CEPAT

CEPATWAWASAN GROUP BERHAD

Registration No. 200101000743 (536499-K)

ANNUAL REPORT 2019

CEPATWAWASAN GROUP BERHAD

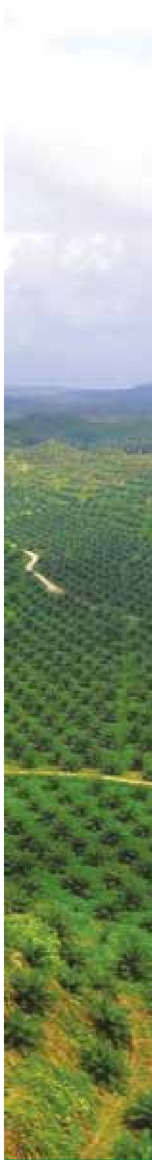
Registration No. 200101000743 (536499-K)

CONTENTS

Notice of The Twentieth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of the Company will be held at Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1, 35900 Tanjung Malim, Perak, Malaysia on Thursday, 23 July 2020 at 10.30 a.m. for the following business:

AGENDA	**Ordinary Resolution No.**
1. To lay the audited financial statements of the Company for the financial year ended 31 December 2019 together with the reports of the directors and auditors.	
2. To approve the payment of Directors' fees and benefits of up to RM240,000 for the period from 24 July 2020 to the next Annual General Meeting.	Resolution 1
3. To re-elect the following directors retiring in accordance with Article 103 of the Company's Constitution:	
a) Datuk Chua Kim Yin	Resolution 2
b) Mr. Choong Pak Wan	Resolution 3
4. To appoint auditors and to authorise the Directors to fix their remuneration.	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."	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:	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;	



Ordinary 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."

	Ordinary 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 Datuk 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."	Resolution 7
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 twelve years since 2 May 2008 be and is hereby retained as the Independent Non-Executive Director of the Company."	Resolution 8
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."	Resolution 9

8. 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

24 June 2020

Notes:-

(a) Only members whose names appear on the Record of Depositors as at 14 July 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxies on his/her behalf.
(b) A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
(c) A member may appoint not more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member appoints two (2) proxies, he shall specify 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, Malaysia or alternatively at their Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty eight hours (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Explanatory Note

- **Ordinary Resolution 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 24 July 2020 until the conclusion of the next Annual General Meeting, is estimated not to exceed RM240,000.

- **Ordinary Resolution 4**

The Company's existing Auditors, Ernst & Young PLT will hold office until the conclusion of the forthcoming Twentieth Annual General Meeting of the Company to be held on 23 July 2020. The Board and the Audit Committee had reviewed based on a set criteria and recommended that PKF be appointed as the Auditors of the Company.

- **Ordinary Resolution 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 Nineteenth Annual General Meeting held on 8 May 2019 and which will lapse at the conclusion of the Twentieth 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 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 24 June 2020 which is despatched together with Company's Annual Report 2019.

- **Ordinary Resolution 7**

  The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Datuk 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, Datuk Chua Kim Yin 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 8**

  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 twelve 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 twelve 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.

  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.

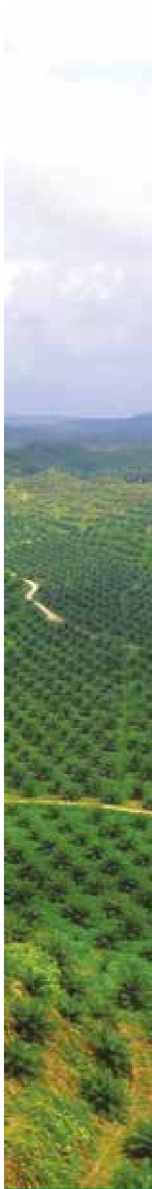
- **Ordinary Resolution 9**

  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.

IMPORTANT NOTICE: In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the 20th AGM in order to safeguard the health of attendees. Please follow the procedures provided in the Administrative Guide which can be downloaded from the Company's website or annoucement via Bursa website.

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

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

REMUNERATION COMMITTEE
Chan Kam Leong *(Chairman)*
Datuk 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
Seow Fei San

AUDITORS
Ernst & Young PLT
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 56
Executive Chairman

Tan Sri Dr. Mah King Thian @ Mah King Thiam ("Tan Sir 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 King Thian successfully completed his postgraduate study on oil palm renewable energy businesses and was conferred the degree of Doctor of Philosophy (PhD) by the Liverpool Business School in the United Kingdom.

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 an existing subsidiary of the Company, 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. ("DMR"), which in turn a substantial shareholder of the Company. He has no conflict of interest with the Company. He has no conviction for offences within the past five (5) years and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019. He attended four Board Meetings held during the financial year.

Profile of Board of Directors (continued)

DATO' SERI MAH KING SENG
Malaysian, male, aged 62
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 also a member 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 Marktet 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 Tin, a Director and substantial shareholder of Dato' Mah Pooi Soo Realty Sdn Bhd. ("DMR"), which in turn a substantial shareholder of the Company. He has no conviction for offences within the past five (5) years and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019. He attended four Board Meetings held during the financial year.

DATUK CHUA KIM YIN
Malaysian, male, aged 58
Senior Independent Non-Executive Director

Datuk 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. Datuk 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 and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019. He attended four Board Meetings held during the financial year.

Profile of Board of Directors (continued)

CHAN KAM LEONG
Malaysian, male, aged 79
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 and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019. He attended four Board Meetings held during the financial year.

CHOONG PAK WAN
Malaysian, male, aged 76
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 and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019. He attended four Board Meetings held during the financial year.

