SINMAH CAPITAL BERHAD

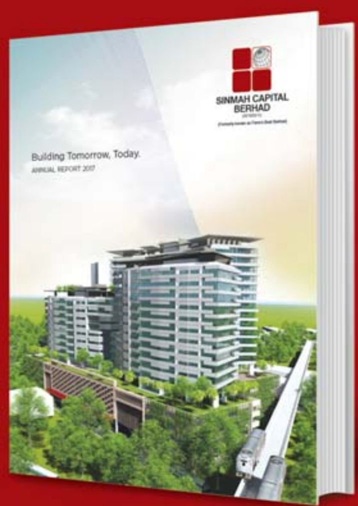
(301653-V)

(FORMERLY KNOWN AS FARM'S BEST BERHAD)

Building Tomorrow, Today.

ANNUAL REPORT 2017

Contents



Building Tomorrow, Today.

The theme 'Building Tomorrow, Today' is inspired by our forward-looking management strategy. We anticipate the opportunities of the future, and we are ready to capitalize on them today.

On the cover, the bursts of colour symbolize our vibrant prospects while the rising striations mirror our upward growth trajectory.

www.sinmah.com.my

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting ("24th AGM") of Sinmah Capital Berhad (formerly known as Farm's Best Berhad) ("Sinmah" or "Company") will be held at Bilik Bunga Teratai, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Monday, 28 May 2018 at 10.00 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions :-

AGENDA

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **(Please refer Note 1)**

2. To approve the payment of the Directors' fees and allowances to Non-Executive Directors amounting to RM177,300.00 for the financial year ended 31 December 2017. **(Ordinary Resolution 1)**

3. To approve the aggregate Directors' fees payable to the Directors of the Company of an amount up to RM170,100.00 for the financial year ending 31 December 2018. **(Ordinary Resolution 2)**

4. To approve the payment of Directors' remuneration (excluding Directors' Fees) to Non Executive Directors of the Company of an amount up to RM19,200.00 for the period from 31 January 2018 until the next annual general meeting of the Company held in 2019. **(Ordinary Resolution 3)**

5. To re-elect Datuk Ng Peng Hong @ Ng Peng Hay, the retiring Director, who retires by rotation and being eligible, offers himself for re-election in accordance with Article 106 of the Company's Articles of Association. **(Ordinary Resolution 4)**

6. To re-elect Encik Mohd Khasan Bin Ahmad, the retiring Director, who retires by rotation and being eligible, offers himself for re-election in accordance with Article 106 of the Company's Articles of Association. **(Ordinary Resolution 5)**

7. To re-elect Datuk Hj. Zainal Bin Hj. Shamsudin, the retiring Director, who retires by rotation and being eligible, offers himself for re-election in accordance with Article 106 of the Company's Articles of Association. **(Ordinary Resolution 6)**

8. To re-appoint Messrs UHY as Auditors of the Company for the financial year ending 31 December 2018 and to authorize the Directors to deliberate on the Auditors' remuneration. **(Ordinary Resolution 7)**

AS SPECIAL BUSINESS
To consider and if thought fit, to pass with or without modifications, the following resolutions :-

9. **Proposed Continuation of Office as Independent Non-Executive Director**

   THAT subject to the passing of Ordinary Resolution 5, Encik Mohd Khasan Bin Ahmad, having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as the Independent Non-Executive Director of the Company. **(Ordinary Resolution 8)**

10. **Proposed Continuation of Office as Independent Non-Executive Director**

    THAT subject to the passing of Ordinary Resolution 6, Datuk Hj. Zainal Bin Hj. Shamsudin, having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as the Independent Non-Executive Director of the Company. **(Ordinary Resolution 9)**

11. **Authority to Issue Share Under Sections 75 and 76 of the Companies Act, 2016.**

    "THAT subject always to the Companies Act, 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and approvals of the relevant government / regulatory authorities, the Directors be and are hereby authorized, pursuant to Sections 75 and 76 of the Companies Act, 2016, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting of the Company to such persons and upon such terms and conditions for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares to be issued." **(Ordinary Resolution 10)**

12. To transact any other ordinary business of which due notice has been given in accordance with the Companies Act, 2016.

BY ORDER OF THE BOARD

TEO SOON MEI (MAICSA 7018590)
NOLAN JOHN FELIX (MIA 18938)
Company Secretaries

Melaka
Dated : 27 April 2018

Notice of Annual General Meeting
(Cont'd)

Notes to the Notice of 24th AGM :-

1. *Item 1 of the Agenda*
   This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 in Malaysia requires that Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to the vote by Shareholders.

2. *Item 2 of the Agenda*
   The breakdown of the proposed payment of Directors' fees and allowances to Non-Executive Directors amounting to RM177,300.00 for the financial year ended 31 December 2017 is as set out below :-

	RM per annum
Directors' fees	162,000.00
Allowances to Non-Executive Directors	15,300.00
Total	177,300.00

3. *Item 3 of the Agenda*
   Article 103 of the Company's Articles of Association provides that fees payable to the Directors shall not be increased except pursuant to a resolution passed at a general meeting. Therefore, Shareholders' approval is required for the determination and payment of Directors' fees amounting to RM170,100.00 for the financial year ended 30 September 2018.

4. *Item 4 of the Agenda*
   Section 230(1) of the Companies Act, 2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, Shareholders' approval shall be sought at the 24th AGM for the payment of Directors' Remuneration (excluding Directors' fees) payable to the Non-Executive Directors of the Company for the period from 31 January 2018 until the next Annual General Meeting of the Company under Ordinary Resolution 3.

   The current Directors' Remuneration (excluding Directors' fees) payable to the Non-Executive Directors of the Company comprises of board meeting allowances of RM600.00 per meeting. The total payment of board meeting allowances to Non-Executive Directors of the Company, if approved by Shareholders at the forthcoming 24th AGM, are estimated at RM19,200.00 based on the estimated number of 8 meetings for the period from January 2018 until the next Annual General Meeting of the Company held in 2019.

   In the event that the Directors' allowances payable to Directors of the Company during the above period exceeded the estimated amount sought at the forthcoming 24th AGM of the Company, Shareholders' approval will be sought at the next Annual General Meeting for the additional amount to meet the shortfall.

5. *Items 5, 6 and 7 of the Agenda*
   Article 106 of the Company's Articles of Association provides that one-third (1/3) of the Directors shall retire by rotation at an Annual General Meeting of the Company. All the Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election. The profile of Datuk Ng Peng Hong @ Ng Peng Hay, Encik Mohd Khasan Bin Ahmad and Datuk Hj. Zainal Bin Hj. Shamsudin, the Directors who are standing for re-election as per Agendas 5 to 7 of the notice of the 24th AGM are set out in the 2017 Annual Report.

6. *Item 8 of the Agenda*
   The Audit Committee and the Board have considered the re-appointment of Messrs UHY as Auditors of the Company and collectively agreed that Messrs UHY have met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Proxy

7. A member of the Company who is entitled to attend, speak and vote at this 24th AGM may appoint a proxy to attend, speak and vote on his(her) behalf. A proxy may but need not be a member of the Company, and a member may appoint any person to be his(her) proxy without limitation.

8. Where a member appoints more than one (1) proxy to attend and vote at the same Meeting, the appointment shall be invalid unless he(she) specifies the proportion of his(her) holdings to be represented by each proxy.

9. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("SICDA"), he(she) may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.

10. Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

    An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

11. The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorised in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.

12. The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited at the office of the Company's Share Registrar at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.

13. The right of foreigners to vote in respect of deposited securities is subject to Sections 41(1)(e) and 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and the Articles of Association of the Company.

14. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at this 24th AGM.

15. Any alteration in the form of proxy must be initialed.

16. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 24th AGM will be put to the vote by poll.

Notice of Annual General Meeting
(Cont'd)

Explanatory Notes to Special Business

17. *Item 9 and 10 of the Agenda*
For Ordinary Resolution 8 and 9 on the Proposed Continuation in Office as Independent Non-Executive Directors, The Nomination Committee of the Company has assessed the independence of Encik Mohd Khasan Bin Ahmad and Datuk Hj. Zainal Bin Hj. Shamsudin, the Directors who have served for a cumulative term of more than 9 years and has recommended to the Board that they shall continue to act as Independent Non-Executive Directors of the Company. Encik Mohd Khasan Bin Ahmad and Datuk Hj. Zainal Bin Hj. Shamsudin were appointed as Independent Non-Executive Directors on 10 January 2002 and 8 August 2006 respectively, and they have served the Company for more than nine (9) years as at the date of the notice of 24th AGM. However, Encik Mohd Khasan Bin Ahmad and Datuk Hj. Zainal Bin Hj. Shamsudin have met the independence guideline as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board upon the recommendation from the Nomination Committee of the Company, therefore, considers Encik Mohd Khasan Bin Ahmad and Datuk Hj. Zainal Bin Hj. Shamsudin to be Independent and recommends them to remain as Independent Non-Executive Directors subject to the approval from the Shareholders of the Company through a two-tier voting process pursuant to Practice No. 4.2 of the Malaysian Code on Corporate Governance 2017.

18. *Item 11 of the Agenda*
Ordinary Resolution 10 is proposed to grant a renewed general mandate ("General Mandate"), which if passed, will empower the Directors of the Company, pursuant to Section 76 of the Companies Act, 2016 to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up capital of the Company as the Directors may consider such an act to be in the interest of the Company. The General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or during the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

    As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 29 May 2017 and which will lapse at the conclusion of the 24th AGM.

    The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to, further placing of shares, for the purpose of funding future investment project(s), working capital and /or acquisitions.

Personal data privacy :

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 24th AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclose 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 agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that the member has obtained the prior consent of such 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 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

STATEMENT ACCOMPANYING THE NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Director standing for re-election

   There is no individual seeking election as a Director at the forthcoming 24th AGM.

2. Statement relating to a general mandate for the issue of securities in accordance with Paragraph 6.04(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   Please refer to the Explanatory Note 18 of the Notice of the 24th AGM set out on Page 6.

Corporate Structure

SINMAH CAPITAL BERHAD
(301653-V)
(FORMERLY KNOWN AS FARM'S BEST BERHAD)

- 100% Sinmah Livestocks Sdn Bhd
  - 100% Bersatu Segar Sdn Bhd
  - 100% Dee Huat Farming Trading Sdn Bhd
  - 100% Chem Ventures Sdn Bhd
  - 51% Syarikat Perniagaan Suann Sdn Bhd
    - 100% Suann Food Processors Sdn Bhd
  - 100% SM Broilers Sdn Bhd
- 99.99% Sinmah Multifeed Sdn Bhd
- 100% Sinmah Breeders Sdn Bhd
- 100% Sinmah Land Services Sdn Bhd
  - 100% Sinmah Project Management Sdn Bhd
- 100% Sinmah Development Sdn Bhd
  - 100% Realtemas Realty Sdn Bhd
  - 100% Sinmah Builders Sdn Bhd
  - 100% Cosmal Enterprise Sdn Bhd
  - 70% Sinmah Encorp Development Sdn Bhd (formerly known as Sinmah Development JV Sdn Bhd)
  - 70% Sinmah Amegajaya Healthcare Sdn Bhd
    - 85% SAH Mutiara Sdn Bhd (Incorporated on 13.03.2018)
    - 100% SAH Medical Center Sdn Bhd (Incorporated on 06.04.2018)

Quality Comes First

The hallmark of our products and services is our uncompromising quality. By maintaining superior standards, we have earned the trust of our stakeholders. Indeed, we are constantly seeking innovative and effective ways to improve.

Corporate Information

BOARD OF DIRECTORS

Datuk Hj. Zainal Bin Hj. Shamsudin
Chairman, Independent
Non-Executive Director

Dato' Fong Kok Yong
Managing Director

Datuk Fong Kiah Yeow
Executive Director

Fong Ngan Teng
Executive Director

Fong Choon Kai
Executive Director

Mohd Khasan Bin Ahmad
Senior Independent
Non-Executive Director

Munawar Kabir Mohd Bin Zainal Abidin
Independent
Non-Executive Director

Datuk Ng Peng Hong @ Ng Peng Hay
Non-Independent
Non-Executive Director

AUDIT COMMITTEE
NOMINATION COMMITTEE

Mohd Khasan Bin Ahmad
Chairman, Senior Independent
Non-Executive Director
(Redesignated wef 23.02.2018)

Datuk Hj. Zainal Bin Hj. Shamsudin
Independent Non-Executive Director
(Redesignated wef 23.02.2018)

Munawar Kabir Mohd Bin Zainal Abidin
Independent Non-Executive Director

REMUNERATION COMMITTEE

Mohd Khasan Bin Ahmad
Chairman, Senior Independent
Non-Executive Director

Datuk Hj. Zainal Bin Hj. Shamsudin
Independent Non-Executive Director

Munawar Kabir Mohd Bin Zainal Abidin
Independent Non-Executive Director

Dato' Fong Kok Yong
Managing Director
(Ceased wef 23.02.2018)

Datuk Fong Kiah Yeow
Executive Director
(Ceased wef 23.02.2018)

RISK MANAGEMENT COMMITTEE

Dato' Fong Kok Yong
Managing Director - Chairman

Nolan John Felix
Group Accountant - Key Risk Officer

Datuk Fong Kiah Yeow
Executive Director - Member

Fong Ngan Teng
Executive Director - Member

Hoh Koei Teng
GM, Corporate Affairs - Member

Kow Keng Yam
GM, Development - Member

Kalaichelwan A/L Muniandy
Sr HR Manager - Member

Ng Sai Leang
Factory Manager - Member

Chung Cheng Yuan
Sr Group MIS Manager - Member

REGISTERED OFFICE

No. 4-1 Kompleks Niaga Melaka Perdana
Jalan KNMP 3, Bukit Katil
75450 Melaka
Tel : 06-232 6033
Fax : 06-232 6034

PRINCIPAL PLACE OF BUSINESS

AG 5730
Alor Gajah Industrial Estate
78000 Alor Gajah, Melaka
Tel : 06-556 1293
Fax : 06-556 2445

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : 03-7841 8000
Fax : 03-7841 8151/52

COMPANY SECRETARIES

Teo Soon Mei (MAICSA 7018590)
Nolan John Felix (MIA 18938)

AUDITORS

UHY
Chartered Accountants
Suite 11.05 Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2279 3088
Fax : 03-2279 3099

PRINCIPAL BANKERS

Bank Kerjasama Rakyat Malaysia Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name : SMCAP
Stock Code : 9776
Sector : Consumer Products

Directors' Profile

Y. BHG. DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR
71 years of age - Malaysian - Male

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin was appointed to the Board of Sinmah Capital Berhad ("Sinmah Capital") as Chairman of Sinmah Capital on 8 August 2006. He is also a member of the Audit, Nomination and Remuneration Committees of Sinmah Capital.

Y. Bhg. Datuk Hj. Zainal holds a Diploma in Police Science and he has served in the Royal Malaysian Police Force since June 1965 until his retirement in June 2003. Y. Bhg. Datuk Hj. Zainal began his career in the Royal Malaysian Police Force as an Investigation Officer and has climbed the rank of SAC(I) holding the post of Deputy Director (II) of the Malaysian Special Branch when he retired. He also sits on the boards of several private limited companies.

In recognition of his continuous efforts and dedication to the Malaysian Police Force, Y. Bhg. Datuk Hj. Zainal was conferred the Panglima Gemilang Darjah Kinabalu (P.G.D.K.) by His Excellency, the Governor of Sabah in September 2000.

Subsequently, in July 2008, in recognition of his many past contributions to the Malaysian Police Force, Y. Bhg. Datuk Hj. Zainal was conferred the Jaksa Pendamai (J.P) by HRH Yang Di-Pertuan Besar Negeri Sembilan.

As at the date of this annual report, Y. Bhg. Datuk Hj. Zainal does not have any interest in Sinmah Capital. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

Directors' Profile
(Cont'd)

Y. BHG. DATO' FONG KOK YONG

MANAGING DIRECTOR
67 years of age - Malaysian - Male

Y. Bhg. Dato' Fong Kok Yong was appointed to the Board of Sinmah Capital on 10 February 1995 and is currently the Managing Director of Sinmah Capital.

Y. Bhg. Dato' Fong Kok Yong graduated from the University of Singapore in 1975 with a Bachelor of Business Administration degree. He joined Sinmah Multifeed Sdn Bhd, a wholly owned subsidiary of Sinmah Capital on 18 October 1976 as a Director. He presently oversees the Group's operations.

Y. Bhg. Dato' Fong Kok Yong is currently,

(i) Advisor to the Federation of Livestock Farmers' Associations of Malaysia (since 1995)
(ii) Member, Malaysian Institute of Management (since 1990)

He had also served in the various positions/bodies during the past years:-

(i) Secretary General, Federation of Livestock Farmers' Associations of Malaysia (1986 – 1991)
(ii) President, Federation of Livestock Farmers' Associations of Malaysia (1991 – 1995)
(iii) President, Federation of Asean Poultry Producers (March 2003 – March 2005)
(iv) Director, Selangor Chinese Chamber of Commerce and Industry (1991 – 1995)
(v) Director, Malacca Chinese Chamber of Commerce and Industry (1995 to 2000)

In October 2008, in recognition of his continuous efforts, dedication and contribution to the livestock industry in Malaysia, Y. Bhg. Dato' Fong Kok Yong was conferred the Darjah Indera Mahkota Pahang (D.I.M.P.) by HRH, the Sultan of Pahang.

As at the date of this annual report, Y. Bhg. Dato' Fong Kok Yong has an indirect interest of 21,463,805 shares in Sinmah Capital. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

Y. BHG. DATUK FONG KIAH YEOW

EXECUTIVE DIRECTOR
63 years of age - Malaysian - Male

Y. Bhg. Datuk Fong Kiah Yeow was appointed to the Board of Sinmah Capital on 10 February 1995.

Y. Bhg. Datuk Fong Kiah Yeow completed an accountancy course in 1975 from the Tottenham College of Technology, United Kingdom. He was also an associate member of the Chartered Association of Certified Accountants, United Kingdom. Immediately, upon completion of his studies, Y. Bhg. Datuk Fong Kiah Yeow joined his family business and was responsible for his family's rice wholesale business. He was later appointed to the Board of Sinmah Multifeed Sdn Bhd on 31 January 1980. He is presently responsible for the Group's corporate affairs and financial matters. He also sits on the board of several private limited companies.

In October 2008, in recognition of his efforts and dedication, Y. Bhg. Datuk Fong Kiah Yeow was conferred the Darjah Mulia Seri Melaka (D.M.S.M.) by His Excellency, the Governor of Melaka.

As at the date of this annual report, Y. Bhg. Datuk Fong Kiah Yeow has a direct interest of 613,200 shares and an indirect interest of 21,463,805 shares in Sinmah Capital. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

FONG NGAN TENG

EXECUTIVE DIRECTOR
59 years of age - Malaysian - Male

Fong Ngan Teng was appointed to the Board of Sinmah Capital on 10 February 1995. He graduated in 1982 with a Bachelor of Arts (Honours) degree from The City of London Polytechnic in United Kingdom. He joined Sinmah Multifeed Sdn Bhd upon his graduation and was appointed as a Director of Sinmah Multifeed Sdn Bhd on 1 March 1983. He is currently the Group's Marketing Director and is also responsible for the breeding, hatchery and contract farming of the Group. He also sits on the boards of several private limited companies.

As at the date of this annual report, Fong Ngan Teng has an indirect interest of 21,463,805 shares in Sinmah Capital. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

Directors' Profile
(Cont'd)

FONG CHOON KAI

EXECUTIVE DIRECTOR
56 years of age - Malaysian - Male

Fong Choon Kai was appointed to the Board of Sinmah Capital on 10 February 1995. He graduated in 1985 with a Bachelor of Actuarial Science (Honours) degree from London School of Economics, United Kingdom and later in 1987, with a Masters degree in Systems Analysis and Design from The City University, United Kingdom. Thereafter, he was attached to a public chartered accounting firm, Lewis, Berman & Partners in United Kingdom for 2 years. Prior to his appointment to the Board of Sinmah Multifeed Sdn Bhd on 15 January 1992, he was engaged in a construction and property development company, Hanover Construction Ltd, as well as in export and import business of Hanover Trading Ltd, United Kingdom for 2 years. Fong Choon Kai is currently responsible for all administrative matters in the Group. He also sits on the boards of several private limited companies.

As at the date of this annual report, Fong Choon Kai has an indirect interest of 21,463,805 shares in Sinmah Capital. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

Y. BHG. DATUK NG PENG HONG @ NG PENG HAY

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
66 years of age - Malaysian - Male

Y. Bhg. Datuk Ng Peng Hong @ Ng Peng Hay was appointed to the Board of Sinmah Capital on 10 February 1995.

Y. Bhg. Datuk Ng Peng Hong was the State Assemblyman for Tengkera Constituency of Barisan Nasional between 1982 and 1986. He then served as a Senator in the Malaysian Parliament from 1987 to 1993. His first involvement in social activities was upon completing his secondary education. He has been appointed as the Investment Co-ordinator by the Melaka State Development Corporation to handle direct investments in the State of Melaka since 1988. Together with his teams of officials and his excellent public relations, he has helped in attracting numerous Taiwanese, Singaporean and Chinese investors into the State of Melaka.

In recognition of his efforts and dedication, Y. Bhg. Datuk Ng Peng Hong was conferred the Darjah Mulia Seri Melaka (D.M.S.M.) by His Excellency, the Governor of Melaka in 1992. On 17 July 1999, the Taiwanese Government awarded him the Economics Medal.

MOHD KHASAN BIN AHMAD

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
CHAIRMAN OF AUDIT, NOMINATION AND REMUNERATION COMMITTEES
56 years of age – Malaysian

Y. Bhg. Datuk Ng Peng Hong is also the Chairman of Koperasi Jayadiri Malaysia Berhad, Wellcall Holdings Berhad and I-Capital.Biz Berhad and is the Independent Non-Executive Director in Bonia Corporation Berhad.

On 1 January 2017, Y. Bhg. Datuk Ng Peng Hong was redesignated as a Non- Independent Non- Executive Director in Sinmah Capital.

As at the date of this annual report, Y. Bhg. Datuk Ng Peng Hong does not have any interest in Sinmah Capital. He has attended four (4) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

Mohd Khasan Bin Ahmad was appointed to the Board of Sinmah Capital on 10 January 2002. He is the Chairman of the Audit, Nomination and Remuneration Committees of Sinmah Capital.

Mohd Khasan obtained a diploma in Accountancy and later graduated with a degree in Accountancy from University Teknologi Mara. He is a member of the Malaysian Institute of Accountants ("MIA"). He served Bank Negara Malaysia for a period of about 7 years, the last 2 years of which he was seconded to the Capital Issues Committee ("CIC") as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission for a period of about 6 years and his last capacity was an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in various corporate exercises ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises. He joined the private sector in 1997 and held various senior management positions. Mohd Khasan also sits on the Board of Ta Win Holdings Berhad, Crest Builder Holdings Berhad, Homeritz Corporation Berhad and Mexter Technology Berhad as an Independent Non-Executive Director.

As at the date of this annual report, Mohd Khasan does not have any interest in Sinmah Capital. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

Directors' Profile
(Cont'd)

MUNAWAR KABIR MOHD BIN ZAINAL ABIDIN

INDEPENDENT NON-EXECUTIVE DIRECTOR
65 years of age - Malaysian - Male

Munawar Kabir Mohd Bin Zainal Abidin was appointed to the Board of Sinmah Capital on 17 September 2015. He is also a member of the Audit, Nomination and Remuneration Committees of Sinmah Capital.

Munawar Kabir Mohd began his career in 1978 as an Investigation Officer attached to the then National Bureau of Investigation which later underwent transformation and is currently known as the Malaysian Anti-Corruption Commission. Whilst attached at Malaysian Anti-Corruption Commission, Munawar Kabir Mohd was given the task of investigating and prosecuting cases involving corruption and malpractices. He has represented the Malaysian Government at the United Nations Convention against Corruption at Vienna, Austria pursuant to resolution 55/61 of 4th December 2000, in which the United Nations General Assembly established an Ad Hoc Committee for the negotiation of an effective international legal instrument against corruption.

In March 2005, Munawar Kabir Mohd was seconded to a national energy supply utility viz. Tenaga Nasional Berhad which is responsible for the Generation, Transmission and Distribution of energy supply in West Malaysia. He was initially seconded as a Senior Manager of the Intelligence & Investigation Unit and was later promoted to the General Manager of Security & Intelligence Division.

Munawar Kabir Mohd has been an active part of the prosecution team in several corruption cases; many of them being high profile corruption trials. He also has vast experience in the investigation and intelligence domain. Over the years, he was a member of the Task Force in matters related to International Extradition, Financial Disputes, Company Matters, Corporate Compliance Programmes, Forfeiture of Property and Money Laundering, to name a few.

Currently, Munawar Kabir Mohd is an Advocate & Solicitor and is the managing partner of Munawar & Associates.

As at the date of this annual report, Munawar Kabir Mohd does not have any interest in Sinmah Capital. He has attended all five (5) board meetings and one (1) special board meeting held during the financial year ended 31 December 2017.

ADDITIONAL INFORMATION

(i) Conflict of interest
None of the Directors have any conflict of interest with the Company.

