidiary companies	1,126,080	-	198,030	10,000	70,800	-	1,404,910
	3,378,240	-	594,090	119,532	388,615	23,950	4,504,427
Non-executive:							
Chan Kam Leong	-	53,000	-	46,000	-	-	99,000
Heng Beng Fatt	-	-	-	46,000	-	-	46,000
Wan Salmah Binti Wan Abdullah	-	-	-	46,000	-	-	46,000
Directors of subsidiary companies	-	106,000	-	12,000	-	-	118,000
	-	159,000	-	150,000	-	-	309,000
Alternate director:							
Mah Li-Na	83,400	-	13,900	-	11,760	-	109,060
Total directors' remuneration	3,461,640	159,000	607,990	269,532	400,375	23,950	4,922,487

31. Directors' emoluments (cont'd)

Group

2018

	Salaries and other emoluments RM	Fees RM	Bonus RM	Allowance RM	Defined contribution plan RM	Benefit-in-kind RM	Total RM
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

31. 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							
2019							
Executive:							
Tan Sri Dr Mah King Thian	496,800	-	93,150	-	70,806	-	660,756
Non-executive:							
Chan Kam Leong	-	-	-	46,000	-	-	46,000
Wan Salmah Binti Wan Abdullah	-	-	-	46,000	-	-	46,000
Heng Beng Fatt	-	-	-	46,000	-	-	46,000
	-	-	-	138,000	-	-	138,000
Total directors' remuneration	496,800	-	93,150	138,000	70,806	-	798,756
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

32. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four 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.

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32. Segment information (cont'd)

	Plantation		Oil mill		Power plant		All other segments		Adjustment and elimination		Note	Per consolidated financial statements	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM		2019 RM	2018 RM
Revenue:													
External customers	16,135,718	15,735,919	252,948,029	299,998,247	30,043,385	25,986,256	2,240,664	1,726,470	-	-		301,367,796	343,446,892
Inter-segment	40,688,790	51,629,690	-	-	-	-	9,782,830	4,063,600	(50,471,620)	(55,693,290)	A	-	-
Total revenue	56,824,508	67,365,609	252,948,029	299,998,247	30,043,385	25,986,256	12,023,494	5,790,070	(50,471,620)	(55,693,290)		301,367,796	343,446,892
Results:													
Interest income	571,693	547,022	2,905,351	2,726,545	7,449,400	7,537,727	4,862,384	5,180,871	(7,685,938)	(7,798,522)		8,102,890	8,193,643
Depreciation and amortisation	7,988,458	7,829,767	5,803,752	5,840,884	1,235,411	954,341	1,019,192	718,724	4,852,419	5,771,831		20,899,232	21,115,547
Segment profit	5,686,088	9,719,754	11,126,854	12,316,957	9,159,757	5,943,443	3,231,286	3,740,263	(19,454,050)	(19,072,061)	B	9,749,935	12,648,356

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32. 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.

33. 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:

Group

Name of related parties	Nature	2019 RM	2018 RM
Transactions with non-group enterprise			
Behrang 2020 Sdn. Bhd.	Rental of premises	(48,000)	(44,000)
Transactions with substantial shareholder:			
Datin Seri Ooi Ah Thin	Rental of premises	(42,000)	(42,000)

33. Related party disclosures (cont'd)

(a) Significant related party transactions (cont'd)

