CEPAT

CEPATWAWASAN GROUP BERHAD

(Company No: 536499-K)

ANNUAL REPORT 2018

CEPATWAWASAN GROUP BERHAD
(Company No: 536499-K)

CONTENTS

Notice of The Nineteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be held at Amadeus IV, Level 2, Sabah Hotel Sandakan, KM 1, Jalan Utara, 90703 Sandakan, Sabah on Wednesday, 8 May 2019 at 11.00 a.m. for the following business:

AGENDA	**Resolution No.**
1. To lay the audited financial statements of the Company for the financial year ended 31 December 2018 together with the reports of the directors and auditors.	
2. To approve the payment of Directors' fees and benefits of up to RM160,000 for the period from 9 May 2019 to the next Annual General Meeting.	Ordinary Resolution 1
3. To re-elect the following directors retiring in accordance with Article 76 of the Company's Constitution:	
a) Dato' Seri Mah King Seng	Ordinary Resolution 2
b) Mr. Chan Kam Leong	Ordinary Resolution 3
4. To appoint auditors and to authorise the Directors to fix their remuneration.	Ordinary Resolution 4
5. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:	
AUTHORITY TO ALLOT SHARES	
"THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 75 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 upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being."	Ordinary Resolution 5
6. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:	
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY	
"THAT subject to the Companies Act 2016 ("Act"), provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, and other relevant approvals, the Directors of the Company be and are hereby authorised to purchase the Company's ordinary shares ("Shares") through Bursa Securities, subject to the following:	Ordinary Resolution 6
(a) The maximum number of Shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;	

Resolution No.

(b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company;

(c) The authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which this resolution was passed, at which time the authority shall lapse, unless the authority is renewed by an ordinary resolution passed at the next AGM; or

(ii) the expiry of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340 (4) of the Act); or

(iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first;

(d) Upon completion of the purchase(s) of the Shares by the Company, the Shares shall be dealt in the following manner as the Directors of the Company may decide:

(i) cancel the Shares so purchased; or
(ii) retain the Shares so purchased as treasury shares; or
(iii) retain part of the Shares so purchased as treasury shares and/or cancel the remainder; or
(iv) distribute the treasury shares as dividends to shareholders;
(v) resell the treasury shares or any of the shares in accordance with the relevant rules of Bursa Securities;
(vi) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme;
(vii) transfer the treasury shares, or any of the shares as purchase consideration; or
(viii) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister may by order prescribe.

"THAT the Directors of the Company be and are hereby authorised to take all such steps and enter into all agreements, arrangements and guarantees with any party or parties as are necessary to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

Resolution No.

7. To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

   APPROVAL TO CONTINUE IN OFFICE AS SENIOR INDEPENDENT DIRECTOR

   "THAT Mr. Chua Kim Yin who has served the Board as the Senior Independent Non-Executive Director of the Company for a cumulative term of more than twelve years since 21 July 2005 be and is hereby retained as the Senior Independent Non-Executive Director of the Company." — Ordinary Resolution 7

   APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT DIRECTOR

   "THAT Mr. Choong Pak Wan who has served the Board as the Independent Non-Executive Director of the Company for a cumulative term of more than nine years since 25 February 2009 be and is hereby retained as the Independent Non-Executive Director of the Company." — Ordinary Resolution 8

   APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT DIRECTOR

   "THAT Mr. Chan Kam Leong who has served the Board as the Independent Non-Executive Director of the Company for a cumulative term of more than nine years since 2 May 2008 be and is hereby retained as the Independent Non-Executive Director of the Company." — Ordinary Resolution 9

8. To consider and if thought fit, to pass the following Special Resolution, with or without modifications:

   PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

   "THAT the new set of the Constitution of the Company in the form and manner as set out in Appendix A attached herewith be and is hereby approved and adopted as the new Constitution of the Company, in substitution for, and to the exclusion of, the existing Constitution of the Company AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to the adoption of the new Constitution of the Company." — Special Resolution

9. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

KANG SHEW MENG
SEOW FEI SAN
Secretaries

Petaling Jaya
9 April 2019

Notice of The Nineteenth Annual General Meeting (continued)

Notes:-

(a) Only members whose names appear on the Record of Depositors as at 2 May 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxies on his/her behalf.
(b) A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend, speak and vote at the same meeting. A proxy may but need not be a member of the Company.
(c) Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
(d) If the appointer is a corporation, the Form of Proxy must be executed under its seal or under the hand of its attorney.
(e) To be valid this form duly completed must be deposited at the Company's Share Registrar's Office at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting.
(f) Form of Proxy sent through facsimile transmission shall not be accepted.

Explanatory Note

➢ **Ordinary Resolution No. 1**

Pursuant to Section 230(1) of the Companies Act 2016 ("Act"), the fees and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The fee and benefits of the Non-Executive Directors of the Group consist of:
- Monthly fixed fee for duties as Non-Executive Director; and
- Meeting allowance for each Board/Board Committee/general meeting attended.

The Directors fee and benefits from 9 May 2019 until the conclusion of the next Annual General Meeting, is estimated not to exceed RM160,000.

➢ **Ordinary Resolution No. 5**

The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company to allot and issue not more than 10% of the total number of issued shares of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Eighteenth Annual General Meeting held on 16 May 2018 and which will lapse at the conclusion of the Nineteenth Annual General Meeting.

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

➢ **Ordinary Resolution No. 6**

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to continue to purchase the Company's shares up to ten percent (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total retained earnings of the Company. Further information on the Proposed Renewal of the Share Buy-Back Authority is set out in the Share Buy-back Statement dated 9 April 2019 which is despatched together with Company's Annual Report 2018.

➢ **Ordinary Resolution No. 7**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Chua Kim Yin who has served as Senior Independent Director of the Company for a cumulative term of more than twelve years.

Besides being an Associate Member of Certified Practising Accountant Australia, Mr. Chua Kim Ying as a senior Partner in a Sabah law firm has good knowledge and experience on the law in that State where the Group operates. He has also gained vast experience in a diverse range of business matters from his profession. He has been with the Company for more than twelve years and is well versed with its business operations. The Board is of the opinion that he has brought and will continue to bring positive contributions to the Group through his area of expertise and his understanding of its business operations.

Thus, the Board recommends him to continue to act as Independent Director of the Company.

The Company would apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond twelve years of tenure as cited by the Malaysian Code of Corporate Governance.

➢ **Ordinary Resolution No. 8**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Choong Pak Wan who has served as Independent Director of the Company for a cumulative term of more than nine years.

Mr. Choong Pak Wan has more than 40 years of experience in property development and construction, and his position as Project Director in an established architecture firm has contributed positively to the Board in the area of project planning and implementation. He has been with the Company for more than nine years. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of the Company's operations and thus, recommends him to continue to act as Independent Director of the Company.

➢ **Ordinary Resolution No. 9**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Chan Kam Leong who has served as Independent Director of the Company for a cumulative term of more than nine years.

Mr. Chan Kam Leong has more than 45 years of experience in civil and structural engineering consultancy, being a winner of Tan Sri Hj. Yusoff Price for publishing an outstanding paper for The Institution of Engineers, Malaysia. He has a good understanding of the Company's operations and has always provided valuable technical guidance. He has been with the Company for more than nine years and is familiar with its business operations. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of its operations and recommends him to continue to act as Independent Director of the Company.

➢ **Special Resolution**

The proposed Special Resolution, if passed, will give full effect to the proposed amendments to the Constitution of the Company by substituting the existing Constitution with the new set of Constitution as set out in Appendix A.

The rationale of the proposed amendments to the existing Constitution is to ensure continued compliance and to bring the Constitution of the Company in line with the following laws and regulations:-

- Amended Bursa Malaysia Securities Berhad Main Market Listing Requirements which was issued on 29 November 2017; and
- Companies Act 2016 which came into effect on 31 January 2017.

Corporate Information

BOARD OF DIRECTORS

Executive Chairman
Tan Sri Dr. Mah King Thian @ Mah King Thiam
(Alternate Director: Dr. Jordina Mah Siu Yi)

Managing Director
Dato' Seri Mah King Seng
(Alternate Director: Mah Li-Na)

Independent & Non-Executive Directors
Chua Kim Yin
Chan Kam Leong
Choong Pak Wan

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

AUDIT COMMITTEE
Chua Kim Yin *(Chairman)*
Chan Kam Leong *(Member)*
Choong Pak Wan *(Member)*

NOMINATION COMMITTEE
Chua Kim Yin *(Chairman)*
Chan Kam Leong *(Member)*
Choong Pak Wan *(Member)*

REMUNERATION COMMITTEE
Chan Kam Leong *(Chairman)*
Chua Kim Yin *(Member)*
Choong Pak Wan *(Member)*

REGISTERED OFFICE
Lot 70, Block 6, Prima Square
Mile 4, North Road
90000 Sandakan, Sabah
Tel: 089-272 773
Fax: 089-272 772, 220 881
221 494
E-mail: pa@cepatgroup.com
Website: www.cepatgroup.com

COMPANY SECRETARIES
Kang Shew Meng *(MAICSA 0778565)*
Seow Fei San *(MAICSA 7009732)*

AUDITORS
Ernst & Young
16th Floor
Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah
Tel: 089-217 266
Fax: 089-272 002

PRINCIPAL BANKERS
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 03-2783 9299
Fax: 03-2783 9222

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad

Profile of Board of Directors

TAN SRI DR. MAH KING THIAN @ MAH KING THIAM

Malaysian, male, aged 55
Executive Chairman

Tan Sri Dr. Mah King Thian @ Mah King Thiam ("Tan Sri Dr. Mah") was appointed as a Director and Chairman of the Company on 27 October 2005 and 31 October 2005 respectively. He is also a member of the Executive Committee.

He graduated from Monash University, Australia with a Bachelor of Economics Degree majoring in Accounting in 1986 and also a Bachelor of Laws Degree in 1987. He was subsequently admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1989. He is also a Fellow Member of Certified Practising Accountant Australia (FCPA).

In 2018, Tan Sri Dr. Mah successfully completed his postgraduate study on oil palm renewable energy businesses and was conferred the degree of Doctor of Philosophy (PhD) by the Liverpool Business School in the United Kingdom.

Tan Sri Dr. Mah is a Director of Behrang 2020 Sdn Bhd and several other private limited companies. He is also the Managing Director of MHC Plantations Bhd, a company listed on the Main Market of Bursa Securities. He is also the Executive Chairman of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.

Tan Sri Dr. Mah King Thian @ Mah King Thiam is deemed connected to MHC Plantations Bhd and Yew Lee Holdings Sdn. Berhad, two of the substantial shareholders of the Company. He is the younger brother of Dato' Seri Mah King Seng, the Managing Director of the Company, father of Dr. Jordina Mah Siu Yi, the Alternate Director to him and son of Datin Seri Ooi Ah Thin, a Director and substantial shareholder of Dato' Mah Pooi Soo Realty Sdn. Bhd., which in turn a substantial shareholder of the Company. He has no conflict of interest with the Company and has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

DATO' SERI MAH KING SENG
Malaysian, male, aged 61
Managing Director

Dato' Seri Mah King Seng was appointed as a Director and Managing Director of the Company on 27 October 2005 and 27 February 2008 respectively. He is the Chairman of the Executive Committee.

He graduated from University of Minnesota, United States of America with a degree in Agricultural Science in 1978. In 1980, he attended the Palm Oil Mill Engineer/Executive Training course on palm oil mill operations organised by the Malaysian Oil Palm Growers Council. He subsequently obtained his Bachelor of Laws Degree in 1985 from the University of Buckingham, United Kingdom and was admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1990. He is the Executive Chairman of MHC Plantations Bhd, a company listed on the Main Market of Bursa Securities and also a Director of Behrang 2020 Sdn Bhd and several other private limited companies. He is also the Managing Director of an existing subsidiary of the Company, Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.

Dato' Seri Mah King Seng is deemed connected to MHC Plantations Bhd and Yew Lee Holdings Sdn. Berhad, two of the substantial shareholders of the Company. He is the elder brother of Tan Sri Dr. Mah King Thian @ Mah King Thiam, the Executive Chairman of the Company, father of Mah Li-Na, the Alternate Director to him and son of Datin Seri Ooi Ah Thin, a Director and substantial shareholder of Dato' Mah Pooi Soo Realty Sdn. Bhd., which in turn a substantial shareholder of the Company. He has no conflict of interest with the Company and has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

CHUA KIM YIN (JP)
Malaysian, male, aged 57
Senior Independent Non-Executive Director

Mr. Chua Kim Yin was appointed as an Independent Non-Executive Director of the Company on 21 July 2005 and appointed Senior Independent Non-Executive Director on 25 February 2013. He is the Chairman of both the Audit Committee and Nomination Committee. He is also a member of the Remuneration Committee. Mr. Chua was appointed a Justice of The Peace (JP) by Yang Di-Pertua Negeri Sabah in September 1996.

He obtained his Bachelor of Economics (Accounting) in 1984 and Bachelor of Laws in 1986 from Monash University, Victoria, Australia. He was then admitted to practise as a Barrister and Solicitor of the Supreme Court of Victoria, Australia in 1987. A year later, he was admitted as an Advocate of the High Court in Borneo, in the State of Sabah. He is currently a partner in the legal firm, Messrs RCK & Co. in Kota Kinabalu, Sabah. He is also an Associate Member of Certified Practising Accountant Australia.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

CHAN KAM LEONG
Malaysian, male, aged 78
Independent Non-Executive Director

Mr. Chan Kam Leong was appointed as an Independent Non-Executive Director of the Company on 2 May 2008. He is the Chairman of Remuneration Committee. He is also a member of the Audit Committee and Nomination Committee.

He holds the qualifications of Bachelor of Science (Eng), Master of Science (Construction Management) and Professional Engineer, Malaysia as well as Chartered Engineer, United Kingdom (UK). He is also members of The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK, The Institution of Engineers, Malaysia (IEM) and The Association of Consulting Engineers, Malaysia.

He had three years working experience each in Kuala Lumpur and Singapore and three and a half years working experience in London before founding K.L. Chan & Associates of which he is presently a partner. He has more than forty-five years of experience in civil and structural engineering consultancy. He was also the winner of the Tan Sri Hj. Yusoff Prize in 2007 for publishing an outstanding paper in the IEM Journal.

He is a Director of MHC Plantations Bhd, a company listed on the Bursa Malaysia Securities Berhad.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

CHOONG PAK WAN
Malaysian, male, aged 75
Independent Non-Executive Director

Mr. Choong Pak Wan was appointed as an Independent Non-Executive Director of the Company on 25 February 2009. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

He is a Project Director in an established architect firm in Ipoh. He has more than 40 years experience in the property development and construction industries, mainly in development planning, project feasibility study and implementation. He also acts as adviser and is a director in various development companies namely AI Archi-Management Sdn Bhd, MC Square Sdn Bhd, CNT Builders Sdn Bhd and Simpulai Land Sdn Bhd.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years. He attended four Board Meetings held during the financial year.

DR. JORDINA MAH SIU YI
Malaysian, female, aged 27
Alternate Director

Dr. Jordina Mah Siu Yi ("Dr. Mah") was appointed as an Alternate Director to Tan Sri Dr. Mah King Thian @ Mah King Thiam ("Tan Sri Dr. Mah") on 7 March 2018. She graduated from the University of Glasgow, United Kingdom (UK) with a Bachelor of Medicine and Bachelor of Surgery (MBChB) in 2016.

In anticipation of her current role, she subsequently embarked on her postgraduate studies in Law in the UK, and successfully completed it in 2017. She is currently pursuing the Bar Professional Training Course to gain admission to the BAR of England and Wales.

Dr. Mah is also the Alternate Director of Tan Sri Mah in MHC Plantations Berhad, a company listed on the Main Market of Bursa Securities Malaysia Berhad.

She has co-authored papers in international medical journals. Previously, she has interned at World Vision Australia in Melbourne, Messrs. Wong Kian Kheong, Advocates & Solicitors, in Kuala Lumpur, and University Malaya Medical Centre.

She is the eldest daughter of Tan Sri Mah, who is the Executive Chairman of the Company and a substantial shareholder of Dato' Mah Pooi Soo Realty Sdn Bhd ("DMR"), which in turn a substantial shareholder of the Company, and the granddaughter of Datin Seri Ooi Ah Thin, who is also a Director and substantial shareholder of DMR. She has no conflict of interest with the Company and has no conviction for offences within the past five (5) years.

MAH LI-NA
Malaysian, female, aged 29
Alternate Director

Li-Na Mah is currently with Cepatwawasan Group Berhad as Management Accountant. She also assists the Managing Director, Dato' Seri Mah King Seng in management duties.

She initially graduated from the University of Melbourne, Australia with a Bachelor of Commerce majoring in Accounting and Finance in 2010. Thereafter, she joined the Chinese Language Programme in Tsinghua University, Beijing to enhance her fluency in Mandarin. She went on to pursue her second degree, Bachelor of Laws with the University of London and completed with a Upper Second-Class Honours in 2016.

She has previously interned with KPMG Malaysia, Forensics Accounting Department in 2009, then proceeded to join the company as an Associate in 2012. During her tenure there, she participated in investigations of financial frauds and was involved in the preparation of the KPMG Fraud Survey report then.

She was appointed to the Board of MHC Plantations Bhd on 7 March 2018 as an Alternate Director to Dato' Seri Mah King Seng. She is the daughter of Dato' Seri Mah King Seng, who is a Director and substantial shareholder of Dato' Seri Mah Pooi Soo Realty Sdn Bhd ("DMR"), which in turn a substantial shareholder of the Company, and the granddaughter of Datin Seri Ooi Ah Thin, who is also a Director and substantial shareholder of DMR. She has no conflict of interest with the Company and has not been convicted of any offence in the last five years.

Profile of Key Senior Management

TAN SRI DR. MAH KING THIAN
Malaysian, male, aged 55,
Executive Chairman
* The profile of Tan Sri Dr. Mah King Thian is listed in the Profile of Directors on page 8.

DATO' SERI MAH KING SENG
Malaysian, male, aged 61
Managing Director
* The profile of Dato' Seri Mah King Seng is listed in the Profile of Directors on page 8.

SOONG SWEE KOON
Malaysian, male, aged 64
Chief Operating Officer

Mr. Soong is a qualified engineer with a Steam Engineers Certificate of Competency (First Grade). He started his career in power generation with Perak Hydro Electric Power Company (UK firm) in 1974. In the following years, he specialised in power generation, Hydro and Steam Thermal Power Plants, and maintenance and workshop overhaul of Cummins Diesel Engines and generators. From 1980 to1996, he worked as an engineer in United Plantations Bhd. The palm oil mill under Mr. Soong's management was the winner of the Anugerah Award for Best Palm Oil Mill in Malaysia (2nd Place from year 1990-1995). He served as senior engineer, technical advisor, project manager and regional consultant to a number of energy companies from 1996 to 2010. He was appointed as Chief Operating Officer of MHC Plantations Bhd on 15 November 2012. He is also the Executive Director of Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.

He does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offence in the last five (5) years.

MUTHUSAMY A/L P. KARUPPAIAH
Malaysian, male, aged 65
Group General Manager

Mr. Muthusamy A/L P. Karuppaiah was appointed as Group General Manager on 20 February 2014.

He obtained his Diploma in Agriculture in 1979 and also a Diploma in Oil Palm & Technology (Milling) in 2002. He is a planter with wide experience in the industry. He spent 24 years in United Plantation Berhad, holding various positions from Cadet Assistant to Plantation Manager before he joined MHC Plantations Bhd as Senior Manager. After 2 years in MHC Plantations Bhd, he joined IJM Plantations Berhad as Senior Manager for Indonesia Operations. He then joined Cepatwawasan Group Berhad in 2009 as Plantation Controller and was promoted to his current position in 20 February 2014.

He has no family relationship with any Directors and/or major shareholders of the Company, and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years.

He does not hold any directorships in public companies.

Profile of Key Senior Management (continued)

LIU SWEE KAN
Malaysian, male, aged 51
Group Accountant

Mr. Liu Swee Kan joined the Company as Group Accountant on 14 April 2016.

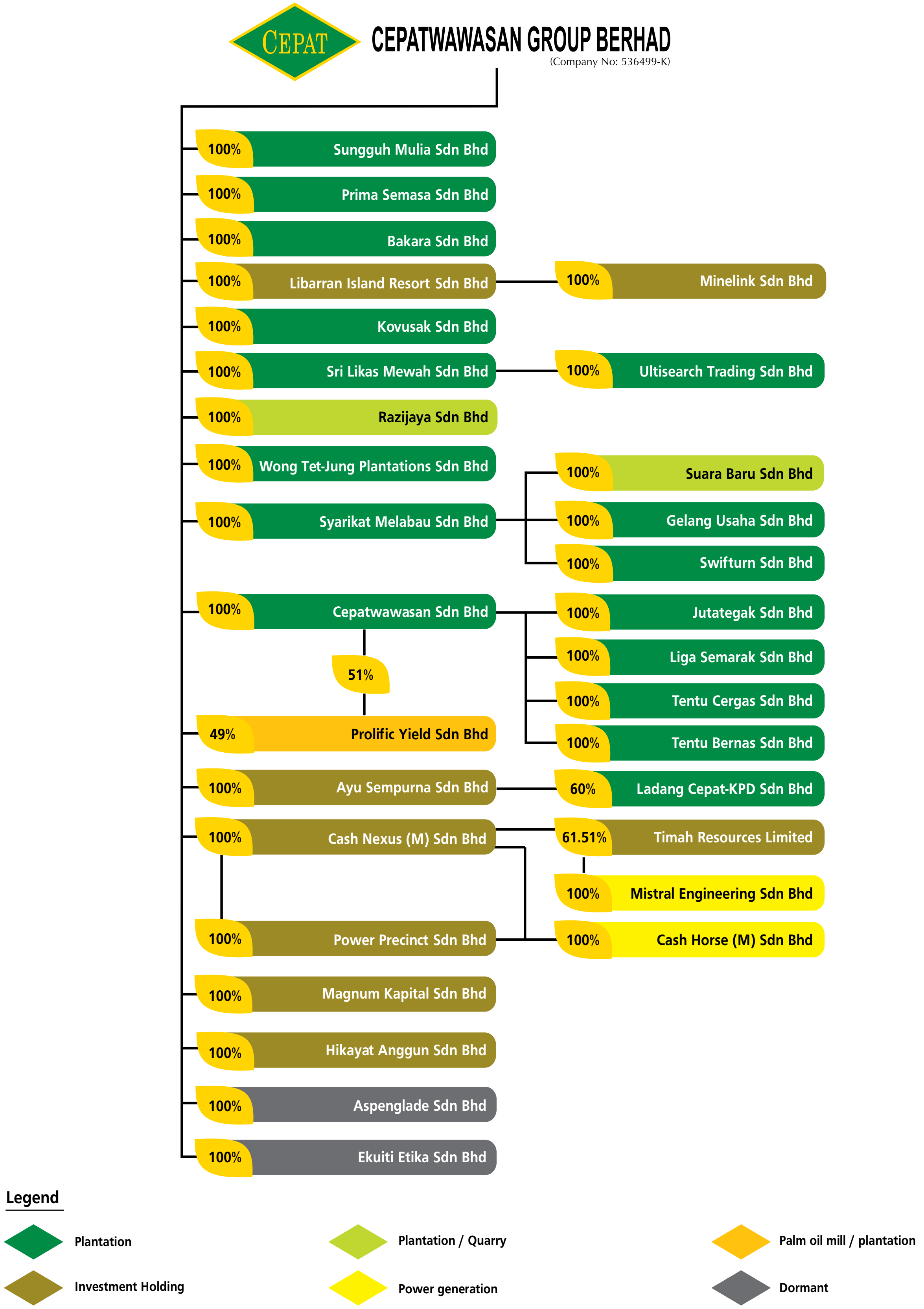
He obtained his professional qualification from the Malaysia Institute of Certified Public Accountants in 2005 and is currently a member of the Malaysian Institute of Accountants (MIA).