(ii) Family Relationship with any Director and / or Major Shareholder
None of the Directors have family relationship with any Director and / or major shareholder of the company except for Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai who are brothers.

(iii) Conviction for offences (within the past 10 years, other than traffic offences)
None of the Directors have been convicted for offences.

Key Senior Management Profile

Hoh Koei Teng
General Manager-Corporate Affairs
58 years of age- Malaysian- Male

Hoh Koei Teng has a professional accounting qualification who joined our Company in 1988 as an Accountant and currently holds the position of General Manager, Corporate Affairs. Prior joining our Company, Hoh Koei Teng has worked in various organisations.

Currently, Hoh Koei Teng oversees the corporate finance, accounting, management information system, human resource and administrative functions of the Group.

Kow Keng Yam
General Manager- Property Division
57 years of age- Malaysian- Male

Kow Keng Yam has been with Sinmah Development Sdn Bhd since January 1997 and currently is the General Manager of the Property Division. He graduated from Tunku Abdul Rahman College in Building Technology and Management in May 1984. Between 1984 – 1996, he worked in Supreme Corporation Berhad (now known as Lion Land Berhad).

He has more than 30 years of working experience in managing Mixed Development Housing Project in Property Development and Construction.

Nolan John Felix
Group Accountant cum Company Secretary
53 years of age- Malaysian- Male

Nolan John Felix graduated with a Degree in Accountancy and is a Member of Malaysian Institute of Accountant (“MIA”). He joined the Company in 2000.

Nolan John Felix has more than twenty five (25) years experiences in accounting, financial management and taxation. Prior to joining our Company, he has worked in few well-known professional accounting firms.

Currently, he oversees the accounting function and secretarial matters of the Group.

Key Senior Management Profile
(Cont'd)

Tay Yek Lee
Group Accountant
41 years of age- Malaysian- Female

Tay Yek Lee graduated with a Degree in Accountancy and is a Member of Malaysian Institute of Accountant ("MIA"). She joined the Company in 2006 as Senior Accountant.

She has extensive experience in accounting and financial management. Prior to joining the Company, she has worked in a few professional accounting firms and commercial companies in the manufacturing sector.

Currently, Tay Yek Lee oversees the accounting function of the Group.

Kalai Chelvan Muniandy
Group Administration and Human Resource Manager
54 years of age- Malaysian- Male

Kalai Chelvan Muniandy joined the Company since June 1996. Prior to joining our Company, he has worked in Education Ministry and Plantation Industry. He graduated from University of Malaya and also has completed Master in Occupational Safety Health and Risk Management. Kalai Chelvan Muniandy also a Certified Trainer and a Competent Safety & Health Officer with DOSH and CIDB. He is also a Committee Member of Human Resource FMM Melaka State.

He has been dealing in the field of Human Resources, Administration, Safety & Health, Training, Education, Industrial Relations, Public Relations, Halal, Quality & Productivity, and Auditing expertise in various industries such as Manufacturing, Farming, Property and Plantation for over the past 27 years.

Chung Cheng Yuan
Group MIS Manager
44 years of age- Malaysian- Male

Chung Cheng Yuan graduated in 1998 with a Bachelor of Information Technology (Major in Computer Science) degree from The University of Southern Queensland in Australia.

Chung Cheng Yuan joined the Company in year 1995 as Computer Programmer. Currently, he works as Group MIS Manager to lead the IT department to develop, implement and manage the entire corporate IT system.

Many systems have been implemented over the years to ease the Company's operations, and one of the most remarkable system is the FPS system, which is used in food processing plant to track the entire production and provide real time information on stock movement.

Key Senior Management Profile
(Cont'd)

Ng Sai Leang
Factory Manager
65 years of age- Malaysian- Male

Ng Sai Leang joined the Company in 1993. He has a total of more than 30 years working experiences in the feed milling industry. He overseas the entire feed production and transportation department of the Company.

Prior joining the Company, he has worked in various manufacturing companies in Malaysia and Indonesia.

Azman Bin Mohd. Zainal
Quality Control Manager cum Safety,
Health and Environment Manager
52 years of age- Malaysian- Male

Azman has a degree in Physical Science from Colorado State University, USA and joined the Company in 1996 as a chemist. Azman has worked in various organizations before joining our company.

As a Quality Control Manager, Azman oversees the quality of incoming raw materials and the storage of those raw materials. As a Safely, Health and Environment Manager, Azman is looking into the safety, health and environment issue to ensure the Company follows all government regulation and acts.

Lim Choo Yang
Senior Production Manager
60 years of age- Malaysian- Male

Lim Choo Yang joined the Company in 1993. Prior to joining our Company, he has worked in similar field in charge of premix production and manufacturing of various types of animal feed.

Currently, he is also a member of ISO internal audit committee and Safety and Health Committee of the feed manufacturing company of our Group.

Toh Bee Lang
Formulator cum Quality Assurance Manager- Feed Division
50 years of age- Malaysian- Female

Toh Bee Lang has a Bachelor of Science degree and joined the Company in 1996 as a Chemist. Toh Bee Lang is a registered member of IKM as an Associated Chemist.

Toh Bee Lang's job scope among others is to formulate poultry feeds and to maintain the Company's Quality Management System.

Key Senior Management Profile
(Cont'd)

Yong Vee Ming
Marketing Manager- Broiler and Feed Division
38 years of age- Malaysian- Male

Yong Vee Ming has a Diploma in Electro Mechanical Engineering and joined the Company in year 2010. He has extensive experience in various areas in poultry industry such as technical as well as sales and marketing.

As a Marketing Manager, he is responsible to secure the contract farmers as well as the customers to the Company.

Yong Vee Ming has more than 15 years working experience in Sales and Marketing in poultry industries.

Dr Narayanasamy S/O Nadesa Pillay
Techinal Service Manager- Veterinary Deparetment
63 years of age- Malaysian- Male

Dr. Narayanasamy holds a degree in Veterinary Science (Animal Husbandry) from India and joined the Company in 1988.

Dr. Narayanasamy heads a team of veterinarians in providing services to the Broiler Farms and Contract Broiler Farms.

Manoj Kumar Sukumaran
Senior Project Manager- Properties Division
49 years of age- Malaysian- Male

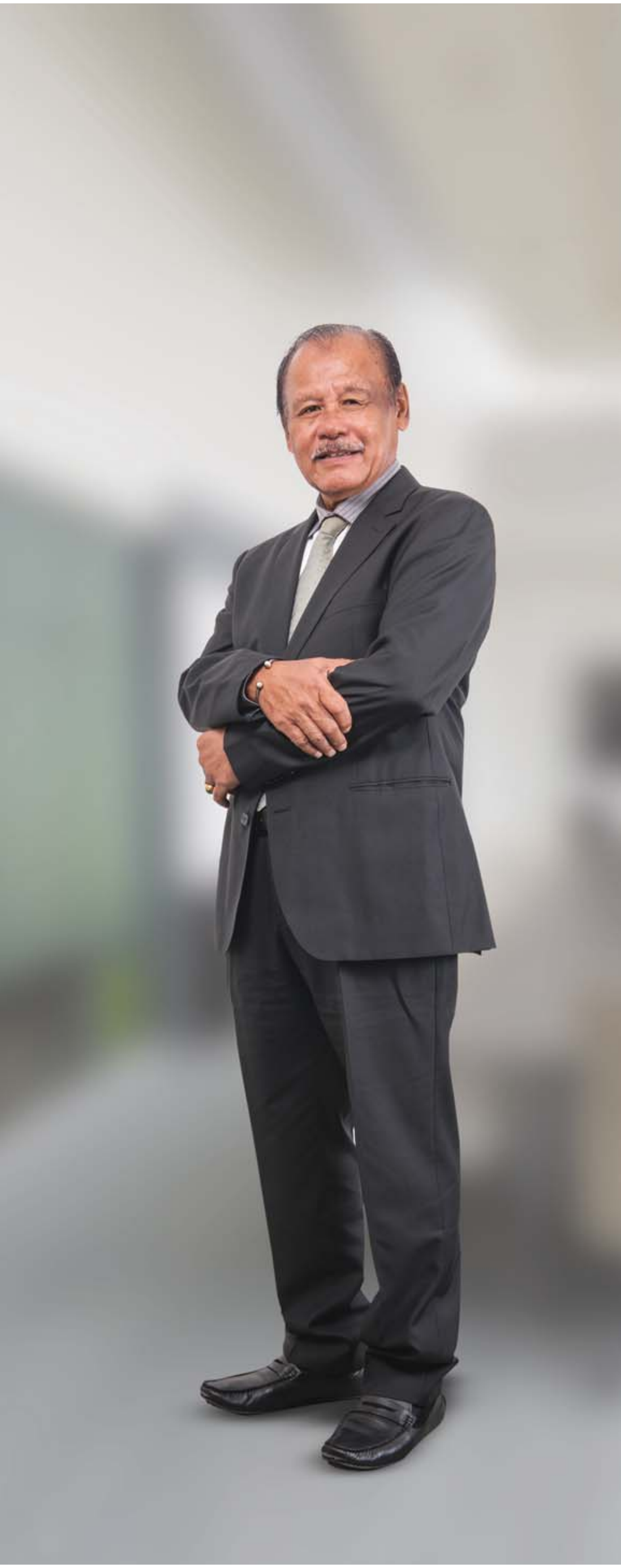
Manoj Kumar Sukumaran has been employed in Sinmah Builders Sdn Bhd since 1997 and currently holding the position of Senior Project Manager. He had pursued Diploma in Civil Engineering and is holding a Bachelor Degree in Construction Management. He is currently pursuing his Masters Degree in Safety and Risk Management at OUM.

In his early age, he was attached with YTL group. Manoj Kumar is also registered with CIDB Construction Personnel. He has more than 25 years of working experience in Planning and Managing construction work.

Yeo Pay Leng
Senior Sales Marketing Administration Manager-Properties Divison
56 years of age- Malaysian- Female

Yeo Pay Leng joined Sinmah Development Sdn Bhd in year 1995 as a Sales Administration Manager before ascending to her current position.

She is responsible for all sales, marketing and administration matters of Sinmah Development and has approximately 23 years of experience in the property development industry.



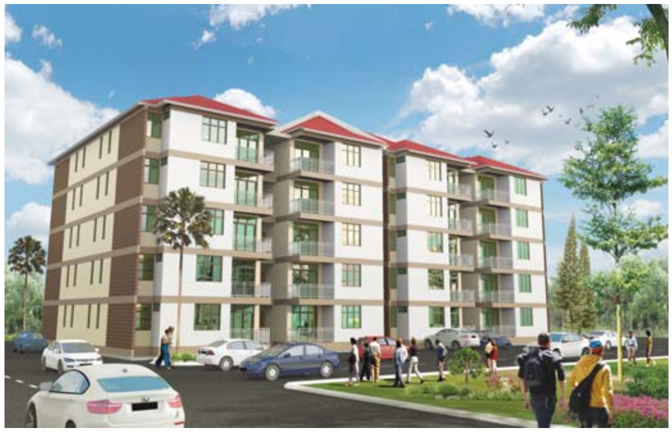
Chairman's Statement and Management Discussion and Analysis

Dear valued shareholders and stakeholders

On behalf of my fellow Board members, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2017 ("FYE 2017"), which is accompanied by this Management Discussion and Analysis.

DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN
CHAIRMAN

Chairman's Statement and Management Discussion and Analysis
(Cont'd)



GROUP STRUCTURE

Sinmah Capital Berhad ("SCB") is an investment holding company with subsidiaries as shown on page 8 of this Annual Report. The principal activities of SCB and its subsidiaries ("the Group") are shown on pages _ to _ of this Annual Report. There are no associated companies in the Group.

OVERVIEW OF SCB'S BUSINESS ACTIVITIES

The Group has 3 reportable business segments comprising:-

1. **Poultry**
   The poultry segment comprises manufacturing and wholesale of animal feeds, broiler contract farming and trading of broilers and day-old chicks and poultry biologicals. These activities are carried out by Sinmah Multifeed Sdn Bhd, Sinmah Livestocks Sdn Bhd ("SLSB") and SM Broilers Sdn Bhd. Poultry products are sold to contract farmers, wet market wholesalers and poultry processing plants.

   13% of our poultry segment revenue for the FYE 2017 was contributed by export sales. This was mainly to Singapore, through our subsidiary, SLSB.

   During the FYE 2017, the Group completed the disposal of several of its broiler and breeder farm lands and assets. To replace the disposed broiler farm lands and assets for farming activities, the Group had secured contract farming arrangements with farmers who have land and farm buildings for broiler rearing activities.

   Our objectives are to remain focused in this segment whilst continuously sourcing for reliable suppliers for high quality raw materials and to increase our customer base, both locally and abroad.

2. **Housing Development**

   This comprises development and construction of residential and commercial properties. These activities are carried out by Sinmah Development Sdn Bhd, Sinmah Builders Sdn Bhd, Cosmal Enterprise Sdn Bhd, Realtemas Realty Sdn Bhd, Sinmah Encorp Development Sdn Bhd (formerly known as Sinmah Development JV Sdn Bhd) and Sinmah Amegajaya Healthcare Sdn Bhd.

   The Group's housing development operations are currently based in Melaka only. Since venturing into the housing development activity in 1995, the Group has undertaken housing development projects in the following localities:

   1) Bukit Katil
      The Group commenced its housing development activities in 1995 by developing freehold land located at Bukit Katil, Melaka into 1,473 units of mixed residential and commercial properties. Development in this area is at its tail end, where nearly all units have been completed and sold.

   2) Krubong
      In 2008, the Group purchased a piece of leasehold land measuring 24.282 hectares to be developed into 711 units of mixed development. To- date, 500 units of properties were fully completed construction. 180 units are still under construction and the remaining units are yet to commence construction.

3) Tanjung Minyak
This is a relatively small piece of freehold land on which the Group had intended to build 14 units of double-storey terrace houses and 24 units of double-storey shop office. All the double-storey terrace houses and 15 units of the double-storey shop office have been launched and commenced construction during the FYE 2016. All double-storey terrace houses have already been sold while under construction but only 3 units of the shop office have been sold. Due to the slow take up rate of the shop offices, the Group intends to apply for change in plan for the 9 units of shop offices that have yet to commence construction, to construct double-storey houses instead. The Group has submitted its application for change in plan subsequent to the FYE 2017 and is waiting for approval from the relevant authorities.

Our objectives are to expand our housing development activities with the view of diversifying into housing development on a larger scale. In line with this objective, Sinmah Development Sdn Bhd, a wholly-owned subsidiary of the Company had on 8 June 2017 entered into a joint-venture agreement with Encorp Bukit Katil Sdn Bhd, a wholly-owned subsidiary of Encorp Berhad, to carry out a mixed development project on land measuring 77.94 acres held as part of PN 58507, Lot 31915 (formerly known as PN43209, Lot 6934), Mukim Bukit Katil, District of Melaka Tengah in the state of Melaka.

3. Other Business Segments

This includes investment holding and provision of management services, trading of chemicals, medication and related equipment and inactive subsidiary companies, none of which are of a significant size to be reported separately. There is no export sales contribution in this segment.

GROUP FINANCIAL PERFORMANCE AND POSITION REVIEW

The table below highlights the Group's key financial performance and position for FYE 2017:

	FYE 2017 RM'000	FYE 2016 RM'000	Changes RM'000
Revenue	299,532	343,696	-44,164
Expenses	57,139	75,542	-18,403
Other operating income	57,419	43,677	+13,742
Gross profit	25,200	36,836	-11,636
Profit/(loss) before taxation	25,480	4,971	+20,509
Profit/(loss) after taxation	15,221	11,915	+3,306
Gross profit margin	8.4%	10.7%	-2.3%
Pre-tax margin	8.5%	1.4%	+7.1%
Net profit margin	5.1%	3.5%	+1.6%
Total assets	275,618	343,841	-68,223
Total liabilities	164,721	247,952	-83,231
Total equity	110,897	95,889	+15,008
Total borrowings	104,333	185,820	-81,487
Gearing ratio	0.92	1.94	
Cash and bank balances	3,815	2,566	+1,249
Issued and fully paid capital ('000)	123,200	61,083	-
Net assets per share (sen)	181.6	157.0	+24.6
Basic earnings/ per share (sen)	24.6	19.5	+5.1

Chairman's Statement and Management Discussion and Analysis
(Cont'd)

Revenue

The Group's revenue for FYE 2017 had decreased by RM44.2 million or 13% as compared to the financial year ended 31 December 2016 ("FYE 2016"). The decrease in revenue was mainly from its poultry segment due to disposal of the Group's poultry processing company in the FYE 2016 which resulted in no sales of processed poultry products during FYE 2017 but there were nine (9) months of sales of processed poultry products during the FYE 2016. This is partially offset by increase in average selling price of live broilers during the FYE 2017. Furthermore, revenue from housing development segment has also decreased during the FYE 2017 as compared to the FYE 2016.

Gross profit

Gross profit had decreased by RM11.6 million or 32% in the FYE 2017. This was mainly from the poultry segment.

Other operating income

Other operating income had increased by RM13.7 million or 31% in the FYE 2017. The increase is attributable to the following:-

(a) Pre-tax gain on disposal of several breeder and broiler farm lands and assets amounting to RM45.8 million in the FYE 2017

(b) Pre-tax gain on disposal of 2 pieces of broiler farm land and assets, a piece of industrial land together with buildings and all its machinery and equipment including a poultry processing plant and a piece of land with a double-storey shop-house erected thereon, of about RM8.3 million.

Expenses

Expenses had decreased by RM18.4 million or 24% in the FYE 2017. This was mainly due to disposal of a subsidiary in the fourth quarter of the FYE 2016, which reduced the Group's administrative, selling and finance costs in FYE 2017

Profit after tax

Even though gross profit had decreased significantly, profit after tax had increased by RM3.3 million or 28% in the FYE 2017. This was mainly due to increase in other operating income and decrease in expenses as explained above.

Total assets

Decrease in total assets was mainly due to disposals of properties as explained above.

Total liabilities

Decrease in total liabilities was mainly due to net repayment of banking facilities amounting to RM81.5 million during the FYE 2017.

The disposal of assets of the Group brought a positive impact to the financial statements of the Group whereby the Group's gearing ratio has decreased from 1.94 in the FYE 2016 to 0.92 in the FYE 2017.

OPERATIONS AND FINANCIAL PERFORMANCE BY BUSINESS SEGMENTS

1. **SEGMENT: POULTRY**

<u>Marketing and distribution of poultry feeds, broiler contract farming and trading of broilers and day-old chicks and poultry biologicals</u>

FYE 2017 continued to be a challenging year for the poultry segment due to fluctuations in prices of imported raw feedstuffs resulting from fluctuations in USD exchange rates, coupled with stiff competition and low farm productivity.

The performance of the poultry segment for the FYE 2017 as compared to FYE 2016 is summarized below:

	2017 RM'000	2016 RM'000	VARIANCE RM'000
Total revenue	752,639	870,011	(117,373)
Inter-segment revenue	(462,987)	(552,387)	89,400
External revenue	289,652	317,624	(27,973)
Results			
Segment results	36,095	(919)	37,040
Interest and rental income	1,593	1,885	(298)
Operating profit	37,688	966	36,742
Finance costs	(10,686)	(15,943)	5,263
Profit before taxation	27,002	(14,977)	42,005
Taxation	(10,129)	7,162	(17,315)
Profit/(loss) for the year	16,873	(7,815)	24,690

Revenue from the poultry segment decreased by RM28.0 million mainly due to disposal of a subsidiary company involved in processed poultry products in the 4th quarter of the FYE 2016 as explained above.

Operating profit of the poultry segment had increased by RM36.7 million mainly due to the gain on disposals of properties as explained above.

As a result of disposals of properties as explained above, profit after taxation improved from a loss of RM7.8 million in FYE 2016 to a profit of RM16.9 million in the FYE 2017.

Strategies

Our strategy is to continue to be involved in the poultry segment by producing quality poultry feed for its contract farming customers and to trade in broilers and day-old chicks to supplement the profits from the poultry segment.

2. **SEGMENT: HOUSING DEVELOPMENT**

<u>Construction and sale of residential and commercial properties</u>

FYE 2017 was also a challenging year for the housing development segment due to fluctuations in prices of building materials, coupled with stiff competition within the industry. The Group is also facing a challenge in this segment due to insufficient strategic land banks at its disposal. As explained above, the Group has entered into a joint-venture agreement in order to increase its land bank.

The performance of the housing segment for the FYE 2017 as compared to FYE 2016 is summarized below:

	2017 RM'000	2016 RM'000	VARIANCE RM'000
Total revenue	19,425	39,703	(20,278)
Inter-segment revenue	(9,845)	(15,066)	5,221
External revenue	9,580	24,637	(15,057)
Results			
Segment results	(42)	2,218	(2,260)
Interest and rental income	105	119	(14)
Operating profit	63	2,337	(2,274)
Finance costs	(618)	(352)	(266)
Profit before taxation	(555)	1,985	(2,540)
Taxation	(36)	(606)	570
Profit/(loss) for the year	(591)	1,379	(1,970)

Revenue from the housing development segment decreased by RM20.3 million mainly due lower recognition of profit on the percentage of completion method during the FYE 2017 as compared to FYE 2016.

Operating profit of the housing development segment had decreased by RM2.3 million mainly due to decrease in revenue as explained above.

As a result, profit after taxation deteriorated from a profit of RM1.4 million in the FYE 2016 to a loss of RM0.6 million in the FYE 2017.

Strategies

Our strategy is to expand our activities in the housing development segment by sourcing for land banks and joint-venture opportunities within this segment.

Chairman's Statement and Management Discussion and Analysis
(Cont'd)

3. **SEGMENT: OTHERS**

Investment holding and provision of management services, trading of chemicals, medication and related equipment and inactive subsidiary companies

The performance of other business segments for the FYE 2017 as compared to FYE 2016 is summarized below:

	2017 RM'000	2016 RM'000	VARIANCE RM'000
Total revenue	5,164	6,572	(1,408)
Inter-segment revenue	(4,864)	(5,137)	273
External revenue	300	1,435	(1,135)
Results			
Segment results	(808)	18,227	(19,035)
Interest and rental income	-	-	-
Operating profit	(808)	18,227	(19,035)
Finance costs	(159)	(264)	105
Profit before taxation	(967)	17,963	(18,930)
Taxation	(94)	389	(483)
Profit/(loss) for the year	(1,061)	18,352	(19,413)

Revenue from the other business segments decreased by RM1.1 million mainly due to closure of trading of chemicals, medication and related equipment operations in the northern parts of Peninsular Malaysia in the FYE 2016.

Operating profit of this segment had decreased by RM19.0 million mainly due to a gain on disposal of subsidiary company of RM18.2 million was recognised during the FYE 2016.

As a result, profit after taxation deteriorated from a profit of RM18.4 million in the FYE 2016 to a loss of RM1.1 million in the FYE 2017.

RISK MANAGEMENT

The Group has in place a risk management system to manage the risks of the Group. Among the risks managed by the Group are the following:

i) **Fluctuations in commodity prices**
The Group's feed-milling operations purchase various raw materials for feed production, some of which are imported, such as corn and soybean meal. These imported raw feedstuffs are subject to fluctuations in commodity prices. The Group mitigates the risk of fluctuations in commodity prices by entering into forward contracts for corn and soybean meal. The Group's housing development operations are also affected by the risk of fluctuating building material prices, such as steel, timber, bricks and cement. This risk is mitigated through constant monitoring of commodity prices to ensure that building materials are purchased in advance of impending prices increases.

ii) **Fluctuations in foreign currency exchange**
In importing corn and soybean meal, the Group is exposed to the risk of fluctuations in foreign currency exchange as prices of these commodities are usually quoted in US Dollars.

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

iii) **Disease challenges**
The Group mitigates the risk of disease challenges in its poultry rearing activities by ensuring proper bio-security measures are implemented at all farms in order to reduce the risk of outbreak of diseases.

iv) **Credit risk**
The Group's exposure to credit risk arises principally its receivables from customers and deposits with licensed banks and financial institutions. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

v) **Liquidity risks**
The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

vi) Interest rate risks

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to risk of change in the fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at banks and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risks by reviewing its debts portfolio to ensure favourable rates are obtained.

CORPORATE GOVERNANCE

The Group is committed to implement the best practice of corporate governance to enhance and increase shareholders' value. The Group has its risk management and internal control procedures in place to ensure transparency, accountability and integrity are attained and maintained in managing the Group businesses.

Policies that the Group has officially adopted include Corporate Disclosure Policy, Fraud Policy, Whistle Blowing Policy, Group Risk Management Policy and Succession Planning Policy. The Group will continue to adopt more corporate policies to ensure sustainability of the Group.

The Board of Directors' responsibilities for preparing the annual audited financial statements are disclosed in the Directors' Responsibilities Statement set out in this Annual Report 2017.

The audited financial statements of Sinmah Capital Berhad are not subject to any qualification as disclosed in the Independent Auditors' Report to the Members.

OUTLOOK

Going forward, the Group is exiting the breeder and hatchery operations but will continue to be involved in feed-milling and broiler rearing operations. The Group's business segment will continue to be analysed into poultry, housing development and others. Although the Group has entered in sale and purchase agreements to dispose off its broiler farm lands and assets, the Group intends to continue producing broilers through contract farming activities and also to trade in live broilers and day-old chicks which will be purchased from open market and supplied to existing and future customers.