Company

Name of company	**Nature**	**2019 RM**	**2018 RM**
Transactions with subsidiary companies			
Anson Oil Industries Sdn. Bhd.	Sales of fresh fruit bunches	2,883,506	3,319,498
	Purchase of bio fertilisers	(52,549)	(75,238)
	Rental income of equipment	4,213	3,454
	Rental expenses of equipment	(47,689)	(27,201)
Champion Point Sdn. Bhd.	Rental income of equipment	4,639	3,911
	Rental expenses of equipment	(4,500)	-
Hutan Melintang Plantations Sdn. Berhad	Rental income of equipment	4,335	3,667
Majuperak Plantation Sdn. Bhd.	Advances made	(600,000)	-
	Interest on advances received	27,693	-
	Rental income of equipment	2,213	1,858
	Rental expenses of equipment	(1,958)	-
Sharikat Muzwin Bersaudara Sdn. Bhd.	Rental income of equipment	3,444	4,920
Yew Lee Holdings Sdn. Berhad	Rental income of equipment	1,925	2,203
	Rental expenses of equipment	(12,713)	-

33. Related party disclosures (cont'd)

(a) Significant related party transactions (cont'd)

Company

Name of related parties	Nature	2019 RM	2018 RM
Transactions with non-group enterprise			
Behrang 2020 Sdn. Bhd.	Rental of premises	(48,000)	(44,000)
Transactions with substantial shareholder:			
Datin Seri Ooi Ah Thin	Rental of premises	(42,000)	(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 2019 are disclosed in the respective notes to the financial statements.

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries and other emoluments	1,649,314	2,287,137	225,335	219,821
Employees Provident Fund contributions	175,634	212,996	27,192	26,520
Total key management personnel's remuneration	1,824,948	2,500,133	252,527	246,341

34. Commitments

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
(a) Capital commitments				
Property, plant and equipment				
- Approved and contracted for	717,458	1,744,657	-	-
- Approved but not contracted for	13,602,788	9,473,998	-	-
(b) Service concession facilities commitment				
Property, plant and equipment				
- Approved and contracted for	2,727,600	2,603,295	-	-
- Approved but not contracted for	70,900	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.

35. 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

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

(a) Credit risk (cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 16.

Credit risk concentration profile

At the reporting date, approximately 69% 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.

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.

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

(a) Credit risk (cont'd)

Trade receivables (cont'd)

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 2019						
Expected credit loss rate	**1%**	**3%**	**4%**	**6%**	**95%**	
Estimated total gross carrying amount at default	31,772	24,248	23,285	24,368	338,155	441,828
Expected credit loss	318	727	931	1,462	321,704	325,142
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

35. 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, 25 and 28 to the financial statements.

<u>Sensitivity analysis for interest rate risk</u>

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, USD and SGD) amounted to RM4 million (2018 : RM6 million).

<u>Sensitivity analysis for foreign currency risk</u>

At the reporting date, if the AUD, USD and SGD 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.

35. 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 2019				
Group				
Financial liabilities:				
Borrowings	80,212,012	49,212,335	14,745,152	144,169,499
Lease liabilities	1,373,795	2,892,097	1,862,793	6,128,685
Payables	31,791,564	-	-	31,791,564
Total undiscounted financial liabilities	113,377,371	52,104,432	16,607,945	182,089,748
Company				
Financial liabilities:				
Borrowings	15,885,795	-	-	15,885,795
Lease liabilities	25,054	9,752	-	34,806
Payables	1,721,151	-	-	1,721,151
Total undiscounted financial liabilities	17,632,000	9,752	-	17,641,752
Financial guarantee contracts*	112,300,000	-	-	112,300,000

35. 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 2018				
Group				
Financial liabilities:				
Borrowings	80,595,316	65,672,264	-	146,267,580
Hire purchase payables	1,153,924	2,766,998	-	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
Financial guarantee contracts*	118,300,000	-	-	118,300,000

* Based on the maximum amount that can be called under the financial guarantee contracts.

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

(e) Commodity price risk

The prices of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops.

Sensitivity analysis for commodity price risk

At the reporting date, if the Crude Palm Oil price had been 5% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM1,863,475 higher/lower.

(f) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest).

The Group and the Company are exposed to equity price risk arising from its investments 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.

36. Fair value of financial instruments

(A) 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
Lease liabilities	28
Payables	29

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.