DR. JORDINA MAH SIU YI
Malaysian, female, aged 28
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 Dr. 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 Dr. 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. She has no conviction for offences within the past five (5) years and she has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

MAH LI-NA
Malaysian, female, aged 30
Alternate Director

Mah Li-Na 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 firm 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.

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' 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. She has no conviction for offences within the past five (5) years and she has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

Profile of Key Senior Management

TAN SRI DR. MAH KING THIAN
Malaysian, male, aged 56,
Executive Chairman
* The profile of Tan Sri Dr. Mah King Thian is listed in the Profile of Directors on page 8 of the Annual Report.

DATO' SERI MAH KING SENG
Malaysian, male, aged 62
Managing Director
* The profile of Dato' Seri Mah King Seng is listed in the Profile of Directors on page 9 of the Annual Report.

SOONG SWEE KOON
Malaysian, male, aged 65
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 no conviction for offences within the past five (5) years and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

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 and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

He does not hold any directorships in public companies.

Profile of Key Senior Management (continued)

LIU SWEE KAN
Malaysian, male, aged 52
Group Accountant

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

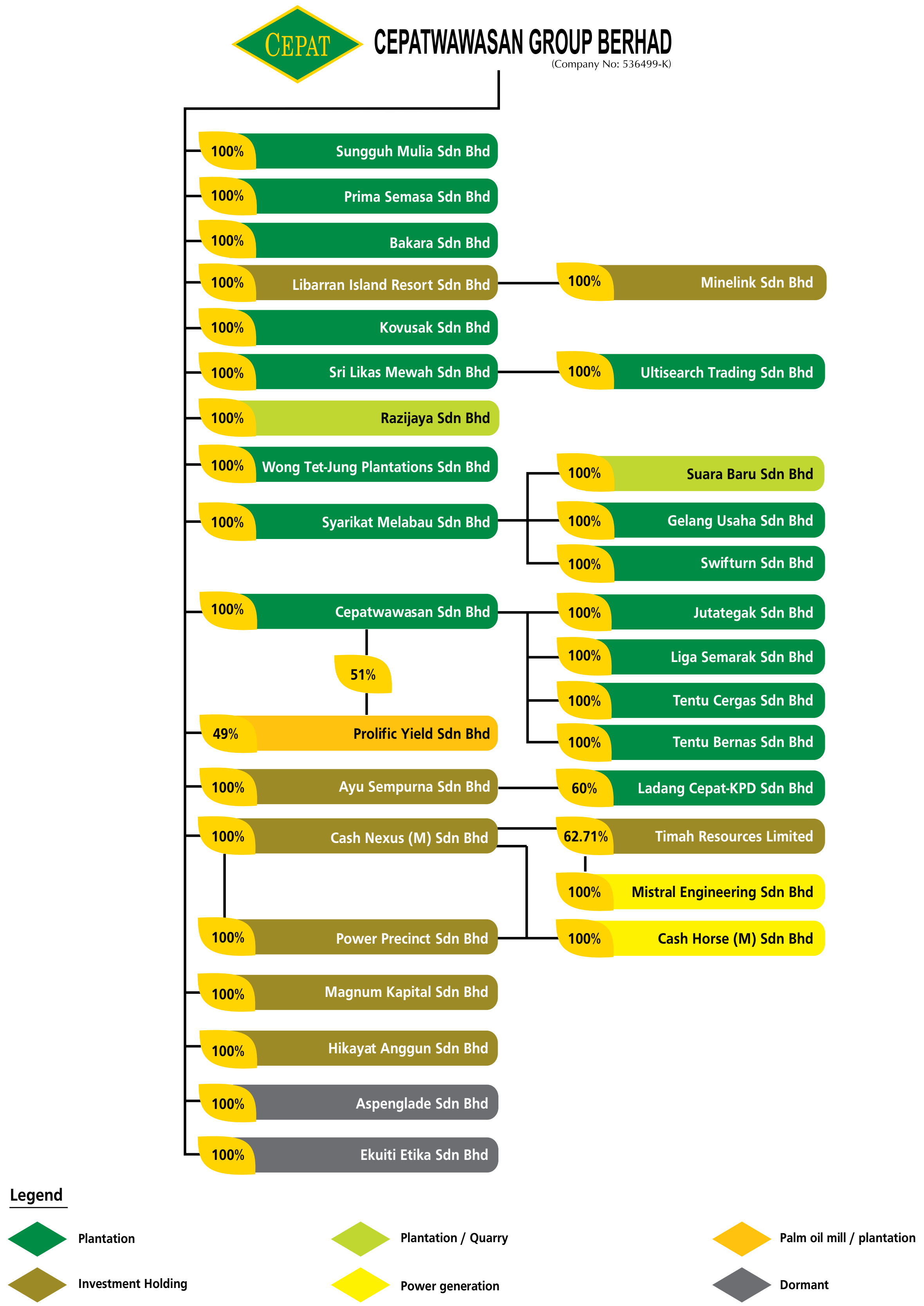
He obtained his professional qualification from the Malaysia Institute of Certified Public Accountants in 2005 and is currently a member of the Malaysian Institute of Accountants (MIA).

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. He has no conviction for offences within the past five (5) years and he has no public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

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 the "Group") for the financial year ended 31 December 2019.

The Group recorded revenue of RM208.64 million and profit before tax of RM7.07 million in 2019 as compared to RM240.62 million and RM8.98 million respectively in 2018. Profit after tax decreased from RM5.07 million in 2018 to RM2.70 million and hence, the Group's net earnings per share has decreased from 1.72 sen to 0.14 sen. Net tangible assets per share attributable to ordinary equity holders of the Company is now 1.10 sen.