During the FYE 2017, the Group produced and sold about 38,000 mt of live broilers. With all disposals of broiler farm lands and assets expected to be fully completed in the financial year ending 31 December 2018 ("FYE 2018), the Group's production and sale of live broilers are expected to drop to about 16,000 mt in the FYE 2018.

In the meantime, the Group is looking at ways to enhance its housing development operations. As explained above, Sinmah Development Sdn Bhd, a wholly-owned subsidiary of the Company had on 8 June 2017 entered into a joint-venture agreement with Encorp Bukit Kait Sdn Bhd, a wholly-owned subsidiary of Encorp berhad, to carry out a mixed development project on land measuring 77.94 acres held as part of PN 58507, Lot 31915 (formerly known as PN43209, Lot 6934), Mukim Bukit Katil, District of Melaka Tengah in the state of Melaka.

The joint-venture agreement is part of a Multiple Proposals being carried out by the Company. The Multiple Proposals are subject to approval of our shareholders at an Extraordinary General Meeting of the Company to be held on 2 May 2018. Once approved, it will give a significant boost to the Group's housing development operations for the foreseeable future.

ACKNOWLEDGEMENT

The Group gratefully acknowledges the support and guidance received from the State Government of Melaka, Department of Veterinary Services, the Agriculture Ministry, MITI, MIDA, Immigration Department and other ministries and agencies. Our appreciation is also extended to our business partners, consultants, customers, suppliers and financiers.

I also wish to extend my most heartfelt appreciation to my fellow Board members for their support, contribution and dedication in discharging their duties and responsibilities. We also recognize that our dedicated workforce remains the backbone of the Group and they had helped to build a good reputation that the Group currently enjoys. On behalf of the Board, I wish to express our utmost appreciation to them. The success the Group achieved in FYE 2017 would not have been possible without their efforts.

Lastly, I wish to thank you, our shareholders, for your unwavering support and we look forward to your continuing vote of confidence. Thank you.

DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN
CHAIRMAN

Sustainability Statement

The Group recognises the importance of embedding sustainability into its operations in order to achieve its goals and objectives.

The Board is responsible to integrate sustainability into the Group's operations and business strategies.

BUSINESS SUSTAINABILITY FACTORS

The Group understands that its business operations must be in compliance with the prevailing laws and up to acceptable industry standards in order to achieve business sustainability, customer recognition and confidence.

Poultry Segment

The poultry segment holds manufacturing license issued by the Ministry of Trade and Industry Malaysia for its feed-milling operations. We also have trading licenses issued under the Control of Supplies Rules 1974 [Rule 4(1)] for our broiler trading operations. In addition, our feed-mill company is a member of the Federation of Malaysian Manufacturers while our broiler trading companies are members of the Federation of Livestock Farmers' Association.

Our manufacturing plant is in compliance with the Environmental Quality Act ("EQA") and regulations governing our plant operations. All industrial wastes are handled as per Environmental Quality (Scheduled Wastes) Regulation 2005. The Group is aware of its responsibility to protect the environment in which it operates in. As such, for the preservation of air quality, the Group ensures that its feedmill plant monitors its dust collector emission and chimney emission to ensure that the emissions are within limits required by the EQA and the Department of Environment ("DOE").

During the year, the Group's feed-mill plant engaged a qualified environmental engineering firm to conduct two (2) air emission/quality monitoring jobs. The Group is pleased to report that the 2 reports showed that all parameters sampled and tested complied with EQA/DOE limits.

Housing Development Segment

This segment holds a housing developer's license issued under the Housing Development (Control and Licensing) Regulations 1989. The Group's construction company holds a CIDB license issued by the Construction Industry Development Board ("CIDB"). The Group also ensures that its construction company adheres to all Safety and Health Regulations for Construction requirements. Our housing development segment is also a member of the Real Estate & Housing Development Association ("REHDA").

WORKPLACE

The Group is concerned about the occupational safety of its employees. Hence, the Group strives to comply with all Department of Safety and Health Malaysia ("DOSH") standards on health and safety.

The Group strives to provide a safe and healthy working environment for its employees, in order to safeguard the safety and health of its employees. During the financial year ended 31 December 2017, its feed-milling plant and property development operation had reported zero incidence of accidents involving its employees.

The Group also provides trainings to its employees for staff development purposes, based on the training needs of the employees. The trainings are provided internally and by external consultants. During the financial year under review, the Group's feed-milling plant conducted 2 external trainings and 9 internal trainings for its employees. The housing development operation carried out formal monthly site meetings and also monthly tool-box meetings and on-site safety training conducted by external consultants during the financial year under review.

COMMUNITY

As part of the Group's corporate social responsibility towards the community, the Group has made cash donations to religious bodies and schools in Melaka. Other corporate responsibility initiatives of the Group include employing persons classified as "persons of differing capabilities" to work in its feed-mill operation. This is in line with the government's call to companies to provide employment to these "persons of differing capabilities" to enable them to be independent of help from the Community Welfare Department. During the financial year ended 31 December 2017, the Group also made cash donation to Multi Mutual Charity Association KL & Sel. Besides that, the Group offered provision of industrial training to students of higher education institutions in Malaysia.

During the FYE 2017, the Group's housing development segment has also embarked on "Rumah Mampu Milik" scheme subsidized by the government to provide affordable housing to the citizens of our country.

CUSTOMERS

We treasure our relationships with our key customers and regularly conduct satisfaction surveys as part of our efforts to improve products and services. Customers' feedback and comments are attended to, discussed and addressed promptly and regularly.

SUPPLIERS

The Group pays strong emphasis towards building a strong relationship with our suppliers. This is achieved by the following:

- paying suppliers on time;
- provide adequate lead time to our suppliers to ensure uninterrupted supplies for production purposes; and
- visiting our suppliers and sharing relevant information with our suppliers to sustain competitive advantage and business interest.

The Group considers its emphasis on sustainability to be at a traditional stage and will strive to make progress in addressing its other sustainability factors in order to enhance our business value.

Corporate Governance Overview Statement

The Board of Sinmah Capital Berhad (formerly known as Farm's Best Berhad) (the "Company") ("the Board") recognises the importance of adopting high standards of corporate governance in the Company in order to safeguard stakeholders' interests as well as enhancing shareholders' value.

Pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa"), this Corporate Governance Overview Statement (the "Statement") explains an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2017 in this Annual Report with reference to the following three (3) principles as set out in the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia on 26 April 2017("MCCG"):

A. Board Leadership and Effectiveness;
B. Effective Audit and Risk Management; and
C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 27 April 2018. Shareholders may obtain this CG Report by accessing this link www.sinmah.com.my for further details.

Except for practices for at least half the Board comprises independent directors, disclosure of policies on gender diversity, the detailed disclosures on named basis for the remuneration of the top five (5) senior management in bands of RM50,000, undertaking professional development courses on accounting and auditing standards, practices and rule by all members of Audit Committee and appropriate measures to facilitate greater participation by shareholders in the Company's annual general meetings by leveraging on technology, overall, the Board is of the view that the Company has, in all material aspects, complied with the Principles and Practices as set out in the MCCG. The explanation for the departure of the above mentioned practices are reported in the announced CG Report in Practices 4.1, 4.5, 7.2, 8.5 and 12.3 respectively.

A. BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

By establishing the Group's objectives and targets clearly and communicating these objectives and targets across the Management in the Group, the Board ensures its effectiveness and provides strong leadership to the Group and Management. In order to ensure that business is being properly managed, the Board reviews and adopts its strategic plan, performs periodic review of the financial results and oversees the conduct of the business.

The Board has defined and formalized its Board Charter and the same is published in the Company's website, which serves as a reference for the Directors' fiduciary duties and functions of the Board Committees.

The Board reviews the Board Charter periodically and make amendments when needed to ensure that they remain relevant and consistent with the Board's objective, current law and best practices to enable the Board to discharge its responsibilities. The Board Charter was last reviewed on 23 February 2018 to take into account of changes in the new MCCG.

The Board has also defined its schedule of matters reserving key decisions to be made by the Board. This schedule of matters is attached together with the Board Charter that can be found in the Company's website at www.sinmah.com.my. By reserving these matters, the Board ensures that the control in the Group is retained in the Board.

The Board had also established Audit Committee, Nomination Committee and Remuneration Committee, to consider and determine such matters for which they are responsible for, in accordance with their terms of reference in force from time to time. The terms of reference of the Board Committees were reviewed and approved by the Board and tabled to the respective Board Committee for their action.

The Board has also put in place a Directors Code of Ethics, setting out the standard of ethics and conduct needed to create good corporate behaviour. The Directors' Code of Ethics can be found in the Company's website at www.sinmah.com.my.

The positions of Chairman and Group Managing Director ("GMD") are separately held in ensuring balance of power, accountability and division of roles and responsibilities of the Board and Management, whereby, the leadership and effectiveness of the Board are integrated into management through the GMD. Board authority conferred to management is delegated to the GMD. The Board Charter sets out formal position descriptions for the Chairman and GMD outlining their respective roles and responsibilities.

For upholding the Board's effectiveness, the Board is supported by two (2) qualified and competent Company Secretaries. One of them is a member of Malaysian Institute of Accountants whilst the other is a member of Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries provided support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. In this respect, they play an advisory role to the Board, particularly with regards to compliance with regulatory requirements, codes, guidelines, legislations and the principles of best corporate governance practices.

All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretaries or Secretaries of the Board Committees shall be the prerogative of the Board as a whole.

Further information on the roles and responsibilities carried out by the Company Secretaries during the financial year ended 31 December 2017 are set out in Practice 1.4 of the Company's CG Report.

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

When external advices are necessary, an Independent Director would provide proper notice to the Company Secretary of the intention to seek for independent advice and the name(s) of the professional advisors that he or she intends to contact, together with a brief summary of the subject matter for which professional advice is sought. In the event that one or more Directors seek to appoint one or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus. Fees for the independent professional advice will be payable by the Company with the approval from Chairman before engagement of professional advice.

For avoidance of doubt, the above restriction shall not apply to Executive Directors in furtherance of their executive responsibilities and within the Board's delegated powers on access to information and professional advice.

Corporate Governance Overview Statement
(Cont'd)

Fundamental to Directors' commitment to leadership and effectiveness is devotion of time and continuous improvement of knowledge and skills set. The Board undertake to meet at least four (4) times a year, which are scheduled in advance to facilitate the Directors in planning their meeting schedule for the year. During the financial year ended 31 December 2017, five (5) Board meetings and one (1) Special Board meeting were held and the attendances of the Directors are as follows:

Directors	Designation	No. of Board Meetings Attended	Percentage (%)	No. of Special Board Meetings Attended
Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director	5/5	100%	1/1
Dato' Fong Kok Yong	Managing Director	5/5	100%	1/1
Datuk Fong Kiah Yeow	Executive Director	5/5	100%	1/1
Fong Ngan Teng	Executive Director	5/5	100%	1/1
Fong Choon Kai	Executive Director	5/5	100%	1/1
Datuk Ng Peng Hong @ Ng Peng Hay	Non-Independent Non-Executive Director	4/5	80%	1/1
Mohd Khasan Bin Ahmad	Senior Independent Non-Executive Director	5/5	100%	1/1
Munawar Kabir Mohd Bin Zainal Abidin	Independent Non-Executive Director	5/5	100%	1/1

The Special Board Meeting was held to deliberate and approve the Multiple Proposals as disclosed in the financial statement section of this Annual Report.

Attending relevant corporate training and seminars would enable all Board members to discharge their duties more effectively during their tenure. The Board, via the Nomination Committee, continues to identify and assess the training needs of the Directors from time to time.

The details of the trainings/seminars/conferences attended by Directors during the financial year ended 31 December 2017 as are follows:

Name of Directors	Course Title	Date
Datuk Hj Zainal Bin Hj Shamsudin	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017
Dato' Fong Kok Yong	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017
Datuk Fong Kiah Yeow	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017
Fong Ngan Teng	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017
Fong Choon Kai	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017

Name of Directors	Course Title	Date
Datuk Ng Peng Hong @ Ng Peng Hay	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017
Mohd Khasan Bin Ahmad	Capital Market Conference	18 Jul 2017
	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017
	2017 National Conference – AC Leadership Track	9 Oct 2017
	The Breakfast Talk – Leading in a Volatile, Uncertain, Complex, Ambiguous (UCA) World	13 Oct 2017
	Case Study Workshop for Independent Directors	9 Nov 2017
	Conversation with Audit Committee	14 Nov 2017
	Corporate Governance Breakfast Series: Thought Leadership Session for Directors	5 Dec 2017
Munawar Kabir Mohd Bin Zainal Abidin	The Malaysian Code on Corporate Governance: Key Changes and Impact to the Board and Management	25 Aug 2017

(II) Board Composition

In order to drive the Board's leadership and effectiveness, the Board ensures that it has the right mix of suitably qualified and experienced members. Presently, the Board comprises eight (8) members, where four (4) are Executive Directors, three (3) are Independent Non-Executive Directors and one (1) is a Non-Independent Non-Executive Director. As such, the Company has not complied with Practice 4.1 of the MCCG which requires that at least half of the Board members comprise independent directors. The Company has explained its departure from this practice in the Corporate Governance Report.

The Company has also not complied with Practice 4.5 of the MCCG which requires 30% women directors on the Board. The Company has explained its departure from this practice in the Corporate Governance Report.

The Board is satisfied with the current composition of the Board in providing a check and balance in the Board, with appropriate representations of minority interest through the composition of Independent Non-Executive Directors on the Board.

Profiles of Directors remain substantially unchanged and these are published in the Company's website for shareholders' reference.

The Nomination Committee assisted the Board in conducting performance evaluation and providing constructive feedbacks to Board Members of their performance during the financial year ended 31 December 2017. In this way, the Board ensured its effectiveness is maintained and enhanced continuously.

The Nomination Committee is also responsible for making recommendations of the appointments to the Board and Senior Management. New nomination is assessed and recommended to the whole Board for appointment. The Board will utilize independent sources if needed to identify suitably qualified candidates for new appointment to the Board in the future.

The Board takes cognisance of the importance of Independence and objectivity in relation to the decision-making process and effectiveness of the Board's function. The Board therefore has adopted the same criteria of Independence used in the definition of "independent directors" prescribed by the MMLR. Nomination Committee also carries out the evaluation on the independence of each Independent Director on an annual basis.

Corporate Governance Overview Statement
(Cont'd)

Re-election of Directors

The re-election of directors ensures that shareholders have a regular opportunity to re-assess the composition of the Board. In accordance with the Company's Articles of Association, at least one-third (1/3) of the Directors shall retire from office every year, provided always that all Directors shall retire from office at least once in every three (3) years and shall be eligible for re-election in the AGM. The following Directors, who retire by rotation in accordance with Article 106 of the Company's Articles of Association and being eligible, have offered themselves for re-election:

- Datuk Ng Peng Hong @ Ng Peng Hay
- Encik Mohd Khasan Bin Ahmad
- Datuk Hj. Zainal Bin Hj. Shamsudin

The Company's Articles of Association also provide that newly-appointed directors shall hold office until the next AGM and shall then be eligible for re-election. During the FYE 2017, there were no newly-appointed directors in the Company.

The Board through the Nomination Committee had assessed En Mohd Khasan Bin Ahmad and Datuk Hj Zainal Bin Hj Shamsudin, Independent Non-Executive Directors who had each served the Company for a cumulative term of more than nine (9) years and concluded that during the financial year ended 31 December 2017:

- They have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they would be able to function as check and balance and bring element of objectivity to the Board;
- They have devoted sufficient time and attention to their professional obligations for informed and balanced decision-making; and
- They have exercised due care and diligence during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the best interest of the Company and shareholders.

The Board agreed with the above proposed re-appointment of En Mohd Khasan Bin Ahmad and Datuk Hj Zainal Bin Hj Shamsudin as Independent Non-Executive Directors of the Company, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM").

(III) Remuneration

Board leadership and effectiveness is affected by the talents in the Board and Management. The Board determines the level of remuneration of its Directors and Senior Management based on the recommendations of the Remuneration Committee which enables the Group to attract, retain and motivate Directors and Senior Management with relevant experience and expertise needed.

The Board has in place a remuneration policy for directors and key management personnel. The Remuneration Committee has been entrusted by the Board with specific terms of reference to review and recommend to the Board an appropriate remuneration framework for Executive Directors, including recommendations to the Board on all elements of remuneration, terms of employment, reward structures and fringe benefits for Executive Directors, sufficient enough to attract and retain Directors of quality required to manage the business of the Group. The remuneration package of Senior Management is also assessed by the Remuneration Committee and recommended to the Board thereafter.

The aggregate remuneration paid or payable to all Directors of the Company during the financial year ended 31 December 2017 is listed on named basis as follows:

	Salary	Bonus	Other Emoluments	Fee	Meeting Allowance	Benefit-in-Kind	EPF & SOCSO	Total
Executive Directors								
Dato' Fong Kok Yong	300,000	40,000	276,000	-	-	1,200	73,920	691,120
Datuk Fong Kiah Yeow	300,000	40,000	276,000	-	-	1,200	73,920	691,120
Fong Ngan Teng	300,000	40,000	276,000	-	-	300	73,920	690,220
Fong Choon Kai	300,000	40,000	276,000	-	-	300	73,920	690,220
	1,200000	160,000	1,104,000	-	-	3,000	295,680	2,762,680
Non-Executive Directors								
Datuk Hj Zainal Bin Hj Shamsudin	-	-	-	42,000	4,500	-	-	46,500
Mohd Khasan Bin Ahmad	-	-	-	42,000	3,900	-	-	45,900
Datuk Ng Peng Hong @ Ng Peng Hay	-	-	-	42,000	3,000	-	-	45,000
Munawar Kabir Mohd Bin Zainal Abidin	-	-	-	36,000	3,900	-	-	39,900
	-	-	-	162,000	15,300	-	-	177,300

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee

The Board has established an effective and independent Audit Committee. The Audit Committee comprises wholly of Independent Non-Executive Directors and the Chairman of the Audit Committee is not the Chairman of the Board. When considering the appointment of former key audit partner from its current External Auditor's firm, the Audit Committee is mindful of the minimum two (2) years cooling off period best practice under the MCCG before appointing this partner as a member of the Audit Committee. With the present composition structure and practice, the Audit Committee is able to objectively review and report its findings and recommendations to the Board.

The Audit Committee also reviews the appointment, performance and remuneration of the External Auditors on an annual basis before recommending them to the shareholders for re-appointment at the AGM. The Audit Committee also convened meetings with External Auditors without the presence of the Executive Directors and Management. As part of the Audit Committee review process, the Audit Committee had also obtained assurance from External Auditors twice a year confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The amount of audit fees and non-audit fees paid/payable to Messrs. UHY ("UHY") by the Company and the Group for the financial year ended 31 December 2017 was as follows:

	Company RM	**Group RM**
Statutory audit fees paid/payable	19,000	184,300
Non-audit fees paid/payable	42,000	42,000

Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties. In future, in order to strengthen the present financial literacy of each member and the ability to understand matters under the purview of the Audit Committee including the financial reporting process, all members of the Audit Committee will balance their participation, in continuous professional development programmes on accounting and auditing standards, practices and rules.

The Board is responsible to ensure that the financial statements of the Company and the Group present a fair and balanced view and assessment of the Company and the Group's financial position, performance and prospects and such financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and applicable approved accounting standards. The Board is assisted by the Audit Committee in reviewing the accuracy, adequacy and completeness of disclosures and ensuring that the Group's financial statements comply with applicable financial reporting standards.

(II) Risk Management and Internal Control Framework

The Board acknowledges that risk management and internal control systems are an integral part of effective management practice. There is an ongoing process in place to identify, evaluate, monitor and manage the key risks faced by the Group and the Board reviews the key risks highlighted on a regular basis to ensure the relevant action is taken to mitigate the risk of the Group to safeguard shareholders' investment and Group's assets.

The Board has established an Internal Audit Function which is currently outsourced to a professional firm. The Audit Committee reviews and approves the Internal Audit Plan, scope of work and fees of the Internal Audit Function in order to ensure that the internal audit is functioned effectively and independently. As a unit that is independent of Management, the Internal Audit Function reports directly to the Audit Committee and they are responsible for conducting periodic reviews and appraisals of risk management and internal control systems of the Group. The performance of the Internal Audit Function is assessed by the Audit Committee.

The Internal Auditors have performed its work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. The outsourced internal audit function is headed by a director who is a certified internal auditor, assisted by a manager who is also a certified internal auditor and staff who are accounting graduates from local and overseas universities.

Further disclosure on the conduct of the Internal Audit Function and performance assessment by the Audit Committee is reported in the Audit Committee Report on pages 45 to 49 of this Annual report.

The board is also assisted by a Risk Management Committee to ensure that the risk and control framework is embedded into the culture, processes and structure of the Group. Further details of the Group's state of risk management and internal control systems covering the key features of Risk Management and Internal Control, Board's and Management's responsibilities in risk management, as well as the Management's assurance to the Board are reported in the Statement on Risk Management and Internal Control on pages 38 to 44 of this Annual Report.

B. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(I) Communication with Stakeholders

The Board values the importance of continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. It is generally recognised that on-going engagement and communication with stakeholders builds trust and understanding between the Company and its stakeholders as well as enables shareholders to appreciate the Company's objectives and the quality of its management.

Therefore, the Company has set up a website which contains information on the background of the Company, our Directors and other financial and non-financial information that will enable shareholders and other stakeholders to obtain a greater understanding of Company's business and performance.

Separately, the Company had also reported its Sustainability Statement on pages 28 to 29 of this Annual Report covering the aspects of governance, environment and social responsibility for stakeholders' reference.

(II) Conduct of General Meetings

The Board recognises the rights of shareholders.

At the last AGM, the Company had given Notice of its Twenty-Third AGM more than twenty-eight (28) days prior to the meeting and all Board members attended the said AGM. The Chairman also provided sufficient time and opportunities for the shareholders to seek clarifications from the Chairman, chairman of Board Committees and Management during the AGM on any matters pertaining to to the matters disclosed in the Annual Report, corporate developments in the Group, the motions being proposed and the operational and financial performance of the Company.

Explanation was provided for the proposed resolutions set out in the Notice of the Twenty-Third AGM to assist the shareholders in making their decisions and exercising their voting rights. In line with Paragraph 8.29A(1) of the MMLR, all the resolutions set out in the Notice of the Twenty-Third AGM were put to vote by poll in the last AGM. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

This Statement was approved by the Board of Directors on 12 April 2018.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines") and the Malaysian Code on Corporate Governance 2017, the Board of Directors ("the Board") of Sinmah Capital Berhad ("the Company") (collectively with its subsidiaries, "the Group") is pleased to present the statement on the state of the internal controls of the Group for the financial year ended 31 December 2017. The scope of this Statement includes the Company and all operating subsidiaries.

BOARD'S RESPONSIBILITY

As per the Board Charter, the Board is ultimately responsible for the Group's system of risk management and internal control ("system"), which includes the establishment of an appropriate control environment and risk management framework as well as reviewing their adequacy and effectiveness in safeguarding shareholders' investment and the Group's assets. The Board affirms its responsibility to establish risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate/product lifecycle. The Board delegates the duty of identification, assessment and management of key business risks to the Risk Management Committee led by the Group's Managing Director and the Audit Committee, through its terms of reference and Risk Management Policy approved by the Board, is delegated with the oversight duty to review the adequacy and effectiveness of risk management and internal control systems of the Group and to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control systems of the Group.

The Board affirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by major companies in the Group. This review process is conducted by the Company's Risk Management Committee and outsourced internal audit function. Besides confirming that this process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company, the Board, through the Audit Committee, also reviews the adequacy and effectiveness of the risk management and internal control system in the Group to ensure that appropriate measures are carried out to obtain the level of assurance required by the Board.

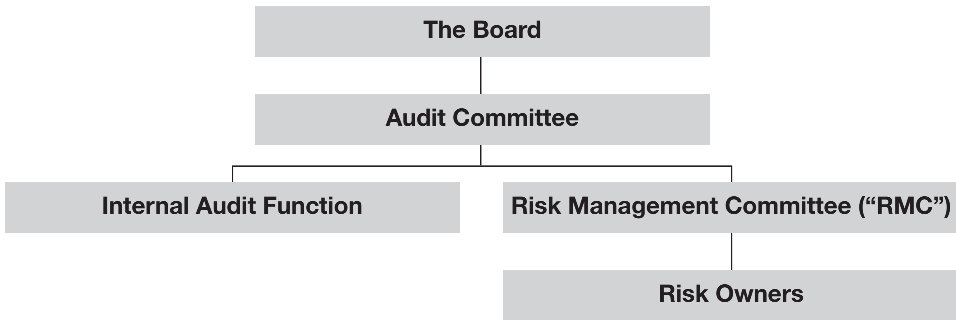
In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. Accordingly, the system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The system of internal control covers, inter-alia, financial, organisational, operational and compliance controls as well as risk management.