He was with Audit Firms for 10 years before working as a Finance Manager in a shipping and logistic company in Sarawak for 3 years. He then joined a Plantation Company based in Sarawak for about 8 years, holding positions from Accountant to Senior Accountant.

He has no family relationship with any Directors and/or major shareholders of the Company, and has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years.

He does not hold any directorships in public companies.

Group Structure



Chairman's Statement

Group's Performance

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of the Company and its subsidiaries (hereinafter collectively referred to as "Group") for the financial year ended 31 December 2018.

The Group recorded revenue of RM240.62 million and profit before tax of RM8.98 million in 2018 as compared to RM274.13 million and 35.09 million respectively in 2017. Profit after tax decreased from RM26.88 million in 2017 to RM5.07 million and hence, the Group's net earnings per share has decreased from 7.82 sen to 1.72 sen. Net tangible assets per share attributable to ordinary equity holders of the Company is now 1.07 sen.

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

i) Decrease in Fresh Fruit Bunches ("FFB") Production by 9%.
ii) Decreases in the average selling prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK") by 19% and 30% respectively.
iii) Decrease in Power sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements.
iv) Decrease in Power export to SESB by 9% and decrease in the average selling price of Empty Fruit Bunches ("EFB") oil by 32%.

The highlights of the Group performance are stated below:

Average selling price per metric tonne ("mt"):-			
	2018 (RM)	**2017 (RM)**	**Increase Decrease (-)**
CPO	2,217	2,741	-19%
PK	1,730	2,474	-30%
FFB	409	535	-24%
Production:-			
CPO (mt)	75,847	65,997	15%
PK (mt)	18,754	15,831	18%
FFB (mt)	121,514	133,336	-9%
Electricity Export (MWh)	69,053	75,622	-9%
Extraction rate:-			
CPO	19.51%	19.74%	-0.23%
PK	4.83%	4.74%	0.09%

Dividend

On 25 February 2019, the Board approved a single-tier ordinary dividend of 1.5 sen per ordinary share on 308,967,010 ordinary shares amounting to a dividend of RM4,634,505 payable on 22 May 2019.

Corporate Social Responsibility ("CSR")

The Group is committed to ensuring that its actions not only benefit its shareholders but also its employees, the community and the environment. The Group undertakes various CSR activities through Dato' Seri Mah Pooi Soo Benevolent Fund ("the Fund") which is a charitable organisation partly funded by the Group over the years. The Fund is dedicated to the advancement of education and religion, relief of poverty and other purposes beneficial to the community.

Prospect and Outlook

The performance of the Group is largely dependent on the prices of oil palm products and the Group's FFB production. Whilst the prices of oil palm products are fundamentally correlated with the underlying demand and supply dynamics beyond our control, the Group will continue to improve its FFB production through better labour management and mechanisation, and strive to maximise its power output.

The Group expects a better contribution from its Sandakan Biogas power plant following the replacement of the existing gas engines with more efficient and reliable engines scheduled to be completed in 2019.

On the whole, your Board is confident that, barring any unforeseen circumstances, the Group will continue to perform satisfactorily in 2019.

Acknowledgement

I wish to express my gratitude to our Management and Staff for their dedicated services and contributions throughout the year.

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

And finally, to all our shareholders, please accept my heartfelt thanks for your unwavering and continuous support. May I wish you all a very successful and prosperous year ahead.

Regards
Tan Sri Dr. Mah King Thian
Executive Chairman

Management's Discussion and Analysis

DESCRIPTION OF OUR GROUP'S BUSINESS

Cepatwawasan Group Berhad ("CGB") was incorporated in Malaysia under the Companies Act 1965 on 11 January 2001.

CGB is an investment holding company with its subsidiaries principally involved in oil palm cultivation, milling, quarrying, sales of oil palm products and power generation. These business units are organised into three major operating segments namely Plantation, Oil Mill and Power Plant.

As at 31 December 2018, the Group has a landbank of approximately 10,290 hectares in Sabah, Malaysia. The Group owns one oil mill in Sandakan, Sabah with a milling capacity of 90 metric tonnes ("mt") per hour. In addition, the Group has ventured into oil palm renewable energy by investing in and operating a 12 Megawatt Biomass power plant and a 4.0 Megawatt Biogas power plant, both in Sandakan, Sabah.

Financial Review

Revenue

For 2018, the Group recorded revenue of RM240.62 million, which is a decrease of RM33.52 million (12%) as compared to 2017. The decrease in revenue is mainly due the increase/(decrease) of sales volume and price as stated below:-

Average unit selling price:	2018 (RM)	2017 (RM)	Increase/ Decrease (-)
CPO	2,217	2741	-19%
PK	1,730	2,474	-30%
FFB	409	535	-24%
Electricity/kWh	0.3538	0.3461	2%
EFB Oil/mt	1,459	2,156	-32%
Sales Volume			
CPO (mt)	75,070	66,059	14%
PK (mt)	18,832	15,711	20%
FFB (mt)	35,826	51,042	-30%
Electricity (MWh)	69,053	75,622	-9%
EFB Oil (mt)	7,295	5,296	38%

Profit before Taxation

For this financial year under review, the Group recorded a profit before tax of RM8.98 million as compared to a profit before tax of RM35.09 million in the preceding year. The decrease in profit before tax is mainly due to:-

- Decrease in FFB Production by 9%.
- Decreases in CPO and PK average selling prices by 19% and 30% respectively.
- Decrease in Power sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in Power export to SESB by 9%. In addition, the decrease in average selling price of EFB oil by 32% caused a further decrease in the Group's Profit before taxation.

Performance of the respective operating business segments for this financial year under review as compared to the preceding year is analysed as follows:

- Plantation – The decrease in segment profit by RM24.97 million (73%) from segment profit of RM33.86 million to RM8.89 million was mainly due to lower FFB production by 9% and lower average FFB selling price by 25%.

- Oil Mill – The increase in segment profit by RM1.70 million (34%) from segment profit of RM5.01 million to a segment profit of RM6.71 million was mainly due to higher FFB processed during the period by 16% and higher OER margin.

- Power Plant – The decrease in segment profit by RM5.65 million (49%) from segment profit of RM11.59 million to a segment profit of RM5.94 million was mainly due to a decrease in Power sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in Power export to SESB by 9%. In addition, the decrease in the average selling price of EFB oil by 32% caused a further decrease in the segment profit. The decline in profit was also partly attributed to higher maintenance and repair charges incurred on the existing biogas engines amounting to RM1.36 million, as compared to the lower gas engine maintenance and repair charges of RM0.77 million incurred during the preceding year period. The 12 MW Biomass Power Plant generated and exported 51,106 MWh (2017: 60,288 MWh) whereas the 4.0MW Biogas Power Plant generated and exported 17,947 MWh (2017: 15,333 MWh) for this financial year to SESB. The decrease in power generation during the year was mainly due to the shutdown of the Biomass Plant for 27 days to carry out major overhaul and maintenance. As the plant approaches the end of the operating cycle before the shutdown for overhaul, it begins to decline in efficiency and productivity.

Other Income

Other income decreased by 46% from RM1.88 million to RM1.01 million mainly due to non-recurring income derived from gain on disposal of leasehold land of RM0.67 million and the fair value gain from revaluation of leasehold property of RM0.64 million in 2017.

Finance Cost

Finance costs reduced by 7% from RM5.81 million to RM5.36 million due to reductions in borrowing at the beginning of the year.

Taxation

The effective tax rate for 2018 was much higher than the statutory tax rate of 24% principally due to certain expenses which are not deductible for tax purpose and also the non recognition of deferred tax assets arising from current year's tax losses and unabsorbed capital allowances.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company and earnings per share of the Group decreased by 79% year-on-year at RM5.05 million and 1.72 sen respectively.

Cash Flow

In 2018, the Group generated lower net cash from operating activities of RM18.62 million as compared to RM42.16 million in the 2017, mainly due to decrease in oil palm product prices and productions.

The net cash used in investing activities mainly comprised capital expenditure of RM13.30 million on oil palm plantations, palm oil mills, power plant.

The net cash used in financing activities in 2018 amounted to RM12.76 million, primarily relating to the repayment of bank borrowings and payment of dividend.

Overall, the Group registered a net decrease in cash and cash equivalents of RM4.44 million during 2018, bringing total cash and bank balances to RM14.77 million as at 31 December 2018.

FIVE -YEAR FINANCIAL HIGHLIGHT

Financial Amount in RM'000 unless otherwise stated	**2018** **RM'000**	**2017** **RM'000**	**2016** **RM'000**	**2015** **RM'000**	**2014** **RM'000**
Revenue	240,618	274,134	254,668	228,221	243,912
Profit before tax	8,980	35,086	30,157	12,173	21,261
Income tax expenses	(3,910)	(8,208)	(7,921)	(4,729)	(4,229)
Profit net of tax	5,070	26,878	22,236	7,444	17,032
Profit attributable to:					
Owner of the parent	5,299	24,169	21,071	6,052	16,665
Non-controlling interest	(229)	2,709	1,165	1,392	367
	5,070	26,878	22,236	7,444	17,032

Management's Discussion and Analysis (continued)

FIVE -YEAR FINANCIAL HIGHLIGHT (continued)

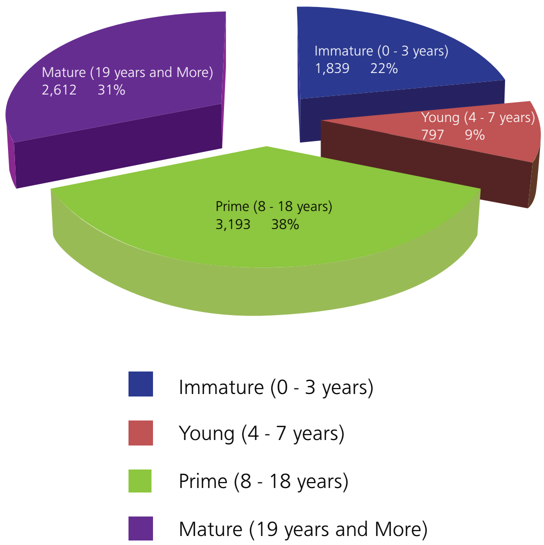
Financial Amount in RM'000 unless otherwise stated	**2018** **RM'000**	**2017** **RM'000**	**2016** **RM'000**	**2015** **RM'000**	**2014** **RM'000**
Share capital	318,446	318,446	318,446	318,446	318,446
Treasury shares	(11,097)	(11,097)	(11,097)	(11,097)	(11,097)
Reserves	(80,713)	(80,461)	(80,354)	(80,207)	(78,407)
Retained earnings	120,494	121,622	102,087	85,519	85,647
Non controlling interest	12,498	14,485	13,430	12,920	15,745
Total Equity	359,628	362,995	342,512	325,581	330,334
Loans and borrowings	54,646	58,538	63,804	68,624	65,433
Trade and other payables	24,524	29,179	31,828	23,200	27,755
Income tax payable	228	1,622	1,905	193	252
Deferred tax liabilities	24,410	23,247	23,055	21,217	21,726
Loans and borrowings	53,070	51,827	66,315	74,045	60,228
Lease rental payable	267	267	267	267	267
	516,773	527,675	529,686	513,127	505,995
Property, plant and equipment ("PPE")	227,145	225,193	228,582	230,538	250,537
Investment properties	43,340	43,340	42,700	42,700	42,700
Intangible assets	17,358	17,358	17,358	17,358	17,358
Land use rights	1,910	1,938	1,966	1,994	2,022
Deferred tax assets	3,033	2,826	3,106	3,389	3,533
Trade and other receivables	140,836	142,918	149,502	136,077	108,184
Biological assets	1,142	2,630	3,767	1,256	1,797
Inventories	26,720	25,283	24,403	29,422	20,623
Trade and other receivables	20,567	26,272	22,272	13,629	21,107
Tax recoverable	3,364	1,187	1,411	883	3,809
Short term investments	13,860	17,062	13,098	11,085	10,892
Cash and bank balances	17,498	21,668	21,521	24,796	23,433
	516,773	527,675	529,686	513,127	505,995
Basic earning per share (sen)	1.72	7.82	6.82	1.96	5.39
Net dividend per share (sen)	1.50	2.00	1.50	1.50	2.00
Divided Cover (times)	1.14	3.91	4.55	1.31	2.70

OPERATIONAL REVIEW

Plantation operations

The Group is a mid-sized oil palm plantation group based in Sandakan. As at 31 December 2018, total plantation land stood at approximately 10,290 hectares of which 82% or 8,442 hectares are planted with oil palms. From the total planted area, approximately 78% or 6,602 hectares are mature while the remaining 22% or 1,840 hectares of the area are at the immature stage. The average yield per hectare for 2018 was lower at 17.38 mt/hectare as compared to 18.82 mt/hectare in 2017 due to additional newly mature area that is less productive and shortage of labour in some of the Group's estates during mid of 2018. As a result of the decrease in yield and a lower FFB price by 9%, the plantation segment registered an decrease in segmental profit of RM24.97 million (73%) from RM33.86 million in 2017 to RM8.89 million in 2018.

Oil Palm Age Profile



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

The age profile of the developed area is shown below:

Particulars	Hectar	%
0 – 3 years (Immature)	1,840	22%
4 – 7 years (Young)	797	9%
8 – 18 years (Prime)	3,193	38%
> 19 years (Past Prime)	2,612	31%
Total	**8,442**	**100**

Milling Operations

The Group owns a palm oil mill, Prolific Yield Palm Oil Mill, with an operating capacity of 90 mt/hr. Together with external crop, a total of 388,668 mt (2017: 334,278 mt) of FFB was processed in 2018, representing an increase of 16% in processed crop volume as compared to 2017, primarily due to the Group's efforts in sourcing for new FFB suppliers. This Increase in FFB intake is the primary reason for the increase in segmental profit from RM5.01 million to RM6.71 million despite a decrease in extraction rates ("OER") from 19.74% in 2017 to 19.51% in 2018.

FIVE-YEAR PLANTATION AND MILL STATISTICS

		Cepatwawasan Group Berhad				
		2018	2017	2016	2015	2014
Oil Palm						
Production:						
FFB	(mt)	121,514	133,336	124,390	144,216	156,288
Crude palm oil	(mt)	75,874	65,997	59,161	70,007	78,577
Palm kernel	(mt)	18,754	15,831	14,334	16,852	18,471
Average selling price:						
FFB	(RM/mt)	409	535	511	371	418
Crude palm oil	(RM/mt)	2,217	2,741	2,578	2,130	2,281
Palm kernel	(RM/mt)	1,730	2,474	2,490	1,553	1,628
Yield per matured hectare	(mt)	17.38	18.82	17.47	19.23	20.81
Oil extraction rate	%	19.51	19.74	20.00	20.72	20.50
Palm kernel rate	%	4.83	4.74	4.84	4.99	4.82
Planted Oil Palm Area						
(Weighted average hectares):		8,442	8,450	8,450	8,648	8,080
Mature		6,990	7,083	7,122	7,501	7,509
Immature		1,452	1,367	1,328	1,147	571
Total planted area		8,442	8,450	8,450	8,648	8,080

Power Plant Operations

The Group operates a young renewable energy division consisting of a Biomass power plant and a Biogas power plant in Sandakan, Sabah.

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

The 4.0 Megawatt Biogas power plant generates electricity by capturing the methane gas from palm oil mill effluent (POME) and combusting the gas in biogas engines, thereby mitigating the emission of greenhouse gases. There is also Zero discharge to the river as the final discharge from the Biogas plant is released through a system of drip irrigation for land application. On 18 February 2015, the Group obtained the FiT Approval from SEDA to sell renewable electricity to SESB for 16 years commencing from 15 February 2017.

Segment profit decreased by RM5.65 million (49%) from segment profit of RM11.59 million to a segment profit of RM5.94 million mainly due to a decrease in Power sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in Power export to SESB by 9%. In addition, the decrease in average selling price of EFB oil by 32% caused a further decrease in the segment profit. The 12 MW Biomass Power Plant generated and exported 51,106 MWh (2017: 60,288 MWh) whereas the 3.8 MW Biogas Power Plant generated and exported 17,947 MWh (2017: 15,333 MWh) for this current period to SESB.

The Group expects a better performance from the Power Plant Segment in 2019 due to the replacement of the existing, underperforming Biogas engines. 2 new engines have already arrived and were successfully tested in November 2018. The 3rd engine has arrived on early March 2019 and scheduled for testing on April 2019, after which the 3 new engines will be ready for commissioning, under the supervision of SEDA in 2019.

PROSPECT

For 2019, the Prospect of the Group continues to be dependent on the direction of palm oil prices and FFB production, and hence it continues to face challenges from fluctuating prices, increasing costs, manpower shortages and unpredictable weather conditions. Nevertheless, the Group will continue to improve its operational efficiencies to mitigate the effects of rising production costs through enhanced mechanization, implementation of competitive harvesting rates, effective nutrient management, and introduction of better planting materials.

Corporate Governance Statement

The Board of Directors ('Board') of Cepatwawasan Group Berhad ('Company') is committed to ensure that the highest standards of Corporate Governance are practised throughout the Group towards enhancing business prosperity and corporate accountability to realise long term shareholders' value for the Company's shares. The Board is working towards ensuring full compliance with principles and best practices of Malaysian Code on Corporate Governance that was implemented on 26 April 2017 ("MCCG").

The Board is pleased to report to shareholders on the manner the Group has applied the three (3) main principles known as Board Leadership and Effectiveness (Principle A), Effective Audit and Risk Management (Principle B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principle C) throughout the financial year ended 31 December 2018.

This Corporate Governance Statement should be read together with Corporate Governance Report 2018 which is available on the Company's website at www.cepatgroup.com.

Principle A: Board Leadership and Effectiveness

I Board Responsibilities

1.0 Every company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

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

In discharging their responsibility, the Board considers all aspects of the operations of the Group and in particular the following areas:

- Reviewing and adopting a strategic business plan for the Group.
- Overseeing the conduct of the business of the Group.
- Identifying and putting in place systems to manage any principal risk.
- Succession planning for senior management.
- Developing and implementing investor relations programme or shareholder communications policy.
- Reviewing internal control and management information systems.

To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:-

(a) Audit Committee
(b) Nomination Committee
(c) Remuneration Committee
(d) Executive Committee

Principle A: Board Leadership and Effectiveness (continued)

I Board Responsibilities (continued)

1.0 Every company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. (continued)

The Board currently consists of seven (7) Directors as at the date of this report:-

Executive Chairman
Tan Sri Dr. Mah King Thian @ Mah King Thiam

Alternate Director to Tan Sri Dr. Mah King Thian @ Mah King Thiam
Dr. Jordina Mah Siu Yi

Managing Director
Dato' Seri Mah King Seng

Alternate Director to Dato' Seri Mah King Seng
Ms. Mah Li-Na

Independent Non-Executive Directors
Chua Kim Yin
Chan Kam Leong
Choong Pak Wan

The Chairman and Managing Director have many years of experience in the operations of plantations and palm oil mill. The Non-Executive Directors are credible professionals of calibre, who play key supporting roles by contributing their knowledge, guidance and experience towards making independent judgement on issues of strategies, performance, resources and standards of conduct. The Executive and Non-Executive Directors together ensure that the strategies proposed by the management are fully discussed and examined and the long-term interests of the shareholders, employees, suppliers and customers are taken into account.

The roles of the Chairman and Managing Director are separate and each has a clearly accepted division of responsibilities to ensure a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board while the Managing Director has overall responsibilities in the implementation of Board policies and decisions as well as some of the Group's day-to-day operations.

The Chairman is an Executive Director and remains so after taken into consideration of his vast experience in managing the Group's main business in plantations and palm oil mill which would enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group.

The Board is supported by qualified and experienced Company Secretaries who facilitate overall compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR") and other relevant laws and regulations.

Both Company Secretaries of the Company are qualified to act as Company Secretary under section 235 of the Companies Act 2016.

The Company Secretaries play important roles in ensuring adherence to the Board policies and procedures from time to time.

Principle A: Board Leadership and Effectiveness (continued)

I Board Responsibilities (continued)

1.0 Every company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company. (continued)

The Company Secretaries carry out the following tasks:

- Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM");
- Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia on a timely basis;
- Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant Management personnel for necessary actions;
- Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;
- Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
- Keep the Directors and principal officers informed of the closed period for trading in the Company's shares; and
- Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.

The Board meets on a quarterly basis and additionally as and when required. All Directors are provided with an agenda and a set of board papers issued at a reasonable period from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of corporate policies and procedures, Group operational plan and budget, acquisitions and disposals of undertakings and properties that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

In carrying out their duties, the Directors have complete access to all staff for information pertaining to the Group's affairs. The Directors also have full access to advice and services of the Company Secretary. Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.

The Board also ensures that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. Upon conclusion of the meeting, the Board also ensures the minutes are circulated in a timely manner.

Principle A: Board Leadership and Effectiveness (continued)

I Board Responsibilities (continued)

2.0 There is demarcation of responsibilities between the Board, Board Committees and Management. There is clarity in the authority of the Board, its Committees and individual Directors.

The Board concurred that the Board Charter ("Charter") should be reviewed and updated in accordance with the needs of the Company and upon any new regulation to be implemented.

The Board had on 25 February 2019 reviewed its Board Charter.

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

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board, Management, Employees and other Stakeholders are clear on what is considered acceptable behaviour and practice in the Company.

The Company has also formalised a set of ethical standards through a Code of Conduct, which is subject to periodical review, to ensure Directors practise ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. The Board would review the said Code of Conduct when necessary. The Code of Conduct is published on the Company's website at www.cepatgroup.com.

The Board had on 25 February 2019 reviewed the Group's Code of Condust & Ethics.

Along with good governance practices and in order to enhance transparency and accountability, the Board has established and put in place the following policies and procedures, full details of which are made available at the Company's website at www.cepatgroup.com:
- Board Charter
- Code of Conduct and Ethics
- Shareholder's Right relating to General Meeting
- Whistleblowing Policy and Procedure
- Sustainability Policy

II Board Composition

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights.

The Company has complied with the requirement of paragraph 15.02 of the MMLR whereby majority of the Board of Directors are Independent Non-Executive Directors. The Board currently consists of two (2) Executive Directors, two (2) Alternate Director and three (3) Independent Non-Executive Directors.

Principle A: Board Leadership and Effectiveness (continued)

II Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (continued)

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. There is a clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Independent Non-Executive Directors provide unbiased and independent views to safeguard the interests of shareholders.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making.

The Nomination Committee has reviewed the present composition of the Board and the three (3) main existing board committees and is satisfied that they have adequately carried out their functions within their scope of work.

The Company does not have a policy on the tenure of Independent Director, however, the Company recognises the MCCG's recommendation that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, the Independent Director may continue to serve on the Board as an Independent Director subject to assessment by the Board and shareholders' approval at the general meeting.

The Company would continue to apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond twelve (12) years of tenure of office.

The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the Independent Directors are capable to exercise independent judgment and act in the best interests of the Group.

The Independent Directors of the Company fulfilled the criteria of "Independence" as prescribed by MMLR. They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making.

Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions. Such a situation may arise from external associations, interests or personal relationships.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters.

The Board, via Nomination Committee has developed the criteria to assess independence and formalised the current independence assessment practice.

Principle A: Board Leadership and Effectiveness (continued)

II Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (continued)

Each independent director has provided their own declaration of Director's Independence to the Board. The Board carried out the assessment of the Independent Directors at its meeting held on 27 November 2018. Each Independent Director abstained from deliberation on his own independence assessment. The Board is satisfied that the Independent Directors still maintain their independence.

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment on Mr. Chua Kim Yin who has served as Senior Independent Director of the Company for a cumulative term of more than twelve (12) years.

Besides being an Associate Member of Certified Practising Accountant Australia, Mr. Chua Kim Ying as a senior Partner in a Sabah law firm has good knowledge and experience relating to the laws in Sabah where the Group operates. He has also gained vast experience in a diverse range of business matters from his profession. He has been with the Company for more than twelve (12) years and is well versed with its business operations. The Board is of the opinion that he has brought and will continue to bring positive contributions to the Group through his area of expertise and his understanding of its business operations. Thus, the Board recommends him to continue to act as Independent Director of the Company.