The decrease in revenue and Profit before tax for this financial year under review is mainly due to decreases to decreases in CPO, PK and FFB average selling prices by 7%, 30% and 12% respectively. In addition, FFB production also decreased marginally by 2%.

The highlights of the Group performance are stated below:

Average selling price per metric tonne ("mt"):-			
	2019 (RM)	**2018 (RM)**	**Increase/ Decrease (-)**
CPO	2,059	2,217	-7%
PK	1,204	1,730	-30%
FFB	358	409	-12%
Production:-			
CPO (mt)	70,982	75,847	-6%
PK (mt)	17,050	18,754	-9%
FFB (mt)	118,804	121,514	-2%
Electricity Export (MWh)	68,376	69,053	-1%
Extraction rate:-			
CPO	19.81%	19.51%	0.3%
PK	4.76%	4.83%	-0.07%

Malaysian Sustainable Palm Oil Certification ("MSPO")

We are pleased to announce that the Prolific Yield Oil Mill achieved MSPO status in 28 Feb 2019, in accordance with the MSPO certification scheme and have further obtained its MSPO supply chain Certification on 9 March 2020 while approximately 6,870 hectares of the Group's plantation has achieved MSPO status as of May 2020. The remaining estates have completed their MSPO Audit and Certificates will be issued in due course.

Dividend

On 26 February 2020, 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 that was paid on 28 May 2020.

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 fundamentally correlate with the underlying demand and supply dynamics which are 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 COVID-19 pandemic continues to severely affect economies worldwide and thus, the Group expects palm oil prices to remain subdued as a result of the impact of the pandemic. The Group however expects production to increase with additional replanted areas coming into maturity.

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 2019, 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 12.0 Megawatt Biomass power plant and a 4.0 Megawatt Biogas power plant, both in Sandakan, Sabah.

Financial Review

Revenue

For 2019, the Group recorded revenue of RM208.64 million, which is a decrease of RM31.97 million (13%) as compared to 2018. The decrease in revenue is mainly due to the increase/(decrease) of sales volume and price as stated below:-

Average unit selling price:	2019 (RM)	2018 (RM)	Increase/ Decrease (-)
CPO	2,059	2,217	-7%
PK	1,204	1,730	-30%
FFB	358	409	-12%
Electricity/kWh	0.3655	0.3538	+3%
EFB Oil/mt	1,423	1,459	-2%
Sales Volume			
CPO(mt)	72,018	75,070	-4%
PK(mt)	17,125	18,832	-9%
FFB(mt)	26,574	35,826	-26%
Electricity(MWh)	68,376	69,053	-1%
EFB Oil(mt)	7,238	7,295	-1%

Profit before Taxation

For this financial year under review, the Group recorded a profit before tax of RM7.07 million as compared to a profit before tax of RM8.98 million in the preceding year. The decrease in profit before tax is mainly due to:-

- Decreases in CPO, PK and FFB average selling prices by 7%, 30% and 12% respectively.
- Decrease in CPO,PK and FFB Sales by 4%, 9% and 26% respectively; and
- Decrease in FFB production by 2%.

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

i. Plantation – The decrease in Segment Profit before tax by RM4.10 million (46%) from Segment Profit of RM8.89 million to a Segment Profit of RM4.79 million was mainly due to lower FFB production and average selling price by 2% and 12% respectively.

ii. Oil Mill – The increase in Segment Profit by RM0.85 million (12%) from Segment Profit before tax of RM6.71 million to a Segment Profit of RM7.56 million was mainly due to improvement in Mill OER margin despite a decrease in FFB processed by 8%. Mill OER improved from 19.51% to 19.81%.

iii. Power Plant – Segment Profit increased by RM2.20 million (37%) from segment profit of RM5.94 million to segment profit of RM8.14 million due to increase in average selling price of Power export from RM0.35/kWh to RM0.37/kWh.

Other Income

Other income increased by more than 86% from RM1.01 million to RM1.88 million mainly due to gain in Fair value changes of Biological assets of RM0.78 million.

Other Operating expenses

Other operating expenses increased by RM4.26 million mainly due to a change in estimate amounting to RM5.75 million. The change in estimate was due to the reassessment of the ability of the Group's ability to meet the Declared Annual Availability which is part of IC12. This was merely an accounting adjustment in which the power sales and other operating expenses increased by RM5.69 million respectively, with no financial impact on the Group's earnings. The increase was off-set by a decrease in Fair value adjustment on Biological assets of RM1.49 million made in preceding year corresponding quarter.

Finance Cost

Finance costs increased by 2% from RM5.36 million to RM5.47 million despite a decrease in loans and borrowings from RM107.72 million to RM103.81 million due mainly to an increase in weightage of borrowings which carry a slightly higher interest rates.

Taxation

The effective tax rate for 2019 was much higher than the statutory tax rate of 24% principally due to certain expenses which are not deductible for tax purposes and also the non-recognition of deferred tax assets arising from current year's tax losses in one of the subsidiaries.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders and earnings per share of the Group decreased by 92 % year-on-year at RM0.38 million and 0.14 sen respectively.

Cash Flow

In 2019, the Group generated higher net cash from operating activities of RM25.41 million as compared to RM18.62 million in the 2018, mainly due to decrease in Income tax payment of RM3.96 million and increase in Income tax refund of RM2.07 million.

Net cash used in investing activities increased by 81% due to an increase in capital expenditure of RM5.30 million (40%) and decrease in withdrawal from Short term money market funds of RM 3.27 million (>100%).