RISK MANAGEMENT

In line with Practice 9.1 of the Malaysian Code on Corporate Governance 2017, the Board has established a structured group risk management policy, including (but not limited to) the governance structure and processes for the risk management on group wide, in order to embed the risk management practice into all level of the Group and to identify, evaluate, control, report and monitor significant business risks faced by major companies in the Group on systematic manner. The updated risk profiles of the companies concerned are tabled to the Audit Committee and the Board for review and deliberation and action plans to be taken by Management in mitigating the risks, as deemed necessary.

The Board had in November 2016 formalized the Risk Management Policy ("GRM Policy") and its governance structure whereby Risk Management Committee ("RMC") was established, which is headed by the Group's Managing Director and comprise of the Head of Departments. The GRM Policy was tabled by RMC to and approved by the Board in November 2016. The GRM Policy acts as second-line-of-defense. The principles, practices and process of GRM established by the Board are, in material aspects, guided by the ISO 31000:2009 – Principles and Guidelines.

The GRM Policy established lays down the risk management's objectives, processes and acceptable risk appetite established by the Board with proper governance structure of the risk management activities of the Group established as follows:



Clear roles and responsibilities of the Board, the Audit Committee, RMC, risk owners, key risk officer and internal audit function are defined in the GRM Policy. The RMC is chaired by Group Managing Director and guided by formal terms of reference embodied in the GRM Policy.

In particular, the roles and responsibilities of the RMC are as follows:-

(a) implement the risk management policy as approved by the Board;
(b) develop and implement the risk management process which includes the identification of key risks and devising appropriate additional action plan in cases where existing controls are ineffective, inadequate or non-existent and communicate methodology to the risk owners;
(c) ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc.), risk management policy & process and risk appetite/tolerance;
(d) continuous review and update of the Key Risk Registers of the Group due to changes in internal business processes, business strategies or external environment and determination of management action plan, if required;
(e) update the Board, through the Audit Committee, on changes to the Key Risk Registers on periodical basis (at least on annual basis) or when appropriate (due to significant change to the internal business processes, business strategies or external environment) and the course of action to be taken by management in managing the changes; and
(f) to perform risk identification and assessment in relation to major asset/business acquisition or divestment or business diversification or business consolidation and to report the results of the assessment to the Board for strategic decision making

In addition, the Group adopts a decentralized approach to operational risk management, where all the risk owners take ownership and accountability for risks at their respective levels. The risk owners within their area of expertise and operational responsibilities are delegated with the following roles and responsibilities:

(a) manage the risks of the business processes under his/her control;
(b) continuously identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, to establish and implement controls to reduce the likelihood and/or impact;
(c) to report to the RMC of the emergence of new business risks or change in the existing business risks through prescribed form on a timely manner and assist the RMC with the development of the management action plans and implement these action plans
(d) assist the RMC with the half-yearly update of the changes in the Key Risk Registers, management action plans and the status of these plans; and
(e) ensure that staffs working under the him/her understand the risk exposure of the relevant process under his / her duty and the importance of the related controls.

The Group Accountant acts as the Key Risk Officer and also the Secretary of the RMC. The Key Risk Officer actively assist the Group's Managing Director to co-ordinate and liaise with each Heads of Department and risk owners to assess the risk of the Group as a whole.

Statement on Risk Management and Internal Control
(Cont'd)

Systematic risk management process is stipulated in the GRM Policy, whereby each step of the risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the RMC and the risk owners. Risk assessment, at gross and residual level, whereby the business risks identified are scored for likelihood of their occurrence and the magnitude of impact upon the Group based on the relevant risk parameters established by the Board that articulate the risk appetite of the companies concerned. Based on the risk management process, key risk registers were compiled by the RMC, with relevant key risks identified rated based on the agreed upon risk rating. The key risk registers are used for the identification of high residual risks which is above the risk appetite of the Group that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring and that any material opportunities are not overlooked. As an important risk monitoring mechanism, the RMC is scheduled to review the key risk registers of key operating subsidiaries and assessment of emerging risks identified at strategic and operational level at least twice a year or on more frequent basis if circumstances required and to report to the Audit Committee on the results of the review and assessment.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives tailored to specific business risks required attention by the Audit Committee and the Board based on the Risk Profile of the Group and scheduled in the internal plan approved by the Audit Committee.

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Group's Managing Director and Management and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite approved by the Board. In addition, specific strategic and key operational risks are highlighted and deliberated by the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first-line-of-defense, respective heads of departments/divisions (i.e. risk owners) are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks. Critical and material risks are highlighted to the Group's Managing Director and the Executive Directors for the final decision on the formulation and implementation of effective internal controls and reported to the Audit Committee and the Board by the Group's Managing Director and the Executive Directors.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this Statement.

Please refer to the "Risk Factors Exposure" of the Management Discussion and Analysis for the significant risks faced by the Group and the mitigation plans implemented.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by appointing NeedsBridge Advisory Sdn. Bhd. ("NeedsBridge"), an independent professional firm to conduct internal audit on an outsourced basis. The scope of work performed by NeedsBridge comprises the conduct of internal audit to assess the adequacy and integrity of the governance, risk and internal control processes, and highlighting to the Audit Committee significant areas for improvements as well as risks that may impact the business units concerned.

The audit engagement of the outsourced internal audit function is governed by the engagement letter with key terms include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The terms of the engagement letter and scope of control review by the outsourced internal audit function are determined and approved by the Audit Committee.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The outsourced internal audit function is manned by one (1) engagement director, three (3) managers/assistant manager and five (5) senior consultants/consultants during the financial year under review.

The oversight of the outsourced internal audit function by the Audit Committee was enhanced with the review by the Audit Committee of resources of the outsourced internal audit function in term of qualification and experience/exposure and continuous professional development for the employees of the outsourced internal audit function tabled by the outsourced internal audit function during the financial year under review.

Based on the review of the works performed and deliverables by the outsourced internal audit function during the financial year, the engagement terms, the approved internal audit plans, internal audit works performed and reports by the in-house internal audit function and outsourced internal audit function, the Audit Committee and the Board are of the opinion that the scope, functions (including independence), competency, resources, authorities granted to the internal audit functions as well as internal audit program and processes are adequate to provide the Audit Committee with reasonable assurance that governance, risk and control structures and processes of the Group is adequate and effective and that the results of the internal audit program, processes or investigation undertaken is adequately communicated to the Audit Committee and appropriate actions are taken on the recommendations of the internal audit functions.

Risk-based internal audit plan in respect of financial year ended 31 December 2017 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified in the Risk Profile of the Group, the Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As third-line-of-defense, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

During financial year ended 31 December 2017, the outsourced internal audit function has conducted review, based on the internal audit plan approved by the Audit Committee, on the following business processes:

- Production management of feed milling based in Malaysia in relation to production planning and monitoring, manpower planning and monitoring, shop floor control, quality control, safety, health and environmental management, formulation development and management, operating assets maintenance, compliance with laws and regulations and goods and services tax compliance.

- Project and site management of construction division based in Malaysia in relation to material planning and procurement, manpower planning and management, tendering management, site management, in-progress project monitoring, procurement and subcontractor management, project operation and cost management and monitoring, defect management and progress claim management

Statement on Risk Management and Internal Control
(Cont'd)

Upon the completion of the individual internal audit field works during the financial year, the internal audit reports were presented by the outsourced internal audit function to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated with the members of the Audit Committee. Update on the status of action plans as identified in the previous internal audit report are presented at subsequent Audit Committee meeting for review and deliberation.

The cost involved for the Review during the year ended 31 December 2016 amounted to approximately RM55,000.

INTERNAL CONTROL

Details of some key elements of the Group's internal control system are described below:

- *Control environment*

  To provide a proper control environment, focus is directed towards the qualities and abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Continuing education and training include internal briefings and external seminars for selected employees to enhance the level of awareness and knowledge on matters relating to risk management and internal controls.

  Integrity and ethical value expected from the employees are incorporated in the Human Resource Policy whereby the ethical behaviours expected with the customers, suppliers, employees, society and environment are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in Human Resource Policy.

  To further enhance the ethical value throughout the Group, formal whistle-blowing and fraud policy had been put in place by the Board to reduce the risk of fraud and conflict of interest within the Group.

- *Control structure*

  Board Committees (i.e. Audit Committee, Remuneration Committee and Nomination Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

  Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Group's Executive Directors for the Board's review and approval, after taking into risk consideration and responses.

  On the other hand, the Board and Management have established a formal organizational structure with clearly defined lines of accountability and delegated authority within the Group. This includes well-defined responsibilities of Board committees and various management levels, including authorization levels for all aspects of the business.

  The key elements of the Group's control structure are as follows:

  Management

  - Through the Group's Business and Financial Policies and Procedures manual, Management has introduced well-established standard operating procedures that cover key aspects of the Group's business processes. These policies and procedures deal with, inter-alia, control issues for financial accounting and reporting, treasury management, asset security, information technology, etc. The procedures are subject to regular reviews to cater for process changes, changing risks or further improvements;
  - Authority limits are established to provide a functional framework of authority in approving revenue and capital expenditure;

- Comprehensive guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.
- Good farm management practices and biosecurity & disease controls to mitigate biosecurity and disease threats are adopted by the production chain and distribution process; and
- Regular informal meetings with Heads of division which provide a platform for the Heads of division to communicate with and provide feedback to Management.

Audit Committee

The Audit Committee reviews and notes the internal audit observations reported by the outsourced internal audit function, including follow-up by the outsourced internal audit function on the status of Management-agreed action plans to address observations reported in preceding cycles of internal audit. Internal audits are carried out by the outsourced internal audit functions (which reports directly to the Audit Committee) on key risk areas identified based on the Risk Profile of the Group. The outsourced internal audit function assesses the adequacy and effectiveness of internal controls in relation to specific governance, risk and control processes and highlights potential risks and implications of its observations that may impact the Group as well as recommend improvements on the observations made to minimise the risks. The results of the internal audits carried out are reported to the Audit Committee.

The Audit Committee Report, set out on pages 45 to 49 of this Annual Report, contains further details on the activities undertaken by the Audit Committee during the financial year under review.

Board

The Board holds regular discussions with the Audit Committee and Management and considers their reports on matters relating to internal controls and deliberates on their recommendation for implementation.

- *Reporting and information*

The Group has in place the following reporting and information structure:

- The Group has in place a budgeting process that provides for a responsibility accounting framework;
- The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerized systems, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection.
- Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management to perform financial reviews on the various operating subsidiaries. The reviews encompass areas such as financial and non-financial key performance indicators and variances between budget and operating results and explanation of significant variances;
- The Executive Directors review the monthly management accounts of all major operating companies in the Group; and
- The Executive Directors conduct monthly meetings with Management of all significant business units within the Group to discuss the various aspects of the business, financial and operational performance of the Group

- *Monitoring and review*

The system of internal controls is reviewed on an ongoing basis by the Board through the Audit Committee, which is also responsible for monitoring compliance with policies, procedures and guidelines.

In addition to the internal audits, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors as well as surveillance audit by independent consultants engaged by the Group serve as the fourth-line-of-defense.

Statement on Risk Management and Internal Control
(Cont'd)

ASSURANCE BY THE MANAGING DIRECTOR AND EXECUTIVE DIRECTOR (FINANCE) ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

In line with the Guidelines, the Board has received written assurance from the Managing Director, being highest ranking executive in the Company and the Executive Director (Finance), being the person primarily responsible for the management of the financial affairs of the Company, stating that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review.

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

The Board, through its Audit Committee, has reviewed the adequacy and effectiveness of the risk management and system of internal controls, and that relevant actions have been or are being taken, as the case may be, to remedy the internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the outsourced internal auditors and external auditors directly to the Audit Committee as described above.

With the above review and the assurance provided by the Managing Director and the Executive Director (Finance) coupled with the review of the risk management results and process, results of the internal audit activities and monitoring and review mechanism stipulated above, the Board is of the opinion that the system of risk management and internal control is satisfactory and there have been no weaknesses in the system of risk management and internal control that resulted in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report 2017, other than impairment of trade receivables totaling RM24.70 million. The Board continues to take measures to strengthen the internal control environment from time to time based on the recommendations of the outsourced internal audit function as well as the external auditors.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors have reviewed the Statement of Risk management and Internal Control. Their review has been conducted to assess whether the Statement of Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in assessing the risks faced by the Group and also in reviewing the adequacy and effectiveness of the risk management and the internal control system of the Group.

Based on the review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and the internal control of the Group.

This statement is issued in accordance with a resolution of the Board dated 12 April 2018.

Audit Committee Report

The Board of Directors is pleased to present the following Audit Committee Report and its summary of work for the financial year ended 31 December 2017.

1. MEMBERS OF THE COMMITTEE

The Audit Committee comprises the following members:

Mohd Khasan Bin Ahmad
Senior Independent Non-Executive Director
Chairman (Redesignated wef 23 /2/2018)

Datuk Hj. Zainal Bin Hj. Shamsuddin
Independent Non-Executive Director
Member (Redesignated wef 23/2/2018)

Munawar Kabir Mohd Bin Zainal Abidin
Independent Non-Executive Director
Member

2. TERMS OF REFERENCE

The terms of reference of the Audit Committee as approved by the Board are available on the Company website at www.sinmah.com.my

3. MEETINGS

There were five (5) meetings of the Audit Committee held during the financial year ended 31 December 2017, which were attended by the Audit Committee members as follows:

Members	Position	No. of Meetings Attended	Percentage (%)
Mohd Khasan Bin Ahmad Chairman	Senior Independent Non-Executive Director	5/5	100%
Datuk Hj. Zainal Bin Hj. Shamsuddin Member	Independent Non-Executive Director	5/5	100%
Munawar Kabir Mohd Bin Zainal Abidin Member	Independent Non-Executive Director	5/5	100%

The meeting dates where the Audit Committee met during the financial year were 23 February 2017, 11 April 2017, 29 May 2017, 25 August 2017, 23 November 2017. The Group's external auditors attended all the Audit Committee meetings during the year.

The Chairman of the Audit Committee undertakes a continuing process of engagement with senior executives of the Company as well as the external auditors and the internal auditors so that the Audit Committee is kept up-to-date with all important issues including key audit issues and concerns affecting the Company.

Minutes of each Audit Committee meeting are noted by the Board via distribution to each Board member and the Chairman of the Audit Committee highlights on key issues discussed in the Audit Committee Meeting at each Board meeting.

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the activities undertaken by the Audit Committee are as follows:

Financial Reporting

a. Reviewed the quarterly financial and operational reports of the Group before recommending to the Board for approval.

b. Reviewed the external auditors' reports in relation to audit and accounting issues arising from the audit; and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board prior to submission to Board of Directors for approval. The review was to ensure the financial reporting and disclosures requirements are in compliance with:

   - Provision of Companies Act, 2016;
   - Listing Requirements of Bursa Malaysia Securities Berhad;
   - Applicable approved accounting standards in Malaysia; and
   - Other legal and regulatory requirements.

   In the review of the annual audited financial statements, the Audit Committee discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

c. Discussed and Reviewed the proposed utilisation of the proceeds of the Company's multiple proposals which were duly announced on 8 June 2017, 20 July 2017, 21 July 2017, 28 July 2017, 15 September 2017, 16 November 2017, 29 November 2017, 5 December 2017, 6 December 2017, 26 January 2018 and 5 February 2018 respectively.

d. Discussed and reviewed the proposed utilisation of the proceeds of the disposal of assets to PTS Poultry Processing (BP) Sdn Bhd for a total cash consideration of RM12,334,000.

Internal Audit

a. Reviewed the annual internal audit plan to ensure adequate scope and comprehensive coverage over the activities of the Group.

b. Reviewed and discussed the internal audit reports which were tabled during the meetings, the audit issues, root causes, potential risks, implications and recommendations made and management's response to these recommendations.

c. Reviewed and discussed the Enterprise Risk Management processes, profiles and update the register periodically.

d. Monitoring and ensuring corrective actions have been taken to rectify the weaknesses highlighted and all the key risks and control lapses have been addressed.

e. Reviewed and assessed the resources, experience, competency and continuous professional development of the outsourced internal audit function for adequacy. Please refer to the Statement on Risk Management and Internal Control, set out in this Annual Report for oversights of the Audit Committee on the outsourced internal audit function.

External Audit

a. Reviewed and discussed with external auditors' audit planning memorandum, audit strategy and scope of the year.

b. Reviewed annual audited financial statements of the Group and Company prior to submission to Board for approval.

c. Reviewed and discussed external auditors' observations, the results of the annual audit, audit report and management letter together with management's response to the findings before recommending to the Board of Directors for approval.

d. Assessed and discussed the performance and effectiveness of the external auditors, including the independence, objectivity and professional skepticism, communication interaction, audit finalization, the quality of skills and capabilities of audit team, sufficient of resources and terms of engagement. The Committee is satisfying with the performance of the external auditor and recommended the audit fee payable for the Board approval as well as recommending them to be re-appointed at the forthcoming Annual General Meeting.

e. Met twice during the financial year, on and respectively, with external auditors without the presence of management to discuss with them problems arising from the audit and to reinforce the independence of the external audit function of the Company and the Group. There were no major issues highlighted by them.

Risk Management

The Board and Management have embarked on the risk management culture and endeavour to ensure that the Group's employees have a good understanding and application of risk management principles towards cultivating a sustainable risk management culture. The Board undertakes to conduct regular risk awareness sessions at the operational level to promote the understanding of risk management principles and practices across different functions within the Group.

The Statement on Risk Management and Internal Control, set out in this Annual Report further details on the activities undertaken by the Audit Committee during the year.

Related Parties Transactions

Reviewed any the inter-company transactions and any related/interested party transactions that arose within the Company and the Group to ensure compliance with Malaysian Accounting Standards Board and Bursa Securities Listing Requirements and that the transactions were carried out on arm's length basis.

During the financial year, there was no insider trading reported.

Annual Reporting

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

Others

a. Reviewed the financial projection and its variation.

b. Reviewed the Board policy and procedures of the Group.

c. Reviewed the Company's multiple proposals before they forward the said multiple proposals to be the Board for approval and subsequently to release the announcements made on 8 June 2017, 20 July 2017, 21 July 2017, 28 July 2017, 15 September 2017, 16 November 2017, 29 November 2017, 5 December 2017, 6 December 2017, 26 January 2018 and 5 February 2018 respectively.

Audit Committee Report
(Cont'd)

d. Reviewed and discussed the proposed disposal of breeder farm land and assets to Farms' Best Food Industries Sdn Bhd ('FBF") and the proposed disposal of broiler farm lands and farms of FBF

e. Discussed and reviewed the dispute resolution proceedings session fixed by Inland Revenue Board in relation to the additional tax assessment and penalties served to Sinmah Project Management Sdn Bhd and Sinmah Multifeed Sdn Bhd, both the wholly-owned subsidiaries of the Company.

f. Discussed and reviewed the proposed disposal of the equity interest in Joint Farming Sdn Bhd by Sinmah Livestocks Sdn Bhd, the wholly-owned subsidiary of the Company.

g. Discussed and reviewed the proposed disposal of assets to PTS Poultry Processing (BP) Sdn Bhd for a total cash consideration of RM12,334,000.

h. Discussed and reviewed the wholly-owned subsidiary of the Company namely, Sinmah Development Sdn Bhd and incorporated a new subsidiary, Sinmah Development JV Sdn Bhd and the subscription of new ordinary shares in Sinmah Development JV Sdn Bhd, being a joint venture company formed by Sinmah Development Sdn Bhd and Encorp Bukit Katil Sdn Bhd.

i. Discussed and reviewed the wholly owned subsidiary of the Company namely, Sinmah Development Sdn Bhd had aquired 70,000 Ordinary Shares of Sinmah Amegajaya Healthcare Sdn Bhd ("SAHSB") for a total cash consideration of RM70,000.

j. The three Audit Committee members has attended the Non-Executive Directors' Meeting (without the present of Executive Directors of the Company) which was held on 19 September 2017 to discuss and consider the proposed Exemption under Paragraph 4.08 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions and the Malaysian Code on Take-Overs and Mergers, 2016 ("CODE") for F.C.H. Holdings Sdn Bhd ("FCH") and parties acting in concert ("PACS") with It from the obligation to undertake a Mandatory Take-Over Offer for all remaining the Company's shares and convertible securities in SCB not already owned by FCG and PACS ("Proposed Exemption") and sought the advice and opinion from the appointed Independent Adviser as to the Proposed Exemption is fair and reasonable.

Evaluation and Assessment of the Audit Committee

The performance and effectiveness of Audit Committee would be assessed annually through Audit Committee evaluation and Audit Committee members' self and peer evaluation conducted by the Audit Committee, and Nomination Committee ("NC") reviewed the results of such assessments. The NC reviews the term of office and performance of the AC members annually. During the year, the Board is satisfied that the Audit Committee and its members have been able to discharge their functions, duties and responsibilities in accordance with the terms of reference ("TOR") of the AC.

Training

a. Updated on the changes in the Malaysian Code on Corporate Governance 2017 ("MCCG 17") and reviewed the impact in the MCCG 17. A training session on this was conducted by an external consultant for the members of the Audit Committee during the financial year under review

b. During the year, all of the Audit Committee members have attended various seminars, training programme and conferences. The list of trainings attended is disclosed in the Corporate Governance Overview Statement set out in this Annual Report.

5. INTERNAL AUDIT FUNCTION

The Audit Committee is aware that an independent internal audit function is essential to assist in providing the assurance the Audit Committee requires regarding the adequacy and effectiveness of the risk management and internal control systems of the Group. The internal audit function is wholly outsourced to an independent professional firm, NeedsBridge Advisory Sdn. Bhd. ("NeedsBridge"), which reports directly to the Audit Committee. The Audit Committee acknowledged the advantages for out-sourced internal audit function to NeedsBridge, the independent external consultant including assess to professional skills, knowledge, expertise and able to cover unexpected staffing needs.

NeedsBridge carries out internal audit with a view to assess the adequacy and effectiveness of the Group's system of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies and procedures and the regulatory requirements of the relevant authorities. The Audit Committee reviews and approves the internal audit plan of the Group submitted byNeedsBridge. The total costs incurred for the internal audit function in respect of the financial year ended 31 December 2017 was approximately RM55,000.

The principal role of the internal audit is to undertake independent regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems are in place and continue to operate satisfactorily and effectively as functionally intended. It is the responsibility of NeedsBridge to provide the Audit Committee with independent and objective reports on the state of risk management, control and governance of the various operating units within the Company and the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

The other main activities performed by NeedsBridge are as follows:

- Reviewed the pertinent issues of the Group, which had a significant impact on the results of the Group that included the business processes of the subsidiary company involved in feed-milling operations, covering production planning and monitoring, manpower planning and monitoring, shop floor control, in-progress and outgoing quality control, safety, health and environmental management, formulation and development management, operating and assets maintenance and compliance with laws and regulations, and the business processes of the subsidiary company involved in construction activities, covering material planning and procurement, manpower planning and management, tendering management, site management, in-progress project monitoring, procurement and sub-contractor management, project operation and cost management and monitoring, defect management and process claim management;

- Undertook special reviews requested by the Audit Committee, such as Goods and Services Tax Review for the manufacturing division of the Group;

- Reviewed the findings and action plans resulting from internal audits; and

- Reviewed the progress of implementation of the management action plans of the previous internal audit report and reported to the Audit Committee for its review.

During the financial year under review, there was no material control failure that would have resulted in any significant losses to the Group.

Further details of the activities of the internal auditors performed during the financial year under review are set out in the Statement on Risk Management and Internal Control of this Annual Report.

In addition, the oversight of NeedsBridge by the Audit Committee was enhanced with the review by the Audit Committee of resources of the outsourced internal audit function in term of qualification and experience/exposure and continuous professional development for the employees of the outsourced internal audit function tabled by the outsourced internal audit function during the financial year under review.

Directors' Responsibilites Statement

In accordance with the Companies Act, 2016 in Malaysia ("Act") and under Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a listed issuer is required to issue a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and about the state of risk management and internal control of the listed issuer as a group in the annual report.

The Directors are in the opinion and responsible for the preparation of financial statements that the financial statements set out in this Annual Report 2017 are drawn up in accordance with applicable Malaysian Financial Reporting Standards and the Act so as to give a true and fair view of the states of affairs of the Group and of the Company as at 31 December 2017 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The Directors are responsible for the state of risk management and internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors have adopted appropriate accounting policies and applied them consistently, made reasonable and prudent judgments and estimates and prepared the financial statements on a going concern basis.

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

The Directors are also responsible for taking such steps that are necessary and reasonable to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

The Auditors' Responsibilities are stated in their Independent Auditors' Report to the Members.

Financial Statements

Directors' Report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal Activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Change of Name

The Company changed its name from Farm's Best Berhad to Sinmah Capital Berhad on 14 June 2017.

Financial Results

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year attributable to:		
Owners of the parent	15,028	(1,298)
Non-controlling interests	193	-
	15,221	(1,298)

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Warrant Reserves

The Warrants 2013/2018 were constituted under the Deed Poll dated 27 June 2013.

As at 31 December 2017, the total numbers of Warrants that remain unexercised were 27,765,052 (2016: 27,765,052).