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Chan Kam Leong and Mr. Choong Pak Wan who has served as Independent Director of the Company for a cumulative term of more than nine (9) years.

Mr. Chan Kam Leong has more than 45 years of experience in civil and structural engineering consultancy, being a winner of Tan Sri Hj. Yusoff Price for publishing an outstanding paper for The Institution of Engineers, Malaysia. He has a good understanding of the Company's operations and has always provided valuable technical guidance. He has been with the Company for more than nine (9) years and is familiar with its business operations. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of its operations and recommends him to continue to act as Independent Director of the Company.

Mr. Choong Pak Wan has more than 40 years of experience in property development and construction, and his position as Project Director in an established architecture firm has contributed positively to the Board in the area of project planning and implementation. He has been with the Company for more than nine (9) years. The Board is of the opinion that he has brought and will continue to bring position contributions to the Group through his area of expertise and his understanding of the Company's operations and thus, recommends him to continue to act as Independent Director of the Company.

The Board appoints its members through a formal and transparent selection process, which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to the Board for appointment as director of the Company. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.

Principle A: Board Leadership and Effectiveness (continued)

II Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (continued)

The Constitution of the Company requires that all Directors shall be subject to re-election by shareholders at the first opportunity after their appointment and that at least one third (1/3) or the number nearest to one third (1/3) of the Directors, be subject to re-election thereafter by rotation at least once in every three (3) years at the Annual General Meeting. This provides an opportunity for shareholders to renew their mandates. Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election. The re-election of each director is voted separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for re-election are furnished in the Annual Report.

The Nomination Committee is also responsible for recommending to the Board those Directors who are eligible to stand for re-election based on the reviews of their performance and their contribution to the Board through their skills, experience, qualities and ability to act in the best interests of the Company in decision making.

The Nomination Committee have assessed and is satisfied and made recommendations to the Board to re-elect and retain the following Directors:

(i) The re-election of the two (2) directors, namely Dato' Seri Mah King Seng and Mr. Chan Kam Leong, who are due for retirement and eligible for re-election pursuant to Article 76 of the Company's Constitution at the forthcoming AGM.

(ii) The retention of Mr. Chua Kim Yin, Mr. Chan Kam Leong and Mr. Choong Pak Wan whose tenure of service as an independent Director has exceeded a cumulative term of twelve (12) year for Mr. Chua and nine (9) years for both Mr. Chan and Mr. Choong, to continue to act as Independent Director of the Company.

The profiles of these Directors are set out on pages 8 to 11 of the Annual Report.

There are no changes to the composition of the Board during the financial year under review except for the appointment of the following two (2) alternate Directors.

Dr. Jordina Mah Siu Yi *(appointed on 7 March 2018)*
(Alternate Director to Tan Sri Dr. Mah King Thian @ Mah King Thiam)

Mah Li-Na *(appointed on 16 May 2018)*
(Alternate Director to Dato' Seri Mah King Seng)

The Board acknowledges the importance of Boardroom diversity. A diversity policy has been established by the Board. The Board endeavours to have at least one woman participate on the Board at all times. The Board endeavours to have diversity of the Board as well as its workforce in terms of experience, qualification, ethnicity and age.

During selection of new directors in the future, any list of proposed candidates to the Board shall consist of woman candidate, wherever reasonably possible. The Nomination Committee is responsible in ensuring that diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

Principle A: Board Leadership and Effectiveness (continued)

II Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (continued)

In view of the above, Dr. Jordina Mah Siu Yi has been appointed on 7 March 2018 as Alternate Director to Executive Chairman, Tan Sri Dr. Mah King Thian @ Mah King Thiam Subsequently, Mah Li-Na has been appointed on 16 May 2018 as Alternate Director to Managing Director, Dato' Seri Mah King Seng. Their appointment enables the Company to observe its succession planning.

All directors of the Company do not hold more than five directorships under paragraph 15.06 of the MMLR.

The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions ("DCR"). Amongst others, key matters such as approval of quarterly results, audited financial statements, major acquisitions and disposals, major investments, appointment of Directors are discussed and decided by the Board.

The date scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with the Constitution of the Company, a DCR signed by a majority of the Directors, whether or not present in Malaysia, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

The Board held four (4) Board Meetings during the financial year. The details of attendance of each individual Director are as follows:-

Name	Meetings attended
Tan Sri Dr. Mah King Thian @ Mah King Thiam	4/4
Dato' Seri Mah King Seng	4/4
Chua Kim Yin	4/4
Chan Kam Leong	4/4
Choong Pak Wan	4/4

The Company recognises the importance of continuous professional development and training for its directors. The Board as a whole has undertaken an assessment of the training needs of each director after taking into account the training programmes the Directors had attended in the past three years and the qualification, role, responsibilities, knowledge and experience of The Company recognises the importance of continuous professional development and training for its directors. The Board as a whole has undertaken an assessment of the training needs of each director after taking into account the training programmes the Directors had attended in the past three years and the qualification, role, responsibilities, knowledge and experience of the respective Directors. The proposed training programmes encompass areas related to the industry or businesses of the Group, governance, risk management and the relevant regulations related to the Group.

Principle A: Board Leadership and Effectiveness (continued)

II Board Composition (continued)

4.0 Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. (continued)

During the financial year ended 31 December 2018, the following training programmes and seminars were attended by the following Directors:

- BNP PARIBAS Wealth Management 2018 MID Year outlook attended by Dato' Seri Mah King Seng;
- Briefing for Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements and Training in IT for Business attended by Tan Sri Dr. Mah King Thian @ Mah King Thiam;
- Training in IT for Business, Ground Consolidation and Waterproofing in Underground Structures, Technical Talk of Geosynthetic Cementitious Composite Mat (GCCM), Trends & Development of Precast Concrete Arch Bridges in Malaysia, Road Safety Inspection (RSI): An Introduction and Moving Forward, SST 2.0 Awareness & Impacts on Construction Projects and Consultants attended by Chan Kam Leong;
- Seminar GST to SST by Archi-Management Sdn Bhd attended by Mr. Choong Pak Wan
- GST to SST: Mechanism and transitional issues attended by Chua Kim Yin;
- Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies, IBBK 3rd Agro-Industrial Biogas Training Seminar, IBBK Asia Pacific Biogas Forum 2018 and Rabobank Financial Markets Outlook 2019 attended by Mah Li-Na;
- MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure, Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies and Training in IT for Business attended by Dr. Jordina Mah Siu Yi.

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

The Nomination Committee consists of three (3) members, all of whom are Independent Non-Executive Directors and its Chairman is a Senior Independent Director appointed by the Board.

The functions of the Nomination Committee are as follows:

- Recommend to the Board the candidates for all directorships to be filled by the shareholders or the Board.
- Recommend to the Board the Directors to fill the seats on Committees of Directors.
- Review the required mix of skills and experience and other qualities including core competencies which Non-Executives should bring to the Board.
- Assess the effectiveness of the Board as a whole, the Committees of Directors and the contribution of each Director.
- Review on annual basis the term of office of each Audit Committee members and performance of the Audit Committee and each of its members.

The Board has established a nomination process of board members to facilitate and provide a guide for the Nomination Committee to identify, evaluate, select and recommend to the Board the candidate to be appointed as a director of the Company.

Principle A: Board Leadership and Effectiveness (continued)

II Board Composition (continued)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors. (continued)

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

The director who is subject to re-election at next Annual General Meeting is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for the re-election. Appropriate assessment and recommendation by the Nomination Committee is based on the yearly assessment conducted.

As all members of the Nomination Committee are Independent Directors, the assessment of their independence will be conducted by the Board as a whole.

The Nomination Committee will conduct annual assessment on the Board and the Board Committees.

The assessment and evaluation is properly documented.

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

- Reviewed the mix of skill and experience and other qualities of the Board.
- Assessed the effectiveness of the Board as a whole, the Board committees and the Directors.
- Discussed the Company's Directors' retirement by rotation.
- Reviewed the term of office of each of the Audit Committee members and performance of the Audit Committee and each of its members.
- Reviewed the profile of condidates for appointment as alternate directors.
- Reviewed the composition of Remuneration Committee and recommended to the Board for the necessary change in composition to be in line with the MCCG.

During the financial year ended 31 December 2018, the Nomination Committee held three (3) Nomination Committee Meetings with the attendance of each member as follows:

Name	Meetings attended
Chua Kim Yin *(Chairman)*	3/3
Chan Kam Leong	3/3
Choong Pak Wan	3/3

Based on the current position and practices of the Company, the Nomination Committee upon its review on the composition of the Board on 27 November 2018, was satisfied that the Board structure, size, composition, mix of skills and qualities of the Directors were appropriate and conformed to the best practices in the MCCG, thus no recommendation was made to the Board for change of Board composition.

Principle A: Board Leadership and Effectiveness (continued)

II Board Composition (continued)

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors. (continued)

Save for the Nomination Committee members who are also members of the Board and have abstained from assessing their own individual performance as Directors of the Company, each of the Nomination Committee Members views that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry. On the Board evaluation, the Committee agreed that the Board has discharged its stewardship duties and responsibilities towards the Company effectively. In general, the Board and Board Committees were functioning effectively as a whole having indicated a high level of compliance and integrity.

III Remuneration

6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives. The remuneration policies and decisions are made through a transparent and independent process.

Remuneration Committee

The Remuneration Committee consists of three members, namely as follows:-

Name		Position
Chan Kam Leong	(Independent Non-Executive Director)	Chairman
Chua Kim Yin	(Independent Non-Executive Director)	Member
Choong Pak Wan	(Independent Non-Executive Director)	Member

The Board recognised that the Remuneration Committee should only consist of Non-Executive Directors where a majority of them must be Independent Directors.

The responsibilities and functions of the Remuneration Committee include the following:

- To recommend to the Board the remuneration packages of the Executive Directors and Managing Director of the Company.

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

The Board has established a remuneration policy to facilitate the Remuneration Committee to review, consider and recommend to the Board for decision the remuneration packages of the Executive Directors and Managing Director.

The remuneration policy and procedure can be found at the Company's website at www.cepatgroup.com.

Principle A: Board Leadership and Effectiveness (continued)

III Remuneration (continued)

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

The aggregate remuneration paid or payable to all Directors of the Company for the financial year ended 31 December 2018 is as follows:-

	Company					
	Salaries	Fees	Bonus	Allowances	EPF & SOCSO	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EXECUTIVE DIRECTORS						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	315	-	85	-	59	459
Dato' Seri Mah King Seng	315	-	85	-	50	450
Subtotal	630	-	170	-	109	909
ALTERNATE DIRECTOR						
Mah Li-Na	82	-	14	-	10	106
NON EXECUTIVE DIRECTORS						
Chua Kim Yin	-	55	-	-	-	55
Chan Kam Leong	-	55	-	-	-	55
Choong Pak Wan	-	55	-	-	-	55
Subtotal	-	165	-	-	-	165
Total	712	165	184	-	119	1,180

	Group					
	Salaries	Fees	Bonus	Allowances	EPF & SOCSO	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EXECUTIVE DIRECTORS						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	629	-	171	40	107	947
Dato' Seri Mah King Seng	629	-	171	40	98	938
Subtotal	1,258	-	342	80	205	1,885
ALTERNATE DIRECTOR						
Mah Li-Na	82	-	14	-	10	106
NON EXECUTIVE DIRECTORS						
Chua Kim Yin	-	55	-	-	-	55
Chan Kam Leong	-	55	-	-	-	55
Choong Pak Wan	-	55	-	-	-	55
Subtotal	-	165	-	-	-	165
Total	1,340	165	356	80	215	2,156

Principle A: Board Leadership and Effectiveness (continued)

III Remuneration (continued)

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance. (continued)

The Company has on 16 May 2018 obtained a shareholders' mandate on payment of Director fees of not exceeding RM160,000 for the period from 1 January 2018 to the next Annual General Meeting.

Remuneration paid to the three (3) Senior Management who are not Directors of the Company for the financial year ended 31 December 2018 are as follows:-

	Group	Company
Key Senior Management		
From RM100,000 to RM200,000	1	-
From RM200,000 to RM300,000	1	1
From RM400,000 to RM500,000	1	1

The remuneration of these three (3) Senior Management of the Company disclosed above is on an aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns.

Principle B: Effective Audit and Risk Management

I Audit Committee

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit committee's findings and recommendations. The company's financial statement is a reliable source of information.

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 2016 and the MMLR have been applied.

- In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgements and estimates where applicable.

Principle B: Effective Audit and Risk Management (continued)

I Audit Committee (continued)

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit committee's findings and recommendations. The company's financial statement is a reliable source of information. (continued)

- The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.
- The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this Annual Report.

An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the MMLR. The Board through its Audit Committee, reviews and reports to the Board any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and any general meeting convened to consider such matters.

There are no recurrent related party transactions transacted by the Company and its subsidiaries during the financial year.

At an Audit Committee meeting held on 25 February 2019, the Audit Committee assessed the suitability and independence of the external auditors based on the criteria set forth in the policy and procedure on evaluation of external auditors adopted in 2013. In its assessment, the Audit Committee considered several factors, which included adequacy of experience and knowledge of the relevant accounting standards, ability to meet deadlines, quality and quantity of human resources used to perform the assigned audit, clarity of presentations and quality of reports produced and independence of Messrs. Ernst & Young.

Messrs. Ernst & Young confirmed that they have been independent in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, throughout their engagement via Audit Planning Memorandum presented to the Audit Committee at a meeting held on 27 November 2018.

The Audit Committee is satisfied with the performance, technical competency and independence of the external auditors. Thus, the Audit Committee recommended the appointment of the external auditors and the Board at its meeting held on the same day approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming Nineteenth Annual General Meeting.

Principle B: Effective Audit and Risk Management (continued)

I Audit Committee (continued)

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit committee's findings and recommendations. The company's financial statement is a reliable source of information. (continued)

During the financial year, the amount of audit fee and non-audit fee paid and payable to the External Auditors of the Company during the financial year ended 31 December 2018 were as follows:-

Fee Incurred	Audit fee RM'000	Non Audit Fee RM'000
The Company	59	4
The Group	299	131

The non-audit fees were in respect of tax compliance works.

In considering the nature and scope of non-audit fees, the Audit Committee was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

II Risk Management and Internal Control Framework

9.0 Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

The key features of the Risk Management Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on page 53 to 56 of this Annual Report.

Principle B: Effective Audit and Risk Management (continued)

II Risk Management and Internal Control Framework (continued)

10.0 The Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

The internal audit function is outsourced to Crowe Horwath Consultants Sdn. Bhd. which reports directly to the Audit Committee.

The Statement on Risk Management and Internal Control furnished on page 53 to 56 of the Annual Report provides an overview on the state of internal controls within the Group, in its effort to manage risk. The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures of material information relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders.

On this basis, the Board has formalized pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the MMLR, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

The release of material information will be made publicly via Bursa Malaysia Securities Berhad. Members of the public can also obtain the full financial results and the Company's announcements from the Bursa Malaysia Securities Berhad's website.

The Company's website at www.cepatgroup.com is regularly updated and provides relevant information on the Company which is accessible to the public to make informed investment decision.

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

I Communication with Stakeholders

11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

The Company has implemented a shareholder communications policy to ensure effective communication with its shareholders and other stakeholders.

Communication between the Company and its shareholders are done in the following manner:

a. Dialogue between Companies and Investors

The annual report, quarterly reports and various mandatory announcements are the main channel of information by the Company of its financial performance, operations and corporate developments.

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

The Board considers it essential that investors are kept informed of all the latest financial result and developments of the Company and where appropriate, will provide disclosure that is in the best interest of the Company and also of the shareholders. All such reporting information can be obtained from the websites of the Company and Bursa Malaysia Securities Berhad.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (continued)

I Communication with Stakeholders (continued)

11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility. (continued)

b. The Annual General Meeting

The Annual General Meeting is an important event for the Company as the Board has the opportunity to have a dialogue with the shareholders to present the results and performance of the Group and to address all questions that may arise. Suggestions and comments by shareholders will be noted by the Board for consideration.

II Conduct of General Meetings

12.0 Shareholders are able to participate, engage the board and senior management effectively and make Informed voting decisions at general meetings.

The Annual General Meeting is the principal forum for dialogue and interaction with shareholders. The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both the individual and institutional investors on all aspects relevant to the Company at the Annual General Meeting. It is also a requirement for the Company to send the Notice of the Annual General Meeting and related circular to its shareholders at least twenty eight (28) days before the meeting. At the Annual General Meeting, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general to seek more information. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the Annual General Meeting.

All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board makes announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (continued)

II Conduct of General Meetings (continued)

12.0 Shareholders are able to participate, engage the board and senior management effectively and make Informed voting decisions at general meetings. (continued)

Additional Compliance Information

In compliance with the Listing Requirements, the following additional information is provided:

a. **Utilisation of Proceeds**
This is not applicable during the financial year.

b. **Material Contracts**
There is no material contract entered into by the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year ended 31 December 2018 or entered into since the previous financial year.

c. **Recurrent Related Party Transactions**
There is no recurrent related party transactions transacted by the Company and its subsidiaries except for those disclosed under related party transactions on page 174.

Sustainability Report

INTRODUCTION

Cepatwawasan Group Berhad's Sustainability Statement highlights the Company and the Group's sustainability initiatives and strategies covering our Plantations, Oil Mill and Power Plants.

This is our first sustainability report and this report focuses primarily on activities carried out within the financial year ended 31 December 2018.

The report has been prepared in accordance with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia'). In preparing this report, we have given due consideration to the material issues that affect our business operations as well as our internal and external stakeholders, which include investors, regulatory bodies, employees, suppliers, customers and the local community.

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

SUSTAINABILITY GOVERNANCE STRUCTURE

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

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

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

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

MATERIALITY

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

The feedback from the stakeholders for the above mentioned exercise is analysed and assessed. Twelve (12) key sustainability issues were identified and are discussed according to their respective sustainability framework.

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

MARKET PLACE

Economic Performance

The Group recorded revenue of RM240.62 million and profit before tax of RM8.98 million for the financial year ended 31 December 2018 as compared to RM274.13 million and RM35.09 million respectively in the previous financial year. Further details of the Group's economic performance for FY2018 can be found in the Financial Statement in this Annual Report.

The breakdown of the direct economic value distributed by our Group's operations for 2018 and 2017 is tabulated below:

Direct Economic Value Distribution	2018 RM000	2017 RM000
Employee Wages and Benefits	28,338	25,279
Payments to Government (Taxes and Levies)	16,343	22,063
CSR Activities	515	777

MARKET PLACE (continued)

Regulatory compliance and Business Ethics

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

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

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

Sustainability Certification

Malaysian Sustainable Palm Oil Certification ("MSPO")

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

To date, our mill and 2 of our estates have completed Phase 2 of the MSPO audit and are expected to obtain full certification by June 2019. Apart from MSPO, all our estates and mill have also been certified under the Code of Good Agriculture Practice and Code of Good Milling Practice by the Malaysian Palm Oil Board (MPOB).

Stakeholders Engagement

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

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

MARKET PLACE (continued)

Stakeholders Engagement (continued)

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

ENVIRONMENT

Water Management

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

The Group also adopts a zero discharge of Palm Oil Mill Effluent ("POME") into the waterways by polishing the POME in the Biogas Plant before discharging it via land irrigation.

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

- land irrigation and application with treated POME;
- increase in water reservoirs and storage tanks for rainwater harvesting in the housing sites; and
- riparian zones are identified and maintained to avoid runoff from cultivated land into the natural waterways.

ENVIRONMENT (continued)

Water Management (continued)

We have adopted environmentally friendly techniques and used them to innovate our Integrated Pest Management System. The Group favours an integrated pest management approach including the deployment of biological control instead of widespread pesticide use for pest control. The introduction of placement of pheromone traps to capture rhinoceros beetles are among methods that have proven effective over the years in reducing pest damage to our crops. We also plans to introduce barn owls in our estates to suppress rat population.

Substitution of chemical fertilizers with nutrient-rich organic matter such as empty fruit bunches and treated POME is also a common practice in our estates.

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

Energy Consumption

At Our Estates

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

In 2018, total diesel fuel consumption by our estates and estates' housing quarters was 1.9 million liters.

At Our Oil Mills

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

In 2018, almost 97% of the energy consumption in our oil mill came from renewable source.

Greenhouse Gas ("GHG") Emission

To mitigate the emission of Greenhouse Gas, the Group constructed and operates a Biogas Power Plant ("Biogas Plant") as well as a Biomass Power Plant ("Biomass Plant") in Sandakan, Sabah to generate and export green power to the electricity grid.

Methane emissions from the treatment of POME is a large contributor to operational GHG emissions. The biogas plants commissioned by our Group in Sandakan can capture methane and mitigate GHG emissions, thereby contributing to a GHG reduction of CO2.

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

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

WORKPLACE

Labour Relations and Human rights

Fair Employment Practices

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

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

In addition, we have a formal grievance mechanism so that complaints of mistreatment and abuse can be reported. The mechanism covers complaints on labor practices and human rights and also comes with a remediation process.

Employees Wages and Welfare

The Group complies with the minimum wages stipulated by the Minimum Wages Order 2016. The Group believes that its people should be fairly rewarded and recognised. The basis of recognition is not only limited to work performance but also by other aspects including behaviour at work, creativity and involvement in Group's activities. Our reward philosophy covers basic salary, benefits, short-term variable bonus as well as promotion.

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

Occupational Safety and Health

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

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

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

Our target is to achieve zero fatality at the workplace. There was zero fatality at the workplace for the whole Group for the past 12 month.

WORKPLACE (continued)

Training and Education

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

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

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

Recruitment and Employee Retention

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

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

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

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

COMMUNITY

Community Care and CSR initiatives

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

The Group contributes to the local community through Dato' Seri Mah Pooi Soo Benevolent Fund ("the Fund") which is a charitable organisation funded by the Group and its holding company, MHC Plantations Bhd .

The Fund is dedicated to the advancement of education and religion, relief of poverty and other purposes beneficial to the community.

COMMUNITY (continued)

Community Care and CSR initiatives (continued)

The Group is working with the Borneo Child Aid Society, Sabah (Humana) in Sandakan to provide basic education and care for children of foreign plantation workers, who are unable to enrol in the Malaysian national schools. **The Cepatwawasan-Humana Education Resource Centre** has about 200 students who are mostly children of our workers with the others from nearby communities. The Group has also built a new learning centre for the children of foreign plantation workers, who are unable to enrol in Malaysian national schools, at its estate in Beaufort, Sabah. This centre offers classes based on the Indonesian curriculum in preparation for the children's repatriation to their home country in the future. In 2018, the number of students attending this learning centre was 25.

During the year, contributions were made to Monfort Youth Training Centre that provide foundation education and Industrial skill training to the less fortunate Sabah Youth and also Alternate Learning Centre that provide basic education to Filipino children.

This Statement is made in accordance with the resolution of the Board of Directors passed on 25 February 2019.

Statement of Directors' Responsibility for Preparing the Financial Statements

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

In preparing the financial statements, the Directors have:

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

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

Audit Committee Report

COMMITTEE MEMBERS

The members of the Audit Committee as at the date of this report are as follows:

Chairman
Mr. Chua Kim Yin
(Senior Independent Non-Executive Director)

Committee Members
Mr. Chan Kam Leong
(Independent Non-Executive Director)
Mr. Choong Pak Wan
(Independent Non-Executive Director)

The terms of reference of Audit Committee which had been reviewed and revised by the Directors at a Board meeting held on 25 February 2018, can be found at the Company's website at www.cepatgroup.com.

MEETINGS

The Audit Committee members held four (4) meetings during the financial year ended 31 December 2018.

The attendance of the members at the Audit Committee meetings is as follows:

Member	Meetings attended
Chua Kim Yin	4/4
Chan Kam Leong	4/4
Choong Pak Wan	4/4

Members of the senior management were invited to attend these meetings as and when necessary. The external auditors have also attended the meetings by invitation.