Net cash used in financing activities in 2019 amounted to RM8.85 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 RM1.84 million during 2019, bringing total cash and cash equivalents to RM12.84 million as at 31 December 2019.

FIVE -YEAR FINANCIAL HIGHLIGHT

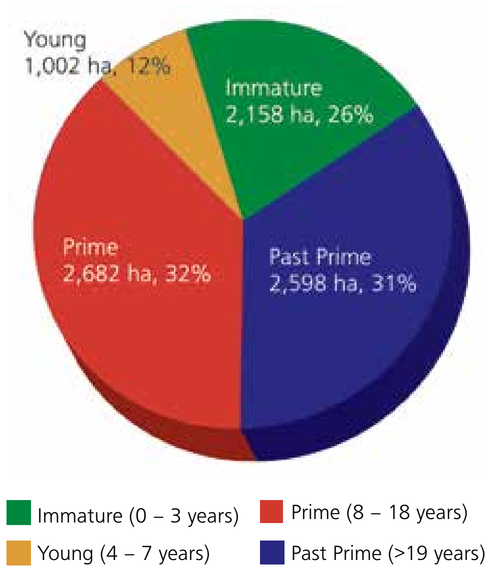
Financial Amount in RM'000 unless otherwise stated	**2019** **RM'000**	**2018** **RM'000**	**2017** **RM'000**	**2016** **RM'000**	**2015** **RM'000**
Revenue	208,644	240,618	274,134	254,668	228,221
Profit before taxation	7,068	8,980	35,086	30,157	12,173
Taxation	(4,366)	(3,910)	(8,208)	(7,921)	(4,729)
Profit for the financial year	2,702	5,070	26,878	22,236	7,444
Attributable to:-					
Equity holders of the Company	439	5,299	24,169	21,071	6,052
Non-controlling interests	2,263	(229)	2,709	1,165	1,392
	2,702	5,070	26,878	22,236	7,444
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	(80,934)	(80,713)	(80,461)	(80,354)	(80,207)
Retained earnings	116,298	120,494	121,622	102,087	85,519
Non controlling interest	13,425	12,498	14,485	13,430	12,920
Total Equity	356,138	359,628	362,995	342,512	325,581
Loans and borrowings	54,500	54,646	58,538	63,804	68,624
Lease liabilities	732	-	-	-	-
Trade and other payables	24,687	24,524	29,179	31,828	23,200
Income tax payable	745	228	1,622	1,905	193
Deferred tax liabilities	27,567	24,410	23,247	23,055	21,217
Lease liabilities (non-current)	2,614	-	-	-	-
Loans and borrowings (non-current)	49,309	53,070	51,827	66,315	74,045
Lease rental payable	-	267	267	267	267
	516,292	516,773	527,675	529,686	513,127
Property, plant and equipment	236,617	227,145	225,193	228,582	230,538
Investment properties	43,340	43,340	43,340	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
Deferred tax assets	4,623	3,033	2,826	3,106	3,389
Trade and other receivables	134,849	140,836	142,918	149,502	136,077
Biological assets	1,927	1,142	2,630	3,767	1,256
Inventories	23,151	26,720	25,283	24,403	29,422
Trade and other receivables	23,337	20,567	26,272	22,272	13,629
Tax recoverable	1,503	3,364	1,187	1,411	883
Short term investments	13,927	13,860	17,062	13,098	11,085
Cash and bank balances	15,660	17,498	21,668	21,521	24,796
	516,292	516,773	527,675	529,686	513,127
Basic earning per share (sen)	0.14	1.72	7.82	6.82	1.96
Net dividend per share (sen)	1.50	1.50	2.00	1.50	1.50
Divided Cover (times)	0.09	1.14	3.91	4.55	1.31

OPERATIONAL REVIEW

Plantation operations

The Group is a mid-sized oil palm plantation group based in Sandakan. As at 31 December 2019, total plantation land stood at approximately 10,290 hectares of which 82% or 8,440 hectares are planted with oil palms. From the total planted area, approximately 74% or 6,282 hectares are mature while the remaining 26% or 2,158 hectares of the area are at the immature stage. The average yield per hectare for 2019 was higher at 18.91mt/hectare as compared to 17.38mt/hectare in 2018 due to increase in production on area that was newly declare mature in 2018. However as a result of lower FFB price by 12%, the plantation segment registered a decrease in segmental profit of RM4.10 million (46%) from RM8.89 million in 2018 to RM4.79 million in 2019.

Oil Palm Age Profile



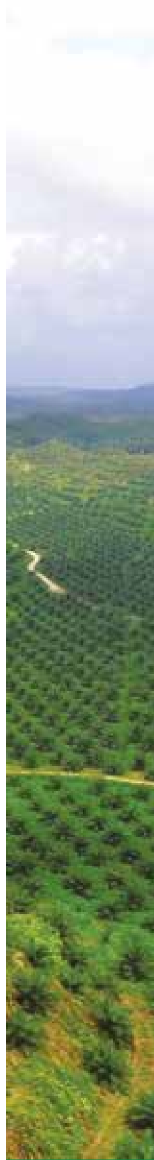
For 2019 the Group will continue to focus on enhancement of its human capital development by providing comprehensive training to employees, and the mechanisation for key processes in the estates, including harvesting, in-field collection and crop evacuation.

The age profile of the developed area is shown below:

Particulars	**Hectar**	**%**
0 – 3 years (Immature)	2,158	25%
4 – 7 years (Young)	1,002	12%
8 – 18 years (Prime)	2,682	32%
> 19 years (Past Prime)	2,598	31%
Total	**8,440**	**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 358,389 mt (2018: 388,668 mt) of FFB was processed in 2019, representing a decrease of 8% in processed crop volume as compared to 2018, primarily due to the overall decrease in FFB production around Sandakan region. Segment Profit however increased by RM0.85 million (12%) from Segment Profit before tax of RM6.71 million to a Segment Profit of RM7.56 million mainly due to improvement in Mill OER margin despite a decrease in FFB processed by 8%. Mill OER improved from 19.51% to 19.81%.