36. Fair value of financial instruments (cont'd)

(A) Determination of fair value (cont'd)

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; and
- 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.

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.

36. Fair value of financial instruments (cont'd)

(B) 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 2019				
Group				
Financial assets:				
Investments in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	196,705	-	-	196,705
- Equity instruments (unquoted in Malaysia)	-	-	197,800	197,800
Company				
Financial assets:				
Investments in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	185,557	-	-	185,557
- Equity instruments (unquoted in Malaysia)	-	-	50,000	50,000

36. Fair value of financial instruments (cont'd)

(B) 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				
Group				
Financial assets:				
Investments in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	184,339	-	-	184,339
- Equity instruments (unquoted in Malaysia)	-	-	203,391	203,391
Company				
Financial assets:				
Investments in securities (Note 14)				
- Equity instruments (quoted in Malaysia)	174,909	-	-	174,909
- Equity instruments (unquoted in Malaysia)	-	-	50,000	50,000

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 2019 and 31 December 2018.

37. Contingent liabilities (unsecured)

On 14 June 2016, a wholly-owned subsidiary company of CGB, Suara Baru Sdn. Bhd. ("SBSB") was served with a Writ of Summons issued in the High Court of Sabah and Sarawak at Sandakan.

SBSB is the sub-lessee of 33 lots of land totalling approximately 500 acres situated in Sungai Sekong in the District of Sandakan, Sabah with a lease term of 99 years from year 1997 to 2096 by Suwaya Bte Buang (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 sublease of 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 was through forged documents and therefore the said transfers are null and void and thus, the sublease to SBSB is likewise null and void.

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's financial statements. SBSB expects that pursuant to the facts of the case, the documents presently available and the advice of its solicitors, it has a good defence against the Plaintiff's claim. SBSB had filed its defence in the High Court of Sabah and Sarawak at Sandakan on 11 July 2016.

On 1 December 2016, the High Court of 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. SBSB had on 23 April 2018 filed the appeal to the Federal Court. The appeal to the Federal Court was eventually heard and dismissed by the Court of Appeal.

SBSB had obtained leave to appeal to the Federal Court. The Appeal was eventually heard and dismissed by the Federal Court on 24 June 2019 and the Federal Court ordered the suit to proceed to trial in the High Court at Sandakan. The High Court at Sandakan tried this suit on 29 to 31 October 2019 and 4 to 7 November 2019. The Court directed the parties to file their respective submissions by 7 January 2020.

On 10 February 2020, the High Court had dismissed the suit and also awarded RM80,000 costs in favour of the 1st Defendant and SBSB.

38. 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 2019 and 31 December 2018.

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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Hire purchase payables (Note 24)	-	3,534,568	-	71,507
Borrowings (Note 25)	131,263,129	137,142,307	15,100,000	15,100,000
Lease rental payable	-	267,050	-	-
Lease liabilities (Note 28)	4,831,978	-	33,240	-
Payables (Note 29)	31,799,478	29,445,694	1,729,065	1,664,972
Less: Cash and bank balances (Note 21)	(20,764,536)	(23,392,160)	(1,217,889)	(706,530)
Less: Short term investments (Note 20)	(16,319,942)	(14,421,004)	(12,174)	(56,488)
Net debt	130,810,107	132,576,455	15,632,242	16,073,461
Capital:				
Equity attributable to owners of the parent	247,394,403	248,047,105	208,429,327	207,720,973
Capital and net debt	378,204,510	380,623,560	224,061,569	223,794,434
Gearing ratio	35%	35%	7%	7%

39. Significant event

The Company has an indirect subsidiary, Cash Nexus (M) Sdn. Bhd. ("CNSB") which holds 62.71% equity interest in Timah Resources Ltd. ("TML"), a company listed on the Australian Securities Exchange Ltd. ("ASX"). In turn, TML holds 100% equity interest in Mistral Engineering Sdn. Bhd. ("MESB").