WORKS

The summary of the works of the Audit Committee in the discharge of its functions, duties and responsibilities for the financial year included the following:-

(i) Reviewed the scope of work and audit plan of the external auditors.

(ii) Reviewed with the external auditors, the results of their audit, the audit report and internal control recommendations in respect of improvements in the internal control procedures noted in the course of their audit.

(iii) Reviewed the adequacy of the internal audit scope and plan, and the findings identified by the internal audit function.

WORKS (continued)

(iv) Reviewed the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

(v) Reviewed the compliance of the Company with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

(vi) Reviewed the unaudited quarterly Group results before recommending to the Board for approval for announcement to Bursa Malaysia Securities Berhad.

(vii) Reviewed the related party transactions entered into by the Group.

(viii) Reviewed and recommended to the Board the re-appointment of external auditors and their audit fees.

(ix) Reviewed the audit committee report and statement on risk management and internal control before recommending to the Board for approval for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

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

The internal audit carried out during the year covered the review of internal control pertaining to purchase and grading of oil palm empty fruit bunches ("EFB") for the Biomass Power Plant in Cash Horse (M) Sdn Bhd.

During the year, the Group have engaged JETA PLT (Formerly known as FS Chen & Associates) to perform a special audit to look into specific areas of Plantation operations of its subsidiaries in Paitan Region. The Scope of work mainly focused on Workers Pay-out, Contract agreement, Recruitment, Overtime and Accuracy of checkroll recording.

The audit report incorporating the internal auditors' findings and recommendations with regard to the system operations and control weaknesses noted in the course of their audit and the management's responses thereto were subsequently submitted to the Audit Committee for their attention.

The Internal Audit adopts a risk-based approach with focus on effective risk management practices and is guided under International Professional Practices Framework.

Statement on Risk Management and Internal Control

The Board of Directors ("Board") recognises the importance of a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets.

The Board's Statement on Risk Management and Internal Control outlines the nature and scope of internal control of the Group during the financial year.

BOARD'S RESPONSIBILITY

The Board affirms its responsibility for the adequacy and effectiveness of the Group's system of internal control. This includes reviewing the adequacy and integrity of financial, operational and compliance controls, and risk management procedures.

In view of the limitations that are inherent in any system of internal control, the Board ensures that this system is designed to manage the Group's risks within an acceptance risk profile, rather than eliminate the risk of failure to achieve corporate objectives of the Group. Accordingly, the system can provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against operational failures, fraud or financial loss.

Following the publication of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This ongoing process which includes updating the system of internal controls when there are changes in the business environment or regulatory guidelines is reviewed by the Board. The Board is of the view that the risk management and the system of internal controls in place for the year under review and up to the date of the issuance of the financial statements are sound and sufficient to safeguard the shareholders' investments and the Group's assets.

RISK MANAGEMENT AND INTERNAL CONTROL

The Management has reviewed the Group's internal control system and formalised the risk management practices to comply with the Malaysian Code on Corporate Governance 2017 (the "Code"). In consequence, a formal risk management framework has been established to ensure that structured and consistent approach and methods are practised in the ongoing process of identifying and assessing various critical risks that are considered likely to affect the profitable operation of the business units in the Group. These include operational risk, market risk, legal risk and environmental risk. After the review and taking into consideration of the nature of the Group's business, the Directors are of the view that the Group is not materially exposed to legal and environmental risks and therefore have concluded to focus on the operational risks relevant to each of its business segments. Although there is exposure to market risk as a result of price fluctuations in the palm oil commodity market, the Directors consider these as movement in market forces inherent in the palm oil industry in which the Group operates.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Board is supported by the Group Risk Management Committee that comprises the Executive Chairman, Managing Director, and senior management in overseeing the risk management efforts within the Group. The Management has worked within the approved and adopted framework for principal risks affecting the Group's strategic business objectives throughout the year. Additional reviews will be carried out as and when required annually. The ongoing implementation is monitored by the Management and is reported to the Board. The outcome of such risk management efforts is a database of all major risks, and their controls or action plans to mitigate such risks were compiled to produce a divisional risk profile for each business segment.

The Group has also implemented a system of internal controls as set out in the Operations Manual. The Board will review from time to time and update the financial authority limits set out therein as and when necessary. Such system of internal controls and financial authority limits serve as a check and balance mechanism on the Group's daily operations.

INTERNAL AUDIT FUNCTION

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

The internal audit function is outsourced to Crowe Horwath Consultants Sdn. Bhd. which reports directly to the Audit Committee. The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board. Observations from internal audits were presented to the Audit Committee together with management's response and proposed action plans for its review. The action plans were then followed up during subsequent internal audits with implementation status reported to the Audit Committee. The costs incurred for the internal audit function for the financial year ended 31 December 2018 totalled RM42,000.

A number of minor internal control weaknesses were identified during the internal audit for the current year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

i. BOARD MEETINGS

The Board meets at least once quarterly and has a formal agenda on matters for discussion. The Chairman, together with the Executive Director, leads the presentations of board papers and provides comprehensive explanation of pertinent issues. The Board is also kept updated on the Company and the Group's activities and operations on a regular basis including any material issues. Proposals for major capital expenditure and investment by the Group are reviewed and approved in these Board meetings.

ii. AUDIT COMMITTEE

The Audit Committee of the Group reviews the annual internal audit plan and any internal control issues identified by the internal auditors, the external auditors, regulatory authorities and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit functions and quality of internal audits. The Audit Committee holds discussions on the actions taken on internal control issues identified in the reports prepared by the internal auditor and such discussions are minuted in the Audit Committee meetings. The minutes of the Audit Committee meetings are then tabled to the Board.

iii. ORGANISATIONAL STRUCTURE

The Group's organisational structure is formed with formally defined reporting lines and authorities to facilitate quick response to changes in the evolving business environment and accountability for operational performance.

To identify, discuss and resolve business and operational issues, weekly management meetings at head office as well as scheduled meetings at operation sites are held. Regular visits to operating units by the Managing Director and senior management are also conducted whenever appropriate. The EXCO is aware of the significant issues identified in those meetings and visits, and when necessary the EXCO shall be involved in resolving those issues. The Group has been restructured in such a way that duties are properly segregated to ensure safe custody of the Group's assets and to provide clear and transparent reporting lines.

iv. PERFORMANCE MANAGEMENT FRAMEWORK

Management reports are generated on a monthly basis to facilitate the Board's review of the Group's financial and operating performance. The review covers areas such as financial and non-financial key performance indicators and variances between budget and operating results.

The Board has reviewed and approved the Group's budget for the next financial year. The budgeting process involves the preparation of budgets by individual operating units, which are then reviewed and approved at management level and ultimately by the Board. The Management will monitor the actual performance against the Group's budget on a monthly basis. Significant variances are identified, investigated and reported.

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

The Board has received assurance from the Managing Director and Group Accountant that the Group's risk management and internal control system are operating adequately and effectively in all material aspects. It is of the view that the risk management and internal control system is satisfactory, and there are no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

In accordance with paragraph 15.23 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that caused them to believe that the Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls of Cepatwawasan Group Berhad.

Directors' Report

Audited financial statements and other financial information

DIRECTORS

Tan Sri Dr. Mah King Thian @ Mah King Thiam	*(Executive Chairman)*
Dato' Seri Mah King Seng	*(Managing Director)*
Chua Kim Yin	*(Senior Independent Non-Executive Director)*
Chan Kam Leong	*(Independent Non-Executive Director)*
Choong Pak Wan	*(Independent Non-Executive Director)*
Dr. Jordina Mah Siu Yi	*(Alternate Executive Director)*
Mah Li-Na	*(Alternate Executive Director)*

SECRETARIES

Kang Shew Meng	(MAICSA 0778565)
Seow Fei San	(MAICSA 7009732)

INDEPENDENT AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad

INDEX

Directors' Report (continued)

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities and other information relating to the subsidiaries are stated in Note 16 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	5,070	22,728
Profit attributable to:		
Owners of the parent	5,299	22,728
Non-controlling interests	(229)	-
	5,070	22,728

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

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

Dividend

The amount of dividend paid by the Company since 31 December 2017 was as follows:

	RM'000
In respect of the financial year ended 31 December 2018	
Final single-tier dividend of 2.0% on 308,967,010 ordinary shares (excluding 9,479,200 treasury shares), declared on 26 February 2018 and paid on 22 May 2018	6,179

On 25 February 2019, the directors approved a single-tier dividend of sen on ordinary shares, amounting to RM4,634,505 (1.5 sen per ordinary share) payable on 22 May 2019. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

Directors

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

Tan Sri Dr. Mah King Thian @ Mah King Thiam*
Dato' Seri Mah King Seng*
Chua Kim Yin
Chan Kam Leong
Choong Pak Wan
Dr. Jordina Mah Siu Yi*
Mah Li-Na* *(Appointed on 16 May 2018)*

* These Directors are also Directors of certain subsidiaries of the Company.

The names of the Directors of the subsidiaries of the Company in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Datin Seri Ooi Ah Thin
Soong Swee Koon
Koh Zheng Kai
Jack Tian Hock Tan
Lee Chong Hoe
YB Datuk Saddi Bin Abdu Rahman
Kalimin Bin Sahadi
Derrick Martin De Souza *(Appointed on 9 June 2018)*
Michelle Siew Yee Lee *(Resigned on 9 June 2018)*

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 30 to the financial statements.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and allowances	2,089	712
Fees	165	165
Bonus	527	184
Defined contribution plan	217	119
	2,998	1,180

Indemnities to directors or officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is a Director or Officer of the Group and of the Company.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year were as follows:

Name of director	Number of ordinary shares of RM1 each			
	1.1.2018/ date of appointment	Acquired	Sold	31.12.2018
The Company				
Direct interest:				
Choong Pak Wan	15,000	-	-	15,000
Mah Li-Na	-	1,000	-	1,000
Indirect interest:				
Tan Sri Dr. Mah King Thian @ Mah King Thiam	118,831,200	-	-	118,831,200
Dato' Seri Mah King Seng	118,831,200	-	-	118,831,200
Chan Kam Leong#	540,000	-	-	540,000
The holding company, MHC Plantations Bhd.				
Direct interest:				
Tan Sri Dr. Mah King Thian @ Mah King Thiam	93,248	-	-	93,248
Dato' Seri Mah King Seng	338,948	-	-	338,948
Chan Kam Leong	10,000	-	-	10,000
Indirect interest:				
Tan Sri Dr. Mah King Thian @ Mah King Thiam	90,188,024	-	-	90,188,024
Dato' Seri Mah King Seng	90,188,024	-	-	90,188,024
Chan Kam Leong#	708,294	-	-	708,294

Interest by virtue of shares held by spouse.

Tan Sri Dr. Mah King Thian @ Mah King Thiam and Dato' Seri Mah King Seng by virtue of their interests in ordinary shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent that the Company has an interest.

None of the other Directors of the Company 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.

Treasury shares

As at 31 December 2018, the Company held as treasury shares a total of 9,479,200 of its 318,446,210 issued ordinary shares. Such treasury shares are held at a carrying amount of RM11,097,392 and further relevant details are disclosed in Note 26 to the financial statements.

Holding company

The Directors regard MHC Plantations Bhd., a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company.

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

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

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

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

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

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

Other statutory information (continued)

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

Auditors

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

Auditors' remuneration of the Group and of the Company for the financial year amounted to RM299,000 and RM59,000 respectively.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 March 2019.

Tan Sri Dr. Mah King Thian @ Mah King Thiam **Dato' Seri Mah King Seng**

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Dr. Mah King Thian @ Mah King Thiam and Dato' Seri Mah King Seng, being two of the Directors of Cepatwawasan Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 70 to 188 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors

Tan Sri Dr. Mah King Thian @ Mah King Thiam

Dato' Seri Mah King Seng

Statutory Declaration

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

I, Liu Swee Kan, being the Officer primarily responsible for the financial management of Cepatwawasan Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 70 to 188 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Liu Swee Kan at Sandakan in the State of Sabah on 28 March 2019.

Liu Swee Kan
(CA 24234)

Before me,

HAMZAH HJ. ABDULLAH
No. S088

Independent Auditors' Report to the Members of
CEPATWAWASAN GROUP BERHAD (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cepatwawasan Group Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or 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 70 to 188.

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

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditors' Report to the Members of
CEPATWAWASAN GROUP BERHAD (Incorporated in Malaysia) (continued)

Report on the audit of the financial statements (continued)

Impairment testing of goodwill and property, plant and equipment

As stated in Notes 14 and 12 to the financial statements as at 31 December 2018, the carrying values of goodwill and property, plant and equipment of the Group were RM17 million and RM227 million respectively.

The market capitalisation of the Group is lower than the net tangible assets of the Group, coupled with the existence of changes in the market environment, indicates that the carrying values of goodwill and property, plant and equipment of the Group may be impaired.

The Group estimated the recoverable amount of the cash generating units (CGUs) based on value-in-use (VIU). Estimating the VIU involves estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate. The annual impairment test for goodwill is significant to our audit as the assessment process is complex and highly judgmental. Significant judgement is required in determining the assumptions to be used to estimate the recoverable amount of the CGUs to which the above goodwill have been allocated to and is based on assumptions that are affected by expected future demand and economic conditions. The assumptions used include estimates of future sales volumes, prices, operating cost, growth rates, terminal value and the discount rate to use.

Our audit procedures, among others, included obtaining an understanding of the relevant internal controls over estimating the recoverable amount of CGUs and assessing whether the assumptions on which the cash flow projections are based are consistent with past actual outcomes, in particular the assumptions about estimated revenue growth rates and possible variations in the timing of those future cash flows.

We also assessed the discount rate used by involving a valuation expert, to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expected to derive from the asset.

In addition, we also evaluated the disclosures of the key assumptions on which the Group has based its cash flow projections. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 14 to the financial statements.

Impairment of investments in subsidiaries

The Company considered the internal and external indication of impairment in relation to the investments in subsidiaries as at year end and accordingly, the aggregate cost of investments of the Company in Ayu Sempurna Sdn. Bhd. and Cash Nexus (M) Sdn. Bhd. amounting to RM36 million, which is out of total cost of investments in subsidiaries of RM296 million, as at 31 December 2018 was assessed to have indications of impairment.

The Company estimated the recoverable amount of the investments in subsidiaries based on estimated future cashflows and discounting them at an appropriate rate.

Report on the audit of the financial statements (continued)

Impairment of investments in subsidiaries (continued)

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

Our audit procedures, among others, included obtaining an understanding of the relevant internal controls over estimating the recoverable amount of investments and assessing whether the assumptions on which the cash flow projections are based are consistent with past actual outcomes, in particular the assumptions about estimated revenue growth rates and possible variations in the timing of those future cash flows.

We also assessed the discount rate used by involving a valuation expert, to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expected to derive from the asset.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

Independent Auditors' Report to the Members of
CEPATWAWASAN GROUP BERHAD (Incorporated in Malaysia) (continued)

Report on the audit of the financial statements (continued)

Responsibilities of the directors for the financial statements (continued)

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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.

Independent Auditors' Report to the Members of
CEPATWAWASAN GROUP BERHAD (Incorporated in Malaysia) (continued)

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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 skepticism throughout the audit. We also: *(continued)*

- 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 financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 16 to the financial statements.

Independent Auditors' Report to the Members of
CEPATWAWASAN GROUP BERHAD (Incorporated in Malaysia) (continued)

Other matters

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Tsau Tet Khong @ Tseu Tet Khong
03374/06/2020 J
Chartered Accountant

Sandakan, Malaysia
28 March 2019

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	3	240,618	274,134	24,387	48,646
Cost of sales		(225,319)	(233,369)	-	-
Gross profit		15,299	40,765	24,387	48,646
Other items of income					
Interest income	4	8,154	8,406	5,084	4,415
Other income	5	1,014	1,888	-	7,851
Other items of expense					
Other expenses		(1,488)	(1,137)	-	(7,350)
Administrative expenses		(8,639)	(9,027)	(3,788)	(3,527)
Finance costs	6	(5,360)	(5,809)	(2,435)	(2,645)
Profit before tax	7	8,980	35,086	23,248	47,390
Income tax expense	10	(3,910)	(8,208)	(520)	(457)
Profit net of tax		5,070	26,878	22,728	46,933
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss: Foreign currency translation, tax effect of RM Nil		(410)	(161)	-	-
Total comprehensive income for the financial year		4,660	26,717	22,728	46,933

Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2018 (continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit attributable to:					
Owners of the parent		5,299	24,169	22,728	46,933
Non-controlling interests		(229)	2,709	-	-
		5,070	26,878	22,728	46,933
Total comprehensive income for the year attributable to:					
Owners of the parent		5,047	24,062	22,728	46,933
Non-controlling interests		(387)	2,655	-	-
		4,660	26,717	22,728	46,933
Earnings per share attributable to owners of the parent (sen per share):					
Basic	11	1.72	7.82		
Diluted	11	1.72	7.82		

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	227,145	225,193	228,582
Investment properties	13	43,340	43,340	42,700
Intangible assets	14	17,358	17,358	17,358
Land use rights	15	1,910	1,938	1,966
Deferred tax assets	17	3,033	2,826	3,106
Trade and other receivables	18	140,836	142,918	149,502
		433,622	433,573	443,214
Current assets				
Biological assets	19	1,142	2,630	3,767
Inventories	20	26,720	25,283	24,403
Trade and other receivables	18	20,567	26,272	22,272
Tax recoverable		3,364	1,187	1,411
Short term investments	21	13,860	17,062	13,098
Cash and bank balances	22	17,498	21,668	21,521
		83,151	94,102	86,472
Total assets		516,773	527,675	529,686
EQUITY AND LIABILITIES				
Current liabilities				
Loans and borrowings	23	54,646	58,538	63,804
Trade and other payables	24	24,524	29,179	31,828
Income tax payable		228	1,622	1,905
		79,398	89,339	97,537
Net current assets/(liabilities)		3,753	4,763	(11,065)
Non-current liabilities				
Deferred tax liabilities	17	24,410	23,247	23,055
Loans and borrowings	23	53,070	51,827	66,315
Lease rental payable	25	267	267	267
		77,747	75,341	89,637
Total liabilities		157,145	164,680	187,174

Consolidated Statement of Financial Position

As at 31 December 2018 (continued)

	Note	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
EQUITY AND LIABILITIES (CONTINUED)				
Equity attributable to owners of the parent				
Share capital	26	318,446	318,446	318,446
Treasury shares	26	(11,097)	(11,097)	(11,097)
Reserves	27	(80,713)	(80,461)	(80,354)
Retained earnings	28	120,494	121,622	102,087
		347,130	348,510	329,082
Non-controlling interests		12,498	14,485	13,430
Total equity		359,628	362,995	342,512
Total equity and liabilities		516,773	527,675	529,686

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

Company Statement of Financial Position

As at 31 December 2018

	Note	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	2,245	2,533	2,831
Investments in subsidiaries	16	295,557	295,557	295,557
Deferred tax assets	17	40	67	62
Other receivables	18	67,011	61,989	54,187
		364,853	360,146	352,637
Current assets				
Trade and other receivables	18	34,907	28,205	30,810
Tax recoverable		-	-	56
Cash and bank balances	22	190	1,134	467
		35,097	29,339	31,333
Total assets		399,950	389,485	383,970
EQUITY AND LIABILITIES				
Current liabilities				
Loans and borrowings	23	17,550	20,800	27,000
Trade and other payables	24	7,134	20,931	49,272
Income tax payable		211	257	-
		24,895	41,988	76,272
Net current assets/(liabilities)		10,202	(12,649)	(44,939)
Non-current liabilities				
Loans and borrowings	23	34,659	23,650	26,150
Total liabilities		59,554	65,638	102,422

Company Statement of Financial Position
As at 31 December 2018 (continued)

	Note	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
Equity attributable to owners of the parent				
Share capital	26	318,446	318,446	318,446
Treasury shares	26	(11,097)	(11,097)	(11,097)
Reserve	27	(8,482)	(8,482)	(8,482)
Retained earnings	28	41,529	24,980	(17,319)
Total equity		340,396	323,847	281,548
Total equity and liabilities		399,950	389,485	383,970

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

Statements of Changes in Equity
For the financial year ended 31 December 2018

Group	Note	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
			← Attributable to owners of the parent					→	
2018									
Opening balance at 1 January 2018									
- As previously reported		517,000	496,771	318,446	(11,097)	107	(1,943)	191,258	20,229
- Effects of changes in accounting standards (Note 2.3(b))		(154,005)	(148,261)	-	-	(214)	(78,411)	(69,636)	(5,744)
		362,995	348,510	318,446	(11,097)	(107)	(80,354)	121,622	14,485
- Effects of changes in adopting MFRS 9 (Note 2.3(d))		(248)	(248)	-	-	-	-	(248)	-
		362,747	348,262	318,446	(11,097)	(107)	(80,354)	121,374	14,485
Profit for the financial year		5,070	5,299	-	-	-	-	5,299	(229)
Other comprehensive income for the financial year, net of tax									
Foreign currency translation		(410)	(252)	-	-	(252)	-	-	(158)
Total comprehensive income for the financial year		4,660	5,047	-	-	(252)	-	5,299	(387)
Transactions with owners									
Dividend on ordinary shares		(6,179)	(6,179)	-	-	-	-	(6,179)	-
Dividend on ordinary shares to non-controlling interests		(1,600)	-	-	-	-	-	-	(1,600)
Total transactions with owners	29	(7,779)	(6,179)	-	-	-	-	(6,179)	(1,600)
Closing balance at 31 December 2018		359,628	347,130	318,446	(11,097)	(359)	(80,354)	120,494	12,498

Group	Note	Equity, total RM'000	← Attributable to owners of the parent: Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000 →	Non-controlling interests RM'000
2017									
Opening balance at 1 January 2017									
- As previously reported		492,258	473,829	318,446	(11,097)	214	(1,943)	168,209	18,429
- Effects of changes in accounting standards (Note 2.3(a))		(149,746)	(144,747)	-	-	(214)	(78,411)	(66,122)	(4,999)
		342,512	329,082	318,446	(11,097)	-	(80,354)	102,087	13,430
Profit for the financial year		26,878	24,169	-	-	-	-	24,169	2,709
Other comprehensive income for the financial year, net of tax									
Foreign currency translation		(161)	(107)	-	-	(107)	-	-	(54)
Total comprehensive income for the financial year		26,717	24,062	-	-	(107)	-	24,169	2,655
Transactions with owners									
Dividend on ordinary shares		(4,634)	(4,634)	-	-	-	-	(4,634)	-
Dividend on ordinary shares to non-controlling interests		(1,600)	-	-	-	-	-	-	(1,600)
Total transactions with owners	29	(6,234)	(4,634)	-	-	-	-	(4,634)	(1,600)
Closing balance at 31 December 2017		362,995	348,510	318,446	(11,097)	(107)	(80,354)	121,622	14,485

Statements of Changes in Equity
For the financial year ended 31 December 2018 (continued)

	Note	Equity, total RM'000	Share capital RM'000	Treasury shares RM'000	Reserve RM'000	Retained earnings RM'000
Company						
2018						
Opening balance at 1 January 2018						
- As previously reported		370,795	318,446	(11,097)	-	63,446
- Effect of changes in accounting standards (Note 2.3(b))		(46,948)	-	-	(8,482)	(38,466)
		323,847	318,446	(11,097)	(8,482)	24,980
Profit for the financial year, representing total comprehensive income for the financial year		22,728	-	-	-	22,728
Transaction with owners						
Dividend on ordinary shares	29	(6,179)	-	-	-	(6,179)
Total transaction with owners		(6,179)	-	-	-	(6,179)
Closing balance at 31 December 2018		340,396	318,446	(11,097)	(8,482)	41,529

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

Statements of Changes in Equity
For the financial year ended 31 December 2018 (continued)