Management's Discussion and Analysis (continued)

FIVE-YEAR PLANTATION AND MILL STATISTICS

		Cepatwawasan Group Berhad				
		2019	2018	2017	2016	2015
Oil Palm						
Production:						
FFB	(mt)	118,804	121,514	133,336	124,390	144,216
Crude palm oil	(mt)	70,982	75,874	65,997	59,161	70,007
Palm kernel	(mt)	17,050	18,754	15,831	14,334	16,852
Average selling price:						
FFB	(RM/mt)	358	409	535	511	371
Crude palm oil	(RM/mt)	2,059	2,217	2,741	2,578	2,130
Palm kernel	(RM/mt)	1,204	1,730	2,474	2,490	1,553
Yield per matured hectare	(mt)	18.91	17.38	18.82	17.47	19.23
Oil extraction rate	%	19.81	19.51	19.74	20.00	20.72
Palm kernel rate	%	4.76	4.83	4.74	4.84	4.99
Planted Oil Palm Area						
(Weighted average hectares):		8,440	8,442	8,450	8,450	8,648
Mature		6,282	6,990	7,083	7,122	7,501
Immature		2,158	1,452	1,367	1,328	1,147
Total planted area		8,440	8,442	8,450	8,450	8,648

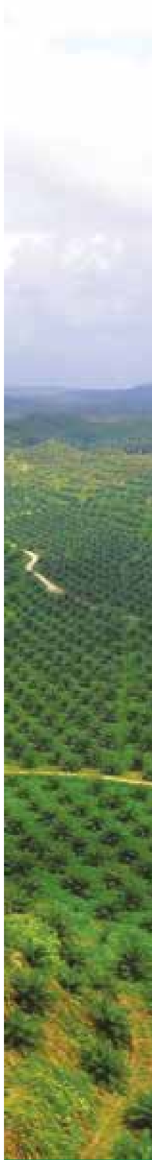
Power Plant Operations

The Group operates a 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 increased by RM2.20 million (37%) from segment profit of RM5.94 million to segment profit of RM8.14 million due to increase in average selling price of Power export from RM0.35/kWh to RM0.37/kWh.



PROSPECT

For 2020, 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. The Covid-19 pandemic continues to severely affect economies worldwide and thus, the Group expects palm oil prices to remain subdued as a result of the impact of the pandemic.

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 Overview 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 in 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 2019.

This Corporate Governance Overview Statement should be read together with Corporate Governance Report 2019 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
Datuk Chua Kim Yin
Mr. Chan Kam Leong
Mr. 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.

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 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.

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 securities; 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.

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)

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.

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 26 February 2020 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. The Charter is 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 and Ethics, 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 and Ethics when necessary. The Code of Conduct and Ethics is published on the Company's website at www.cepatgroup.com.

The Board had on 26 February 2020 reviewed its Code of Conduct and Ethics.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

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. (continued)

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 and Code of Conduct and Ethics
- Shareholder's Right relating to General Meeting
- Whistleblowing Policy and Procedure
- Sustainability Policy
- Anti-Bribery and Corruption 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 Directors and three (3) Independent Non-Executive Directors.

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 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 on 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.

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 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. A Director who has interest in a transaction is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board related to that transaction.

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

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 23 October 2019. Each Independent Director abstained from deliberation on his own independence assessment. The Board was 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 Datuk Chua Kim Yin and Mr. Chan Kam Leong who have served as Independent Directors of the Company for a cumulative term of more than twelve (12) years.

Besides being an Associate Member of Certified Practising Accountant Australia, Datuk Chua Kim Yin 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.

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)

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 twelve (12) years and is familiar 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 and 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. Choong Pak Wan who has served as Independent Director of the Company for a cumulative term of more than nine (9) 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 (9) years. 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 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.

The Constitution of the Company requires that all Directors shall be subject to re-election by shareholders at the first Annual General Meeting of the Company 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.

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 Nomination Committee assessed and was satisfied and made recommendations to the Board to re-elect and retain the Independent Director with regard to the following:

(i) The re-election of the two (2) directors, namely Datuk Chua Kim Yin, who are due for retirement and eligible for re-election pursuant to Article 103 of the Company's Constitution at the forthcoming AGM.

(ii) The retention of Datuk Chua Kim Yin and Mr. Chan Kam Leong whose tenure of service as an independent Director has exceeded a cumulative term of twelve (12) years to continue to act as Independent Director of the Company.

(iii) The retention of Mr. Choong Pak Wan whose tenure of service as an independent Director has exceeded a cumulative term of nine (9) years 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.

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, 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.

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, Ms Mah Li-Na has been appointed on 16 May 2018 as Alternate Director to Managing Director, Dato' Seri Mah King Seng. Their appointments enabled 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.

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 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
Datuk Chua Kim Yin	4/4
Mr. Chan Kam Leong	4/4
Mr. 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 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.