MESB is principally engaged in power generation to supply electricity under the Feed-in Approval to participate in the Feed-in Tariff scheme granted by the Sustainable Energy Development Authority Malaysia ("SEDA'') in February 2015, while it was still a wholly-owned subsidiary of CNSB. In July 2015, CNSB undertook a corporate exercise involving a reverse take-over of TML by way of disposal of the entire equity interest in MESB to TML, resulting in current corporate structure.

On 20 August 2019, MESB received a written notice from SEDA requesting MESB to provide written submission as to why MESB's Feed-in Approval to participate in the Feed-in Tariff scheme should not be revoked. MESB is alleged to have failed to comply with Rule 15 of the Renewable Energy (Feed-in Approval and Feed-in Tariff Rate) Rules 2011 ("2011 Rules") in failing to notify SEDA in writing, as soon as possible, of any change in the particulars of information submitted to SEDA under Rule 10 and Rule 13(1)(a) for failure to comply with the eligibility criteria under Rule 3(c)(i) of the 2011 Rules. Rule 3(c)(i), stipulates the following:

"3. An eligible producer shall be as follows:
- (c) a company incorporated in Malaysia other than-
  - (i) a company in which a foreign person holds, directly or indirectly, more than forty-nine per centum of the voting power or issued share capital (excluding preference shares)".

MESB had replied in writing to SEDA's notice on 12 September 2019 explaining that the effective equity interest of CNSB in MESB is 62.25% held through TML as at 31 August 2019 (62.71% as at 31 December 2019) and had on 15 October 2019 also sought indulgence from SEDA to grant MESB 12 months to complete the restructuring of its shareholdings.

On 8 January 2020, MESB received an official letter from SEDA dated 24 December 2019 informing MESB that SEDA had decided at its committee meeting on 14 November 2019 not to revoke MESB's Feed-in Approval, subject to MESB complying with Rule 3(c)(i) of the 2011 Rules within six months from 24 December 2019.

To fully comply with SEDA's requirement of MESB being a Malaysian majority-owned entity, CGB Group has proposed to undertake a restructuring of its shareholdings by converting a part of MESB's existing debt owed to CGB into new ordinary shares of MESB to be subscribed by CNSB where MESB has proposed to issue 9,627,552 new ordinary shares at an issue price of RM1.60 by reducing the amount owing to CGB by RM15,421,108. ("Proposed Restructuring"). The Proposed Restructuring will result in CNSB holding directly 51% of the equity interest in MESB.

As at the date these financial statements are authorized for issue, the Proposed Restructuring is near completion and is pending an Extraordinary General Meeting ("EGM") to be held by TML to seek the approval of its shareholders, the delay being caused by the COVID-19 outbreak. The primary benefit to TML's shareholders as a result of the Proposed Restructuring will be that MESB will be fully compliant with SEDA's requirements to participate in the Feed-in Tariff scheme. Without the Proposed Restructuring, MESB will lose its Feed-in Approval. Given the above, the Board of TML, having considered all aspects of the Proposed Restructuring is of the opinion that this is in the best interest of the TML group and shareholders of TML. Accordingly, they are of the opinion that the likelihood of the Proposed Restructuring being rejected by the shareholders of TML is remote.

39. Significant event (cont'd)

MESB has also written to SEDA on 25 March 2020 seeking an extension of another 6 months to complete the Proposed Restructuring. As at the date these financial statements are authorised for issue, MESB has not received SEDA's reply to request for extension. The directors of the Company and directors of MESB are confident that their application for extension will be approved by SEDA taking into consideration the challenges faced globally following the imposition of lockdowns in numerous countries due to the COVID-19 outbreak and accordingly are of the view that there will be no material direct or indirect consequential financial implications to the Group.