	Note	Equity, total RM'000	Share capital RM'000	Treasury shares RM'000	Reserve RM'000	Retained earnings RM'000
Company						
2017						
Opening balance at 1 January 2017						
- As previously reported		328,496	318,446	(11,097)	-	21,147
- Effect of changes in accounting standards (Note 2.3(a))		(46,948)	-	-	(8,482)	(38,466)
		281,548	318,446	(11,097)	(8,482)	(17,319)
Profit for the financial year, representing total comprehensive income for the financial year		46,933	-	-	-	46,933
Transaction with owners						
Dividend on ordinary shares	29	(4,634)	-	-	-	(4,634)
Total transaction with owners		(4,634)	-	-	-	(4,634)
Closing balance at 31 December 2017		323,847	318,446	(11,097)	(8,482)	(24,980)

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

Statements of Cash Flows

For the financial year ended 31 December 2018

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating activities				
Profit before tax	8,980	35,086	23,248	47,390
Adjustments for:				
Impairment loss on investment in a subsidiary	-	-	-	7,350
Dividend income from subsidiaries	-	-	(21,355)	(45,657)
Net gain on disposal of property, plant and equipment	(205)	(681)	-	-
Net gain from fair value adjustment of investment properties	-	(640)	-	-
Interest income	(8,154)	(8,406)	(5,084)	(4,415)
Net unrealised loss/(gain) on foreign exchange	34	(1)	-	-
Interest expense	5,360	5,809	2,435	2,645
Depreciation of property, plant and equipment	13,386	13,540	314	312
Amortisation of land use rights	28	28	-	-
Bad debts written off	11	-	-	-
Property, plant and equipment scrapped	12	2,438	-	-
Fair value changes of biological assets	1,488	1,137	-	-
Allowances for expected credit losses	-	30	-	-
Reversal of expected credit losses	(185)	-	-	(7,851)
Total adjustments	11,775	13,254	(23,690)	(47,616)
Operating changes profit/(losses) before changes in working capital	20,755	48,340	(442)	(226)
Changes in working capital				
Inventories	(1,437)	(880)	-	-
Receivables	14,989	10,123	(845)	(39)
Payables	(4,638)	(2,655)	(298)	(154)
Total changes in working capital	8,914	6,588	(1,143)	(193)
Cash flows from/(used in) operations	29,669	54,928	(1,585)	(419)
Interest received	758	841	5,084	4,415
Interest paid	(5,360)	(5,809)	(2,435)	(2,645)
Income taxes refunded	432	35	-	35
Income taxes paid	(6,878)	(7,830)	(539)	(184)
Net cash flows from operating activities	18,621	42,165	525	1,202

Statements of Cash Flows
For the financial year ended 31 December 2018 (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Investing activities				
Purchase of property, plant and equipment	(13,299)	(13,900)	(26)	(14)
Subscription of additional shares in a subsidiary	-	-	-	(7,350)
Proceeds from disposal of plant and equipment	209	2,298	-	-
Dividend received	-	-	21,355	45,657
Net change in short term money market funds	3,202	(3,964)	-	-
Increase in amounts due from subsidiary companies	-	-	(10,879)	2,693
Net cash flows (used in)/ from investing activities	(9,888)	(15,566)	10,450	40,986
Financing activities				
Dividend paid to equity holders of the parent	(6,179)	(4,634)	(6,179)	(4,634)
Dividend paid to non-controlling interests	(1,600)	(1,600)	-	-
Placement of fixed deposits	(274)	(297)	-	-
Drawdown of borrowings	24,759	25,300	24,759	25,300
Repayment of borrowings	(28,871)	(44,589)	(17,000)	(34,000)
Repayment of obligations under finance leases	(592)	(771)		-
Decrease in amounts due to subsidiaries	-	-	(13,499)	(28,187)
Net cash flows used in financing activities	(12,757)	(26,591)	(11,919)	(41,521)
Net (decrease)/increase in cash and cash equivalents	(4,024)	8	(944)	667
Net foreign exchange difference	(420)	(158)	-	-
Cash and cash equivalents at 1 January	19,215	19,365	1,134	467
Cash and cash equivalents at 31 December (Note 22)	14,771	19,215	190	1,134

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

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. Corporate information

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 70, Block 6, Prima Square, Mile 4, North Road, 90000 Sandakan, Sabah.

The Directors regard MHC Plantations Bhd., a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the holding company. The holding company produces financial statements available for public use.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities and other information relating to the subsidiaries are stated in Note 16.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9: Financial Instruments, MFRS: 15 Revenue from Contracts with Customers and MFRS 141: Agriculture. Subject to certain transition elections as disclosed in Note 2.3, the Group and the Company have consistently applied the same accounting policies in their opening MFRS statements of financial position as at 1 January 2017, being the transition date, and throughout all years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group's and the Company's reported financial position, financial performance and cash flows, are disclosed in Note 2.3.

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2. Summary of significant accounting policies (continued)

2.2 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16: Leases	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	
MFRS 119: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 101: Definition of Material (Amendments to MFRS 101)	1 January 2020
MFRS 3: Business Combinations (Amendments to MFRS 3)	1 January 2020
MFRS 108: Definition of Material (Amendments to MFRS 108)	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

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

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

2. Summary of significant accounting policies (continued)

2.2 Standards issued but not yet effective (continued)

MFRS 16 Leases

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

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

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

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

The Group plans to adopt MFRS 16 prospectively, with an initial application date of 1 January 2019. The Group will not restate the comparative information, which continues to be reported under MFRS 117. Differences arising from the adoption of MFRS 16 will be recognised directly in retained earnings and other components of equity.

For finance leases where the Group is a lessee, the Group has already recognised an asset and a related finance lease liability for such lease arrangements. Accordingly, for such lease arrangements, the Group does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first sets of the financial statements prepared in accordance with MFRSs.

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

The effect of the Group's and of the Company's transition to MFRSs are as follows:

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

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

(iv) The Group applied MFRS 9: Financial Instruments prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139: Financial Instruments - Recognition and Measurement. Differences arising from the adoption of MFRS 9 have been recognised directly in opening retained earnings as at 1 January 2018.

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

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows:

(a) Statements of financial position as at 1 January 2017 (date of transition)

Group

	As at 1 January 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 1 January 2017 under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment	173,209	(i, ii)	55,373	228,582
Biological assets	161,296	(i)	(161,296)	-
Investment properties	42,700			42,700
Intangible assets	92,088	(ii)	(74,730)	17,358
Land use rights	1,966			1,966
Deferred tax assets	3,204	(i)	(98)	3,106
Trade and other receivables	149,502			149,502
	623,965			443,214
Current assets				
Biological assets	-	(i)	3,767	3,767
Inventories	24,403			24,403
Trade and other receivables	22,272			22,272
Tax recoverable	1,411			1,411
Short term investments	13,098			13,098
Cash and bank balances	21,521			21,521
	82,705			86,472
Total assets	706,670			529,686

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(a) Statements of financial position as at 1 January 2017 (date of transition) (continued)

Group

	As at 1 January 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 1 January 2017 under MFRS RM'000
Equity and Liabilities				
Current liabilities				
Loans and borrowings	63,804			63,804
Trade and other payables	31,828			31,828
Income tax payable	1,905			1,905
	97,537			97,537
Non-current liabilities				
Deferred tax liabilities	50,293	(i, ii)	(27,238)	23,055
Loans and borrowings	66,315			66,315
Lease rental payable	267			267
	116,875			89,637
Total liabilities	214,412			187,174
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Reserves	(1,729)	(ii, iii)	(78,625)	(80,354)
Retained earnings	168,209	(i, ii, iii)	(66,122)	102,087
	473,829			329,082
Non-controlling interests	18,429	(i)	(4,999)	13,430
Total equity	492,258			342,512
Total equity and liabilities	706,670			529,686

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(a) Statements of financial position as at 1 January 2017 (date of transition) (continued)

Company

	As at 1 January 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 1 January 2017 under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment	2,831			2,831
Investment in subsidiaries	342,505	(ii)	(46,948)	295,557
Deferred tax assets	62			62
Other receivables	54,187			54,187
	399,585			352,637
Current assets				
Trade and other receivables	30,810			30,810
Tax recoverable	56			56
Cash and bank balances	467			467
	31,333			31,333
Total assets	430,918			383,970

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(a) Statements of financial position as at 1 January 2017 (date of transition) (continued)

Company

	As at 1 January 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 1 January 2017 under MFRS RM'000
Equity and Liabilities				
Current liabilities				
Loans and borrowings	27,000			27,000
Trade and other payables	49,272			49,272
	76,272			76,272
Non-current liability				
Loans and borrowings	26,150			26,150
Total liabilities	102,422			102,422
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Reserve	-	(ii)	(8,482)	(8,482)
Retained earnings	21,147	(ii)	(38,466)	(17,319)
Total equity	328,496			281,548
Total equity and liabilities	430,918			383,970

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(b) Statements of financial position as at 31 December 2017

Group

	As at 31 December 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 31 December 2017 under MFRSs RM'000
Assets				
Non-current assets				
Property, plant and equipment	172,877	(i, ii)	52,316	225,193
Biological assets	162,533	(i)	(162,533)	-
Investment properties	43,340			43,340
Intangible assets	92,088	(ii)	(74,730)	17,358
Land use rights	1,938			1,938
Deferred tax assets	2,887	(i)	(61)	2,826
Trade and other receivables	142,918			142,918
	618,581			433,573
Current assets				
Biological assets	-	(i)	2,630	2,630
Inventories	25,283			25,283
Trade and other receivables	26,272			26,272
Tax recoverable	1,187			1,187
Short term investments	17,062			17,062
Cash and bank balances	21,668			21,668
	91,472			94,102
Total assets	710,053			527,675

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(b) Statements of financial position as at 31 December 2017 (continued)

Group

	As at 31 December 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 31 December 2017 under MFRS RM'000
Equity and Liabilities				
Current liabilities				
Loans and borrowings	58,538			58,538
Trade and other payables	29,179			29,179
Income tax payable	1,622			1,622
	89,339			89,339
Non-current liabilities				
Deferred tax liabilities	51,620	(i, ii)	(28,373)	23,247
Loans and borrowings	51,827			51,827
Lease rental payable	267			267
	103,714			75,341
Total liabilities	193,053			164,680
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Reserves	(1,836)	(ii)	(78,625)	(80,461)
Retained earnings	191,258	(i, ii)	(69,636)	121,622
	496,771			348,510
Non-controlling interests	20,229	(i)	(5,744)	14,485
Total equity	517,000			362,995
Total equity and liabilities	710,053			527,675

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(b) Statements of financial position as at 31 December 2017 (continued)

Company

	As at 31 December 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 31 December 2017 under MFRS RM'000
Assets				
Non-current assets				
Property, plant and equipment	2,533			2,533
Investment in subsidiaries	342,505	(ii)	(46,948)	295,557
Deferred tax assets	67			67
Trade and other receivables	61,989			61,989
	407,094			360,146
Current assets				
Trade and other receivables	28,205			28,205
Cash and bank balances	1,134			1,134
	29,339			29,339
Total assets	436,433			389,485

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(b) Statements of financial position as at 31 December 2017 (continued)

Company

	As at 31 December 2017 under FRS RM'000		Effects of transition to MFRSs RM'000	As at 31 December 2017 under MFRSs RM'000
Equity and Liabilities				
Current liabilities				
Loans and borrowings	20,800			20,800
Trade and other payables	20,931			20,931
Income tax payable	257			257
	41,988			41,988
Non-current liability				
Loans and borrowings	23,650			23,650
Total liabilities	65,638			65,638
Equity attributable to owners of the parent				
Share capital	318,446			318,446
Treasury shares	(11,097)			(11,097)
Reserve	-	(ii)	(8,482)	(8,482)
Retained earnings	63,446	(ii)	(38,466)	24,980
Total equity	370,795			323,847
Total equity and liabilities	436,433			389,485

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

The effects of transition to MFRS on the financial statements of the Group and of the Company are as follows: (continued)

(c) Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2017

Group

	For the financial year ended 31 December 2017 Under FRS RM'000		Effects of transition to MFRSs RM'000	For the financial year ended 31 December 2017 under MFRS RM'000
Revenue	274,134			274,134
Cost of sales	(224,591)	(i,v)	(8,778)	(233,369)
Gross profit	49,543			40,765
Other items of income				
Interest income	8,406			8,406
Other income	1,888			1,888
Other items of expense				
Other expenses	-	(i)	(1,137)	(1,137)
Marketing and distribution expenses	(4,484)	(v)	4,484	-
Administrative expenses	(9,027)			(9,027)
Finance costs	(5,809)			(5,809)
Profit before tax	40,517			35,086
Income tax expenses	(9,380)	(i)	1,172	(8,208)
Profit net of tax	31,137			26,878
Other comprehensive income				
Foreign currency translation	(161)			(161)
Total comprehensive income for the financial year	30,976			26,717

Company

There is no effect of transition to MFRS on the statement of profit or loss and other comprehensive income of the Company for the financial year ended 31 December 2017.

2. Summary of significant accounting policies (continued)

2.3 First-time Adoption of MFRS Framework (continued)

(d) The effects of adopting MFRS 9 as at 1 January 2018 is, as follows:

	As at 1 January 2018 under MFRS RM'000		Effects of adoption of MFRS 9 RM'000	As at 1 January 2018 under MFRS after MFRS 9 RM'000
Current assets				
Trade receivables	26,272	(iv)	(327)	25,945
Non-current liability				
Deferred tax liabilities	23,247	(iv)	(79)	23,168
Equity				
Retained earnings	121,622	(iv)	(248)	121,374

2.4 Basis of consolidation

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

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

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

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

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration will be recognised in profit or loss. However, if the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

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

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

The accounting policy for goodwill is set out in Note 2.11.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Group, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Group.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.5 Subsidiaries

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

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

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

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

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

2.6 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

(c) Foreign operations

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

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

2.7 Property, plant and equipment

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

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

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

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

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Leasehold building	2%
- Plantation infrastructure development expenditure	63 - 99 years
- Long term leasehold land	63 - 99 years
- Bearer plants - oil palm	22 years
- Oil mill and other buildings	5% - 7%
- Heavy equipment, plant and machinery	6% - 10%
- Motor vehicles	15%
- Furniture, fittings and equipment	10%

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

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

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

2.8 Service concession arrangements

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.8 Service concession arrangements (continued)

Financial asset model

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

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

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

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

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

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

Revenue associated with this financial model includes:

- revenue from the construction of the operating financial assets on a percentage of completion basis;
- finance income related to the capital investment in the operating financial assets; and
- operation and maintenance revenue.

2.9 Biological assets

Biological assets comprise the produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months.

2. Summary of significant accounting policies (continued)

2.10 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or loss arising from changes in the fair values of the investment properties are included in profit or loss in the year in which they arise.

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

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

2.11 Intangible assets

Goodwill

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

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

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

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

2. Summary of significant accounting policies (continued)

2.12 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.

2.13 Impairment of non-financial assets

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

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

At each reporting date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

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

2. Summary of significant accounting policies (continued)

2.14 Current versus non-current classification

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

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

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

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

The Group classifies all other liabilities as non-current.

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

2.15 Financial instruments – initial recognition and subsequent measurement

(i) Initial recognition and measurement

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

Current financial year

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

Previous financial year

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

2. Summary of significant accounting policies (continued)

2.15 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement

Financial assets

Current financial year

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

(a) Amortised costs

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

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

(b) FVOCI – debt securities

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

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

2. Summary of significant accounting policies (continued)

2.15 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

(c) FVOCI – equity securities

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

(d) Fair value through profit or loss

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

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

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

Previous financial year

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

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.15 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

(d) Fair value through profit or loss (continued)

Previous financial year (continued)

(b) Loans and receivables

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

(c) Held-to-maturity financial assets

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

(d) Available-for-sale financial assets

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.15 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

Impairment of financial assets

Current financial year

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

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

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

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

Previous financial year

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

2. Summary of significant accounting policies (continued)

2.15 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

Impairment of financial assets (continued)

Previous financial year (continued)

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

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

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

2. Summary of significant accounting policies (continued)

2.15 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Categories of financial instruments and subsequent measurement (continued)

Financial liabilities

Current financial year

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

(a) Fair value through profit or loss

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

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

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

(b) Amortised cost

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

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

Previous financial year

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

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

2. Summary of significant accounting policies (continued)

2.15 Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Derecognition

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

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

(iv) Offsetting

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

Financial guarantee contracts

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

Current financial year

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

Previous financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date, and the amount initially recognised less cumulative amortisation.

2. Summary of significant accounting policies (continued)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments with 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 Group's cash management.

2.17 Inventories

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

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

- Consumable stores: purchase costs and expenses in bringing them into store on a weighted average cost method.

- Oil palm nurseries: purchase costs and upkeep expenses on a weighted average cost method.

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

2.18 Provisions

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

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

2.19 Borrowing costs

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

2. Summary of significant accounting policies (continued)

2.19 Borrowing costs (continued)

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

2.20 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. 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 leave, maternity and paternity leave are recognised when the absences occur.

(b) Defined contribution plans

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

2.21 Leases

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

(a) As lessee

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

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

2. Summary of significant accounting policies (continued)

2.21 Leases (continued)

(a) As lessee (continued)

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.22 Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33.

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.22 Fair value measurement (continued)

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.23 Revenue from contracts with customers

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

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

(a) Identify contract with a customer

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

(b) Identify performance obligations in the contract

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

(c) Determine the transaction price

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

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.23 Revenue from contracts with customers (continued)

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

(c) Determine the transaction price (continued)

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

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

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

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

(e) Recognise revenue when (or as) the Group satisfies a performance obligation

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

(i) Do not create an asset with an alternative use to the Group and has an enforceable right to payment for performance obligation completed to-date; or
(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
(iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

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

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

2. Summary of significant accounting policies (continued)

2.23 Revenue from contracts with customers (continued)

The following describes the performance obligation in contracts with customers:

(a) Sales of plantation produce

The Group's revenue from Plantation segment is derived mainly from agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK") and empty fruit bunches oil.

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

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

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

(b) Sales of earth and stones

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

(c) Revenue for concession arrangement

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

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

(d) Other revenue

Revenue from other sources are recognised as follows:

(a) management fee is recognised upon rendering of services to subsidiaries; and

(b) dividend income is recognised when the right to receive payment is established.

(c) interest income is recognised on a time proportion basis that reflects the effective yield on the assets.

(d) rental income is recognised on a time proportion basis.

2. Summary of significant accounting policies (continued)

2.24 Taxes

(a) Current income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.24 Taxes (continued)

(b) Deferred tax (continued)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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

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

- Where the amount of 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

- When receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

2. Summary of significant accounting policies (continued)

2.24 Taxes (continued)

(d) Sales and services tax ("SST")

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

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

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2. Summary of significant accounting policies (continued)

2.28 Contingencies

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

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

2.29 Significant accounting judgement and estimates

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.

2.29.1 Judgements made in applying accounting policies

There were no critical judgements made by the management in the process of applying the Group's accounting policies that may have significant effects on the amounts recognised in the financial statements.

2.29.2 Key sources of estimation uncertainty

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

(a) Impairment of goodwill

Goodwill are tested for impairment annually and at other times when such indicators exist. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. This requires an estimation of the recoverable amounts of the cash-generating units to which goodwill are allocated.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 14.

2. Summary of significant accounting policies (continued)

2.29 Significant accounting judgement and estimates (continued)

2.29.2 Key sources of estimation uncertainty (continued)

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

(b) Impairment of property, plant and equipment

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

The Group estimates the recoverable amount of the cash generating units ("CGUs") based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate. The carrying amounts of property, plant and equipment of the Group and of the Company as at the reporting date will be disclosed in the Note 12 to the financial statements.

(c) Service concession assets

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

(d) Biological assets

The Group carries its biological assets at fair value with changes in fair value being recognised in profit or loss. The determination of the fair value of the biological assets requires the use of estimates on the projected harvest quantities and market price of FFB as at the balance sheet date. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 19.

2. Summary of significant accounting policies (continued)

2.29 Significant accounting judgement and estimates (continued)

2.29.2 Key sources of estimation uncertainty (continued)

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

(e) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which these items can be utilised. The recognition of deferred tax assets is based upon the likely timing and level of future taxable profits together with tax planning strategies. Deferred tax assets not recognised on unused tax losses and unabsorbed capital allowances of the Group amounted RM2,522,096 (2017: Nil) and RM592,302 (2017: RM748,701) respectively at the reporting date as disclosed in Note 17.

(f) Impairment of investment in subsidiaries

The carrying amounts of the investments in subsidiaries of the Company as at 31 December 2018 was RM296 million (2017: RM296 million). The Company assesses whether there are any indicators of impairment for its investments in subsidiaries at each reporting date. In assessing whether there is any indication that its investments in subsidiaries may be impaired, the Company considers the external and internal sources of information. The Company estimated the recoverable amount of the investments in the subsidiaries based on estimated future cash flows and discounting them at an appropriate rate.

3. Revenue

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Type of goods or services				
Sale of:				
- crude palm oil	166,423	181,070	-	-
- palm kernel	32,584	38,867	-	-
- fresh fruit bunches	14,527	27,312	-	-
- earth and stones	1,098	815	-	-
- empty fruit bunches oil	10,644	11,416	-	-
Construction of service concession power plants	6,354	1,075	-	-
Supply of electricity	8,988	13,579	-	-
Management fees from subsidiaries	-	-	3,032	2,989
Dividend income from subsidiaries	-	-	21,355	45,657
Total revenue from contracts with customers	240,618	274,134	24,387	48,646
Timing of revenue recognition				
At a point in time	234,264	273,059	21,355	45,657
Over time	6,354	1,075	3,032	2,989
	240,618	274,134	24,387	48,646

4. Interest income

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest on:				
- Advances to subsidiaries	-	-	5,084	4,411
- Short term investments and fixed deposits	758	841	-	4
- Operating financial assets	7,396	7,565	-	-
	8,154	8,406	5,084	4,415

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

5. Other income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Compensation on termination of emissions reduction purchase agreements	-	34	-	-
Equipment hiring income	76	80	-	-
Net gain on fair value adjustment of investment properties (Note 13)	-	640	-	-
Net gain on disposal of property, plant and equipment	205	681	-	-
Rental income	4	4	-	-
Sale of:				
- scrapped iron	128	76	-	-
- sludge oil	48	46	-	-
- bunch ash	109	93	-	-
Gain on foreign exchange				
- realised	52	8	-	-
- unrealised	-	1	-	-
Miscellaneous	207	225	-	-
Reversal of expected credit losses	185	-	-	7,851
	1,014	1,888	-	7,851

6. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
Bank loans	3,060	3,340	1,646	1,468
Revolving credits	2,228	2,418	789	1,177
Obligation under finance leases	72	51	-	-
	5,360	5,809	2,435	2,645

7. Profit before tax

In addition to the other items disclosed elsewhere in the financial statements, the following items have been included in arriving at profit before tax:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:				
- statutory audit				
- current year	299	308	59	52
- underprovision in prior years	11	9	7	7
- other services	131	180	4	6
Employee benefits expense (Note 8)	28,040	25,102	2,551	2,547
Non-executive Directors' remuneration (Note 9)	165	159	165	159
Depreciation of property, plant and equipment (Note 12)	13,386	13,540	314	312
Property, plant and equipment scrapped	12	2,438	-	-
Amortisation of land use rights (Note 15)	28	28	-	-
Allowances for expected credit losses	-	30	-	-
Bad debts written off	11	-	-	-
Loss on foreign exchange				
- unrealised	34	-	-	-
Rental of land and buildings	196	204	-	-
Rental of computer software	61	47	5	4
Impairment loss on investment	-	-	-	7,350
Fair value changes of biological assets (Note 19)	1,488	1,137	-	-

8. Employee benefits expense

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Wages and salaries	26,912	23,786	2,278	2,286
Contributions to defined contribution plan	1,278	1,365	249	252
Employee insurance scheme contribution	13	-	1	-
Social security contributions	135	128	23	9
	28,338	25,279	2,551	2,547
Capitalised in immature plantations (Note 12(iv))	298	177	-	-
Recognised in profit or loss	28,040	25,102	2,551	2,547
	28,338	25,279	2,551	2,547

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,832,813 (2017: RM2,648,592) and RM1,015,388 (2017: RM880,996) respectively, which are further disclosed in Note 9.