During the financial year ended 31 December 2019, the following training programmes and seminars were attended by the following Directors:

- Corporate Liability on Corruption organized by Malaysia Institute of Corporate Governance attended by Dato Seri' Mah King Seng;
- Training in IT for Business attended by Tan Sri Dr. Mah King Thian @ Mah King Thiam;
- Talk on Malaysia as World Leader in promotes Sustainable Bridge Technology by The Instituion of Engineers, Malaysia ("IEM"), Video conferencing on "Technical Talk on Insights from reliability based design to Complement EUROCODE 7 design approach by IEM and Seminar & Exhibition on "Construction Management Moving Forward" jointly organised by JKR Perak and IEM attended by Mr. Chan Kam Leong;
- Seminar on Occupational Safety and Health in Construction Industry organised by Jabatan Keselamatan dan Kesihatan Pekerjaan Perak attended by Mr. Choong Pak Wan;
- Crucial tax compliance issues for Companies organized by CPA Australia attended by Datuk Chua Kim Yin;
- 2020 Palm Oil Outlook organized by Robobank and Critical issues facing the Malaysian Palm Oil Industry organized by The Malaysia Oil Scientists' & Technologists' Association attended by Ms Mah Li-Na;
- Finance for Non Finance professional attended by Dr. Jordina Mah Siu Yi.

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.

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.
- 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.

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 composition of the Board and Board Committees and recommended to the Board for the necessary change in composition to be in line with the MCCG.

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)

During the financial year ended 31 December 2019, the Nomination Committee held one (1) Nomination Committee Meeting with the attendance of each member as follows:

Name	**Meetings attended**
Datuk Chua Kim Yin *(Chairman)*	1/1
Mr. Chan Kam Leong	1/1
Mr. Choong Pak Wan	1/1

Based on the current position and practices of the Company, the Nomination Committee upon its review on the composition of the Board on 23 October 2019, 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.

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
Mr. Chan Kam Leong	(Independent Non-Executive Director)	Chairman
Datuk Chua Kim Yin	(Independent Non-Executive Director)	Member
Mr. 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III Remuneration (continued)

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. (continued)

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.

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 2019 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	-	52	-	44	411
Dato' Seri Mah King Seng	315	-	52	-	45	412
ALTERNATE DIRECTOR						
Ms Mah Li-Na	83	-	14	-	13	110
Subtotal	**713**	**-**	**118**	**-**	**102**	**933**
NON EXECUTIVE DIRECTORS						
Datuk Chua Kim Yin	-	53	-	-	-	53
Mr. Chan Kam Leong	-	53	-	-	-	53
Mr. Choong Pak Wan	-	53	-	-	-	53
Subtotal	-	159	-	-	-	159
Total	**713**	**159**	**118**	**-**	**102**	**1,092**

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 aggregate remuneration paid or payable to all Directors of the Company for the financial year ended 31 December 2019 is as follows:- (continued)

	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	-	105	69	89	892
Dato' Seri Mah King Seng	629	-	105	40	89	863
Directors of subsidiaries	629	-	105	126	1	861
ALTERNATE DIRECTOR						
Ms Mah Li-Na	83	-	14	-	13	110
Subtotal	**1,970**	**-**	**329**	**235**	**192**	**2,726**
NON EXECUTIVE DIRECTORS						
Datuk Chua Kim Yin	-	53	-	-	-	53
Mr. Chan Kam Leong	-	53	-	-	-	53
Mr. Choong Pak Wan	-	53	-	-	-	53
Subtotal	-	159	-	-	-	159
Total	**1,970**	**159**	**329**	**235**	**192**	**2,885**

The Company has on 8 May 2019 obtained a shareholders' mandate on payment of Director fees of not exceeding RM160,000 per annum.

Remuneration paid to the three (3) Senior Management who are not Directors of the Company for the financial year ended 31 December 2019 are as follows:-

	Group	**Company**
Key Senior Management		
From RM50,000 to RM100,000	1	-
From RM200,000 to RM300,000	1	1
From RM300,000 to RM400,000	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 judgments and estimates where applicable.
- 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 except for those disclosed under related party transactions on page 163 to the Annual Report.

At an Audit Committee meeting held on 26 February 2020, 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 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 Ernst & Young PLT.

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)

Ernst & Young PLT 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 written engagement via Audit Planning Memorandum presented to the Audit Committee at a meeting held on 23 October 2019.

The Audit Committee is satisfied with the performance, technical competency and independence of the external auditors. Even though the assessment on external auditors' performance was satisfactory, the Audit Committee was of the view that external auditors had carried out the Group's audit for many years and the escalating audit fees, for good corporate governance to ensure high level of audit independence and for cost factor, the Audit Committee had recommended for a change of auditors.

The Board at its meeting held on the same day accepted the Audit Committee's recommendation for a change of auditors and would seek the shareholders' approval at the forthcoming Twentieth Annual General Meeting for the appointment of new auditors in place of the retiring auditors.

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 2019 were as follows:-

Fee Incurred	Audit fee RM'000	Non Audit Fee RM'000
The Company	65	15
The Group	304	117

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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (continued)

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.

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 Consultants Sdn. Bhd. which reports directly to the Audit Committee.

During the year, the Company had engaged KPMG Management & Risk Consulting Sdn. Bhd. on ad-hoc basis for an audit as detail in the Audit Committee Report.

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 an 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 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 is 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.

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 recommended that the Company to send the Notice of the Annual General Meeting 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.

Additional Compliance Information

In compliance with the MMLR, the following additional information is provided:

a Utilisation of Proceeds
This was 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 2019 or entered into since the previous financial year.

c Recurrent Related Party Transactions
There are no recurrent related party transactions transacted by the Company and its subsidiaries except for those disclosed under related party transactions on page 163 of the Annual Report.

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 Sustainability Report focuses primarily on activities carried out within the financial year ended 31 December 2019.

The report has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia'). In preparation of 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.

We will continue to strengthen our performance and disclosures to various stakeholders by monitoring our specific targets and key performance indicators, fostering close relationships with our stakeholders as well as harmonising material sustainability risks across the Group.