Directors

The Directors in office since the date of the last report are:

Datuk Hj. Zainal Bin Hj. Shamsudin
Dato' Fong Kok Yong*
Datuk Fong Kiah Yeow*
Fong Ngan Teng*
Fong Choon Kai*
Datuk Ng Peng Hong @ Ng Peng Hay
Mohd Khasan Bin Ahmad
Munawar Kabir Mohd Bin Zainal Abidin

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Hoh Koei Teng
Siah Kim Hew @ Sia Kian Heng

* Director of the Company and its subsidiary companies

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

Directors' Interests

The interests and deemed interests in the shares and warrants of the Company and of its related corporations of those who were Directors at financial year end, according to the Register of Directors' Shareholdings are as follows:

	Number of ordianry shares			
	At 01.01.2017	Bought	Sold	At 31.12.2017
Interests in the Holding Company				
F.C.H. Holdings Sdn. Bhd.				
Direct interest				
Dato' Fong Kok Yong	1,250,000	-	-	1,250,000
Datuk Fong Kiah Yeow	1,250,000	-	-	1,250,000
Fong Ngan Teng	1,250,000	-	-	1,250,000
Fong Choon Kai	1,250,000	-	-	1,250,000

Directors' Report
(Cont'd)

	Number of ordianry shares			
	At 01.01.2017	Bought	Sold	At 31.12.2017
Interests in the Company				
Direct interest				
Datuk Fong Kiah Yeow	613,200	-	-	613,200
Indirect interest				
Dato' Fong Kok Yong	21,463,805	-	-	21,463,805
Datuk Fong Kiah Yeow	21,463,805	-	-	21,463,805
Fong Ngan Teng	21,463,805	-	-	21,463,805
Fong Choon Kai	21,463,805	-	-	21,463,805

	No. of Warrants 2013/2018			
	At 01.01.2017	Bought	Sold	At 31.12.2017
Interests in the Company				
Direct interest				
Datuk Fong Kiah Yeow	21,600	-	-	21,600
Interests in the Holding Company				
F.C.H. Holdings Sdn. Bhd.				
Indirect interest				
Dato' Fong Kok Yong	41	-	-	41
Datuk Fong Kiah Yeow	41	-	-	41
Fong Ngan Teng	41	-	-	41
Fong Choon Kai	41	-	-	41

By virtue of their interests in the shares of the holding company, Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM5,000,000 and RM23,500 respectively. No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

   (i) which would render the amounts 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 extent; or

   (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

   (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

   (iv) 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.

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

   (i) any charge on the assets of the Group and 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.

(d) In the opinion of the Directors:

   (i) no contingent liability 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 and of the Company to meet their obligations when they fall due;

   (ii) the results of 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, except as disclosed in the notes to the financial statements; and

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

Directors' Report
(Cont'd)

Holding Company

The Directors regard F.C.H. Holdings Sdn. Bhd., a company incorporated in Malaysia, as the Company's holding company.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

Significant Events

The significant events are disclosed in Note 37 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 38 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 28 to the financial statements.

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 April 2018.

DATO' FONG KOK YONG | **DATUK FONG KIAH YEOW**

Statement by Directors

Pursuant to section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 62 to 131 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 April 2018.

DATO' FONG KOK YONG **DATUK FONG KIAH YEOW**

Statutory Declaration

Pursuant to section 251(1) of the Companies Act, 2016

I, NOLAN JOHN FELIX (MIA Membership No: 18938), being the officer primarily responsible for the financial management of Sinmah Capital Berhad (formerly known as Farm's Best Berhad), do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 62 to 131 are 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 at Melaka in the State of)
Melaka on 19 April 2018.)

NOLAN JOHN FELIX

Before me,

ZALINA BINTI ZAINUDDIN (BKT)
NO: M070

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the members of Sinmah Capital Berhad (Formerly known as Farm's Best Berhad)

Report on the Financial Statement

Opinion

We have audited the financial statements of Sinmah Capital Berhad (formerly known as Farm's Best Berhad), which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 131.

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

Basis for 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 opinion.

Independence and Other Ethical Requirements

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters

Impairment of trade receivables
 	
The carrying amount of the trade receivables amounted to RM94.6 million (2016: RM164.8 million). The Group carries significant receivables as disclosed in Note 11 to the financial statements and subject to a credit risk exposure. The assessment of recoverability of the trade receivables involved judgements and estimation in analysing historical trend in bad payment clients, customer concentration, customer creditworthiness and current economic trends etc.
	Our audit procedures included:-
	
	• Obtaining an understanding on the procedures of the Group:-
	  • the Group's identification and assessment on the impairment of receivables; and
	  • the Group's basis and justification in making accounting estimates for impairment.
	• Reviewing the aging analysis of receivables and testing the reliability thereof.
	• Reviewing subsequent cash collections for major receivables and overdue amounts.
	• Making inquiries to management regarding the action plans on recovery of overdue amounts.
	• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.
	• Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

Disposition of broiler farm lands and farms On 24 January 2017, 5 wholly owned subsidiary companies had entered into Sales and Purchase Agreements with Farm's Best Food Industries Sdn. Bhd. ("FBFI") for the disposal of the broiler farm lands and farms for a total sale consideration of RM58,526,100.	For this disposals, we obtained and reviewed the key supporting documentation such as Sales and Purchase Agreements, completion statements and legal correspondences. The consideration received or paid was tallied to the bank statements. We have reviewed the legal correspondences and check for whether the condition precedents were met. No material issues were noted

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 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.

Independent Auditors' Report

To the members of Sinmah Capital Berhad (Formerly known as Farm's Best Berhad) (Cont'd)

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and 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.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and 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.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

NG LEONG TECK
Approved Number: 03168/12/2019 J
Chartered Accountant

KUALA LUMPUR
19 April 2018

Statements of Financial Position
As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	11,038	54,282	251	259
Land use rights	5	22	44	-	-
Investment in subsidiary companies	6	-	-	38,651	38,651
Goodwill	7	2,264	2,264	-	-
Deferred tax assets	8	2,246	1,380	-	-
		15,570	57,970	38,902	38,910
Current Assets					
Property development costs	9	18,361	14,513	-	-
Inventories	10	12,867	14,876	-	-
Accrued billing in respect of property development costs		-	1,014	-	-
Trade receivables	11	94,600	164,807	-	-
Other receivables	12	93,241	12,388	21	54
Amount due from subsidiary companies	13	-	-	13,376	14,658
Held-to-maturity investments	14	18,313	58,716	-	-
Tax recoverable		1,506	1,295	-	-
Deposits, cash and bank balances	15	3,815	2,566	17	10
		242,703	270,175	13,414	14,722
Non-current assets held for sale	16	17,345	15,696	-	-
Total Assets		275,618	343,841	52,316	53,632

Statements of Financial Position

As at 31 December 2017 (Cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY					
Share capital	17	123,220	61,083	123,220	61,083
Share premium	18	-	62,410	-	62,410
Other reserves	19	3,706	3,706	3,706	3,706
Accumulated losses		(17,525)	(32,553)	(75,035)	(73,737)
Equity attributable to owners of the parent		109,401	94,646	51,891	53,462
Non-controlling interests		1,496	1,243	-	-
Total Equity		110,897	95,889	51,891	53,462
LIABILITIES					
Non-Current Liabilities					
Bank borrowings	20	15,656	12,297	-	-
Finance lease payables	21	668	1,614	-	-
Deferred tax liabilities	8	2,123	3,988	-	-
		18,447	17,899	-	-
Current Liabilities					
Progress Billing		969	-	-	-
Trade payables	22	19,876	23,474	-	-
Other payables	23	20,943	33,693	425	170
Amount due to directors	24	-	359	-	-
Amount due to holding company	25	7,900	-	-	-
Bank borrowings	20	87,215	170,729	-	-
Finance lease payables	21	794	1,180	-	-
Tax payable		8,577	618	-	-
		146,274	230,053	425	170
Total Liabilities		164,721	247,952	425	170
Total Equity and Liabilities		275,618	343,841	52,316	53,632

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	26	299,532	343,696	-	-
Cost of sales		(274,332)	(306,860)	-	-
Gross profit		25,200	36,836	-	-
Other incomes		57,419	43,677	7	-
Administrative expenses		(45,674)	(53,295)	(1,305)	(27,035)
Selling and marketing expenses		(2)	(5,688)	-	-
Profit/(Loss) from operations		36,943	21,530	(1,298)	(27,035)
Finance costs	27	(11,463)	(16,559)	-	-
Profit/(Loss) before taxation	28	25,480	4,971	(1,298)	(27,035)
Taxation	29	(10,259)	6,944	-	314
Profit/(Loss) for the financial year		15,221	11,915	(1,298)	(26,721)
Total comprehensive income for the financial year		15,221	11,915	(1,298)	(26,721)
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		15,028	11,936	(1,298)	(26,721)
Non-controlling interests		193	(21)	-	-
		15,221	11,915	(1,298)	(26,721)
Total comprehensive income attributable to:					
Owners of the parent		15,028	11,936	(1,298)	(26,721)
Non-controlling interests		193	(21)	-	-
		15,221	11,915	(1,298)	(26,721)
Earnings/(Losses) per share attributable to the owners of the parent (sen)					
Basic/ Diluted	30	24.6	19.5		

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2017

	Attributable to Owners of the Parent						
	Non-distributable						
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Controlling Interests RM'000	Total Equity RM'000
Group							
At 1 January 2017	61,083	62,410	3,706	(32,553)	94,646	1,243	95,889
Total comprehensive income for the financial year	-	-	-	15,028	15,028	193	15,221
Non-controlling interest in acquisition of new subsidiary companies	-	-	-	-	-	60	60
Transaction with owners:							
Private placement expenses	-	(273)	-	-	(273)	-	(273)
Transition to no-par value regime on 31 January 2017	62,137	(62,137)	-	-	-	-	-
At 31 December 2017	123,220	-	3,706	(17,525)	109,401	1,496	110,897
At 1 January 2016	61,083	62,410	3,706	(44,489)	82,710	1,306	84,016
Total comprehensive income for the financial year	-	-	-	11,936	11,936	(21)	11,915
Dividend paid to non-controlling interests	-	-	-	-	-	(42)	(42)
At 31 December 2016	61,083	62,410	3,706	(32,553)	94,646	1,243	95,889

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

	Attributable to Owners of the Parent				
	Non-distributable				
	Share Capital RM'000	Share Premium RM'000	Other Reserve RM'000	Accumulated Losses RM	Total RM
Company					
At 1 January 2016	61,083	62,410	3,706	(47,016)	80,183
Total comprehensive income for the financial year	-	-	-	(26,721)	(26,721)
At 31 December 2016	61,083	62,410	3,706	(73,737)	53,462
At 1 January 2017	61,083	62,410	3,706	(73,737)	53,462
Total comprehensive income for the financial year	-	-	-	(1,298)	(1,298)
Transaction with owners:					
Private placement expenses	-	(273)	-	-	(273)
Transition to no-par value regime on 31 January 2017	62,137	(62,137)	-	-	-
At 31 December 2017	123,220	-	3,706	(75,035)	51,891

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	25,480	4,971	(1,298)	(27,035)
Adjustments for:				
Amortisation of land use rights	-	13	-	-
Bad debts written off				
- Trade	-	11	-	-
- Non-trade		4	-	-
Bad debts recovered	(1)	-	-	-
Deposit written off	-	64	-	-
Depreciation of property, plant and equipment	1,594	6,425	8	8
Goodwill written off	-	38	-	-
Impairment losses on :				
- Trade receivables	24,705	22,608	-	-
Interest expense	11,463	16,559	-	-
Interest income	(1,534)	(1,756)	-	-
Unrealised loss on foreign exchange:	(98)	76		
Gain on disposal of property, plant and equipment and non-current assets held for sale	(53,634)	(382)	-	-
(Gain)/Loss on disposal of investment in subsidiaries	-	(18,220)	-	26,416
Property, plant and equipment written off	3	-	-	-
Reversal of impairment on:				
- Trade receivables	-	(2,272)	-	-
	7,978	28,139	(1,290)	(611)
Changes in working capital				
Property Development Costs	(3,848)	1,708	-	-
Land held for property development	-	782	-	-
Biological assets	-	10,066	-	-
Inventories	2,009	10,302	-	-
Accrued billing in respect of property development costs	1,014	(9,671)	-	-
Progress billings	969	-	-	-
Trade receivables	45,503	(13,328)	-	-
Other receivables	(18,379)	17,525	33	(41)
Non-current assets held for sale		-	-	-
Trade payables	(3,488)	(50,159)	-	-
Other payables	(12,750)	(1,748)	255	(30)
Amount due to directors	(359)	(2,099)	-	-
Amount due from/(to) subsidiary companies	-	-	1,282	(12,694)
	10,671	(36,622)	1,570	(12,765)
Cash from/(used in) operations	18,649	(8,483)	280	(13,376)
Interest received	1,534	1,756	-	-
Interest paid	(11,463)	(16,559)	-	-
Tax paid	(5,242)	(1,368)	-	-
	(15,171)	(16,171)	-	-
Net cash from/(used in) operating activities	3,478	(24,654)	280	(13,376)

Statements of Cash Flows

For the financial year ended 31 December 2017 (Cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash Flows From Investing Activities					
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		38,271	602	-	-
Decrease/(Increase) in held-to-maturity		40,403	(2,817)	-	-
Net cash (outflows)/inflows from disposal of subsidiary companies	6(c)	(12)	12,320	-	13,384
		78,662	10,105	-	13,384
Purchase of property, plant and equipment	4(d)	(791)	(2,719)	-	-
Addition in non-current assets held for sale		(6,300)	-	-	-
		71,571	7,386	-	13,384
Cash Flows From Financing Activities					
Movement of short term borrowings	32	(75,371)	83,002	-	-
Dividend paid to non-controlling interests		-	(42)	-	-
Net drawdown/(repayment) of term loans		32 431	(69,042)	-	-
Repayment of hire purchase payables	32	(1,332)	(2,487)	-	-
Advances from holding company	32	7,900	-	-	-
Non-contolling interest in acquisition of new subsidiaries		60	-	-	-
Utilisation of share premium for share issuance expenses		(273)	-	(273)	-
Net cash (used in)/from financing		(68,585)	11,431	(273)	-
Net increase/(decrease) in cash and cash equivalents		6,464	(5,837)	7	8
Cash and cash equivalents at the beginning of the financial year		(13,796)	(7,959)	10	2
Cash and cash equivalents at the end of the financial year		(7,332)	(13,796)	17	10
Cash and cash equivalents at the end of the financial year comprises:					
Deposits, cash and bank balances		3,815	2,566	17	10
Bank overdrafts		(11,147)	(16,362)	-	-
		(7,332)	(13,796)	17	10

1. Corporate Information

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

The principal place of business of the Company is located at AG 5730, Alor Gajah Industrial Estate, 78000 Alor Gajah, Melaka. The registered office of the Company is located at No. 4-1, Kompleks Niaga, Melaka Perdana, Jln KNMP 3, Bukit Katil, 75450 Melaka.

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities during the financial year.

The Directors regard F.C.H. Holdings Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the Company's holding company.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Asset for Unrealised losses
Annual Improvements to FRSs 2012–2014 Cycle	
• Amendments to FRS 12	

The adoption of the Amendments to FRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 32. Other than that, the adoption of above amendments to FRSs did not have any significant impact on the financial statement of the Group and the Company.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new FRSs, new interpretations and amendments to FRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group's and the Company's financial statements for annual period beginning 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards issued by the MASB. As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective for annual period beginning on or after 1 January 2018

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venturer (hereinafter called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the financial year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group and the Company consider that they are achieving their schedule milestone and expect to be in the position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

Certain subsidiary companies of the Group which do not fall within the scope of Transition Entities have adopted the MFRS Framework. Accordingly, reconciliations have been performed for the different financial reporting frameworks. However, the difference did not have significant impact to these consolidated financial statements.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Directors expect the adoption of MFRS Framework will have no material impacts on the financial statements of the Group and the Company except as mentioned below:

MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in July 2014)*

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

Based on the analysis of the Group's and of the Company's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that existed at that date, the Directors of the Group and of the Company have assessed the impact of MFRS 9 to the Group's and the Company's consolidated financial statements as follows:

(1) Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

Based on its assessment, the Group and the Company believe that the new classification requirements will have no material impact on the Group's and the Company's financial assets and financial liabilities.

Accordingly, the Group and the Company does not expect the new guidance to affect the classification and measurement of the above financial assets.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in July 2014)* (Cont'd)

(2) Impairment

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company expects an increase in the Group's and the Company's allowance for impairment by less than 10% of loans and receivables.

The Group and the Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative for 2017 will not be restated.

(3) Hedge accounting

The Group and the Company does not adopt hedge accounting in the Group's financial statements. Hence, hedging requirements of MFRS 9 will not have any impact on the Group's financial statements.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company adopt MFRS 9.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 15 *Revenue from Contracts with Customers* (effective for annual period beginning on or after on 1 January 2018)

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

(1) Identify the contracts with a customer;
(2) Identify the performance obligation in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract;
(5) Recognise revenue when the entity satisfies a performance obligation.

The Group and the Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on the assessment, the Group and the Company do not expect the application of MFRS 15 to have a significant impact on its consolidated financial statements. Consequently its property development cost and inventories are not expected to be significantly impacted.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company adopt MFRS 15 and the Group and the Company have not finalised the testing and assessment of controls over its new accounting system.

MFRS 16 *Leases* (effective for annual period beginning on or after on 1 January 2019)

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 16 *Leases* (effective for annual period beginning on or after on 1 January 2019) (Cont'd)

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company do not expect the application of MFRS 16 to have a significant impact on its consolidated financial statements.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group'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.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment (Note 4)

Management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2017, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 7.

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting judgements, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 6.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences 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. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 8.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10.

Property development

The Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development cost incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amount of the Group's property development costs at the reporting date is disclosed in Note 9.

Impairment of receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 11, 12 and 13.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group has tax recoverable and payable of RM1,506,000 (2016: RM1,295,000) and RM8,577,000 (2016: RM618,000) respectively.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 35(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(i) **Subsidiary companies (Cont'd)**

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of FRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(i) to the financial statements on impairment of non-financial assets.

(ii) **Changes in ownership interests in subsidiary companies without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) **Disposal of subsidiary companies**

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(o)(i) to the financial statements on impairment of

(b) Foreign currency translation

Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment is in accordance with Note 3(o).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	Over the remaining lease
Buildings	50 years
Plant and machinery	5 to 20 years
Motor vehicles	5 to 10 years
Other assets	5 to 10 years
Spare parts	10 to 20 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) 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 accumulated impairment losses. The land use rights are amortised over their lease terms.

3. Significant Accounting Policies (Cont'd)

(e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between 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 recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Property development activities

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

3. Significant Accounting Policies (Cont'd)

(f) Property development activities (Cont'd)

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

(g) Land Held for Property Development

Land held for property development consists of cost of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Land held for property development is classified as non-current asset and carried at cost less accumulated impairment losses, if any.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Land held for property development is transferred to property development costs under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

(h) Financial assets

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

3. Significant Accounting Policies (Cont'd)

(h) Financial assets (Cont'd)

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current assets.

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and though the amortisation process.

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

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

(i) Financial liabilities

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

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

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities measured at amortised cost

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

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

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

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

3. Significant Accounting Policies (Cont'd)

(i) Financial liabilities (Cont'd)

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(j) Offsetting of financial instruments

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

(k) Inventories

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

(i) Raw materials: purchase costs on a weighted average basis.
(ii) Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overhead based on normal operating capacity but excluding borrowing costs.
(iii) Property inventories: cost of unsold properties comprises cost associated with the acquisition of land, construction and appropriate development overheads.

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

3. Significant Accounting Policies (Cont'd)

(l) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion method is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

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

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the reporting period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts due from contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts due to contract customers.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short term deposits with a maturity of three months or less that are readily convertible to known amount 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 of the Group's cash management.

(n) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, accrued billing and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

3. Significant Accounting Policies (Cont'd)

(n) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, associates and joint ventures, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

3. Significant Accounting Policies (Cont'd)

(n) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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

Available-for-sale financial assets

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

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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

(o) Share capital

Ordinary shares

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.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. Significant Accounting Policies (Cont'd)

(p) Provisions

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

Provisions are reviewed at each end of the reporting period 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.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(r) Revenue

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3. Significant Accounting Policies (Cont'd)

(r) Revenue (Cont'd)

(ii) Sale of development properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined based on the total actual costs incurred to date over the estimated total property development costs.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iv) 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.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (Cont'd)

(t) Income taxes (Cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(u) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(v) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(w) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3. Significant Accounting Policies (Cont'd)

(x) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group). Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary company acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

4. Property, Plant and Equipment

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Spare parts RM'000	Total RM'000
Group								
Cost								
At 1 January 2017	16,548	1,723	44,766	27,734	11,973	4,463	813	108,020
Additions	-	-	-	241	67	436	113	857
Disposals	(9,751)	-	(23,473)	(8,103)	(6,580)	(1,781)	-	(49,688)
Transfer to non-current assets held for sale (Note 16)	(6,146)	-	(10,946)	(250)	-	(64)	-	(17,406)
Written off	-	-	-	-	-	(36)	-	(36)
Reclassification	-	-	-	-	-	-	(262)	(262)
At 31 December 2017	651	1,723	10,347	19,622	5,460	3,018	664	41,485
Accumulated depreciation								
At 1 January 2017	-	1,315	14,714	24,262	9,456	3,991	-	53,738
Charge for the financial year	-	8	134	656	617	113	66	1,594
Disposals	-	-	(9,135)	(7,306)	(5,494)	(1,519)	-	(23,454)
Transfer to non-current assets held for sale (Note 16)	-	-	(1,279)	(58)	-	(61)	-	(1,398)
Written off	-	-	-	-	-	(33)	-	(33)
At 31 December 2017	-	1,323	4,434	17,554	4,579	2,491	66	30,447
Carrying amount								
At 31 December 2017	651	400	5,913	2,068	881	527	598	11,038

Notes to the Financial Statements
(Cont'd)

4. Property, Plant and Equipment (Cont'd)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Spare parts RM'000	Total RM'000
Group								
Cost								
At 1 January 2016	20,115	3,666	85,825	119,343	21,246	11,254	2,817	264,266
Additions	-	-	1,500	398	984	74	45	3,001
Disposals	-	-	-	-	(1,481)	(4)	-	(1,485)
Transfer to non-current assets held for sale	(3,567)	-	(29,355)	(22,781)	-	(4,182)	-	(59,885)
Written off	-	-	-	-	-	(8)	-	(8)
Disposal of subsidiary	-	(1,943)	(13,204)	(69,226)	(8,776)	(2,671)	(2,049)	(97,869)
At 31 December 2016	16,548	1,723	44,766	27,734	11,973	4,463	813	108,020
Accumulated depreciation								
At 1 January 2016								
As previously stated	-	883	40,897	81,761	15,465	9,773	-	148,779
Prior year adjustment	-	-	(1,565)	(579)	-	-	-	(2,144)
At 1 January 2016 (restated)	-	883	39,332	81,182	15,465	9,773	-	146,635
Charge for the financial year	-	938	1,648	2,075	1,515	157	92	6,425
Disposals	-	-	-	-	(1,262)	(3)	-	(1,265)
Transfer to non-current assets held for sale	-	-	(20,306)	(20,528)	-	(3,355)	-	(44,189)
Written off	-	-	-	-	-	(8)	-	(8)
Disposal of subsidiary	-	(506)	(5,960)	(38,467)	(6,262)	(2,573)	(92)	(53,860)
At 31 December 2016	-	1,315	14,714	24,262	9,456	3,991	-	53,738
Carrying amount								
At 31 December 2016	16,548	408	30,052	3,472	2,517	472	813	54,282

4. **Property, Plant and Equipment (Cont'd)**

Company	Buildings RM'000	Office equipment RM'000	Total RM'000
Cost			
At 1 January 2017 /31 December 2017	410	246	656
Accumulated depreciation			
At 1 January 2017	151	246	397
Charge for the financial year	8	-	8
At 31 December 2017	159	246	405
Carrying amount			
At 31 December 2017	251	-	251
Cost			
At 1 January 2016 /31 December 2016	410	246	656
Accumulated depreciation			
At 1 January 2016	143	246	389
Charge for the financial year	8	-	8
At 31 December 2016	151	246	397
Carrying amount			
At 31 December 2016	259	-	259

(a) Other assets consist of furniture, fixtures and fittings, office equipment, piping, fencing and tube well, renovations and improvements and capital work-in-progress.

(b) Assets pledged as securities to financial institutions

The carrying amounts of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 20 to the financial statements are:

	Group 2017 RM'000	Group 2016 RM'000
Land and buildings	4,236	41,982
Plant and machinery	1,749	2,020
Other assets	-	962
	5,985	44,964

4. Property, Plant and Equipment (Cont'd)

(c) Assets held under financial leases

The net carrying amount of leased plant and machinery of the Group is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Motor vehicles	1,619	2,389

(d) The aggregate additional cost for the property, plant and equipment of the Group during the financial year acquired under finance lease arrangement, term loan financing and cash payment are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Aggregate costs	857	3,001
Less : Hire purchase financing	(66)	(282)
Cash payments	791	2,719

(e) Certain motor vehicles with carrying amount of RM Nil (2016: RM407,987) are registered in the name of related companies of which the directors have financial interests and a third party and are held in trust for the Group.