9. Directors' remuneration

	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined contribution plan RM'000	Total RM'000
Group						
2018						
Executive:						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	629	-	171	40	107	947
Dato' Seri Mah King Seng	629	-	171	40	98	938
Directors of subsidiaries	629	-	171	40	2	842
Alternative executive:						
Mah Li-Na	82	-	14	-	10	106
Total executive directors' remuneration (Note 8)	1,969	-	527	120	217	2,833
Non-executive:						
Chua Kim Yin	-	55	-	-	-	55
Chan Kam Leong	-	55	-	-	-	55
Choong Pak Wan	-	55	-	-	-	55
Total non-executive directors' remuneration (Note 7)	-	165	-	-	-	165
Total directors' remuneration	1,969	165	527	120	217	2,998

9. Directors' remuneration (continued)

Group	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined contribution plan RM'000	Total RM'000
2017						
Executive:						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	629	-	158	30	94	911
Dato' Seri Mah King Seng	629	-	158	30	94	911
Directors of subsidiaries	629	-	158	40	-	827
Total executive directors' remuneration (Note 8)	1,887	-	474	100	188	2,649
Non-executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration (Note 7)	-	159	-	-	-	159
Total directors' remuneration	1,887	159	474	100	188	2,808

9. Directors' remuneration (continued)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Defined contribution plan RM'000	Total RM'000
2018					
Executive:					
Tan Sri Dr. Mah King Thian @ Mah King Thiam	315	-	85	59	459
Dato' Seri Mah King Seng	315	-	85	50	450
Alternative executive:					
Mah Li-Na	82	-	14	10	106
Total executive directors' remuneration (Note 8)	712	-	184	119	1,015
Non-executive:					
Chua Kim Yin	-	55	-	-	55
Chan Kam Leong	-	55	-	-	55
Choong Pak Wan	-	55	-	-	55
Total non-executive directors' remuneration (Note 7)	-	165	-	-	165
Total directors' remuneration	712	165	184	119	1,180
2017					
Executive:					
Tan Sri Dr. Mah King Thian @ Mah King Thiam	315	-	78	47	440
Dato' Seri Mah King Seng	315	-	78	47	440
Total executive directors' remuneration (Note 8)	630	-	156	94	880
Non-executive:					
Chua Kim Yin	-	53	-	-	53
Chan Kam Leong	-	53	-	-	53
Choong Pak Wan	-	53	-	-	53
Total non-executive directors' remuneration (Note 7)	-	159	-	-	159
Total directors' remuneration	630	159	156	94	1,039

9. Directors' remuneration (continued)

The details of remuneration receivable by Directors of the Company during the financial year are as follows:

Group	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined contribution plan RM'000	Total RM'000
2018						
EExecutive:						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	629	-	171	40	107	947
Dato' Seri Mah King Seng	629	-	171	40	98	938
Alternative executive:						
Mah Li-Na	82	-	14	-	10	106
Total executive directors' remuneration	1,340	-	356	80	215	1,991
Non-executive:						
Chua Kim Yin	-	55	-	-	-	55
Chan Kam Leong	-	55	-	-	-	55
Choong Pak Wan	-	55	-	-	-	55
Total non-executive directors' remuneration	-	165	-	-	-	165
Total directors' remuneration	1,340	165	356	80	215	2,156

9. Directors' remuneration (continued)

The details of remuneration receivable by Directors of the Company during the financial year are as follows: (continued)

Group	**Salaries RM'000**	**Fees RM'000**	**Bonus RM'000**	**Allowance RM'000**	**Defined contribution plan RM'000**	**Total RM'000**
2017						
Executive:						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	629	-	158	30	94	911
Dato' Seri Mah King Seng	629	-	158	30	94	911
Total executive directors' remuneration	1,258	-	316	60	188	1,822
Non-executive:						
Chua Kim Yin	-	53	-	-	-	53
Chan Kam Leong	-	53	-	-	-	53
Choong Pak Wan	-	53	-	-	-	53
Total non-executive directors' remuneration	-	159	-	-	-	159
Total directors' remuneration	1,258	159	316	60	188	1,981

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

9. Directors' remuneration (continued)

The details of remuneration receivable by Directors of the Company during the financial year are as follows: (continued)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Defined contribution plan RM'000	Total RM'000
2018					
Executive:					
Tan Sri Dr. Mah King Thian @ Mah King Thiam	315	-	85	59	459
Dato' Seri Mah King Seng	315	-	85	50	450
Alternative executive:					
Mah Li-Na	82	-	14	10	106
Total executive directors' remuneration	712	-	184	119	1,015
Non-executive:					
Chua Kim Yin	-	55	-	-	55
Chan Kam Leong	-	55	-	-	55
Choong Pak Wan	-	55	-	-	55
Total non-executive directors' remuneration	-	165	-	-	165
Total directors' remuneration	712	165	184	119	1,180
2017					
Executive:					
Tan Sri Dr. Mah King Thian @ Mah King Thiam	315	-	78	47	440
Dato' Seri Mah King Seng	315	-	78	47	440
Total executive directors' remuneration	630	-	156	94	880
Non-executive:					
Chua Kim Yin	-	53	-	-	53
Chan Kam Leong	-	53	-	-	53
Choong Pak Wan	-	53	-	-	53
Total non-executive directors' remuneration	-	159	-	-	159
Total directors' remuneration	630	159	156	94	1,039

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statements of profit or loss:				
Current income tax:				
- Malaysian income tax	2,947	7,532	528	439
- (Over)/underprovision in respect of previous financial years	(72)	204	(35)	23
	2,875	7,736	493	462
Deferred income tax (Note 17):				
- Origination and reversal of temporary differences	613	980	27	13
- Under/(over) provision in respect of previous financial years	422	(508)	-	(18)
	1,035	472	27	(5)
Income tax expense recognised in profit or loss	3,910	8,208	520	457

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

10. Income tax expense (continued)

Reconciliation between tax expense and accounting profit

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2018 and 2017 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	8,980	35,086	23,248	47,390
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	2,155	8,421	5,580	11,374
Adjustments:				
Income not subject to tax	(158)	(301)	(5,122)	(12,842)
Non-deductible expenses	1,019	350	97	1,920
Effect of different tax rates in other countries	(24)	10	-	-
Effect of fair value gain subject to a lower tax rate	-	32	-	-
Effect of utilisation of previously unrecognised unabsorbed capital allowance	(37)	-	-	-
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	605	-	-	-
(Over)/underprovision of income tax in respect of previous financial years	(72)	204	(35)	23
Under/(over)provision of deferred tax in respect of previous financial years	422	(508)	-	(18)
Income tax expense recognised in profit or loss	3,910	8,208	520	457

Notes to the Financial Statements

For the financial year ended 31 December 2018 (continued)

11. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the financial year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The Group has no potential ordinary shares in issue as at reporting date and therefore the diluted earnings per share is same as basic earnings per share.

The following reflect the profit and share data used in the computation of basic earnings per share for the financial years ended 31 December 2018 and 2017:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	5,299	24,169
	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation*	308,967	308,967
Basic earnings per share (sen)	1.72	7.82

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

12. Property, plant and equipment

	Long term leasehold land RM'000	Buildings, plantation infrastructure and quarry RM'000	Heavy equipment, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Bearer plant RM'000	Total RM'000
Group								
Cost								
At 1 January 2018:								
At 1 January 2018 - *As previously reported*	63,047	100,353	90,073	6,464	5,694	514	-	266,145
Effect on changes in accounting standard	(3,058)	888	-	-	-	213	140,653	138,696
At 1 January 2018 (Restated)	59,989	101,241	90,073	6,464	5,694	727	140,653	404,841
Additions	-	503	1,400	1,261	285	3,136	8,769	15,354
Scrapped/written off	-	-	(148)	-	(37)	-	-	(185)
Disposal	-	-	-	(813)	-	-	-	(813)
Reclassifications	-	329	1,835	-	-	(1,454)	(710)	-
At 31 December 2018	59,989	102,073	93,160	6,912	5,942	2,409	148,712	419,197

12. Property, plant and equipment (continued)

Group	Long term leasehold land RM'000	Buildings, plantation infrastructure and quarry RM'000	Heavy equipment, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Bearer plant RM'000	Total RM'000
At 1 January 2018:								
Accumulated depreciation								
At 1 January 2018 - *As previously reported*	8,125	24,446	51,740	5,011	3,946	-	-	93,268
Effect on changes in accounting standard	-	504	-	-	-	-	85,876	86,380
At 1 January 2018 (Restated)	8,125	24,950	51,740	5,011	3,946	-	85,876	179,648
Depreciation charge for the financial year (Note 7)	776	2,360	4,070	457	352	-	5,371	13,386
Scrapped/written off	-	-	(145)	-	(28)	-	-	(173)
Disposal	-	-	-	(809)	-	-	-	(809)
At 31 December 2018	8,901	27,310	55,665	4,659	4,270	-	91,247	192,052
Net carrying amount								
At 31 December 2018	51,088	74,763	37,495	2,253	1,672	2,409	57,465	227,145

12. Property, plant and equipment (continued)

	Long term leasehold land RM'000	Buildings, plantation infrastructure and quarry RM'000	Heavy equipment, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Bearer plant RM'000	Total RM'000
Group								
Cost								
At 1 January 2017:								
At 1 January 2017 - *As previously reported*	63,064	99,191	73,742	6,123	5,380	11,499	-	258,999
Effect on changes in accounting standard	(3,058)	504	-	-	-	117	141,209	138,772
At 1 January 2017 (Restated)	60,006	99,695	73,742	6,123	5,380	11,616	141,209	397,771
Additions	-	569	780	467	315	7,698	4,377	14,206
Scrapped/written off	-	(9)	-	-	(1)	(564)	(4,815)	(5,389)
Disposal	(17)	-	(1)	(126)	-	(1,485)	(118)	(1,747)
Reclassifications	-	986	15,552	-	-	(16,538)	-	-
At 31 December 2017 (Restated)	59,989	101,241	90,073	6,464	5,694	727	140,653	404,841

12. Property, plant and equipment (continued)

Group	Long term leasehold land RM'000	Buildings, plantation infrastructure and quarry RM'000	Heavy equipment, plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Bearer plant RM'000	Total RM'000
At 1 January 2017:								
Accumulated depreciation								
At 1 January 2017 - *As previously reported*	7,352	21,956	48,251	4,617	3,614	-	-	85,790
Effect on changes in accounting standard	-	445	-	-	-	-	82,954	83,399
At 1 January 2017 (Restated)	7,352	22,401	48,251	4,617	3,614	-	82,954	169,189
Depreciation charge for the financial year (Note 7)	776	2,558	3,490	520	333	-	5,863	13,540
Scrapped/written off	-	(9)	-	-	(1)	-	(2,941)	(2,951)
Disposal	(3)	-	(1)	(126)	-	-	-	(130)
At 31 December 2017 (Restated)	8,125	24,950	51,740	5,011	3,946	-	85,876	179,648
Net carrying amount								
At 31 December 2017 (Restated)	51,864	76,291	38,333	1,453	1,748	727	54,777	225,193
At 1 January 2017 (Restated)	52,654	77,294	25,491	1,506	1,766	11,616	58,255	228,582

12. Property, plant and equipment (continued)

Buildings, plantation infrastructure and quarry comprise:

Group	Leasehold property RM'000	Oil mill and other buildings RM'000	Plantation infrastructure development expenditure RM'000	Quarry RM'000	Total RM'000
Cost					
At 1 January 2018:					
At 1 January 2018 - *As previously reported*	780	35,757	54,368	9,448	100,353
Effect of changes in accounting standard	-	504	384	-	888
At 1 January 2018 (Restated)	780	36,261	54,752	9,448	101,241
Additions	-	503	-	-	503
Reclassifications	-	829	(500)	-	329
At 31 December 2018	780	37,593	54,252	9,448	102,073
Accumulated depreciation					
At 1 January 2018:					
At 1 January 2018 - *As previously reported*	188	18,621	4,672	965	24,446
Effect of changes in accounting standard	-	445	59	-	504
At 1 January 2018 (Restated)	188	19,066	4,731	965	24,950
Depreciation charge for the financial year	-	1,672	688	-	2,360
At 31 December 2018	188	20,738	5,419	965	27,310
Net carrying amount					
At 31 December 2018	592	16,855	48,833	8,483	74,763

12. Property, plant and equipment (continued)

Buildings, plantation infrastructure and quarry comprise: (continued)

Group	Leasehold property RM'000	Oil mill and other buildings RM'000	Plantation infrastructure development expenditure RM'000	Quarry RM'000	Total RM'000
Cost					
At 1 January 2017:					
At 1 January 2017 - *As previously reported*	780	35,170	53,793	9,448	99,191
Effect of changes in accounting standard	-	504	-	-	504
At 1 January 2017 (Restated)	780	35,674	53,793	9,448	99,695
Additions	-	185	348	-	569
Scrapped/written off	-	(9)	-	-	(9)
Reclassifications	-	411	575	-	986
At 31 December 2017 (Restated)	780	36,261	54,752	9,448	101,241
Accumulated depreciation					
At 1 January 2017:					
At 1 January 2017 - *As previously reported*	188	16,687	4,116	965	21,956
Effect of changes in accounting standard	-	445	-	-	445
At 1 January 2017 (Restated)	188	17,132	4,116	965	22,401
Depreciation charge for the financial year	-	1,943	615	-	2,558
Scrapped/written off	-	(9)	-	-	(9)
At 31 December 2017 (Restated)	188	19,066	4,731	965	24,950
Net carrying amount					
At 31 December 2017	592	17,195	50,021	8,483	76,291
At 1 January 2017 (Restated)	592	18,542	49,677	8,483	77,294

12. Property, plant and equipment (continued)

Buildings, plantation infrastructure and quarry comprise: (continued)

Company

	Buildings RM'000	Furniture, fittings and equipment RM'000	Total RM'000
At 31 December 2018			
Cost			
At 1 January 2018	3,795	706	4,501
Additions	-	26	26
At 31 December 2018	3,795	732	4,527
Accumulated depreciation			
At 1 January 2018	1,556	412	1,968
Depreciation charge for the financial year (Note 7)	243	71	314
At 31 December 2018	1,799	483	2,282
Net carrying amount			
At 31 December 2018	1,996	249	2,245
At 31 December 2017			
Cost			
At 1 January 2017	3,790	697	4,487
Additions	5	9	14
At 31 December 2017	3,795	706	4,501
Accumulated depreciation			
At 1 January 2017	1,314	342	1,656
Depreciation charge for the financial year (Note 7)	242	70	312
At 31 December 2017	1,556	412	1,968
Net carrying amount			
At 31 December 2017	2,239	294	2,533
At 1 January 2017	2,476	335	2,831

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

12. Property, plant and equipment (continued)

(i) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM15,354,799 and RM26,613 (2017: RM14,206,497 and RM14,507) respectively as follows:

	2018 RM'000	2017 RM'000
Group		
Property, plant and equipment acquired under finance lease	2,055	306
Cash payments made for acquisition of property, plant and equipment	13,299	13,900
	15,354	14,206
Company		
Cash payments made for acquisition of property, plant and equipment	26	14

(ii) Assets held under finance leases

The net carrying amount of property, plant and equipment held under finance leases at the reporting date are as follows:

	Group	
	2018 RM'000	2017 RM'000
Heavy equipment	2,595	1,890
Motor vehicles	1,510	362
	4,105	2,252

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 23.

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

12. Property, plant and equipment (continued)

(iii) Assets pledged as security

In addition to assets held under finance leases, the net carrying amounts of Group's property, plant and equipment pledged as securities for the Group's bank loans (Note 23) are as follows:

	Group	
	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Long term leasehold land	26,486	35,972
Buildings	12,338	13,091
Plant and machinery	35,236	36,502
Plantation infrastructure development expenditure	36,300	36,539
Furniture, fittings and equipment	1,201	1,369
Capital work-in-progress	2,019	617
Bearer plant	36,576	35,527
	150,156	159,617

(iv) Bearer Plant

Additions during the financial year included the following:

	Group	
	2018 RM'000	2017 RM'000
Employee benefits expense (Note 8)	298	177

13. Investment properties

	Group	
	2018 RM'000	2017 RM'000
Freehold land at fair value		
At the beginning of financial year	43,340	42,700
Net gain on fair value adjustments recognised in profit or loss (Note 5)	-	640
At the end of financial year	43,340	43,340

13. Investment properties (continued)

Fair value information

Fair value of investment properties are categories as follows:

	Group 2018 Level 3 RM'000	Group 2017 Level 3 RM'000
Freehold land	43,340	43,340

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

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

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

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

Highest and best use

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

There is no rental income and direct expense relating to the investment properties as it was not rented out.

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

14. Intangible assets

	Group 2018 RM'000	Group 2017 RM'000
Goodwill		
At 1 January		
- As previously reported	92,088	92,088
Effect of changes in accounting standard (Note 2.3(a), (b))	(74,730)	(74,730)
At 1 January (Restated) and 31 December	17,358	17,358

Impairment testing of goodwill

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

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

	Group 2018
CPO per metric ton ("MT")	2,375
PK per MT (RM)	1,800
Discount rates	10.12% - 10.4%
Growth rate	1%

(i) CPO and PK prices are based on the current market outlook of product prices relating to the CGU.

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

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

Sensitivity to changes in assumptions

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

15. Land use rights

	Group 2018 RM'000	Group 2017 RM'000
Cost		
At 1 January and 31 December	2,236	2,236
Accumulated amortisation		
At 1 January	298	270
Amortisation for the financial year (Note 7)	28	28
At 31 December	326	298
Net carrying amount		
At 31 December	1,910	1,938
Amount to be amortised:		
- Not later than one year	28	28
- Later than one year but not later than five years	112	112
- Later than five years	1,770	1,798
	1,910	1,938

16. Investments in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost:		
At 1 January		
- As previously reported	342,505	342,505
Effect of changes in accounting standard (Note 2.3(a), (b))	(46,948)	(46,948)
At 1 January (Restated)	295,557	295,557
Subscription of additional shares	-	7,350
Impairment loss on investment	-	(7,350)
At 31 December	295,557	295,557

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

16. Investments in subsidiaries (continued)

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2018	2017
Incorporated in Malaysia:			
Held by the Company:			
Cepatwawasan Sdn. Bhd.	Cultivation of oil palm	100	100
Syarikat Melabau Sdn. Bhd.	Cultivation of oil palm	100	100
Wong Tet-Jung Plantations Sdn. Bhd.	Cultivation of oil palm	100	100
Razijaya Sdn. Bhd.	Cultivation of oil palm and operation of a quarry	100	100
Sri Likas Mewah Sdn. Bhd.	Cultivation of oil palm	100	100
Kovusak Sdn. Bhd.	Cultivation of oil palm	100	100
Libarran Island Resort Sdn. Bhd.	Investment holding	100	100
Bakara Sdn. Bhd.	Cultivation of oil palm	100	100
Sungguh Mulia Sdn. Bhd.	Cultivation of oil palm	100	100
Prima Semasa Sdn. Bhd.	Cultivation of oil palm	100	100
Ayu Sempurna Sdn. Bhd.	Investment holding	100	100
Cash Nexus (M) Sdn. Bhd.	Investment holding	100	100
Magnum Kapital Sdn. Bhd.	Investment holding	100	100
Hikayat Anggun Sdn. Bhd.	Investment holding	100	100
Aspenglade Sdn. Bhd.	Dormant	100	100
Ekuiti Etika Sdn. Bhd.	Dormant	100	100

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

16. Investments in subsidiaries (continued)

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2018	2017
Incorporated in Malaysia:			
Held through Cepatwawasan Sdn. Bhd.			
Prolific Yield Sdn. Bhd.	Milling and sales of oil palm products	100	100
Jutategak Sdn. Bhd.	Cultivation of oil palm	100	100
Liga Semarak Sdn. Bhd.	Cultivation of oil palm	100	100
Tentu Cergas Sdn. Bhd.	Cultivation of oil palm	100	100
Tentu Bernas Sdn. Bhd.	Cultivation of oil palm	100	100
Held through Syarikat Melabau Sdn. Bhd.			
Suara Baru Sdn. Bhd.	Cultivation of oil palm and operation of a quarry	100	100
Gelang Usaha Sdn. Bhd.	Cultivation of oil palm	100	100
Swifturn Sdn. Bhd.	Letting of oil palm fresh fruit bunches collection center	100	100
Held through Sri Likas Mewah Sdn. Bhd.			
Ultisearch Trading Sdn. Bhd.	Cultivation of oil palm	100	100
Held through Libarran Island Resort Sdn. Bhd.			
Minelink Sdn. Bhd.	Investment property holding	100	100
Held through Ayu Sempurna Sdn. Bhd.			
Ladang Cepat - KPD Sdn. Bhd.	Cultivation of oil palm	60	60

16. Investments in subsidiaries (continued)

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2018	2017
Incorporated in Malaysia:			
Held through Cash Nexus (M) Sdn. Bhd.			
Power Precinct Sdn. Bhd.	Investment holding	100	100
Cash Horse (M) Sdn. Bhd.	Power generation and Sale of biomass by-products	100	100
Incorporated in Australia:			
Timah Resources Limited# ^	Investment holding	61.51	61.51
Held through Timah Resources Limited			
Incorporated in Malaysia:			
Mistral Engineering Sdn. Bhd.	Power generation	61.51	61.51

Audited by firm other than Ernst & Young
^ Listed on the Australian Securities Exchange Ltd or ASX Limited

Details and summarised financial information of subsidiaries which have non-controlling interests that are material to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Details of subsidiaries

Name of company	Proportion of ownership interest held by non-controlling interests 2018 %	2017 %
Ladang Cepat – KPD Sdn. Bhd.	40	40
Mistral Engineering Sdn. Bhd.	38.49	38.49
Timah Resources Limited	38.49	38.49

16. Investments in subsidiaries (continued)

	Ladang Cepat-KPD Sdn. Bhd.			Mistral Engineering Sdn. Bhd.			Timah Resources Limited			Total		
	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
(ii) Summarised statement of financial position												
Non-current assets	12,251	12,919	13,630	55,061	51,207	52,138	26,161	26,161	26,161	93,473	90,287	91,929
Current assets	19,571	21,738	18,547	6,982	6,541	2,620	5,005	5,806	6,236	31,558	34,085	27,403
Total assets	31,822	34,657	32,177	62,043	57,748	54,758	31,166	31,967	32,397	125,031	124,372	119,332
Current liabilities	812	1,493	1,460	5,859	5,158	36,504	329	142	412	7,000	6,793	38,376
Non-current liabilities	2,013	2,196	2,373	46,964	42,044	8,939	-	-	-	48,977	44,240	11,312
Total liabilities	2,825	3,689	3,833	52,823	47,202	45,443	329	142	412	55,977	51,033	49,688
Net assets	28,997	30,968	28,344	9,220	10,546	9,315	30,837	31,825	31,985	69,054	73,339	69,644
Equity attributable to owners of the Company	14,942	15,814	13,830	5,932	6,750	5,995	35,682	36,291	36,389	56,556	58,854	56,214
Non-controlling interests	14,055	15,154	14,514	3,288	3,796	3,320	(4,845)	(4,465)	(4,404)	12,498	14,485	13,430
	28,997	30,968	28,344	9,220	10,546	9,315	30,837	31,826	31,985	69,054	73,339	69,644