SUSTAINABILITY GOVERNANCE STRUCTURE

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

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

Committee	Responsibilities
Board of Directors	• Approve and monitor the development of corporate sustainability strategy, policies and performance by the Management.
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 2019, the Group continued with the materiality analysis exercise 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.

As a result of the feedback from the stakeholders for the above mentioned exercise, the Group concluded that the Twelve (12) key sustainability issues that were identified and discussed in the previous year Sustainability report should be maintained and referred to again according to each respective sustainability framework in this report.

<table>
<tr><th>KEY SUSTAINABILITY MATTERS</th><th>SUSTAINABILITY FRAMEWORK</th></tr>
<tr><td>Economic Performance</td><td rowspan="4">MARKET PLACE</td></tr>
<tr><td>Regulatory compliance and Business Ethics</td></tr>
<tr><td>Sustainability Certification</td></tr>
<tr><td>Stakeholder Engagement</td></tr>
<tr><td>Water Management</td><td rowspan="3">ENVIRONMENT</td></tr>
<tr><td>Energy</td></tr>
<tr><td>Greenhouse Gas (GHG) Emission</td></tr>
<tr><td>Training and Education</td><td rowspan="4">WORKPLACE</td></tr>
<tr><td>Labour Relations and Human rights</td></tr>
<tr><td>Occupational Safety and Health</td></tr>
<tr><td>Employee Retention & Engagement</td></tr>
<tr><td>Community Care and CSR initiatives</td><td>COMMUNITY</td></tr>
</table>

MARKET PLACE

Economic Performance

The Group recorded revenue of RM208.64 million and profit before tax of RM7.07 million for the financial year ended 31 December 2019 as compared to RM240.62 million and RM8.98 million respectively in the previous financial year. Further details of the Group's economic performance for FY2019 can be found in the Financial Statement in this Annual Report.

The breakdown of the direct economic value generated and distributed by our Group's Malaysian operations for 2019 and 2018 is tabulated below:

Direct Economic Value Distribution	2019 RM000	2018 RM000
Employee Wages and Benefits	30,340	28,338
Payments to Government (Taxes and Levies)	15,912	16,343
CSR Activities	441	515

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 Group's Code of Conduct and Ethics and Whistleblowing Policy and procedures 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.

Our Mill has been MSPO certified since 28 February 2019, while approximately 3,000 hectares of the Group's plantations have achieved MSPO status as of Feb 2020. The remaining estates have completed their MSPO Audit and Certificates will be issued in due course. 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).

Stakeholder 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)

Stakeholder 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 to optimize 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.
- Adopting strategies to reduce water footprint in Palm Oil production by controlling milling Water Consumption. In 2019, the milling water consumption was 2.08 m^3/mt (2018: 2.35 m^3/mt) of FFB process.

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 which includes 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 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 2019, total diesel fuel consumption by our estates and estates' housing quarters was 1.7 million liters (2018:1.9 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.

Almost 94% (2018:97%) of the energy consumption in our oil mill came from renewable sources.

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 approximately 221,000 tonnes of CO^2.

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.

ENVIRONMENT (continued)

Conservation and HCV areas

We are committed to sustainable development through protection of the environment and conservation of biodiversity. A total of 162 hectares of land have been declared as Conservation and HCV areas.

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 2018. The Group believes that its people should be fairly rewarded and recognised. The basis of recognition is not only limited to work performance but also by other aspects including behaviour at work, creativity and involvement in Group's activities. Our reward philosophy covers basic salary, benefits, short-term variable bonus as well as promotion.

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

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.

WORKPLACE (continued)

Occupational Safety and Health (continued)

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

Our target is to achieve zero fatality at the workplace. There was zero fatality at the workplace for the whole Group for the past 12 month and the Lost Time Injury Frequency Rate (LTIFR) is at 0.42.

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.

The Group regularly organise health screening and Cardio Pulmonary Resuscitation (CPR) training sessions for our staff. 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 carrieds 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.

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 enroll in the Malaysian national schools. The **Cepatwawasan-Humana Education Resource Centre** has 149 (2018:200) students who are mostly children of our workers with the others from nearby communities. The Group has also built a new learning centre for the children of foreign plantation workers, who are unable to enrol in Malaysian national schools, at its estate in Beaufort, Sabah. This centre offers classes based on the Indonesian curriculum in preparation for the children's repatriation to their home country in the future. In 2019, the number of students attending this learning centre was 25.

This Statement is made in accordance with the resolution of the Board of Directors passed on 26 February 2020.

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
Datuk 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 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 2019.

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

Member	Meetings attended
Datuk Chua Kim Yin	4/4
Mr. Chan Kam Leong	4/4
Mr. 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 followings:-
- Internal control pertaining to Routine Operation and Preventive Maintenance of Machinery Cycle for the Biogas Power Plant in Mistral Engineering Sdn Bhd.
- Production and Sales of Sludge Palm Oil by Cash Horse (M) Sdn Bhd.

During the year, the Company had engaged KPMG Management & Risk Consulting Sdn. Bhd. on ad-hoc basis to conduct an internal audit on Prolific Yield Sdn. Bhd covered the following areas:-
a) Procurement of FFB and General purchases;
b) Sales of CPO and kernel;
c) Mill Maintenance on machinery; and
d) Payroll

The audit report incorporating the internal auditors' findings and recommendations with regard to the system operations and control weaknesses noted in the course of their audit and the management's responses thereto were subsequently submitted to the Audit Committee 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 Consultants Sdn. Bhd. and KPMG Management & Risk Consultancy Sdn. Bhd. on adhoc basis, both of 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 2019 totalled RM55,000.