The summarised financial information of MESB as at 31 December 2019 which is significant to the MHC Group is as follows:

	RM
(i) Statement of financial position	
Property, plant and equipment	596,457
Deferred tax assets	4,349,755
Amount due from customer on service concession included under trade and other receivables	57,951,737
Total assets	62,897,949
(ii) Statement of comprehensive income	
Profit before taxation	1,226,464

40. Subsequent event

(i) On 16 March 2020, the Malaysian Government issued the Movement Control Order ("MCO") from 18 to 31 March 2020 as a preventive measure against the spread of COVID-19 which requires the closure of all government and private premises except for those involved in the provision of essential services and those industries given special permission to operate. As the Group's principal activities comprise mainly oil palm milling, operation of plantations, where special permission has been granted and power plants, which fall under the essential services category, there was no major disruption to the Group's operations. However, on 24 March 2020, the Kinabatangan District Council in Sabah issued a notice to cease the operations of mills, plantation estates and collection centres from 27 to 31 March 2020 in selected areas of Lahad Datu, Tawau and Kinabatangan. Hence, certain plantation subsidiaries operating in Kinabatangan were affected as a result of the closure notice. Following the successful appeal made by industry associations and major oil palm players operating in the affected areas, the entities were permitted to resume operations on 12 April 2020. The MCO period was further extended until 9 June 2020 as announced by the Prime Minister on 10 May 2020.

The outbreak and the response of the Government in dealing with the COVID-19 pandemic are interfering with general activity levels within the community, the economy and the operations of the Group's business. The directors concluded that the COVID-19 outbreak did not provide evidence of conditions that existed on or before 31 December 2019 and have accordingly assessed it to be a non-adjusting event.

40. Subsequent event (cont'd)

(i) Although there was minimal disruption to certain plantation areas for approximately half a month which may not pose any significant impact to the Group's and the Company's operating results, cashflow and financial condition, however, given the evolving nature of the continuing spread of COVID-19, there may be some challenges on the recoverability of certain assets of the Group and the Company, the impact of which cannot be reasonably estimated at this stage. Nevertheless, the directors will continue to monitor and assess the ongoing development and respond accordingly.

Subsequent to the reporting date, the directors undertook a preliminary assessment and have considered the potential impact of the recoverable amount of the goodwill and property, plant and equipment. The calculation of value in used as disclosed in Note 17 has been made based on conditions existing at 31 December 2019 and did not take into consideration the impact of the COVID-19 outbreak. There is a significant risk that the assumptions on gross margins, discount rates and raw materials price inflation applied in the goodwill impairment assessment would need to be revised.

It is likely that the gross margins for the mill and plantation segment would be revised mainly due to the fluctuations in the CPO and PK prices and demand for such commodities. The raw material price inflation is likely to decrease by more than what was forecasted as at 31 December 2019 in view of the Government's measures which have resulted in a decrease in demand. Pre-tax discount rate is likely to be revised upwards.

The aforementioned changes in the assumptions on gross margins, discount rates and raw materials price inflation may result in a material adjustment to the carrying amounts of the goodwill within the next financial year.

In addition, subsequent to the reporting date, the Group changed its ECL methodology in order to better estimate the impact of the outbreak in accordance with the requirements of MFRS 9. The simplified ECL models adopted by the Group as at 31 December 2019 were not designed for the current economic shocks due to COVID-19 outbreak. The Group has accordingly calculated any overlays and adjustments to these simplified models. In addition, due to the abnormal circumstances caused by COVID-19 outbreak, it may take time for the Group to detect actual changes in risk indicators for a specific customer. In order to accelerate the reflection of changes in credit quality not yet detected at an individual customer level, the Group adjusts the probabilities of default (PD) on a collective basis, considering risk characteristics such as the industry of the customers.

Whilst it is not possible to estimate the full impact of the COVID-19 outbreak's short-term and longer-term effects or the Government's varying efforts to combat the outbreak and support businesses, it is likely that the ECL would increase significantly within the next financial year.