16. Investments in subsidiaries (continued)

	Ladang Cepat-KPD Sdn. Bhd. As at 31.12.2018 RM'000	Ladang Cepat-KPD Sdn. Bhd. As at 31.12.2017 RM'000	Mistral Engineering Sdn. Bhd. As at 31.12.2018 RM'000	Mistral Engineering Sdn. Bhd. As at 31.12.2017 RM'000	Timah Resources Limited As at 31.12.2018 RM'000	Timah Resources Limited As at 31.12.2017 RM'000	Total As at 31.12.2018 RM'000	Total As at 31.12.2017 RM'000
(iii) Summarised statement of comprehensive income								
Revenue	9,885	15,289	8,208	4,411	-	-	18,093	19,700
Profit/(loss) for the financial year	2,030	6,624	(1,326)	1,231	(578)	(22)	126	7,833
Profit/(loss) attributable to:								
Owners of the Company	1,529	4,383	(818)	755	(355)	(14)	356	5,124
Non-controlling interests	501	2,241	(508)	476	(223)	(8)	(230)	2,709
	2,030	6,624	(1,326)	1,231	(578)	(22)	126	7,833
Other comprehensive loss attributable to:								
Owners of the Company	-	-	-	-	(228)	(84)	(228)	(84)
Non-controlling interests	-	-	-	-	(157)	(54)	(157)	(54)
	-	-	-	-	(385)	(138)	(385)	(138)
Total comprehensive income/(loss)	2,030	6,624	(1,326)	1,231	(963)	(160)	(259)	7,695
Total comprehensive income/(loss) attributable to:								
Owners of the Company	1,529	4,383	(818)	755	(583)	(98)	128	5,040
Non-controlling interests	501	2,241	(508)	476	(380)	(62)	(387)	2,655
	2,030	6,624	(1,326)	1,231	(963)	(160)	(259)	7,695

16. Investments in subsidiaries (continued)

	Ladang Cepat-KPD Sdn. Bhd.		Mistral Engineering Sdn. Bhd.		Timah Resources Limited		Total	
	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
(iv) Summarised cash flows								
Net cash flows from/(used in) operating activities	2,295	7,448	2,157	2,693	(567)	(463)	3,885	9,678
Net cash flows from/(used in) investing activities	2,865	(3,537)	(41)	(14)	97	160	2,921	(3,391)
Net cash flows used in financing activities	(4,000)	(4,000)	(2,926)	(1,983)	-	-	(6,926)	(5,983)
Net increase/(decrease) in cash and cash equivalents	1,160	(89)	(810)	696	(470)	(303)	(120)	304
Net foreign exchange difference	-	-	-	-	(421)	(136)	(421)	(136)
Cash and cash equivalents at beginning of the financial year	3,145	3,234	899	203	5,762	6,201	9,806	9,638
Cash and cash equivalents at end of the financial year	4,305	3,145	89	899	4,871	5,762	9,265	9,806

17. Deferred tax

Deferred income tax as at reporting date relates to the following:

Group	As previously stated as at 1 January 2017 RM'000	Adoption for changed in accounting policies RM'000	Restated as at 1 January 2017 RM'000	Recognised in profit or loss (Note 10) RM'000	Restated as at 31 December 2017 RM'000
Deferred tax liabilities:					
Investment properties	1,121	-	1,121	32	1,153
Property, plant and equipment	25,373	7,420	32,793	2,101	34,894
Biological assets	35,244	(34,560)	684	(152)	532
Amount due from customer on service concession	20,747	(12)	20,735	1,956	22,691
	82,485	(27,152)	55,333	3,937	59,270
Deferred tax assets:					
Provision	(628)	-	(628)	(161)	(789)
Unused tax losses	(6,941)	-	(6,941)	387	(6,554)
Unabsorbed agriculture and capital allowances	(27,250)	12	(27,238)	(3,387)	(30,625)
Unabsorbed reinvestment allowances	(577)	-	(577)	(304)	(881)
	(35,396)	12	(35,384)	(3,465)	(38,849)
	47,089	(27,140)	19,949	472	20,421

17. Deferred tax (continued)

Group	As previously stated as at 1 January 2018 RM'000	Adoption for changed in accounting policies RM'000	Restated as at 1 January 2018 RM'000	Adoption for changed in accounting policies MFRS 9 RM'000	Recognised in profit or loss (Note 10) RM'000	As at 31 December 2018 RM'000
Deferred tax liabilities:						
Investment properties	1,153	-	1,153	-	-	1,153
Property, plant and equipment	28,252	6,642	34,894	-	839	35,733
Biological assets	35,498	(34,966)	532	-	(291)	241
Amount due from customer on service concession	22,691	-	22,691	-	1,349	24,040
	87,594	(28,324)	59,270	-	1,897	61,167
Deferred tax assets:						
Provision	(789)	-	(789)	-	444	(345)
Allowance for expected credit loss (MFRS 9)	-	-	-	(79)	(29)	(108)
Unused tax losses	(6,554)	-	(6,554)	-	(289)	(6,843)
Unabsorbed agriculture and capital allowances	(30,637)	12	(30,625)	-	(1,352)	(31,977)
Unabsorbed reinvestment allowances	(881)	-	(881)	-	364	(517)
	(38,861)	12	(38,849)	(79)	(862)	(39,790)
	48,733	(28,312)	20,421	(79)	1,035	21,377

17. Deferred tax (continued)

	As at 1 January 2017 RM'000	Recognised in profit or loss (Note 10) RM'000	As at 31 December 2017 RM'000	Recognised in profit or loss (Note 10) RM'000	As at 31 December 2018 RM'000
Company					
Deferred tax liabilities:					
Property, plant and equipment	51	(8)	43	(8)	35
Deferred tax assets:					
Provision for bonus	(113)	3	(110)	35	(75)
	(62)	(5)	(67)	27	(40)

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
Presented after appropriate offsetting as follows:			
Group			
Deferred tax assets	(3,033)	(2,826)	(3,106)
Deferred tax liabilities	24,410	23,247	23,055
	21,377	20,421	19,949
Company			
Deferred tax assets	(40)	(67)	(62)

Unrecognised deferred tax assets

At the reporting date, the Group has unabsorbed capital allowances and unused tax losses of approximately RM592,302 (2017: RM748,701) and RM2,522,096 (2017: Nil) respectively that are available for offset against future taxable profits of the companies in which the unabsorbed capital allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

18. Trade and other receivables

	2018 RM'000	2017 RM'000
Group		
Current		
Trade receivables		
Third parties	5,605	13,208
Operating financial assets	9,783	8,046
Less: Allowance for expected credit losses	(485)	(343)
Trade receivables, net	14,903	20,911
Other receivables		
Deposits	3,120	1,815
GST receivables	309	256
Prepayments	2,005	2,518
Termination compensation receivable	-	695
Sundry receivables	1,235	1,082
	6,669	6,366
Less: Allowance for expected credit losses	(1,005)	(1,005)
Other receivables, net	5,664	5,361
Other assets		
Prepayment of equity shares in a foreign company	4,774	4,774
Less: Allowance for expected credit losses	(4,774)	(4,774)
	-	-
	20,567	26,272

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

18. Trade and other receivables (continued)

	2018 RM'000	2017 RM'000
Group		
Non-current		
Trade receivables		
Operating financial assets	140,836	142,918
Total trade and other receivables (current and non-current)	161,403	169,190
Add: Cash and back balances (Note 22)	17,498	21,668
Less: Prepayments and non refundable deposits	(3,632)	(2,921)
Total financial assets measured at amortised cost	175,269	187,937
Company		
Current		
Other receivables		
Amounts due from subsidiaries		
- Interest bearing advances	33,885	28,028
Deposits	23	70
GST receivables	847	20
Prepayments	151	86
Sundry receivables	273	273
	1,294	449
Less: Allowance for expected credit losses	(272)	(272)
Other receivables, net	1,022	177
	34,907	28,205

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

18. Trade and other receivables (continued)

	2018 RM'000	2017 RM'000
Company		
Non-current		
Other receivables		
Amounts due from subsidiaries		
- Interest bearing advances	67,011	61,989
Other receivables, net	67,011	61,989
	67,011	61,989
Total trade and other receivables (current and non-current)	101,918	90,194
Add: Cash and bank balance (Note 22)	190	1,134
Less: Prepayments	(151)	(86)
Total financial assets measured at amortised cost	101,957	91,242

(a) Trade receivables - third parties

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

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	155,604	163,529
1 to 30 days past due not impaired	51	35
31 to 60 days past due not impaired	37	85
61 to 90 days past due not impaired	44	3
More than 91 days past due not impaired	4	177
	136	300
Impaired	485	343
	156,225	164,172

18. Trade and other receivables (continued)

(a) Trade receivables - third parties (continued)

Trade receivables that are neither past due nor impaired

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

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

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

	Group	
	2018 RM'000	2017 RM'000
At 1 January		
- As previously reported	343	343
- Effect of changes in adopting MFRS 9	327	-
At 1 January (Restated)	670	343
Reversal of expected credit losses	(185)	-
At 31 December	485	343

(b) Other receivables

The amounts due from subsidiaries are unsecured and are repayable upon demand.

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

Other receivables that are impaired

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	5,779	8,391	272	8,123
Charge for the financial year	-	30	-	-
Written off	-	(2,642)	-	-
Reversal of expected credit losses	-	-	-	(7,851)
At 31 December	5,779	5,779	272	272

18. Trade and other receivables (continued)

(c) Prepayment of equity shares in a foreign company

On 7 September 2011, a wholly owned subsidiary, Magnum Kapital Sdn. Bhd., had entered into a Conditional Sale and Purchase Agreement ("CSPA") with three Indonesian citizens in relation to the proposed acquisition of 500 fully paid up shares of IDR25,000,000 each in PT Mukti Sejahtera Abadi, at a maximum purchase consideration of IDR125,000,000 (approximately RM46,125). The acquisition is yet to be completed pending the satisfaction of certain conditions as stated in the CSPA. As at 31 December 2015, the Group has incurred incidental cost of RM8,901,280 to satisfy certain conditions as stated in the CSPA. However, the Board of Directors has decided to dispose the rights and discontinue with the completion of the acquisition in 2015. An offer for RM1,539,000 was accepted in 2015 and hence, impairment loss of RM7,408,000 was recognised in the previous financial years for the shortfall between the estimated disposal price and the total investment cost and incidental cost incurred.

On 15 May 2016, the disposal was completed and the RM485,913 in the statement of financial position represents the last instalment, which was settled in the previous financial year.

(d) Termination compensation receivable

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

The Group has received termination compensation totaling RM2,000,011 from NE in three payments within two years from 2017.

(e) Trade receivable - Operating financial assets

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

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

18. Trade and other receivables (continued)

(e) Trade receivable - Operating financial assets (continued)

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

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

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

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

19. Biological assets

Biological assets relate to agricultural produce growing on bearer plants, which is referred to as FFB with the following movements in carrying value:

	2018 RM'000	2017 RM'000
At 1 January	162,533	161,296
Effects transition to MFRS	(159,903)	(157,529)
At 1 January (Restated)	2,630	3,767
Fair value changes of biological assets (Note 7)	(1,488)	(1,137)
At 31 December	1,142	2,630

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

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generate from FFB prior to more than 6 weeks to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 6 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 17% for FFB that are 5 to 6 weeks prior to harvest, 50% for FFB that are 3 to 4 weeks prior to harvest and 83% for FFB that are 1 to 2 weeks prior to harvest. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight and other cost to sell at the point of harvest.

The valuation model adopted by the Group is a discounted cash flow model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest. Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

20. Inventories

	Group	
	2018	**2017**
	RM'000	**RM'000**
Cost		
Shell	26	101
Fibre	84	31
Empty fruit bunches	11	25
Empty fruit bunches oil	94	378
Crude palm oil	2,978	-
Palm kernels	549	1,201
Quarry stocks	14,958	15,979
Fertilisers and chemicals	2,046	1,458
Store, spares and consumable supplies	2,687	2,791
Nurseries	3,287	1,016
	26,720	22,980
Net realisable value		
Crude palm oil	-	2,303
	26,720	25,283

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM16,002,650 (2017: RM17,526,871).

21. Short term investments

	Group	
	2018	**2017**
	RM'000	**RM'000**
Fair value through profit or loss		
Short term investments	13,860	17,062

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

The short term investments bear floating interest rates ranging from 2.40% to 3.72% (2017: 2.68% to 3.39%) per annum and the maturity of investments is 1 day (2017: 1 day).

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

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

22. Cash and bank balances

	2018 RM'000	2017 RM'000
Group		
Cash at bank and on hand	8,840	12,314
Short term deposits with licensed banks	8,658	9,354
Cash and bank balances	17,498	21,668
Company		
Cash at bank and on hand	190	1,134
Cash and bank balances	190	1,134

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to one month depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2018 for the Group was 3.04% (2017: 3.03%).

Short term deposits with licensed banks of the Group amounting to RM2,727,346 (2017: RM2,453,034) are pledged as securities for banking facilities.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	2018 RM'000	2017 RM'000
Group		
Cash and bank balances	17,498	21,668
Less: Short term deposits pledged as securities for banking facilities	(2,727)	(2,453)
Cash and cash equivalents	14,771	19,215
Company		
Cash at bank and on hand	190	1,134
Cash and cash equivalents	190	1,134

23. Loans and borrowings

	Year of Maturity	2018 RM'000	2017 RM'000
Group			
Current			
Secured:			
Obligation under finance leases (Note 31(c))	2019	617	363
Revolving credits:			
- at ICOF + 1.20% p.a.	2019	10,050	16,800
- at COF + 1.125% p.a.	2019	16,000	16,000
- at COF + 1.5% p.a.	2019	9,500	9,500
Bank loans:			
- RM loan at COF + 1.125% p.a.	2019	4	1,925
- RM loan at COF + 1.5% p.a.	2019	10,975	9,950
- RM loan at COF + 1.1% p.a.	2019	7,500	4,000
		54,646	58,538
Non-current			
Secured:			
Obligation under finance leases (Note 31(c))	2020-2025	1,411	202
Bank loans:			
- RM loan at COF + 1.125% p.a.		-	-
- RM loan at COF + 1.5% p.a.	2020-2021	17,000	27,975
- RM loan at COF + 1.1% p.a.	2020-2024	34,659	23,650
		53,070	51,827
Total loans and borrowings		107,716	110,365

23. Loans and borrowings (continued)

	Year of Maturity	2018 RM'000	2017 RM'000
Company			
Current			
Secured:			
Revolving credits:			
- at ICOF + 1.20% p.a.	2019	10,050	16,800
Bank loans:			
- RM loan at COF + 1.1% p.a.	2019	7,500	4,000
		17,550	20,800
Non-current			
Secured:			
Bank loans:			
- RM loan at COF + 1.1% p.a.	2020-2024	34,659	23,650
Total loans and borrowings		52,209	44,450

The remaining maturities of the loans and borrowings as at reporting date are as follows:

	2018 RM'000	2017 RM'000
Group		
On demand or within one year	54,646	58,538
More than 1 year and less than 2 years	19,287	17,906
More than 2 years and less than 5 years	27,924	26,271
5 years or more	5,859	7,650
	107,716	110,365
Company		
On demand or within one year	17,550	20,800
More than 1 year and less than 2 years	7,500	4,000
More than 2 years and less than 5 years	21,509	12,000
5 years or more	5,650	7,650
	52,209	44,450

23. Loans and borrowings (continued)

(i) Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 12). The average discount rate implicit in the leases is 4.16% p.a. (2017: 4.66% p.a.). These obligations are denominated in RM.

(ii) Revolving credits

These are denominated in RM and secured by legal charges over certain leasehold plantations together with the plant and machinery and palm oil mill of certain subsidiaries, sub-divided land together with the power plant erected thereon of a subsidiary, debentures incorporating fixed and floating charges over all the assets of these subsidiaries presently owned and subsequently acquired, corporate guarantees given by the Company and these subsidiaries and short term deposits with licensed bank.

(iii) RM loan at COF + 1.125% p.a.

This loan is secured by legal charges over certain leasehold plantations together with the plant and machinery and palm oil mill of certain subsidiaries, debentures incorporating fixed and floating charges over all the assets of these subsidiaries presently owned and subsequently acquired and corporate guarantees given by the Company and these subsidiaries.

(iv) RM loan at COF + 1.5% p.a.

This loan is secured by legal charges over sub-divided land together with the power plant erected thereon of certain subsidiaries, debentures incorporating fixed and floating charges over all the assets of these subsidiaries, corporate guarantees given by the Company and short term deposits with licensed bank.

(v) RM loan at COF + 1.1% p.a.

This loan is secured by legal charges over certain leasehold plantations, debentures incorporating fixed and floating charges over all the assets of certain subsidiaries presently owned and subsequently acquired and corporate guarantees given by these subsidiaries.

23. Loans and borrowings (continued)

(vi) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group Liabilities			Company Liabilities
	Other loans and borrowings RM'000	**Finance lease liabilities RM'000**	**Total RM'000**	**Other loans and borrowings RM'000**
Balance at 1 January 2018	109,800	565	110,365	44,450
Changes from financing cash flows				
Drawdown of borrowings	24,759	-	24,759	24,759
Repayment of borrowings	(28,871)	-	(28,871)	(17,000)
Repayment of obligations under finance leases	-	(592)	(592)	-
Total changes from financing cash flows	(4,112)	(592)	(4,704)	7,759
Other changes				
Liability - related				
New finance leases	-	2,055	2,055	-
Total liability - related other changes	-	2,055	2,055	-
Balance at 31 December 2018	105,688	2,028	107,716	52,209

23. Loans and borrowings (continued)

(vi) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Group Liabilities			Company Liabilities
	Other loans and borrowings RM'000	**Finance lease liabilities RM'000**	**Total RM'000**	**Other loans and borrowings RM'000**
Balance at 1 January 2017	129,089	1,030	130,119	53,150
Changes from financing cash flows				
Drawdown of borrowings	25,300	-	25,300	25,300
Repayment of borrowings	(44,589)	-	(44,589)	(34,000)
Repayment of obligations under finance leases	-	(771)	(771)	-
Total changes from financing cash flows	(19,289)	(771)	(20,060)	(8,700)
Other changes				
Liability - related				
New finance leases	-	306	306	-
Total liability - related other changes	-	306	306	-
Balance at 31 December 2017	109,800	565	110,365	44,450

24. Trade and other payables

	2018 RM'000	2017 RM'000
Group		
Trade payables		
Third parties	10,030	12,045
Other payables		
Accruals	8,526	10,299
CPO sales tax and MPOB cess	982	1,436
Retention sum payable to contractor	1,403	1,403
Sundry payables	3,583	3,420
GST payable	-	576
	14,494	17,134
Total trade and other payables	24,524	29,179
Add: Loans and borrowings (Note 23)	107,716	110,365
Less: GST payable	-	(576)
Less: CPO sales tax and MPOB cess	(982)	(1,436)
Total financial liabilities carried at amortised cost	131,258	137,532
Company		
Other payables		
Amounts due to subsidiaries	6,262	19,761
Accruals	833	996
Sundry payables	39	174
	7,134	20,931
Total trade and other payables	7,134	20,931
Add: Loans and borrowings (Note 23)	52,209	44,450
Total financial liabilities carried at amortised cost	59,343	65,381

24. Trade and other payables (continued)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2017: 30 to 90 days) terms.

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

(c) Sundry payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of three months (2017: average term of three months).

25. Lease rental payable

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

26. Share capital and treasury shares

	Number of ordinary shares		Amount	
Issued and fully paid	**Share capital**	**Treasury share**	**Share capital RM'000**	**Treasury share RM'000**
At 1 January 2017 and 2018 and 31 December 2017 and 2018	318,446,210	(9,479,200)	318,446	(11,097)

(a) Share capital

The holders of ordinary shares (except treasury 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.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

27. Reserves

	Group		
	As at 31.12.2018 RM'000	**As at 31.12.2017 RM'000**	**As at 1.1.2017 RM'000**
Foreign currency translation reserve*	(359)	(107)	-
Other reserve*	(80,354)	(80,354)	(80,354)
	(80,713)	(80,461)	(80,354)

	Company		
	As at 31.12.2018 RM'000	**As at 31.12.2017 RM'000**	**As at 1.1.2017 RM'000**
Reserve*	(8,482)	(8,482)	(8,482)

* The movements of these reserves are as stated in the statements of changes in equity.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

Other reserve

Other reserve represents:

(a) the difference between the adjusted carrying amount of the non-controlling interests and the fair value of the consideration paid; and

(b) restructuring reserve arising from business combination.

28. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 and 31 December 2017 under the single-tier system.

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

29. Dividend

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Recognised during the financial year:				
Dividend on ordinary shares:				
Final single-tier dividend for 2018 of 2.0 sen (2017: 1.5 sen) per share	6,179	4,634	6,179	4,634
Final single-tier dividend for 2018 of 2.0 sen (2017: 1.5 sen) per share	1,600	1,600	-	-
	7,779	6,234	6,179	4,634

On 25 February 2019, the directors approved a single-tier dividend of sen on ordinary shares, amounting to RM4,634,505 (1.5 sen per ordinary share) payable on 22 May 2019. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

30. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place at terms agreed between the parties during the financial year:

	Company	
	2018 RM'000	2017 RM'000
Transactions with subsidiaries:		
Management fees received/receivable	3,032	2,989
Interest on advances given	5,084	4,411
Gross dividend income	21,355	45,657

30. Related party transactions (continued)

(b) Compensation of key management personnel

The remunerations of the key management personnel who are the Directors, chief operating officer, accountant, general manager of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	3,544	3,392	1,663	1,591
Defined contribution plan	306	282	193	172
	3,850	3,674	1,856	1,763

31. Commitments

The Group's commitments as at the reporting date are as follows:

(a) Capital commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment:				
Approved and contracted for	3	4,443	-	-
Approved but not contracted for	9,474	5,068	-	-
	9,477	9,511	-	-

(b) Service concession facilities commitments

Approved and contracted for	2,603	1,736	-	-
Approved but not contracted for	256	-	-	-
	2,859	1,736	-	-

31. Commitments (continued)

(c) Finance lease commitments

The Group has finance leases for certain items of motor vehicles, heavy equipment, plant and machinery (Note 12). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2018 RM'000	2017 RM'000
Minimum lease payments:		
Not later than 1 year	705	384
Later than 1 year and not later than 2 years	607	181
Later than 2 years and not later than 5 years	733	30
More than 5 years	217	-
Total minimum lease payments	2,262	595
Less: Amounts representing finance charges	(234)	(30)
Present value of minimum lease payments	2,028	565

	Group	
	2018 RM'000	2017 RM'000
Present value of payments:		
Not later than 1 year	617	363
Later than 1 year and not later than 2 years	554	181
Later than 2 years and not later than 5 years	648	21
More than 5 years	209	-
Present value of minimum lease payments	2,028	565
Less: Amount due within 12 months (Note 23)	(617)	(363)
Amount due after 12 months (Note 23)	1,411	202

32. Contingent Liabilities (unsecured)

(i) The Company's wholly owned subsidiary, Suara Baru Sdn. Bhd. ("SBSB") had commenced legal proceedings against Borhill Estates Sdn. Bhd. ("BESB") in the Sessions Court at Sandakan vide Suit No. SDK-A 52-63/7-2013 ("Suit") on 19 July 2013 to claim the sum of RM115,169, being the amount due and owing by BESB to SBSB in respect of block stones and crusher run A stones ("Stones") supplied by SBSB to BESB. In defending the Suit, BESB had contended, among others, that the Stones supplied by SBSB did not fit the description of stones ordered by BESB, were not of merchantable quality, and were not fit for the purpose they were ordered for. BESB had also filed a counterclaim against SBSB, among others, a sum of RM5,612,850 in respect of BESB's purported loss of profit allegedly caused by SBSB's alleged breach. The Suit was subsequently transferred to the High Court of Sabah and Sarawak at Sandakan on 13 October 2014 and registered as Suit No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The Suit is now fixed for trial from 1 August 2016 to 5 August 2016. On 8 December 2016, the trial of the Suit has been concluded. SBSB has filed its closing submissions on 3 February 2017 and Submissions in Reply to BESB's Written Submissions on 20 February 2017. On 2 May 2017, the High Court had allowed SBSB's claim against BESB and dismissed BESB's counterclaim. BESB has filed an appeal to the Court of Appeal against the decision of the Court of Appeal. The appeal was then fixed for hearing on 18 July 2018. The record of appeal had recently been perfected by the Defendant fixed for hearing on 19 March 2019. On 19 March 2019, the Court of Appeal had dismissed against BESB's appeal with costs of RM10,000 to SBSB subject to allocatur fee (appealing fees) of 4% of the costs.