5. Land Use Rights

	Group 2017 RM'000	Group 2016 RM'000
Cost		
At 1 January	122	122
Disposal	(95)	-
At 31 December	27	122
Accumulated amortisation		
At 1 January	78	65
Amortisation for the financial year	-	13
Disposal	(73)	-
At 31 December	5	78
Carrying amount		
At 31 December	22	44

Land use rights have been pledged to secure the bank borrowings as disclosed in Note 20.

6. Investment in Subsidiary Companies

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost		
In Malaysia		
At 1 January	66,389	116,589
Disposal during the year	-	(50,200)
At 31 December	66,389	66,389
Accumulated impairment losses		
At 1 January	27,738	38,138
Reversal of impairment losses	-	(10,400)
At 31 December	27,738	27,738
	38,651	38,651

The reversal of impairment loss was recognised in administrative expenses in the statements of profit or loss and other comprehensive income.

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest 2017 %	Effective interest 2016 %	Principal activities
Held by the Company				
Sinmah Livestocks Sdn. Bhd.	Malaysia	100	100	Contract farming and trading of chicken feeds, day old chicks and vaccines
Sinmah Multifeed Sdn. Bhd.	Malaysia	99.99	99.99	Manufacturing and wholesale of chicken feeds
Sinmah Land Services Sdn. Bhd.	Malaysia	100	100	Investment holding
Sinmah Development Sdn. Bhd.	Malaysia	100	100	Property development
Sinmah Breeders Sdn. Bhd.	Malaysia	100	100	Poultry breeding and hatchery operations

6. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest 2017 %	Effective interest 2016 %	Principal activities
Held by Sinmah Livestocks Sdn. Bhd.				
Joint Farming Sdn. Bhd.*	Malaysia	-	58.91	Dormant
Bersatu Segar Sdn. Bhd.	Malaysia	100	100	Trading of feeds, medication and poultry farming
Dee Huat Farming Trading Sdn. Bhd.	Malaysia	100	100	Dormant
Chem Ventures Sdn. Bhd.	Malaysia	100	100	Trading of chemicals, medication and related equipment
Syarikat Perniagaan Suann Sdn. Bhd.	Malaysia	51	51	Trading of feeds, medication and poultry farming
SM Broilers Sdn. Bhd.	Malaysia	100	100	Contract farming, marketing and distribution of poultry products
Held by Joint Farming Sdn. Bhd.				
Joint Food Proccessing Sdn. Bhd.*	Malaysia	-	60	Dormant
Held by Syarikat Perniagaan Suann Sdn. Bhd.				
Suann Food Processors Sdn. Bhd.	Malaysia	100	100	Poultry meat processing
Held by Sinmah Land Services Sdn. Bhd.				
Sinmah Project Management Sdn. Bhd.	Malaysia	100	100	Poultry farming and investment holding
Held by Sinmah Development Sdn. Bhd.				
Realtemas Realty Sdn. Bhd.	Malaysia	100	100	Property development
Cosmal Enterprise Sdn. Bhd.	Malaysia	100	100	Dormant
Sinmah Builders Sdn. Bhd.	Malaysia	100	100	Building and general contracting and provision of management services
Sinmah Amegajaya Healthcare Sdn. Bhd.	Malaysia	70	-	Hospital activities
Sinmah Encorp Development Sdn. Bhd. (formerly known as Sinmah Development JV Sdn. Bhd.)	Malaysia	70	-	Property development

* Not audited by UHY

6. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

(a) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non-controlling interests:

Name of company	Proportion of ownership interests and voting rights held by NCI 2017 %	2016 %	Profit/(Loss) allocated to NCI 2017 RM'000	2016 RM'000	Accumulated NCI 2017 RM'000	2016 RM'000
Syarikat Perniagaan Suann Sdn. Bhd.	49.00	49.00	241	50	1,484	1,243
Sinmah Encorp Development Sdn. Bhd. (formerly known as Sinmah Development JV Sdn. Bhd.)	30.00	-	(4)	-	26	-
Sinmah Amegajaya Healthcare Sdn. Bhd.	30.00	-	(44)	-	(14)	-
Total NCI					1,496	1,243

The summarised financial information for each subsidiary that has NCI that are material to the Group is set out below. The summarised financial information below represents amount before inter-company eliminations.

	Syarikat Perniagaan Suann Sdn. Bhd. 2017 RM'000	2016 RM'000	Sinmah Encorp Development Sdn. Bhd. (formerly known as Sinmah Development JV Sdn. Bhd.) 2017 RM'000	2016 RM'000	Sinmah Amegajaya Healthcare Sdn. Bhd. 2017 RM'000	2016 RM'000
(i) Summarised statements of financial position						
Total assets	4,033	6,306	4,970	-	319	-
Total liabilities	(1,004)	(13,211)	(4,883)	-	(367)	-
Net assets/(liabilities)	3,029	(6,905)	87	-	(48)	-
Equity attributable to owners to the parent	1,545	(8,148)	61	-	(34)	-
Non-controlling interests	1,484	1,243	26	-	(14)	-
	3,029	(6,905)	87	-	(48)	-

6. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

(a) Material partly-owned subsidiary companies (Cont'd)

	Syarikat Perniagaan Suann Sdn. Bhd.		Sinmah Encorp Development Sdn. Bhd. (formerly known as Sinmah Development JV Sdn. Bhd.)		Sinmah Amegajaya Healthcare Sdn. Bhd.	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(ii) Summarised statements of profit or loss and other comprehensive income						
Revenue	27,106	26,670	-	-	-	-
Profit/(Loss) before taxation	7,590	333	(13)	-	(148)	-
Taxation	(444)	(6)	-	-	-	-
Net profit/(loss) for the financial year	7,146	327	(13)	-	(148)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	7,146	327	(13)	-	(148)	-
(iii) Summarised statements of cash flows						
Net cash(used in)/ generated from operating activities	(9,097)	40	(6)	-	134	-
Net cash generated from / (used in) investing activities	12,547	9	-	-	(207)	-
Net cash (used in)/ generated from financing activities	(1,032)	(43)	100	-	100	-
Net increase in cash and cash equivalents	2,418	6	94	-	27	-

6. Investment in Subsidiary Companies (Cont'd)

(b) Acquisition of subsidiary companies

On 7 June 2017, Sinmah Development Sdn. Bhd.("SDSB"), a wholly-owned subsidiary company of the Company, incorporated a 70% owned subsidiary company, Sinmah Encorp Development Sdn. Bhd. (formerly known as Sinmah Development JV Sdn. Bhd., with cash subscription of RM7.

The intended principal activity of SEDSB is to undertake the joint venture project between SDSB and Encorp Bukit Katil Sdn. Bhd. ("EBKSB").

The investment in SEDSB was subsequently increased to RM70,000 which EBKSB increased their shareholding to RM30,000.

On 11 July 2017, SDSB acquired 70% equity interest in Sinmah Amegajaya Healthcare Sdn. Bhd. ("SAHSB"), for a cash consideration of RM70,000.00.

The intended principal activities of SAHSB are to acquire or set up and run hospital clinics, nursing homes and other healthcare activities.

(c) Disposal of a subsidiary company

On 28 November 2017, Sinmah Livestocks Sdn. Bhd. ("SLSB"), a wholly-owned subsidiary of the Company, had disposed off its 59.91% equity interest in Joint Farming Sdn. Bhd., which is equivalent to 3,240 ordinary shares of RM1.00 each to Malar Vili A/P Palanysamy for a total cash consideration of RM3.24 for which had resulted in a gain of RM10,324.

The effect of the disposal of Joint Farming Sdn. Bhd. on the financial position of the Group as at the date of disposal was as follows:

	Group 2017 RM'000
Tax recoverable	1
Cash and bank balances	12
Other payables	(13)
Net liabilities disposed off	-
Less: Non-controlling interests	-
	-
Gain on disposal of investment in subsidiary company	-
Disposal proceeds settled by cash	-
Less: Cash and cash equivalents of subsidiary company disposed	(12)
Net cash outflow from disposal of investment in subsidiary company	(12)

6. Investment in Subsidiary Companies (Cont'd)

(c) Disposal of a subsidiary company (Cont'd)

In the previous financial year, the Company disposed off the entire equity interest in Farm's Best Food Industries Sdn. Bhd. for a cash consideration of RM13,384,099, which had resulted a gain of RM18,217,577.

The effect of the disposal of Farm's Best Industries Sdn. Bhd. on the financial position of the Group as at the date of disposal was as follows:

	Group 2016 RM'000
Property, plant and equipment	44,012
Inventories	6,807
Trade receivables	19,598
Other receivables	1,522
Cash and bank balances	1,064
Trade payables	(42,881)
Other payables	(3,878)
Lease payables	(1,082)
Bank borrowings	(29,998)
Net liabilities disposed off	(4,836)
Less: Non-controlling interests	-
	(4,836)
Gain on disposal of investment in subsidiary company	18,220
Disposal proceeds settled by cash	13,384
Less: Cash and cash equivalents of subsidiary company disposed	(1,064)
Net cash inflow from disposal of investment in subsidiary company	12,320

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

7. Goodwill

	Group 2017 RM'000	Group 2016 RM'000
Cost		
At 1 January / 31 December	19,660	19,660
Accumulated impairment losses		
At 1 January	17,396	17,358
Written off during the year	-	38
At 31 December	17,396	17,396
Carrying amount		
At 31 December	2,264	2,264

Goodwill acquired through business combinations has been allocated to the following CGUs as follows:

	Group 2017 RM'000	Group 2016 RM'000
Housing Development		
Sinmah Development Sdn. Bhd.	2,264	2,264

Impairment testing of goodwill

The recoverable amount of each CGU is determined based on value-in-use calculations using cash flow projections of financial budgets approved by senior management covering a 5-year period. The forecast growth rates used to extrapolate cash flows for the five year period and pre-tax discount rated applied to the cash flow projections are as follows:

	Housing Division 2017	Housing Division 2016
Growth rate	-	-
Budgeted gross margins	21%	17%
Pre-tax discount rate	10%	10%

7. Goodwill (Cont'd)

Impairment testing of goodwill (Cont'd)

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates – As a matter of prudence, the Group did not apply any forecast growth rates in extrapolating future cash flows of the CGUs.

Budgeted gross margins – Gross margins are based on average values achieved in the immediate year preceding the start of the budget period. No increase in gross margins are anticipated over the budgeted period.

The discount rate reflects the specific risks relating to the respective CGUs.

Market share assumptions. - Management assesses how the CGU's position relative to its competitors might change over the budget period. Management expects the Group's share of the poultry and property market, on which the Group's products are depended upon, to be stable over the budget period.

Management believes that any reasonably possible change in the key consumptions on which recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount of the CGU.

8. Deferred Tax (Assets)/Liabilities

	Group	
	2017 RM'000	2016 RM'000
At 1 January	2,608	10,108
Recognised in profit or loss (Note 29)	(2,731)	(7,500)
At 31 December	(123)	2,608

The deferred tax assets and liabilities shown on the statement of financial position before the appropriate offsetting are as follows:

	Group	
	2017 RM'000	2016 RM'000
Deferred tax assets	(2,246)	(1,380)
Deferred tax liabilities	2,123	3,988
	(123)	2,608

8. Deferred Tax (Assets)/Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows:

	Property, plant and equipment RM'000	Unutilised tax losses and capital allowance RM'000	Unabsorbed reinvestment allowance RM'000	Total RM'000
At 1 January 2017	4,908	(1,542)	(758)	2,608
Recognised in profit and loss	(2,731)	-	-	(2,731)
At 31 December 2017	2,177	(1,542)	(758)	(123)
At 1 January 2016	13,011	(2,145)	(758)	10,108
Recognised in profit and loss	(8,103)	603	-	(7,500)
At 31 December 2016	4,908	(1,542)	(758)	2,608

Deferred tax assets have not been recognised in respect of the following temporary difference due to uncertainty of its recoverability:

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses and capital allowances	80,509	82,864
Unabsorbed reinvestment allowances	7,746	9,675
	88,255	92,539

Notes to the Financial Statements
(Cont'd)

9. Property Development Costs

Current	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
2017				
Cumulative property development costs				
At 1 January	1,004	1,497	108,536	111,037
Cost incurred during the year	-	-	10,366	10,366
At 31 December	1,004	1,497	118,902	121,403
Cumulative costs recognised in profit or loss				
At 1 January	-	(222)	(96,302)	(96,524)
Recognised during the year	(341)	(469)	(5,708)	(6,518)
At 31 December	(341)	(691)	(102,010)	(103,042)
Property development costs as at 31 December 2017	663	806	16,892	18,361
2016				
Cumulative property development costs				
At 1 January	222	4,137	115,369	119,728
Transfer to inventories	-	(78)	(1,339)	(1,417)
Cost incurred during the year	782	-	30,312	31,094
Reversal of completed projects	-	(2,562)	(35,806)	(38,368)
At 31 December	1,004	1,497	108,536	111,037
Cumulative costs recognised in profit or loss				
At 1 January	-	(2,646)	(100,861)	(103,507)
Recognised during the year	-	(138)	(31,247)	(31,385)
Reversal of completed projects	-	2,562	35,806	38,368
At 31 December	-	(222)	(96,302)	(96,524)
Property development costs as at 31 December 2016	1,004	1,275	12,234	14,513

(a) The freehold and leasehold land have been pledged to secure bank borrowings as disclosed in Note 20.

(b) Included in the property development costs for the financial year are as follows:

	2017 RM'000	2016 RM'000
Finance costs	357,247	357,247

10. Inventories

	Group 2017 RM'000	Group 2016 RM'000
At cost		
Raw materials, medical supplies and chemicals	4,041	3,620
Processed chickens	-	415
Consumable supplies	-	306
Completed houses and shops	8,826	9,935
Ingredient stocks and others	-	600
	12,867	14,876
Recognised in profit or loss:		
- Inventories recognised at cost of sales	267,786	289,750

11. Trade Receivables

	Group 2017 RM'000	Group 2016 RM'000
Trade receivables	168,394	213,896
- Related party	-	-
	168,394	213,896
Less: Accumulated impairment losses	(73,794)	(49,089)
At 31 December	94,600	164,807

Trade receivables are non-interest bearing and are generally on 30 to 120 (2016: 30 to 120 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group 2017 RM'000	Group 2016 RM'000
At 1 January	49,089	28,742
Impairment losses recognised	24,705	22,608
Impairment losses reversed	-	(2,272)
Amount written off	-	11
At 31 December	73,794	49,089

Notes to the Financial Statements
(Cont'd)

11. Trade Receivables (Cont'd)

Analysis of the trade receivables ageing at the end of the financial year is as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Neither past due nor impaired	38,515	78,206
Past due not impaired:		
Less than 30 days	17,984	46,725
31 to 60 days	13,554	12,982
More than 60 days	24,547	26,894
	56,085	86,601
	94,600	164,807
Impaired	73,794	49,089
	168,394	213,896

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

As at 31 December 2017, trade receivables of approximately RM56,085,000 (2016: RM86,601,000) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to approximately RM73,794,000 (2016: RM49,089,000), related to customers that are in financial difficulties, have defaulted on payments and / or have disputed on the billings. These balances are expected to be recovered through the debts recovery process.

12. Other Receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred expenditure	4,101	-	-	-
Other receivables	80,779	9,562	21	54
Prepayments	2,314	2,340	-	-
Refundable deposits	7,507	1,946	-	-
	94,701	13,848	21	54
Less: Accumulated impairment losses	(1,460)	(1,460)	-	-
	93,241	12,388	21	54

Included in other receivables is the sales proceeds of RM62,278,000 (2016 : RM Nil) receivable from the purchaser in respect of disposition of farms, lands and assets.

12. Other Receivables (Cont'd)

Movement in the allowance for impairment losses of other receivable are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	1,460	1,456	-	-
Amount written off	-	4	-	-
At 31 December	1,460	1,460	-	-

Other 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.

13. Amount Due from Subsidiary Companies

Amount due from subsidiary companies with non-interest bearing, unsecured and repayable on demand.

14. Held-to-Maturity Investments

Held-to-maturity investments consist of deposits with licensed financial institutions with maturity period of more than three months are as follows:

	Group	
	2017 RM'000	2016 RM'000
Deposits with licensed financial institution	18,313	58,716

The weighted average effective interest rates of held-to-maturity investments are ranging from 3.04% to 3.15% (2016: 3.04% to 3.15%). The maturity period of held-to-maturity investments is 365 days (2016: 365 days).

Deposits of with licensed institutions are pledged to secure banking facilities granted to the Group as disclosed in Note 20.

15. Deposits, Cash and Bank Balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	3,815	2,566	17	10

Included in cash and bank balances of the Group is an amount of RM1,642,934 (2016: RM1,175,681) held under Housing Development Accounts pursuant to Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

16. Non-current Assets Held For Sale

	Group 2017 RM'000	Group 2016 RM'000
At 1 January	15,696	-
Transfer from property, plant and equipment (Note 4)	16,008	15,696
Refurbishment cost incurred	6,300	-
Disposal	(20,659)	-
At 31 December	17,345	15,696

Land and farm in poultry segment are expected to be recovered primarily through sale rather than through continuing use is classified as held for sale.

Certain motor vehicles with carrying amount of RM291,717 (2016: RM Nil) are registered in the name of a related company for which the Directors have financial interests and a third party held in trust for the Group.

17. Share Capital

	Group/ Company 2017 RM'000	Group/ Company 2016 RM'000
Ordinary shares with no par value (2016: par value of RM1.00 each)		
Authorised:		
At 1 January / 31 December	500,000	500,000

	Group and Company			
	Number of shares		Amount	
	2017 Unit '000	2016 Unit '000	2017 RM'000	2016 RM'000
Issued and fully paid:				
Ordinary shares				
At the beginning of financial year	61,083	61,083	61,083	61,083
Transition to no-par value regime on 31 January 2017 (note 22(a))				
- Share premium	62,137	-	62,137	-
At the end of financial year	123,220	61,083	123,220	61,083

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Sectio 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

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.

18. Share Premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

This is a non-distributable reserve which arose from the issue of the Company's shares at a premium net of share listing expenses:

	Group/ Company	
	2017	2016
	RM'000	RM'000
Non-distributable		
At 1 January	62,410	62,410
Share issuance expenses	(273)	-
Transition to no-par value regime	(62,137)	-
At 31 December	-	62,410

Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618(2) of the new Companies Act 2016 (the "Act"), on 31 January 2017, the amounts standing to the credit of the share premium account becomes part of the Company's share capital (Note 17). Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM62,137,000 for purposes as set out in Sections 618(3) to pay up the unissued shares and for the bonus issue pursuant to Section 618(4) of the Act.

19. Other Reserves

Warrant reserve

Warrant reserve represents reserve allocated to free detachable warrants issued with existing and new issue of Company's shares.

In the financial year 2013, the Company

(i) issued 11,106,052 free warrants on the basis of one (1) free warrant for every five (5) existing ordinary shares of RM1.00 each in the Company.

(ii) issued 5,553,000 ordinary shares of RM1.00 each in the Company by way of a private placement together with 16,659,000 free detachable warrants on the basis of three (3) warrants for every one (1) placement share issued.

Each Warrant entitles the registered holder to subscribe for one new ordinary shares of RM1.00 each in the Company at an exercise price of RM1.00 per ordinary share subject to adjustments in accordance with the provisions of the Deed Poll. The Warrants may be exercised at any time within 5 years commencing on and including the date of first issuance of the Warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. All Warrants mature on 14 July 2018.

The new ordinary shares allotted and issued upon exercise of the Warrants shall rank pari passu in all respects with the then existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from exercise of the Warrants.

As at 31 December 2017, the total number of Warrants that remain unexercised was 27,765,052 (2016: 27,765,052).

20. Bank Borrowings

	Group	
	2017	**2016**
	RM'000	**RM'000**
Secured		
Bank overdrafts	11,147	16,362
Banker's acceptance	24,417	30,042
Revolving credits	46,877	116,623
Term loans	20,430	19,999
	102,871	183,026
Current		
Bank overdrafts	11,147	16,362
Banker's acceptance	24,417	30,042
Revolving credits	46,877	116,623
Term loans	4,774	7,702
	87,215	170,729
Non-current		
Term loans	15,656	12,297
Total bank borrowings	102,871	183,026

The bank overdrafts, banker's acceptance, revolving credits and term loans are secured by the following:

(i) Fixed and floating charges over certain assets and also negative pledges over the assets of the Group (Note 4). The borrowings of the subsidiaries are additionally guaranteed by the Company;

(ii) Corporate guarantees from the Company's certain existing operating subsidiaries;

(iii) Undertaking by the holding company to fully repay the facilities should the Company be unable to meet its obligations;

(iv) Cross defaults, rights of set-off, negative pledges and pari passu ranking with all other debts of the Company, except where the obligations are preferred by applicable laws; and

(v) Certain fixed deposits of the Group as disclosed in Note 14 to the financial statements.

The average effective interest rates per annum are as follows:

	2017	**2016**
	%	**%**
Bank overdrafts	9.40	9.40
Banker's acceptance	5.10	5.10
Revolving credits	8.35	8.35
Term loans	8.33	8.33

21. Finance Lease Payables

	Group	
	2017	2016
	RM'000	RM'000
Minimum lease payments:		
Within one year	855	1,955
Later than one year and not later than five years	700	1,063
	1,555	3,018
Less: Future finance charges	(93)	(224)
Pesent value of minimum lease payments	1,462	2,794
Present value of minimum lease payments:		
Within one year	794	1,180
Later than one year and not later than five years	668	1,614
	1,462	2,794
Analysed as:		
Repayable within twelve months	794	1,180
Repayable after twelve months	668	1,614
	1,462	2,794

The finance lease payables bear interest rates ranges from 2.40% to 4.75% (2016: 2.40% to 4.75%) per annum.

22. Trade Payables

	Group	
	2017	2016
	RM'000	RM'000
Trade payables	19,876	23,474

Credit terms of trade payables of the Group and of the Company ranged from 30 to 90 days (2016: 30 to 90 days) depending on the terms of the contracts.

23. Other Payables

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other payables	10,884	9,945	280	34
Deposit received	2,996	18,490	6	-
Accruals	7,063	5,258	139	136
	20,943	33,693	425	170

Deposit received from the disposal of farms, lands and assets as disclosed in Note 37 amounted to RM2,996,000 (2016: RM18,490,000).

24. Amount Due to Directors

Amount due to directors are non-interest bearing, unsecured and repayable on demand.

25. Amount Due to Holding Company

Amount due to holding company with non-interest bearing, unsecured and repayable on demand.

26. Revenue

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Sales of goods	289,952	319,060	-	-
Sales of completed houses and development revenue	9,580	24,636	-	-
	299,532	343,696	-	-

27. Finance Costs

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest expenses on:				
Bank overdrafts	1,006	960	-	-
Banker's acceptance	1,755	1,982	-	-
Term loans	3,487	5,189	-	-
Obligations under finance leases	129	357	-	-
Revolving credits	5,080	8,071	-	-
Others	6	-	-	-
	11,463	16,559	-	-

28. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration				
- current year	183	205	19	16
- under/(over)provision in prior years	1	(11)	-	-
Bad debts recovered	(1)	-	-	-
Bad debts written off on:				
- trade receivables	-	11	-	-
- other receivables	-	4	-	-
Goodwill written off	-	38	-	-
Impairment losses on:				
- trade receivables	24,705	22,608	-	-
Director remuneration	2,895	2,912	-	-
Deposit written off	-	64	-	-
Depreciation / amortisation:				
- property, plant, equipment and non-current assets held for sale	1,594	6,425	8	8
- land use rights	-	13	-	-
(Gain)/Loss on disposal of :				
- property, plant and equipment	(53,634)	(382)	-	-
- subsidiary companies	-	(18,220)	-	26,416
- inventories	-	(10,177)	-	-
(Gain)/Loss on foreign exchange:				
- realised	(6)	4	-	-
- unrealised	(98)	76	-	-
Rental expenses				
- office	14	8	-	-
- motor vehicles	885	-	-	-
Non-executive director remuneration	177	137	120	120
Property, plant and equipment written off	3	-	-	-
Reversal of impairment losses of:				
- trade receivables	-	(2,272)	-	-
Rental income	(164)	(320)	(7)	-
Interest income	(1,534)	(1,756)	-	-

29. Taxation

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Tax expenses recognised in profit or loss				
Current year provision:				
- Malaysian income tax	10,425	1,235	-	-
- Under/(Over) provision in prior years	2,565	(679)	-	(314)
	12,990	556	-	(314)
Deferred tax (Note 8) :				
Origination and reversal of temporary differences	(3,238)	20	-	-
Changes in tax rate	-	(20)	-	-
Under/(Over) provision in prior years	507	(7,500)	-	-
	(2,731)	(7,500)	-	-
	10,259	(6,944)	-	(314)

Malaysian income tax is calculated at the statutory rate of 24% (2016: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expenses applicable to profit/(loss) before taxation at the statutory tax rate to income tax expenses at the effective income tax of the Group and the Company are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Profit/(Loss) before taxation	25,480	4,971	(1,298)	(27,035)
Taxation at statutory tax rate of 24% (2016: 24%)	6,115	1,192	(312)	(6,488)
Reduction in tax rate	-	(20)	-	-
Income not subject to tax	(7,338)	(1,399)	(2)	-
Expenses not deductible for tax purposes	7,301	3,947	314	6,488
Deferred tax assets not recognised	1,644	-	-	-
Utilisation of unrecognised deferred tax assets	-	(1,853)	-	-
Utilisation of unrecognised tax allowance	(515)	(257)	-	-
Utilisation of unabsorbed business loss	(20)	(375)	-	-
Under/(over) provision in prior years				
- current tax	2,565	(679)	-	(314)
- deferred tax	507	(7,500)	-	-
Tax expenses for the financial year	10,259	(6,944)	-	(314)

As at 31 December 2017, the Group and the Company have unutilised tax losses and unabsorbed capital allowances of approximately RM35,108,000 (2016:RM33,733,000) and RM5,910,000 (2016: RM3,411,000) respectively available to offset against future taxable profit. The said amounts are subject to approval by tax authorities.