The directors also noted that the investment properties of the Group, which were recorded in the statement of financial position determined by reference to fair value at 31 December 2019, may materially change by the date of this report.

40. Subsequent event (cont'd)

(ii) On 20 May 2020, Cash Nexus (M) Sdn. Bhd., a wholly-owned subsidiary company of Cepatwawasan Group Berhad received a request from the Inland Revenue Board for a meeting on 3 June 2020 to provide more information and clarification over a shares disposal transaction which took place in the year of assessment 2015. The directors have since appointed a tax agent to assist them in this matter. The directors, after preliminary consultation with their tax agent, are of the view that the tax treatment with respect to the above transaction is appropriate. Accordingly, no provision for additional tax liability has been provided for in the financial statements for the year ended 31 December 2019.

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 3 June 2020.

Statement of Shareholdings
as at 15 June 2020

Issued and fully paid-up capital	:	RM196,543,970
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital
Less than 100	483	11.78	21,039	0.01
100 to 1,000	242	5.90	121,398	0.06
1,001 to 10,000	2,028	49.48	10,271,476	5.23
10,001 to 100,000	1,201	29.30	34,362,006	17.48
100,001 to 9,827,197 (*)	144	3.51	62,580,027	31.84
9,827,198 and above (**)	1	0.02	89,188,024	45.38
TOTAL	4,099	100.00	196,543,970	100.00

Note: * - Less than 5% of issued holdings
** - 5% and above of issued holdings

TOP THIRTY HOLDERS AS AT 15 JUNE 2020

	Name of Holder	Holdings	% of Issued Capital
1	DATO MAH POOI SOO REALTY SDN BHD	89,188,024	45.38
2	REG BOARD OF T'TEES OF DATO MAH POOI SOO BENEVOLENT FUND	6,995,666	3.56
3	JUWITAWAN SDN BHD	5,441,738	2.77
4	TOH EAN HAI	3,700,000	1.88
5	JUWITAWAN SDN BHD	2,854,600	1.45
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE	1,907,600	0.97
7	OOI AH THIN	1,905,888	0.97
8	SYARIKAT MAJUPERAK BERHAD	1,653,866	0.84
9	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP QWEE BENG	1,420,500	0.72
10	NGOI EVA	1,211,400	0.62
11	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	1,135,000	0.58
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	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON	772,700	0.39
15	LIM CHENG HAI	760,000	0.39
16	LEE CHOO SEONG @ LEE CHO SENG	714,269	0.36
17	LEONG LAI NGAN	705,186	0.36
18	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE	667,600	0.34

TOP THIRTY HOLDERS AS AT 15 JUNE 2020

	Name of Holder	Holdings	% of Issued Capital
19	TOH HOOI HAK	612,100	0.31
20	LEONG SIEW MUN	608,500	0.31
21	LIM JIT HAI	602,806	0.31
22	KOE LIEW HIN	600,000	0.31
23	TAN LAI KIM (HOLDINGS) SDN BHD	600,000	0.31
24	TLK CAPITAL SDN. BHD.	600,000	0.31
25	HO LONG MIAU	565,000	0.29
26	YEOH KIM LENG	513,800	0.26
27	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEE BOON	513,200	0.26
28	GAN KENG WAH	500,000	0.25
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KHEK KENG	500,000	0.25
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN HENG CHEW	466,666	0.24

SUBSTANTIAL SHAREHOLDERS AS AT 15 JUNE 2020

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

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.

Statement of Shareholdings
as at 15 June 2020 (cont'd)

DIRECTORS' INTEREST AS AT 15 JUNE 2020

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	154,800	0.08	708,294***	0.36	863,094	0.44
Wan Salmah Binti Wan Abdullah	-	-	-	-	-	-
Heng Beng Fatt	-	-	-	-	-	-
Mah Li-Na (Alternate Director to Dato' Seri Mah King Seng)	1,000	0.00	-	-	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.