(ii) On 14 June 2016, a wholly-owned subsidiary of the Company, Suara Baru Sdn Bhd (SB) has been served with a Writ of Summons issued in the High Court in Sabah and Sarawak at Sandakan.

SB is the sub-lessee of 33 lots of land totalling approximately 500 acres situated in Sungai Sekong in the District of Sandakan, Sabah with a lease term of 99 years from year 1997 to 2096 by Suwaya (1st Defendant). The said lands had been transferred to the 1st Defendant by their previous 33 owners, including Yuh @ Abdul Salleh Bin Pompulu ("Plaintiff"). The said lands was recognised as lease rental payable by the Group amounting to RM99,357.

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

The Board of Directors of the Company is of the view that the suit will have no immediate material financial and operational impact on the Company as the Company expects that pursuant to the facts of the case, the documents presently available and the advice of its solicitors, the Company has a good defence against the Plaintiff's claim. SB had filed their defence in the High Court in Sabah and Sarawak at Sandakan on 11 July 2016.

On 1 December 2016, High Court in Sabah and Sarawak had dismissed the application on the ground that this was not a proper case to be disposed of by way of affidavit evidence.

On 28 December 2016, SB had filed an appeal to the Court of Appeal against the decision of the High Court. The appeal was heard and dismissed by the Court of Appeal on 17 November 2017. The Company had filed a motion for leave to appeal to the Federal Court on 12 December 2017. The leave to appeal was then fixed for hearing on 13 April 2018. The Company had on 23 April 2018 filed the appeal to the Federal Court. The leave to appeal will be fixed for hearing by the Federal Court in due course.

33. Fair value of financial instruments

Set out below, is a comparison by classes of the carrying amounts and fair values of the financial instruments, other than those with carrying amounts are reasonable approximate of fair value:

	2018		2017	
	Carrying Amount RM'000	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Group				
Financial Liabilities:				
Loans and borrowings (non current)				
- Obligations under finance lease	1,411	1,496	202	202

The management assessed that the fair value of cash and short-term deposits, trade and other receivables, trade and other payables, short-term loans and borrowings and other current liabilities approximate their carrying amounts either due to the short-term maturities of these instruments or the insignificant effect of discounting.

The following methods and assumptions were used to estimate the fair value:

Finance lease obligations

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as those subsidiaries will be able to meet their short term loans and borrowings obligations as and when they are due.

34. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by Executive Committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

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

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

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM118,300,000 (2017: RM118,300,000) relating to corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 18.

Credit risk concentration profile

At the reporting date, approximately 52% (2017: 49%) of the Group's trade receivables were due from 2 (2017: 2) major customers.

Trade receivables

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

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

34. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Trade receivables (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 18. The Group does not hold collateral as security.

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

31 December 2018

	Trade receivables					
		Days past due				
	Current RM	31 - 60 days RM	61 - 90 days RM	91 – 120 days RM	More than 121 days RM	Total RM
Expected credit loss rate	1%	3%	4%	6%	93%	
Estimated total gross carrying amount at default	285,509	51,354	37,433	43,896	511,537	929,729
Expected credit loss	2,855	1,541	1,497	2,634	477,320	485,847

31 December 2017

	Trade receivables					
		Days past due				
	Current RM	31 - 60 days RM	61 - 90 days RM	91 – 120 days RM	More than 121 days RM	Total RM
Expected credit loss rate	1%	3%	4%	6%	97%	
Estimated total gross carrying amount at default	635,016	34,711	31,655	2,573	677,817	1,381,772
Expected credit loss	6,350	1,041	1,266	154	661,562	670,373

34. Financial risk management objectives and policies (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations associated with financial liabilities that are settled by delivery of cash or another financial assets. 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 objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the reporting date, approximately 51% (2017: 53%) and 33% (2017: 47%) of the Group's and of the Company's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

(i) The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 2018				
Group				
Financial liabilities:				
Trade and other payables	23,542	-	-	23,542
Loans and borrowings	58,662	53,002	6,116	117,780
Total undiscounted financial liabilities	82,204	53,002	6,116	141,322
Company				
Financial liabilities:				
Trade and other payables	7,134	-	-	7,134
Loans and borrowings	18,723	34,320	5,898	58,941
Total undiscounted financial liabilities	25,857	34,320	5,898	58,941
Financial guarantee contracts	118,300	-	-	118,300

34. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

(i) The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted amounts. (continued)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 2017				
Group				
Financial liabilities:				
Trade and other payables	27,167	-	-	27,167
Loans and borrowings	62,911	49,755	8,090	120,756
Total undiscounted financial liabilities	90,078	49,755	8,090	147,923
Company				
Financial liabilities:				
Trade and other payables	20,931	-	-	20,931
Loans and borrowings	22,214	19,424	8,090	49,728
Total undiscounted financial liabilities	43,145	19,424	8,090	70,659
Financial guarantee contracts	118,300	-	-	118,300

Notes to the Financial Statements
For the financial year ended 31 December 2018 (continued)

34. Financial risk management objectives and policies (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits and short term investments.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit before tax would have been RM27,761 (2017: RM45,454) higher/lower, arising mainly as a result of net effect of lower/higher interest income from short term deposits and short term investments; and interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group holds cash and bank balances denominated in foreign currency for working capital purposes. At the reporting date, such foreign currency balances (mainly in AUD, USD and SGD) amounted to RM6 million (2017: RM6 million).

34. Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the AUD, USD and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Increase/(decrease) in profit before tax	
	Group	
	2018 RM'000	2017 RM'000
AUD/RM		
- strengthened 5% (2017: 5%)	(243,565)	(288,101)
- weakened 5% (2017: 5%)	243,565	288,101
Euro/RM		
- strengthened 5% (2017: 5%)	-	(3,367)
- weakened 5% (2017: 5%)	-	3,367
GBP/RM		
- strengthened 5% (2017: 5%)	-	(7,342)
- weakened 5% (2017: 5%)	-	7,342
USD/RM		
- strengthened 5% (2017: 5%)	(35,267)	(261)
- weakened 5% (2017: 5%)	35,267	261
SGD/RM		
- strengthened 5% (2017: 5%)	(23,543)	(16)
- weakened 5% (2017: 5%)	23,543	16

(e) Commodity price risk

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

Sensitivity analysis for commodity price risk

At the reporting date, if the Crude Palm Oil price had been 5% higher/lower, with all other variables held constant, the Group's profit before tax would have been RM1,077,048 (2017: RM1,918,855) higher/lower.

35. Capital management (continued)

The primary objective of the Group's and of the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratios in order to support their businesses and maximise shareholders' value.

The Group and the Company manages their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's and the Company's policy is to keep the gearing ratio within acceptance level. The Group and the Company include within net debt, loans and borrowings, trade and other payables, less cash and bank balances and short term investments.

		Group		Company	
		2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Loans and borrowings	23	107,716	110,365	52,209	44,450
Trade and other payables	24	24,524	29,179	7,134	20,931
Less: Cash and bank balances	22	(17,498)	(21,668)	(190)	(1,134)
Less: Short term investments	21	(13,860)	(17,062)	-	-
Net debt		100,882	100,814	59,153	64,247
Capital:					
Equity attributable to owners of the parent		347,130	348,510	340,396	323,847
Capital and net debt		448,012	449,324	399,549	388,094
Gearing ratio		23%	22%	15%	17%

36. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) Plantation - Cultivation oil palm
(ii) Mill - Milling and sale of oil palm products
(iii) Power plant - Power generation and sale of biomass by-products
(iv) All other segments - Extraction and sale of earth stones and others

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

36. Segment information (continued)

As at 31 December 2018	Plantation RM'000	Mill RM'000	Power plant RM'000	All other segments RM'000	Adjustment and elimination RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	14,527	199,007	25,986	1,098	-		240,618
Inter-segment	35,470	-	-	862	(36,332)	A	-
Total revenue	49,997	199,007	25,986	1,960	(36,332)		240,618
Results:							
Interest income	509	2,725	7,538	5,181	(7,799)		8,154
Depreciation and amortisation	5,456	3,281	954	571	3,152		13,414
Segment profit	8,892	6,715	5,943	3,978	(16,548)	B	8,980
Assets:							
Additions to non-current assets	13,265	608	1,451	30	-	C	15,354
Segment assets	221,736	38,135	174,818	79,051	3,033	D	516,773
Liabilities:							
Segment liabilities	8,410	25,010	44,598	54,717	24,410	E	157,145

36. Segment information (continued)

As at 31 December 2017	Plantation RM'000	Mill RM'000	Power plant RM'000	All other segments RM'000	Adjustment and elimination RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	27,312	219,937	26,070	815	-		274,134
Inter-segment	46,219	-	-	642	(46,861)	A	-
Total revenue	73,531	219,937	26,070	1,457	(46,861)		274,134
Results:							
Interest income	513	2,603	7,693	4,574	(6,977)		8,406
Depreciation and amortisation	5,902	3,140	780	570	3,176		13,568
Segment profit	33,865	5,014	11,592	9,247	(24,632)	B	35,086
Assets:							
Additions to non-current assets	7,029	3,252	3,906	19	-	C	14,206
Segment assets	186,628	76,664	180,236	81,321	2,826	D	527,675
Liabilities:							
Segment liabilities	7,857	30,503	55,615	47,458	23,247	E	164,680
As at 1 January 2017							
Assets:							
Segment assets	184,650	83,440	176,798	81,692	3,106	D	529,686
Liabilities:							
Segment liabilities	7,183	33,057	67,266	56,613	23,055	E	187,174

36. Segment information (continued)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B The profit from inter-segment sales is deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income.

C Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment	15,354	14,206

D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
Deferred tax assets	3,033	2,826	3,106

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
Deferred tax liabilities	24,410	23,247	23,055

Geographical information

No geographical information has been provided as the Group activities are predominantly in Malaysia.

Information about major customers

Revenue from two (2017: two) major customers amount to RM78,391,752 (33% of revenue) and RM90,395,611 (38% of revenue) respectively (2017: RM80,882,804 (30% of revenue) and RM95,743,061 (35% of revenue) arising from mill segment.

37. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 28 March 2019.

List of Properties of the Group as at 31 December 2018

	Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 RM'000	Year Acquired
1	Prolific, Wong Tet-Jung Plantations	Leasehold 99 years	2069	39.752 hectares	Oil Palm Plantation	6,927	2001
	Off KM 63.7		2070	30.607 hectares	& Oil Mill		
	Sandakan-Lahad Datu Highway		2074	8.010 hectares			
			2075	207.991 hectares			
			2076	9.967 hectares			
			2077	24.460 hectares			2005
			2082	6.463 hectares			
			2082	72.790 hectares			
	Kolapis-Beluran Area	Perpetuity					
	District of Labuk Sugut	(Sublease 99 years)	2097	6.435 hectares			
		Leasehold 99 years	2073	2.250 hectares	Plantable Reserve		2002
				408.725 hectares			
	Prolific Yield	Under Sub Division	2081	**167.220 Sq.M**	Double Storey	123	2002
	Lot 38, Block C	Leasehold 99 years			Terrace Shoplot		
	Taman Indah Jaya Phase 4A,	(Parent title					
	Mile 4, Jalan Utara, Sandakan	TL077552035)					
2	Melabau, Suara Baru, Gelang Usaha	Leasehold 99 years	2069	27.480 hectares	Oil Palm Plantation	602	2002
	0.2 KM East of KM 96		2078	17.110 hectares	Oil Palm Plantation	16,491	2001
	Sandakan-Lahad Datu Highway		2079	260.780 hectares	& Quarry		
			2080	202.303 hectares			
			2081	136.615 hectares			
			2082	88.690 hectares			
			2085	252.660 hectares			
			2086	14.930 hectares			
			2095	4.993 hectares			
			2093	154.700 hectares			
			2097	12.300 hectares			
		Perpetuity					
		(Sublease 99 years)	2075	316.549 hectares			
			2080	136.763 hectares			
			2093	5.751 hectares			
			2097	10.930 hectares			
	KM 28, Jalan Labuk	Leasehold 99 years	2065	1.842 hectares	Plantable Reserve		
				1,644.396 hectares			
3	Sri Likas Mewah, Ultisearch Trading						
	2.6 KM north of KM 31, Sukau Road	Leasehold 99 years	2085	10.120 hectares	Oil Palm Plantation	3,089	2001
			2094	386.100 hectares			
			2096	168.700 hectares			
			2098	47.750 hectares			
				612.670 hectares			
4	Bakara	Leasehold 99 years	2085	150.300 hectares	Oil Palm Plantation	1,731	2001
	Bukit Garam/Sg. Lokan		2087	400.000 hectares			
	Off KM 76.5, Sandakan-Lahad Highway			**550.300 hectares**			
5	Cepatwawasan & Kovusak	Leasehold 99 years	2061	992.700 hectares	Oil Palm Plantation	14,768	2001
	KM 4.5, Jalan Beluran		2071	133.550 hectares			
			2078	485.300 hectares			
				1,611.550 hectares			
6	Razijaya & Sugguh Mulia	Leasehold 99 years	2098	**362.200 hectares**	Oil Palm Plantation,	13,210	2001
	Sungai-Sungai Locality				Quarry &		
	99 KM North-West of Sandakan				Plantable Reserve		

List of Properties of the Group as at 31 December 2018 (continued)

	Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 RM'000	Year Acquired
7	Prima Semasa Sonsogon Suyad, Paitan Locality 105 KM North-West of Sandakan	Leasehold 99 years	2094	**2,997.000 hectares**	Oil Palm Plantation & Plantable Reserve	34,210	2003
8	Cepatwawasan, Tentu Bernas Tentu Cergas, Liga Semarak & Jutategak Sg. Kawananan Locality 113 KM North-West of Sandakan	Leasehold 99 years	2097 2098 2099 2100	242.800 hectares 145.710 hectares 48.550 hectares 48.520 hectares **485.580 hectares**	Oil Palm Plantation & Plantable Reserve	5,160	2005
9	Ladang Cepat-KPD 85 KM South-West of Beaufort	Leasehold 99 years	2087	**1,602.840 hectares**	Oil Palm Plantation	26,425	2007
10	Cepatwawasan Group Berhad Lot 70, Block 6, Prima Square Mile 4, North Road Sandakan	Leasehold 99 years	2106	**564.386 Sq.M**	Three Storey Shop/Office	973	2009
	Cepatwawasan Group Berhad Unit no. F-7-2, Level 7, Block F Utama Court, Phase 2, Mile 6 North Road, Sandakan	Leasehold 99 years	2081	**106.500 Sq.M**	Eight Storey Apartment	144	2011
	Cepatwawasan Group Berhad Unit no. F-8-2, Level 8, Block F Utama Court, Phase 2, Mile 6 North Road, Sandakan	Leasehold 99 years	2081	**106.500 Sq.M**	Eight Storey Apartment	151	2011
	Cepatwawasan Group Berhad Unit no. B1-10-1 Sri Utama Condominiums Mile 6, North Road Sandakan	Leasehold 99 years	2081	**122.140 Sq.M**	Eight Storey Condominium	399	2015
	Cepatwawasan Group Berhad Unit no. B1-10-3 Sri Utama Condominiums Mile 6, North Road Sandakan	Leasehold 99 years	2081	**105.140 Sq.M**	Eight Storey Condominium	327	2015
11	Mistral Engineering Sdn Bhd Off KM 63.7 Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**3.115 hectares**	Biogas power plant	354	2012
12	Cash Horse (M) Sdn Bhd Off KM 63.7 Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**7.070 hectares**	Biomass power plant	6,054	2012

List of Properties of the Group as at 31 December 2018 (continued)

	Location of Property Kuala Lumpur	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2018 RM'000	Date of Last Revaluation
13	Minelink HS (D) 118739, No. PT 9103 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.976 Sq.M**	High-end residential property	7,339	2018
	Minelink HS (D) 118740, No. PT 9104 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**877.693 Sq.M**	High-end residential property	7,181	2018
	Minelink HS (D) 118741, No. PT 9105 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**896.829 Sq.M**	High-end residential property	7,337	2018
	Minelink HS (D) 118742, No. PT 9106 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**878.490 Sq.M**	High-end residential property	7,188	2018
	Minelink HS (D) 118743, No. PT 9107 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**884.183 Sq.M**	High-end residential property	7,234	2018
	Minelink HS (D) 118744, No. PT 9108 Damansara Heights Mukim of Kuala Lumpur	Freehold	-	**863.043 Sq.M**	High-end residential property	7,061	2018

Statistical Report as at 28 February 2019

Issued & Fully Paid-Up Share Capital	:	318,446,210 (including treasury shares of 9,479,200)
Type of Share	:	Ordinary Share
No. of Shareholders	:	6,894
Voting Rights	:	One Vote for Every Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 to 99	79	1.145	3,384	0.001
100 to 1,000	530	7.687	353,475	0.114
1,001 to 10,000	3,820	55.410	19,862,938	6.428
10,001 to 100,000	2,164	31.389	65,337,500	21.147
100,001 to 15,448,349 (*)	299	4.337	118,523,263	38.361
15,448,350 AND ABOVE (**)	2	0.029	104,886,450	33.947
TOTAL :	**6,894**	**100.000**	**308,967,010**	**100.000**

* - LESS THAN 5% OF ISSUED SHARES
** - 5% AND ABOVE OF ISSUED SHARES

LIST OF SUBSTANTIAL SHAREHOLDERS

as per the Register of Substantial Shareholders as at 28 February 2019

Shareholders	No. of Shares Direct	%	No. of Shares Indirect	%	
MHC Plantations Bhd	88,831,200	28.75	30,000,000	9.71	(1)
Dato' Mah Pooi Soo Realty Sdn Bhd	-	-	118,831,200	38.46	(2)
Tan Sri Dr. Mah King Thian @ Mah King Thiam	-	-	118,831,200	38.46	(2)
Dato' Seri Mah King Seng	-	-	118,831,200	38.46	(2)
Datin Seri Ooi Ah Thin	-	-	118,831,200	38.46	(2)
Yew Lee Holdings Sdn. Berhad	16,055,250	5.20	13,944,750	4.51	(3)

Notes:

1. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of its shareholdings in Yew Lee Holdings Sdn. Berhad and Hutan Melintang Plantations Sdn. Berhad*
2. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue his/her shareholdings in MHC Plantations Bhd.*
3. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of its shareholdings in Hutan Melintang Plantations Sdn. Berhad*

TOTAL ISSUED SHARES AS AT 28 FEBRUARY 2019 : 318,446,210
TREASURY SHARES AS AT 28 FEBRUARY 2019 : 9,479,200
'ADJUSTED' CAPITAL AFTER NETTING TREASURY SHARES AS AT 28 FEBRUARY 2019 : 308,967,010

Statistical Report as at 28 February 2019 (continued)

LIST OF DIRECTORS' SHAREHOLDINGS
as per the Register of Directors' Shareholdings as at 28 February 2019

Directors	No. of Shares Direct	%	No. of Shares Indirect	%
1 Tan Sri Dr. Mah King Thian @ Mah King Thiam	-	-	118,831,200	38.46 [1]
2 Dato' Seri Mah King Seng	-	-	118,831,200	38.46 [1]
3 Chua Kim Yin	-	-	-	-
4 Chan Kam Leong	-	-	540,000	0.17 [2]
5 Choong Pak Wan	15,000	-	-	-
6 Dr. Jordina Mah Siu Yi (Alternate Director to Tan Sri Dr. Mah King Thian @ Mah King Thiam)	-	-	-	-
7 Mah Li-Na (Alternate Director to Dato' Seri Mah King Seng)	1,000	0.00	-	-

Notes:
1. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue his shareholdings in MHC Plantations Bhd.*
2. *Deemed interested pursuant to Section 59 of the Companies Act 2016 by virtue his spouse's interest.*

TOTAL ISSUED SHARES AS AT 28 FEBRUARY 2019 : 318,446,210
TREASURY SHARES AS AT 28 FEBRUARY 2019 : 9,479,200
'ADJUSTED' CAPITAL AFTER NETTING TREASURY SHARES AS AT 28 FEBRUARY 2019 : 308,967,010

LIST OF TOP 30 HOLDERS as at 28 February 2019

No.	Names	Holdings	%
1	MHC PLANTATIONS BHD.	88,831,200	28.751
2	YEW LEE HOLDINGS SDN. BERHAD	16,055,250	5.196
3	HUTAN MELINTANG PLANTATIONS SDN. BERHAD	13,944,750	4.513
4	JUWITAWAN SDN BHD	4,873,050	1.577
5	TLK CAPITAL SDN. BHD.	4,400,000	1.424
6	LI NAI KWONG	3,104,913	1.004
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD *JINCAN SDN BHD*	2,850,000	0.922
8	GAN HONG LIANG	2,057,250	0.665
9	MERCSEC NOMIEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA*	1,880,000	0.608
10	TEEN INN HOON	1,610,000	0.521
11	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (TEE0063C)*	1,563,000	0.505

Statistical Report as at 28 February 2019 (continued)

LIST OF TOP 30 HOLDERS as at 28 February 2019 (continued)

No.	Names	Holdings	%
12	LEE GUAN HUAT	1,549,850	0.501
13	MKW JAYA SDN. BHD.	1,328,250	0.429
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LEOW MING FONG @ LEOW MIN FONG (PBCL-0G0161)*	1,250,000	0.404
15	NGOH AH CHYE	1,215,000	0.393
16	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (M09)*	1,134,600	0.367
17	TAN LEE GIEOK	1,130,000	0.365
18	SU MING YAW	1,118,000	0.361
19	KONG SIAU LING @ NATALIE	1,100,000	0.356
20	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGE SECURITIES ACCOUNT FOR YAP QWEE BENG*	1,098,100	0.355
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WANG CHOON SEANG (E-TMR)*	1,025,900	0.332
22	TAN AIK CHOON	1,008,400	0.326
23	CHENG GEK HONG	975,000	0.315
24	ROVENT SDN. BHD.	968,100	0.313
25	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEW BOON HEAN (YEW0048C)*	955,550	0.309
26	CHYE AH LAM @ CHAI MING SENG	938,000	0.303
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GAN TEE JIN*	900,000	0.291
28	LEE MENG GEN	880,000	0.284
29	LAM SO HA @ LIM CHONG SWEE	862,600	0.279
30	TEE LIP SIN	844,300	0.273
	TOTAL	**161,451,063**	**52.255**

Form of Proxy

CDS Account No.	No of Shares Held

I/We ____ (BLOCK LETTERS)

NRIC No./Company No. ____ of

____

being (a) Member(s) of CEPATWAWASAN GROUP BERHAD (536499-K) hereby appoint the following person(s):

Name of proxy & NRIC No.	No. & % of shares to be represented by proxy
1. ____________________	____________
2. ____________________	____________

or failing him/her,

1. ____________________	____________
2. ____________________	____________

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Amadeus IV, Level 2, Sabah Hotel Sandakan, KM 1, Jalan Utara, 90703 Sandakan, Sabah on Wednesday, 8 May 2019 at 11.00 a.m. and at any adjournment thereof and to vote as indicated below:-

	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		
ORDINARY RESOLUTION 6		
ORDINARY RESOLUTION 7		
ORDINARY RESOLUTION 8		
ORDINARY RESOLUTION 9		
SPECIAL RESOLUTION		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this __________ day of ______________________ , 2019

____
Signature/Seal of Member

Notes:

(a) *Only members whose names appear on the Record of Depositors as at 2 May 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxies on his/her behalf.*

(b) *A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend, speak and vote at the same meeting. A proxy may but need not be a member of the Company.*

(c) *Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

(d) *If the appointer is a corporation, the Form of Proxy must be executed under its seal or under the hand of its attorney.*

(e) *To be valid this form duly completed must be deposited at the Company's Share Registrar's Office at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting.*

(f) *Form of Proxy sent through facsimile transmission shall not be accepted.*

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Stamp

CEPATWAWASAN GROUP BERHAD (536499-K)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

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