30. Earnings Per Share

The basic earnings per share are calculated based on the consolidated profit/(loss) for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017	**2016**
Profit attributable to owners of the parent (RM'000)	15,028	11,936
Weighted average number of ordinary shares in issue (in thousands of shares)	61,083	61,083
Basic earnings per ordinary share (in sen)	24.6	19.5

The Group has no dilution in its earnings per ordinary shares as disclosed in Note 17. There are no dilutive potential shares and is therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per ordinary shares.

31. Staff Costs

	Group	
	2017	**2016**
	RM'000	**RM'000**
Salaries, wages and other emoluments	9,889	14,058
Defined contribution plan	931	1,699
Other benefits	1,063	2,247
	11,883	18,004

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Executive Directors		
Existing Directors of the Company		
Salary and other emoluments	2,464	2,486
Defined contribution plans	296	287
Estimated money value of benefit-in-kind	3	-
	2,763	2,773

31. Staff Costs (Cont'd)

	Group 2017 RM'000	Group 2016 RM'000
Executive Directors		
Existing Directors of subsidiary companies		
Salary and other emoluments	118	124
Defined contribution plans	14	15
	132	139

32. Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January 2017 RM'000	Financing cash flows (i) RM'000	Non-cash changes New finance lease (Note 4(c)) RM'000	At 31 December 2017 RM'000
Group				
Finance lease liabilities (Note 21)	2,794	(1,398)	66	1,462
Term loans (Note 20)	19,999	431	-	20,430
Other bank borrowings (Note 20)	163,027	(80,586)	-	82,441
Advances from holding company	-	7,900	-	7,900
	185,820	(73,653)	66	112,233

(i) The cash flows from loans and borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.
(ii) Other changes include capitalisation of borrowing costs, interest accruals and payments.

33. Related Party Disclosure

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

33. Related Party Disclosure (Cont'd)

(b) Significant related party transaction

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant party transaction of the Group and the Company are as follows:

	2017 RM'000	2016 RM'000
Company		
Transaction with subsidiary companies		
Advances from subsidiaries	1,127	317
Advances to subsidiaries	465	13,526
Repayment to subsidiaries through contra	1,016	-
Repayment from subsidiaries through contra	945	9
Payments on behalf by subsidiaries	257	241
Cash repayment from subsidiaries	435	267

(c) Compensation of key management personnel

Remuneration of key management personnel are as follows:

	Group	
	2017 RM'000	2016 RM'000
Salary, fees and other emoluments	1,821	3,644
Defined contribution plans	206	416
Estimated money value of benefit-in-kind	71	39
	2,098	4,099

34. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

Poultry	This consists of manufacturing and wholesale of animal feeds, poultry breeding, hatchery operations, contract farming, poultry processing and trading of feeds, day-old chicks, medications and vaccines.
Housing development	This consists of development and construction of residential and commercial properties.
Other business segments	This includes investment holding and provision of management services, and trading of chemicals, medication and related equipment, none of which are of a sufficient size to be reported separately.

34. Segment Information (Cont'd)

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

	Poultry RM'000	Housing development RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
Group					
2017					
Revenue					
Sales	289,652	9,580	300	-	299,532
Inter-segment sales	462,987	9,845	4,864	(477,696)	-
Total revenue	752,639	19,425	5,164	(477,696)	299,532
Results					
Segment results	38,349	258	(802)	(2,396)	35,409
Interest income	1,429	105	-	-	1,534
Interest expenses	(10,680)	(618)	(165)	-	(11,463)
Other non-cash items	29,367	(77)	(73)	(1,989)	27,228
Segment profit / (loss)	18,945	(332)	(1,061)	(2,331)	15,221
Assets					
Additional to property, plant and equipment	637	220	-	-	857
Additional to non-current assets held for sale	6,300	-	-	-	6,300
Segment assets	332,819	65,593	61,336	(184,130)	275,618
Liabilities					
Segment liabilities	265,914	37,255	7,527	(145,975)	164,721
Non-cash expenses/(income)					
Depreciation and amortisation	(1,447)	(74)	(73)	-	(1,594)
Gain on disposal of property, plant, equipment and non-current assets held for sale	55,623	-	-	(1,989)	53,634
Impairment losses on trade receivables	(24,705)	-	-	-	(24,705)
Property, plant and equipment written off	-	(3)	-	-	(3)
Realised loss on foreign exchange	(6)	-	-	-	(6)
Unrealised loss on foreign exchange	(98)	-	-	-	(98)

34. Segment Information (Cont'd)

	Poultry RM'000	Housing development RM'000	Others RM'000	Adjustments and eliminations RM'000	Total RM'000
Group					
2016					
Revenue					
Sales	317,624	24,637	1,435	-	343,696
Inter-segment sales	552,387	15,066	5,137	(572,590)	-
Total revenue	870,011	39,703	6,572	(572,590)	343,696
Results					
Segments results	44,614	1,631	(58,502)	46,600	34,343
Interest incomes	1,687	69	-	-	1,756
Interest expenses	(15,930)	(353)	(276)	-	(16,559)
Other non-cash items	(39,729)	116	26,533	(2,084)	(15,164)
Segment (loss)/profit	(9,844)	1,463	(32,245)	52,541	11,915
Assets					
Additional to property, plant and equipment	4,522	72	-	(1,593)	3,001
Segment assets	489,697	60,192	61,242	(267,290)	343,841
Liabilities					
Segment liabilities	419,227	36,971	28,185	(236,433)	247,950
Non-cash expenses/(income)					
Depreciation and amortisation	(6,211)	(112)	(102)	-	(6,425)
Gain on disposal of property, plant and equipment	382	-	-	-	382
Impairment losses on trade receivables	(22,491)	-	(117)	-	(22,608)
Other non-cash items	(11,489)	228	26,752	(2,084)	13,407
Realised gain on foreign exchange	4	-	-	-	4
Unrealised gain on foreign exchange	76	-	-	-	76

34. Segment Information (Cont'd)

Adjustments and eliminations

Fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Additional to non-current assets consists of additions of property, plant and equipment.

Inter-segment revenues are eliminated on consolidation.

Geographic information

No disclosure on geographical segment information as the Group operates predominantly in Malaysia.

35. Financial Instruments

(a) Classification of financial assets

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivable RM'000	Held-to-maturity RM'000	Financial liabilities measured at amortised costs RM'000	Total RM'000
Group				
2017				
Financial Assets				
Trade receivables	94,600	-	-	94,600
Other receivables	90,927	-	-	90,927
Held-to-maturity investments	-	18,313	-	18,313
Deposits, bank and cash balances	3,815	-	-	3,815
	189,342	18,313	-	207,655
Financial Liabilities				
Trade payables	-	-	19,876	19,876
Other payables	-	-	20,943	20,943
Finance lease payables	-	-	1,462	1,462
Bank borowings	-	-	102,871	102,871
	-	-	145,152	145,152

35. Financial Instruments (Cont'd)

(a) Classification of financial assets (Cont'd)

	Loans and receivable RM'000	Held-to-maturity RM'000	Financial liabilities measured at amortised costs RM'000	Total RM'000
Group				
2016				
Financial Assets				
Trade receivables	164,807	-	-	164,807
Other receivables	10,048	-	-	10,048
Held-to-maturity investments	-	58,716	-	58,716
Deposits, bank and cash balances	2,566	-	-	2,566
	177,421	58,716	-	236,137
Financial Liabilities				
Trade payables	-	-	23,474	23,474
Other payables	-	-	33,693	33,693
Amount due to Directors	-	-	359	359
Finance lease payables	-	-	2,794	2,794
Bank borowings	-	-	183,026	183,026
	-	-	243,346	243,346
Company				
2017				
Financial Assets				
Other receivables	21	-	-	21
Amount due from subsidiary companies	13,376	-	-	13,376
Deposits, bank and cash balances	17	-	-	17
	13,414	-	-	13,414
Financial Liability				
Other payables	-	-	425	425

35. Financial Instruments (Cont'd)

(a) Classification of financial assets (Cont'd)

	Loans and receivable RM'000	Held-to-maturity RM'000	Financial liabilities measured at amortised costs RM'000	Total RM'000
Company				
2016				
Financial Assets				
Other receivables	54	-	-	54
Amount due from subsidiary companies	14,658	-	-	14,658
Deposits, bank and cash balances	10	-	-	10
	14,722	-	-	14,722
Financial Liabilities				
Other payables	-	-	170	170

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM102,871,000 (2016: RM183,026,000), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amounts RM'000
Group					
2017					
Trade payables	19,876	-	-	19,876	19,876
Other payables	20,943	-	-	20,943	20,943
Finance lease payables	834	674	-	1,508	1,462
Bank borrowings	88,531	12,906	4,951	106,388	102,871
	130,184	13,580	4,951	148,715	145,152
2016					
Trade payables	23,474	-	-	23,474	23,474
Other payables	33,693	-	-	33,693	33,693
Finance lease payables	1,955	1,063	-	3,018	2,794
Bank borrowings	168,625	13,736	6,586	188,947	183,026
	227,747	14,799	6,586	249,132	242,987

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM'000	1 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amounts RM'000
Company					
2017					
Other payables	425	-	-	425	425
2016					
Other payables	170	-	-	170	170

(iii) Market risk

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily United States Dollar (USD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in USD Group RM'000
2017	
Trade payables	(851)
2016	
Trade payables	(943)

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates against RM, with all other variables held constant.

	Group	
	2017	**2016**
	RM'000	**RM'000**
USD - strengthened 5%	(43)	(47)
- weakened 5%	43	47

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

35. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2017 RM'000	2016 RM'000
Group		
Fixed rate instruments		
Financial Asset		
Held-to-maturity investments	18,313	58,716
	18,313	58,716
Financial Liability		
Finance lease payables	1,462	2,794
Floating rate instruments		
Financial Liability		
Bank borrowings	102,871	183,026

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' and the Company's profit before tax by RM1,209,000 and Nil (2016: RM1,830,000 and Nil) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

35. Financial Instruments (Cont'd)

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Carrying amount RM'000**
2017				
Group				
Financial Liability				
Finance lease payables	-	547	-	668
2016				
Group				
Financial Liability				
Finance lease payables	-	1,488	-	1,614

(i) 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.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

36. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratio at end of the reporting period is as follows:

	2017 RM'000	2016 RM'000
Total loans and borrowings	104,333	185,820
Less: Deposits, bank and cash balances	(3,815)	(2,566)
Net debt	100,518	183,254
Equity attributable to owners of the parent	109,401	94,646
Gearing ratio	0.92	1.94

There were no changes in the Group's approach to capital management during the year.

37. Significant Events

(a) On 24 January 2017, Sinmah Livestocks Sdn. Bhd.("SLSB"), Sinmah Breeders Sdn. Bhd. ("SBSB"), Sinmah Multifeed Sdn. Bhd. ("SMSB"), Bersatu Segar Sdn. Bhd. ("BSSB") and Dee Huat Farming Trading Sdn. Bhd. ("DHFT") wholly-owned subsidiaries of the Company had entered into Sales and Purchase Agreements with Farm's Best Food Industries Sdn. Bhd. ("FBFI") for the disposal of the broiler farm lands and farms for a total sales consideration of Ringgit Malaysia Fifty Eight Million, Five Hundred Twenty Six Thousand (RM58,526,100) ("Disposal Considerations").

The above disposal agreements of the broiler farm land and assets and the disposal agreements of the breeder farm lands and assets which were signed on 31 October 2016 of which the disposal consideration amounted to RM63,000,000, were duly approved by the members of the Company at the Extraordinary General Meeting held on 23 November 2017.

37. Significant Events (Cont'd)

(b) On 4 July 2017, the Company's 51%-owned subsidiary Syarikat Perniagaan Suann Sdn Bhd ("SPS") had entered into 4 sale and purchase agreements ("SPA" individually and "SPAs" collectively) to dispose the following assets to PTS Poultry Processing (BP) Sdn Bhd ("PTS") for a total cash consideration of RM12,334,000 ("Disposals"):

(i) a piece of agricultural land held under HS(M) 1745 MLO 8674, Mukim Tanjong Sembrong, Daerah Batu Pahat, Johor measuring approximately 261,360 square feet ("sq feet") together with 9 open broiler sheds erected thereon and all buildings, equipment, machineries, fixtures and fittings attached to the property, for RM1,653,730;

(ii) a piece of land held under GM 2448 Lot 3233, Mukim Minyak Beku, Daerah Batu Pahat, Johor measuring approximately 108,078 sq feet together with 13 open broiler sheds erected thereon and all buildings, equipment, machineries, fixtures and fittings attached to the property, for RM1,026,390;

(iii) a piece of industrial land held under GRN 47071 Lot 1310, Mukim Minyak Beku, Daerah Batu Pahat, Johor measuring approximately 2.3978 hectares, together with factory, office, canteen, workshop and all buildings including a chicken processing plant erected thereon, as well as all equipment, machineries, fixtures and fittings on the land, for RM9,228,353; and

(iv) a piece of land held under GRN 93203 Lot 1730, Bandar Penggaram, Daerah Batu Pahat, Johor measuring approximately 604.00 sq feet together with a double-storey shophouse located on the land, for RM425,527.

The Disposals were completed on 4 December 2017 and a pre-tax gain of RM8.3 million was recognised during the year.

38. Subsequent Events

(a) On 13 March 2018, the 70% owned subsidiary of the Company, Sinmah Amegajaya Healthcare Sdn. Bhd. ("SAHSB") had incorporated a new subsidiary company known as SAH Mutiara Sdn. Bhd. ("SMSB") under the Companies Act, 2016. The intended principal activities are investment holding, property development and construction.

SMSB was incorporated with an issued share capital of RM1,000 comprising 1,000 ordinary shares, 85% of the issued and paid-up share capital of SMSB is owned by SAHSB and 15% is owned by a third party.

None of the directors and/or substantial shareholders of the Company, or persons connected to such director and/or substantial shareholder has any interest, direct or indirect, in the said incorporation.

(b) On 6 April 2018, the 70% owned subsidiary of the Company, SAHSB had incorporated a new subsidiary company known as SAH Medical Center Sdn. Bhd. ("SMCSB") under the Companies Act, 2016. The intended principal activities are hospital development, management and construction and healthcare investment.

SMSB was incorporated with an issued share capital of RM1,000 comprising 1,000 ordinary shares. 100% of the issued share capital of SMSCB is owned by SAHSB.

None of the directors and/or substantial shareholders of the Company, or persons connected to such director and/or substantial shareholder has any interest, direct or indirect, in the said incorporation.

38. Subsequent Events (Cont'd)

(c) On 6 April 2018, the Company issued its Circular on Multiple Proposals for its members' approval at an Extraordinary General Meeting to be held on 2 May 2017. The Multiple Proposals comprise the following:

(i) Proposed Rights Issue

Our Company intends to issue up to 222,120,787 Rights Shares on a renounceable basis of 5 Rights Shares for every 2 existing Sinmah Shares together with up to 55,530,196 Rights Warrants on the basis of 1 Rights Warrant for every 4 Rights Shares subscribed by Entitled Shareholders.

The ratio of 5 Rights Shares for every 2 existing Sinmah Shares was arrived at after taking into consideration, the indicative issue price of the Rights Shares of RM0.20 each and the funding requirements of our Group, as detailed in Section 2.6 of this Circular. At this ratio and an indicative issue price of RM0.20 per Rights Share, the Proposed Rights Issue will raise up to RM44.42 million under the Maximum Scenario. The ratio is expected to enhance the trading liquidity of Sinmah Shares on Bursa Malaysia Securities Berhad as a result of the increase in the number of Sinmah Shares in issue. It is expected to appeal to a wider group of shareholders and/or investors to participate in the growth of our Company. At this ratio, the indicative issue price can be set as low as RM0.20 to meet the funding requirements of our Group. It will increase the attractiveness of the Proposed Rights Issue as the cost to subscribe the Rights Shares is lower.

The maximum number of 222,120,787Rights Shares and 55,530,196 Rights Warrants are based on our enlarged issued share capital of RM88,848,315 comprising 88,848,315 Sinmah Shares after taking into consideration of the following:

(i) our existing issued share capital of RM61,083,263 comprising 61,083,263 Sinmah Shares; and

(ii) assuming 27,765,052 new Sinmah Shares are issued arising from the full exercise of 27,765,052 Warrants B at exercise price of RM1.00 each prior to the Entitlement Date.

The actual number of Rights Shares to be issued will depend on the total number of issued shares as at the Entitlement Date.

(ii) Proposed Exemption

FCH Holdings Sdn Bhd ("FCH") and its Persons Acting In Concert ("PAC") are the Company's controlling shareholders collectively holding 36.14% of the total number of our issued shares prior to the Proposed Rights Issue. After the completion of the Proposed Rights Issue, their aggregate interests may increase by more than 2% in a 6-month period (i.e. from 36.14% up to 81.76%) after the issuance of the Rights Shares under the maximum potential shareholding scenario for FCH and its PACs.

Furthermore, if their aggregate interests after the Proposed Rights Issue is below 50%, and they either individually or collectively exercise their Rights Warrants subsequently, their aggregate interests may increase by more than 2% in a 6-month period. FCH and its PACs will closely monitor its subscription of the Rights Shares and exercise of the Rights Warrants, in order to ensure that the public shareholding spread of Sinmah is at least 25% for Sinmah to maintain its listing status on the Main Market of Bursa Securities.

Pursuant to Paragraph 4.01(b) of the Code, a mandatory offer shall apply where the acquirer has triggered an acquisition of more than 2% of the voting shares or voting rights of a company in any period of 6 months by an acquirer holding over 33% but not more than 50% of the voting shares or voting rights of our company. FCH and its PACs may therefore trigger such a mandatory offer.

38. Subsequent Events (Cont'd)

(c) On 6 April 2018, the Company issued its Circular on Multiple Proposals for its members' approval at an Extraordinary General Meeting to be held on 2 May 2017. The Multiple Proposals comprise the following (Cont'd):

(ii) Proposed Exemption (Cont'd)

As it is not the intention of FCH and its PACs to undertake any such mandatory offer, FCH and its PACs intend to apply for an exemption pursuant to Paragraphs 4.08(1)(b) and 4.08(1)(c) of the Rules. SC may consider granting such exemption if FCH and its PACs are seeking an exemption under this paragraph and they have satisfied the following conditions:

(i) there is no acquisition of shares or instruments convertible into shares and options in respect of shares (other than subscriptions for new shares or new instruments convertible into or options in respect of new shares which have been disclosed in the whitewash circular) by FCH and its PACs, in the six months prior to the Announcement 1but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the company in relation to the proposed issue of new securities until completion of the subscription; and

(ii) approval has been obtained from the non-interested shareholders at an EGM to be convened for the Proposed Exemption.

(iii) Proposed SIS

The Company is proposing to grant SIS Options to the Eligible Persons, to subscribe for new Sinmah Shares in accordance with the By-laws. It is the intention of our Board intends to implement the Proposed SIS only after the completion of the Proposed Rights Issue.

The Proposed SIS will be administered by the SIS Committee.

The decision as to whether or not to stagger the allocation of the SIS Options over the duration of the Proposed SIS will be determined by the SIS Committee at a later date.

For the avoidance of doubt, the SIS Committee shall have sole and absolute discretion in determining whether the Sinmah Shares available for vesting under the Proposed SIS are to be offered to the grantees via:

(a) one single offer of SIS Options (as the case may be) at a time determined by the SIS Committee; or

(b) several offers of SIS Options (as the case may be) in such number of tranche or tranches and in such number of SIS Options in each tranche at such times and on such terms as determined by the SIS Committee.

(iv) Propose Joint Venture

On 8 June 2017, SDSB entered into a Joint Venture Agreement ("JVA") with EBKSB and Sinmah Encorp Development Sdn Bhd ("SEDSB") formerly known as Sinmah Development JV Sdn Bhd, to carry out a mixed development ("the Development") as explained above.

(v) Proposed Diversification

Presently, the Group is principally engaged in the poultry business, investment holdings and provision of management services and property business. In order to further expand its business activity in the property development and construction segment, the Group had via SDSB and SEDSB entered into the JVA with EBKSB to carry out the Development.

39. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 April 2018.

Analysis of Shareholdings
as at 30 March 2018

Issued and fully paid-up	:	RM61,083,263
Class of shares	:	Ordinary Share
Voting Rights	:	1 vote per Ordinary Share
Number of Shareholders as at 30 March 2018	:	1,889

Distribution of Shareholdings as at 30 March 2018

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	118	6.25	1,671	0.00***
100 – 1,000	436	23.08	283,521	0.46
1,001 – 10,000	919	48.65	4,332,926	7.09
10,001 – 100,000	362	19.16	11,457,143	18.76
100,001 – 3,054,162(*)	51	2.70	17,656,397	28.91
3,054,163 and above (**)	3	0.16	27,351,605	44.78
Total	1,889	100.00	61,083,263	100.00

Note :

(*) means less than 5% of issued and paid-up share capital

(**) means 5% and above of issued and paid-up share capital

(***) means negligible

Substantial Shareholders as at 30 March 2018

The Substantial shareholders of Sinmah Capital Berhad (Formerly known as Farm's Best Berhad) (holding 5% or more of the capital) based on the Register of Substantial shareholdings of the Company and their respective shareholdings are as follows :-

	Direct interest		Indirect Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
F.C.H. HOLDINGS SDN BHD	21,463,805^	35.14	-	-
DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR DEUTSCHE BANK AG LONDON (PB PRIAM)	6,002,900	9.83	-	-
DATO' FONG KOK YONG	-	-	21,463,805#	35.14
DATUK FONG KIAH YEOW	613,200	1.00	21,463,805#	35.14
FONG NGAN TENG	-	-	21,463,805#	35.14
FONG CHOON KAI	-	-	21,463,805#	35.14

Notes :

(^) Out of 21,463,805 shares, 115,100 shares are held in the name of F.C.H. Holdings Sdn Bhd, 11,348,705 shares are held through Mercsec Nominee (Tempatan) Sdn Bhd F.C.H. Holdings Sdn Bhd and 10,000,000 shares are held through Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for F.C.H. Holdings Sdn Bhd.

(#) Deemed interested by virtue of Section 8(4)(c) of the Companies Act, 2016, through his shareholding in F.C.H. Holdings Sdn Bhd

Analysis of Shareholdings
as at 30 March 2018 (Cont'd)

Directors	Direct interest No. of Shares	%	Indirect Interest No. of Shares	%
DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN	-	-	-	-
DATO' FONG KOK YONG	-	-	21,463,805#	35.14
DATUK FONG KIAH YEOW	613,200	1.00	21,463,805#	35.14
FONG NGAN TENG	-	-	21,463,805#	35.14
FONG CHOON KAI	-	-	21,463,805#	35.14
DATUK NG PENG HONG @ NG PENG HAY	-	-	-	-
MOHD KHASAN BIN AHMAD	-	-	-	-
MUNAWAR KABIR MOHD BIN ZAINAL ABIDIN	-	-	-	-

Notes :
(#) Deemed interest by virtue of Section 8(4)(c) of the Companies Act, 2016, through his shareholding in F.C.H. Holdings Sdn Bhd.

Directors' Interests in Related Corporations as at 30 March 2018

By virtue of their interests in the shares of the Company, Dato' Fong Kok Yong, Datuk Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai are deemed interest in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office had any interest in shares in the Company's subsidiaries or related corporation as at 30 March 2018.

Options, Warrants or convertible securities as at 30 March 2018

The Company and/or its subsidiaries did not issue any options, warrants or convertible securities to the directors of the Company for the financial year ended 31 December 2017.