DATO' MAH POOI SOO REALTY SDN. BHD.
(Company No: 33342-T)
NO. 1, MEDAN SRI INTAN,
JALAN SEKOLAH, P.O. BOX 66,
36000 TELUK INTAN, PERAK.
TEL: 05- 6222020, 6221722, 6221955.
FAX: 05-6211778

ANNEXURE A

Date: 22 June 2020

The Board of Directors
MHC Plantations Bhd
Kompleks Pejabat Behrang 2020
Jalan Persekutuan 1
35900 Tanjung Malim
Perak

Dear Sirs

MHC PLANTATIONS BHD [196001000393 (4060-V)] ("MHC")
SPECIAL NOTICE – NOMINATION OF AUDITORS

We, being a shareholder of MHC hereby give notice pursuant to Sections 280(2)(b)(ii) and 322 of the Companies Act, 2016, of our intention to nominate Messrs PKF for appointment as Auditors of MHC, subject to their consent to act, to replace the outgoing Auditors, Messrs Ernst & Young PLT and to propose the following Ordinary Resolution to be tabled at the forthcoming Sixtieth (60th) Annual General Meeting of MHC:

"THAT Messrs PKF, be hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Ernst & Young PLT, to hold office until the conclusion of the next Annual General Meeting and that authority be hereby given to the Directors of the Company to determine their remuneration."

Yours faithfully
DATO MAH POOI SOO REALTY SDN. BHD.

TAN SRI DR MAH KING THIAN
The duly appointed Authorised Representative of
Dato Mah Pooi Soo Realty Sdn. Bhd. appointed
pursuant to Section 333 of the Companies Act, 2016

MHC Plantations Bhd
[196001000393 (4060-V)]
(Incorporated in Malaysia)

Form of Proxy

No. of Shares Held	
CDS Account No.	
Telephone No.	

I/We, ____ NRIC No./Company No. __________________
(Name of Shareholder as per NRIC)

of ____
(Full Address)

being a member of MHC Plantations Bhd hereby appoint the following person(s):

	Name of Proxy & NRIC No.	No. of Shares	Percentage %
Proxy 1			
Proxy 2			
	Total		

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 Sixtieth (60th) Annual General Meeting ("60th AGM" and/or "AGM") of the Company to be held on 23 July 2020 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:

Ordinary Business	Ordinary Resolution	For	Against
The payment of Directors' benefits to Non-Executive Directors	1		
The re-election of Tan Sri Dr Mah King Thian	2		
The re-election of Chan Kam Leong	3		
The appointment of Messrs PKF as Auditors in place of the outgoing Auditors, Messrs Ernst & Young PLT, and to authorize the Directors to fix their remuneration	4		
Special Business			
Retention of Independent Non-Executive Director: Chan Kam Leong	5		
Retention of Independent Non-Executive Director: Wan Salmah Binti Wan Abdullah	6		
Authority to Allot and Issue Shares	7		

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. In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the AGM in order to safeguard the health of attendees at AGM. You are requested to read and adhere to the Administrative Details issued by the Company.
2. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available a Record of Depositors as at 15 July 2020 and only members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
3. Pursuant to Paragraph 8.29A of the Listing Requirements, voting at General Meeting will be conducted by poll rather than show of hands. Pool Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.
4. 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.
5. 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.
6. 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.
7. 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.
8. The instrument appointing a proxy must be deposited at the office of the Share Registrar of our Company, Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting, either by hand, post, courier, electronic mail to (bsr.helpdesk@boardroomlimited.com) or fax (603)78904670, otherwise the instrument of proxy should not be treated as valid.
9. 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.

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80 SEN STAMP
(within Malaysia)

The Share Registrar
MHC Plantations Bhd [196001000393 (4060-V)]
11TH FLOOR, MENARA SYMPHONY
NO. 5, JALAN PROF. KHOO KAY KIM
SEKSYEN 13
46200 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

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Annual Report 2019

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