Thirty Largest Shareholders as at 30 March 2018

No	Shareholders	No. of Shares	%
1	MERCSEC NOMINEES (TEMPATAN) SDN BHD F. C. H. HOLDINGS SDN. BHD.	11,348,705	18.58
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR F.C.H. HOLDINGS SDN BHD	10,000,000	16.37
3	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR DEUTSCHE BANK AG LONDON (PB PRIAM CLT)	6,002,900	9.83
4	TEH SEN SIEW	2,317,700	3.79
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LEONG SAI MUN (MY1636)	1,784,600	2.92
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD NOMURA SINGAPORE LIMITED FOR LIM LIAN HOCK (410242)	1,092,400	1.79
7	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (M09)	1,049,700	1.72
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAY SEONG MENG (MY2432)	735,000	1.20
9	TAN BOAK WAH	716,700	1.17

Analysis of Shareholdings
as at 30 March 2018 (Cont'd)

Thirty Largest Shareholders as at 30 March 2018

No	Shareholders	No. of Shares	%
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (100378)	527,800	0.86
11	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG KIAH YEOW (M&A)	505,200	0.83
12	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAJINDER KAUR A/P PIARA SINGH (MI1280-003)	500,000	0.82
13	ONG BEE LIAN	483,700	0.79
14	RHB CAPITAL NOMINIES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIE MING CHUNG(CEB)	430,000	0.70
15	GAN WIL LAI	426,100	0.70
16	LOW AH LIN	350,000	0.57
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM LIAN HOCK (E-SPI)	315,300	0.52
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH JUAI HIAN (KPG/PMS)	302,300	0.49
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIA HONG @ GAN CHIA HONG(E-TMR)	300,000	0.49
20	LIM PANG HOO	291,300	0.48
21	TAN KANG FOON	280,000	0.46
22	KWEK ENG SEONG	268,800	0.44
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHONG YOON LOONG	254,800	0.42
24	GOH AH KOW @GOH BAK CHENG	233,000	0.38
25	TAN YONG CHIOW	230,000	0.38
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR PANG HOI KEE (MY2666)	220,000	0.36
27	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	219,000	0.36
28	YEE KIM EE	203,000	0.33
29	TING HOCK FOO	200,000	0.33
30	LIM KIAN HUAT	195,000	0.32

Analysis of Warrant B Holdings

Number of Warrant B Issued as at 30 March 2018	:	27,765,052 warrants
Number of Warrants B exercised	:	Nil
Number of Warrants B not exercised	:	27,765,052 warrants
Exercise Period	:	Commencing from the Issue Date (15.07.2013) and ending at 5.00 p.m. on the last day of the period of five (5) years from (and including) the Issue Date of Warrants 2013/2018 or such terms as stated in the Deed Poll
Exercise Price	:	RM1.00 per ordinary share and subject to adjustment in accordance with the conditions provided in the Deed Poll
Warrants B Entitlement	:	Each Warrant B entitles the registered holders at any time during the exercise period to subscribe for one (1) new ordinary share of RM1.00 each at the exercise price
Voting Rights	:	1 vote per Warrant B held (at the meeting of Warrant B holders only)
Number of Warrant B Holders as at 30 March 2018	:	1,545

Distribution of Warrant B Holdings as at 30 March 2018

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 – 99	251	16.25	5,921	0.02
100 – 1,000	834	53.98	351,669	1.27
1,001 – 10,000	253	16.38	910,884	3.28
10,001 – 100,000	157	10.16	5,879,698	21.18
100,001 – 1,388,251(*)	48	3.11	11,948,880	43.04
1,388,252 and above (**)	2	0.13	8,668,000	31.22
Total	1,545	100.00	27,765,052	100.00

Note :
(*) means less than 5% of issued Warrant B
(**) means 5% and above of issued Warrant B

Warrant B Holders Holding 5% or above as at 30 March 2018

	Direct interest		Indirect Interest	
Name	No. of Warrants	%	No. of Warrants	%
MAYBANK NOMINEES (TEMPATAN) SDN BHD NOMURA SINGAPORE LIMITED FOR LIM LIAN HOCK	5,493,800	19.79	-	-
RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIE MING CHUNG	3,174,200	11.43	-	-

Analysis of Warrant B Holdings
(Cont'd)

Directors' Warrant B Holdings as at 30 March 2018

Directors	Direct interest No. of Shares	%	Indirect Interest No. of Shares	%
DATO' FONG KOK YONG	-	-	41@	0.00***
DATUK FONG KIAH YEOW	21,600	0.08	41@	0.00***
FONG NGAN TENG	-	-	41@	0.00***
FONG CHOON KAI	-	-	41@	0.00***
DATUK NG PENG HONG @ NG PENG HAY	-	-	-	-
MOHD KHASAN BIN AHMAD	-	-	-	-
DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN	-	-	-	-
MUNAWAR KABIR MOHD BIN ZAINAL ABIDIN	-	-	-	-

Notes :
(***) means negligible
(@) Deemed interest by virtue of his interest in F.C.H. Holdings Sdn Bhd

Thirty Largest Shareholders as at 30 March 2018

No	Shareholders	No. of Shares	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD NOMURA SINGAPORE LIMITED FOR LIM LIAN HOCK (410242)	5,493,800	19.79
2	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIE MING CHUNG (CEB)	3,174,200	11.43
3	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VINCENT PHUA CHEE EE	672,000	2.42
4	TEH SEN SIEW	568,000	2.05
5	NG CHZE TAN	531,900	1.92
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD KONG CHEAK LING	511,000	1.84
7	CHUNG CHENG YUAN	486,060	1.75
8	NG BENG HONG	450,000	1.62
9	NG CHIM CHI	427,340	1.54
10	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BOON SIONG	350,800	1.26
11	NG CHZE TAN	348,000	1.25
12	ONG CHIN KIM	310,600	1.12
13	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG (SMART)	300,000	1.08
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR WONG AH YONG (MY1278)	300,000	1.08
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG (470281)	300,000	1.08
16	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG	300,000	1.08
17	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG	300,000	1.08
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD WONG AH YONG	300,000	1.08
19	WONG AH YONG	300,000	1.08

Analysis of Warrant B Holdings
(Cont'd)

No	Shareholders	No. of Shares	%
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KIM SUN	280,000	1.01
21	TEE SEE ENG	251,000	0.90
22	TAN JOHN TOO	245,000	0.88
23	WONG KEE HUI	243,800	0.88
24	TEO MENG HAI	230,000	0.83
25	WONG MEI KEE	230,000	0.83
26	WONG MEI WEN	230,000	0.83
27	JF APEX NOMINEES (TEMPATAN) SDN BHD AISB FOR MEGAT SARI BIN MEGAT ALI (STA 3)	200,000	0.72
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SOK YONG	200,000	0.72
29	LEOW HONG KOON	200,000	0.72
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIW YIAN CHING (E-JAH)	200,000	0.72

List of Properties Owned by the Group

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
THE COMPANY AND 100% OWNED SUBSIDIARIES				
Lot 3689, 640, 639,959,1854, 3688 & 3687 GM 575, 1379, 1418, 91168, 4926, 53072 & 53077 Mukim Lenga, District of Muar, Johor	Breeder Farm	Freehold	2,043,265	1996
P.T. No. 197 H.S.(D) 33179 Kawasan Bandar XXXIX Daerah Melaka Raya, Melaka	3 1/2 Storey Intermediate shoplot	Leasehold (expiring in 2075)	313,556	2003
No. 65 & 65-1 Jalan KU 12, Taman Krubong Utama, Krubong 75250 Melaka	Double Storey shoplot	Leasehold (expiring in 2105)	243,375	2013
Taman Mewah Alor Gajah, Melaka	6 Units of 2- bedroom Apartment	Leasehold (Expiring in 2091)	101,571	1995
P.T.No.20, Plot 6 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	366,001	1994
P.T.No.18 H.S.(M) 1940 Mukim Kelemak District of Alor Gajah, Melaka	Industrial Land	Leasehold (Expiring in 2073)	3,286,264	1994
Lot No. 7688, HS(M) 1733 Tanjong Sembrong (VII) District of Batu Pahat, Johor	Broiler Farm	Freehold	550,022	1996
H.S. (D) 24419, No PT11641 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	694,127	2006
H.S. (D) 24408, No PT11630 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	468,096	2005
Block D1-19, Type P2 Genting View Resort Phase 4, Bentong Pahang	1 unit of bedrooms apartment	Freehold	250,648	1998
H.S.(M) 1184, 1243, & 1244 Lot Nos. MLO 1367, 7119 & 7120 Kuala Kabong 1, Mukim of Bukit Baru District of Kulaijaya, Johor	Broiler farm	Leasehold (99 years)	512,603	2009

List of Properties Owned by the Group
(Cont'd)

LOCATION & DETAILS	DESCRIPTION	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
No. H.S. (D) 2549, No. PT 1512 Mukim Kelemak District of Alor Gajah, Melaka	Double storey shophouse	Freehold	114,723	2006
Lot 4071 & 2691 GM 415 & 51 Mukim of Jementah District of Segamat Johor	Broiler Farm	Freehold	1,440,855	2012
Lot 1075/5 H.S. (M) 4096 Mukim of Bukit Serampang District of Ledang Johor	Broiler Farm	Freehold	1,622,803	2012
Plot No. 170 & 171 H.S. (M) 586 & 500 Mukim of Labis District of Labis Johor	Broiler Farm	Freehold	2,172,544	2012
Lot 3733 & 3734 GM2481 & 2482 Mukim of Labis District of Labis Johor	Broiler Farm	Freehold	2,079,422	2012
MLO 5436, MLO 5437 Lot 1639 & Lot 3523 H.S. (D) 2447, H.S. (D) 2448 GM1333 & GM 364 Mukim of Lenga District of Muar Johor	Broiler Farm	Freehold	1,924,282	2012
Lot 663/5 & 664/5 H.S. (M) 4271 & H.S. (M) 4834 Mukim of Bukit Serampang District of Ledang Johor	Broiler Farm	Freehold	2,158,922	2012
PT 371 & Lot 2210 H.S. (D) 3512 & GRN 46887 Mukim of Tabong Naning District of Alor Gajah Melaka	Broiler Farm	Freehold	2,947,180	2012

Additional Compliance Information

1. Corporate Proposals And Utilisation Of Proceeds

Disposal of Breeder Farm Land and Assets
On 25 November 2016, the Company's subsidiary companies had entered into the following sale and purchase agreements:

(i) Sinmah Breeders Sdn Bhd ("**Sinmah Breeders**" or "**Vendor 1**"), a wholly-owned subsidiary of the Company, had entered into three (3) separate sale and purchase agreements ("**SPA 1**", "**SPA 2**", "**SPA 3**") to sell breeder farm land and assets to Farm's Best Food Industries Sdn Bhd ("**FBF**" or "**Purchaser**") for total cash considerations of RM17,720,000 ("**Sale Consideration 1**"), RM32,050,000 ("**Sale Consideration 2**") and RM4,530,000 ("**Sale Consideration 3**"), respectively; and

(ii) Sinmah Breeders and Sinmah Multifeed Sdn Bhd ("**Sinmah Multifeed**" or "**Vendor 2**"), a 99.99%-owned subsidiary of the Company had entered into a sale and purchase agreement ("**SPA 4**") to sell breeder farm land and assets to FBF for a total cash consideration of RM8,700,000 ("**Sale Consideration 4**").

The Group intends to utilise the Sale Considerations of RM63.00 million in the following manner:

Intended purposes	Notes	RM	Expected time frame for the utilisation (from the Completion Dates)
Partial repayment of revolving credit facilities of SCB Group	(1)	45,548,000	Within 12 months
Working capital	(2)	17,252,000	Within 12 months
Expenses in relation to the Proposals	(3)	200,000	Within 2 weeks
Total		63,000,000	

Notes:

(1) SCB Group intends to utilise up to RM45.55 million to partially repay its revolving credit facilities. At the prevailing average interest rate of 8.35% per annum for the SCB Group, interest savings of approximately RM3.803 million per annum are expected.

(2) For the purchase of raw materials such as corn and soybean meal to produce poultry feed, chicken meat and food ingredients, for the Group's existing feedmill business.

(3) Comprising professional fees and incidental expenses in relation to the Proposed Disposals. Any actual surplus or shortfall of the allocated amount will be adjusted against the allocation for working capital.

During the FYE 2017, SPA 1, SPA 2 and SPA 3 above have been completed and the proceeds amounting to RM18,900,000 were received by the Group and utilised as follows:

	RM
Partial repayment of bank borrowings	1,448,000
Working capital	17,252,000
Expenses in relation to the Proposed Disposals	200,000
	18,900,000

The remaining RM44,100,000 is awaiting release by the Purchaser's financier for repayment of banking facilities of the Group. Balance will be released to the Group upon completion of redemption of land titles.

Disposal of Broiler Farm Land and Assets

On 24 January 2017, the Company's subsidiaries, namely Sinmah Livestocks Sdn Bhd ("Sinmah Livestocks"), Sinmah Breeders, Sinmah Multifeed, Bersatu Segar Sdn Bhd ("Bersatu Segar") and Dee Huat Farming Trading Sdn Bhd ("Dee Huat") (collectively, "Vendors") had entered into the following sale and purchase agreements ("SPA" individually and "SPAs" collectively) to sell 43 parcels of agricultural land ("Land" individually and "Lands" collectively) measuring a total of approximately 294.35 acres together with 26 broiler farms ("Farm" individually and "Farms" collectively) located on the Lands, to Farm's Best Food Industries Sdn Bhd ("FBF" or "Purchaser") for a total cash consideration of RM58,526,100 ("Disposal Considerations"):

(a) **SPA 1** – the sale by Sinmah Livestocks, Sinmah Breeders and Sinmah Multifeed of 2 parcels of land totalling 11.24 acres and 2 broiler farms, for RM3,529,900;

(b) **SPA 2** – the sale by Sinmah Livestocks of 2 parcels of land totalling 20.84 acres and a broiler farm, for RM5,335,000;

(c) **SPA 3** – the sale by Sinmah Livestocks of 10 parcels of land totalling 58.64 acres and 6 broiler farms, for RM13,645,500;

(d) **SPA 4** – the sale by Sinmah Livestocks and Sinmah Multifeed of a parcel of land of 6.00 acres and a broiler farm, for RM1,212,200;

(e) **SPA 5** – the sale by Sinmah Livestocks of 4 parcels of land totalling 13.61 acres and a broiler farm, for RM2,497,000;

(f) **SPA 6** – the sale by Sinmah Livestocks, Sinmah Breeders and Sinmah Multifeed of 9 parcels of land totalling 57.27 acres and 6 broiler farms, for RM9,072,000;

(g) **SPA 7** – the sale by Sinmah Livestocks and Sinmah Multifeed of 10 parcels of land totalling 75.79 acres and 7 broiler farms, for RM13,576,500;

(h) **SPA 8** – the sale by Bersatu Segar of 2 parcels of land totalling 36.70 acres and a broiler farm, for RM6,138,000; and

(i) **SPA 9** – the sale by Dee Huat of 3 parcels of land totalling 14.26 acres and a broiler farm, for RM3,520,000.

The Group intends to utilise the Disposal Considerations of RM58,526,100 in the following manner:

Intended purposes	**Notes**	**RM**	**Expected time frame for the utilisation (from the Completion Dates)**
Partial repayment of bank borrowings	(1)	48,326,100	Within 12 months
Working capital	(2)	10,000,000	Within 12 months
Expenses in relation to the Proposed Disposals	(3)	200,000	Within 2 weeks
Total		58,526,100	

Notes:

(1) *SCB Group intends to utilise up to RM48.33 million to partially repay its revolving credit facilities. At the prevailing average interest rate of 8.35% per annum for the SCB Group, interest savings of approximately RM4.035 million per annum are expected.*

(2) *For the purchase of raw materials such as corn and soybean meal to produce poultry feed, chicken meat and food ingredients, for the Group's existing feedmill business.*

(3) *Comprising professional fees and incidental expenses in relation to the Proposed Disposals. Any actual surplus or shortfall of the allocated amount will be adjusted against the allocation for working capital.*

Additional Compliance Information
(Cont'd)

During the FYE 2017, SPA 1, SPA 4, SPA 6, SPA 7 and SPA 8 above have been completed and the proceeds amounting to RM11,705,220 were received by the Group and utilised as follows:

	RM
Partial repayment of bank borrowings	1,505,220
Working capital	10,000,000
Expenses in relation to the Proposed Disposals	200,000
	11,705,220

The remaining RM46,820,880 is awaiting release by the Purchaser's financier for repayment of banking facilities of the Group. Balance will be released to the Group upon completion of redemption of land titles.

<u>Disposal of Broiler Farm Land and Assets</u>
On 4 July 2017, the Company's 51%-owned subsidiary, namely Syarikat Perniagaan Suann Sdn Bhd ("**SPS**") had entered into 4 sale and purchase agreements ("**SPA**" individually and "**SPAs**" collectively) to dispose the following assets to PTS Poultry Processing (BP) Sdn Bhd ("**PTS**") for a total cash consideration of RM12,334,000 ("**Considerations**"):

(i) a piece of agricultural land held under HS(M) 1745 MLO 8674, Mukim Tanjong Sembrong, Daerah Batu Pahat, Johor measuring approximately 261,360 square feet ("**sq feet**") together with 9 open broiler sheds erected thereon and all buildings, equipment, machineries, fixtures and fittings attached to the property, for RM1,653,730;

(ii) a piece of land held under GM 2448 Lot 3233, Mukim Minyak Beku, Daerah Batu Pahat, Johor measuring approximately 108,078 sq feet together with 13 open broiler sheds erected thereon and all buildings, equipment, machineries, fixtures and fittings attached to the property, for RM1,026,390;

(iii) a piece of industrial land held under GRN 47071 Lot 1310, Mukim Minyak Beku, Daerah Batu Pahat, Johor measuring approximately 2.3978 hectares, together with factory, office, canteen, workshop and all buildings including a chicken processing plant erected thereon, as well as all equipment, machineries, fixtures and fittings on the land, for RM9,228,353; and

(iv) a piece of land held under GRN 93203 Lot 1730, Bandar Penggaram, Daerah Batu Pahat, Johor measuring approximately 604.00 sq feet together with a double-storey shophouse located on the land, for RM425,527.

The Group intends to utilise the Considerations of RM12,334,000 in the following manner:

Intended purposes	Notes	RM	Expected time frame for the utilisation (from the Completion Dates)
Repayment of bank borrowings of SPS and its subsidiary company, Suann Food Processors Sdn Bhd ("Suann Group")	(1)	2,577,359	Within 12 months
Repayment of amounts due to directors of Suann Group	(2)	357,547	Within 12 months
Repayment of amounts due to related Companies of Suann Group	(3)	9,299,094	Within 12 months
Expenses in relation to the Proposed Disposals	(4)	100,000	Within 2 weeks
Total		12,334,000	

Notes:

(1) *Suann Group intends to utilise up to RM2.58 million to fully repay the outstanding loan and borrowings of Suann Group. At the prevailing average interest rate of 8.10% per annum for the Suann Group, interest savings of approximately RM0.21 million per annum are expected.*

(2) *Suann Group intends to utilise up to RM0.36 million to fully repay the said amount due to the directors of Suann Group. The amount due to directors of Suann Group is derived from advances made by the directors to Suann Group for the working capital purposes..*

(3) *Suann Group intends to utilise up to RM9.30 million to partially repay the amount due to related companies of Suann Group. The amount due to related companies of Suann Group is derived from purchase of feeds, day old chicks and broilers.*

(4) *Comprising professional fees and incidental expenses in relation to the Proposed Disposals. Any actual surplus or shortfall of the allocated amount will be adjusted against the allocation for repayment of amount due to related companiesof Suann Group.*

The Disposals were completed on 4 December 2017 and the proceeds amounting to RM12,334,000 were received by the Group and utilised as follows:

	RM
Repayment of bank borrowings of Suann Group	2,577,359
Repayment of amounts due to directors of Suann Group	357,547
Repayment of amounts due to related companies of Suann Group	9,299,094
Expenses in relation to the Proposed Disposals	100,000
	12,334,000

<u>Disposal of Subsidiary Companies</u>

On 28 November 2017, Sinmah Livestocks Sdn Bhd ("SLSB"), a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase of Shares Agreement for the disposal of its 58.91% equity interest in Joint Farming Sdn. Bhd. ("JFSB") equivalent to 3,240 ordinaryshares of RM1.00 each to Malar Vili A/P Palanysamy for a total cash consideration of RM3.24. SLSB received the sale consideration on 29 December 2017 and hence, the disposal was completed on 29 December 2017.

The impact of the disposal on cash flows of the Group is as follows:

	RM
Tax recoverable	697
Cash and bank balances	11,848
Other payables	(12,648)
Net liabilities disposed off	(103)
Gain on disposal of investment in subsidiary	106
Disposal proceeds settled by cash	3
Less: Cash and cash equivalent of subsidiary company diposed	(11,848)
Net cash outflow from disposal	(11,845)

With that, JFSB and Joint Food Proccessing Sdn. Bhd. a 60% owned subsidiary of JFSB, are no longer members of the Sinmah Capital Berhad Group.

Additional Compliance Information
(Cont'd)

2. **Share Buy-back**

During the financial year, there was no share buy-back by the Company.

3. **Options or Convertible Securities**

There were no new options or convertible securities issued during the financial year.

4. **Depository Receipt Programme**

The Company did not sponsor any depository receipt programme during the financial year.

5. **Imposition of Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, directors or management by any regulatory bodies for the financial year ended 31 December 2016 except for traffic offences.

6. **Non-Audit Fees**

The total amount of non-audit fees paid or payable to the external auditors and their affiliated companies by the Company for the financial year ended 31 December 2017 amounted to RM42,000.

7. **Variation in Results**

There was no deviation of 10% or more between the profit after taxation and minority interest stated in the 23 February 2018 announcement of unaudited results for the financial year ended 31 December 2017 and the audited financial statements of the Group for the financial year ended 31 December 2017.

8. **Profit Guarantee**

The Company did not give any profit guarantee during the financial year.

9. **Material Contracts**

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year.

10. **Revaluation Policy on Landed Properties**

The Company did not adopt any revaluation policy on landed properties during the financial year.

11. **Recurrent Related Party Transaction of a Revenue or Trading Nature ("RRPT")**

The Company did not enter into any RRPT during the financial year.

12. **Employee Share Option Scheme ("ESOS")**

The Company did not grant any options to Directors and Key Management during the financial year.

SINMAH CAPITAL BERHAD
(301653-V)
(FORMERLY KNOWN AS FARM'S BEST BERHAD)

Proxy Form

Number of Shares Held	
CDS Account No.	

*I/We ______________________________ NRIC No. ______________
(Full Name in Capital Letters)

of ______________________________
(Full Address)

being a *Member/Members of SINMAH CAPITAL BERHAD (Formerly known as Farm's Best Berhad, do hereby appoint ______________________________ NRIC No. ______________
(Full Name in Capital Letters)

of ______________________________
(Full Address)

or failing him(her), ______________________________ NRIC No. ______________
(Full Name in Capital Letters)

of ______________________________
(Full Address)

or failing whom, the CHAIRMAN of the General Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Twenty Fourth Annual General Meeting ("24th AGM") to be held at Bilik Bunga Teratai, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Monday, 28 May 2018 at 10.00 a.m. and at any adjournment thereof.

*My/our *proxy/proxies shall vote as follows :-

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain for voting at his(her) discretion.

No	**Agenda**			
1	To lay before the meeting the Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.			
		Resolution	**For**	**Against**
2	To approve the payment of the Directors' Fees and allowances to Non-Executive Directors amounting to RM177,300.00 for the financial year ended 31 December 2017.	1		
3	To approve the aggregate Directors' fees payable to the Directors of the Company of an amount up to RM170,100.00 for the financial year ending 31 December 2018.	2		
4	To approve the payment of Directors' remuneration (excluding Directors' Fees) to Non Executive Directors of the Company of an amount up to RM19,200.00 for the period from 31 January 2018 until the next annual general meeting of the Company held in 2019.	3		
5	To re-elect Datuk Ng Peng Hong @ Ng Peng Hay, the retiring Director, who retires by rotation and being eligible, offers himself for re-election in accordance with Article 106 of the Company's Articles of Association.	4		
6	To re-elect Encik Mohd Khasan Bin Ahmad, the retiring Director, who retires by rotation and being eligible, offers himself for re-election in accordance with Article 106 of the Company's Articles of Association.	5		
7	To re-elect Datuk Hj. Zainal Bin Hj. Shamsudin, the retiring Director, who retires by rotation and being eligible, offers himself for re-election in accordance with Article 106 of the Company's Articles of Association.	6		
8	To re-appoint Messrs UHY as Auditors of the Company for the financial year ending 31 December 2018 and to authorize the Directors to deliberate on the Auditors' remuneration.	7		
	Special Business			
9	**Proposed Continuation of Office as Independent Non-Executive Director.**	8		
10	**Proposed Continuation of Office as Independent Non-Executive Director.**	9		
11	**Authority to Issue Share Under Sections 75 and 76 of the Companies Act, 2016.**	10		

As witness *my/our hand this ________ day of ____________________

* Strike out whichever not applicable.

____
Signature of Member/Common Seal

NOTES :-

1. A member of the Company who is entitled to attend, speak and vote at this 24th AGM may appoint a proxy to attend, speak and vote on his(her) behalf. A proxy may but need not be a member of the Company, and a member may appoint any person to be his(her) proxy without limitation.
2. Where a member appoints more than one (1) proxy to attend and vote at the same Meeting, the appointment shall be invalid unless he(she) specifies the proportion of his(her) holdings to be represented by each proxy.
3. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("SICDA"), he(she) may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.
4. Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
   An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorised in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.
6. The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited at the office of the Company's Share Registrar at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.
7. The right of foreigners to vote in respect of deposited securities is subject to Sections 41(1)(e) and 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and the Articles of Association of the Company.
8. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2018 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at this 24th AGM.
9. Any alteration in the form of proxy must be initialed.
10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 24th AGM will be put to the vote by poll.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 24th AGM and/or any adjournment thereof, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of 24th AGM dated 27 April 2018.

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Stamp

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor

please fold along this line (2)

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