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 Managing 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.

OTHER KEY ELEMENTS OF INTERNAL CONTROL (continued)

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

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 2019, 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)*
Datuk 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

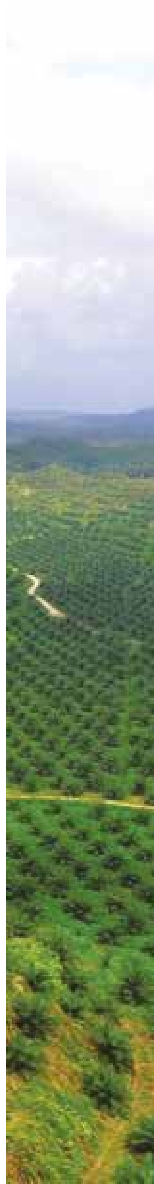
Kang Shew Meng	(MAICSA 0778565)
Seow Fei San	(MAICSA 7009732)

INDEPENDENT AUDITORS

Ernst & Young PLT

PRINCIPAL BANKERS

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



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The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The principal activities of the Company are 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	2,702	2,263
Profit attributable to:		
Owners of the parent	439	2,263
Non-controlling interests	2,263	-
	2,702	2,263

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 2018 was as follows:

	RM'000
In respect of the financial year ended 31 December 2018:	
Final single-tier dividend of 1.50% on 308,967,010 ordinary shares (excluding 9,479,200 treasury shares), declared on 25 February 2019 and paid on 23 May 2019	4,635

On 26 February 2020, the directors approved a single-tier dividend of 1.50% on 308,967,010 ordinary shares, amounting to a dividend payable RM4,634,505 (1.5 sen per ordinary share) payable on 28 May 2020. 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 2020.

Directors

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

Tan Sri Dr. Mah King Thian @ Mah King Thiam*
Dato' Seri Mah King Seng*
Datuk Chua Kim Yin
Chan Kam Leong
Choong Pak Wan
Dr. Jordina Mah Siu Yi*
Mah Li-Na*

* 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	
Jack Tian Hock Tan	
Lee Chong Hoe	
Kalimin Bin Sahadi	*(Resigned on 15 July 2019)*
Honorsius Bosuin	*(Resigned on 4 November 2019)*
Derrick Martin De Souza	
Lee Nyuk Choon @ Jamilah Ariffin	*(Appointed on 15 August 2019)*
Andree Alexander Funk	*(Appointed on 4 November 2019)*

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.

The directors' benefits are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and allowances	2,205	2,089	713	712
Fees	159	165	159	165
Bonus	329	527	118	184
Defined contribution plan	192	217	102	119
	2,885	2,998	1,092	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 in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			
Name of director	**1.1.2019**	**Acquired**	**Sold**	**31.12.2019**
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	141,800	-	-	141,800
Mah Li-Na	1,000	-	-	1,000
Indirect interest:				
Tan Sri Dr. Mah King Thian @ Mah King Thiam	90,188,024	-	-	90,188,024
Dato' Seri Mah King Seng	90,189,024	-	-	90,189,024
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 2019, 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.

Significant event

Details of the above are disclosed in Note 37 to the financial statements.

Non-adjusting events after the reporting period

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

Auditors

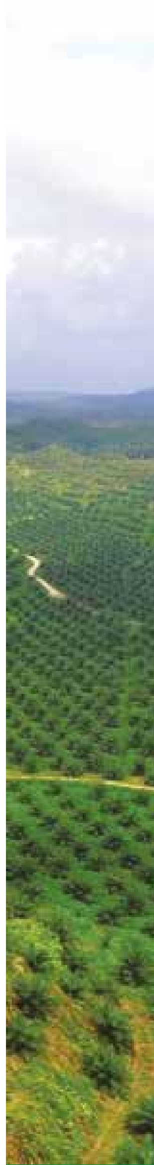
The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year amounted to RM303,673 and RM64,500 respectively.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 2 June 2020.

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 69 to 183 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the 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 dated 2 June 2020.

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 69 to 183 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 2 June 2020.

Liu Swee Kan
(CA–24234)

Before me,

HAMZAH BIN 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 2019 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 69 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Emphasis of matter

We draw attention to Note 37 to the financial statements. On 8 January 2020, a subsidiary, Mistral Engineering Sdn. Bhd. ("Mistral"), received a letter from the Sustainable Energy Development Authority Malaysia ("SEDA'') dated 24 December 2019 informing Mistral that they have decided not to revoke Mistral's Feed-in Approval to participate in the Feed-in Tariff scheme granted by SEDA, subject to Mistral complying with rule 3(c)(i) of the Renewable Energy (Feed-in Approval and Feed-in Tariff Rate) Rules 2011. Mistral has been granted six months by SEDA to restructure its shareholdings to comply with the above rule.

However, the COVID-19 outbreak has significantly impacted the progress of the restructuring exercise. Accordingly, Mistral has written to SEDA on 25 March 2020 seeking an extension of time to complete the restructuring. As at the date of this report, Mistral has not received SEDA's reply to the request for extension. However, the Directors of Mistral are confident that their application will be approved by SEDA. Should SEDA revoke Mistral's Feed-In Approval, the financial implications to the Group and to the Company could be significant. Our opinion is not modified in respect of this matter.

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

Report on the audit of the financial statements (continued)

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. We have determined that there is no key audit matter to communicate in our report on the financial statements of the Company. A key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the 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 this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment testing of goodwill and property, plant and equipment

As stated in Notes 14 and 12 to the financial statements as at 31 December 2019, the carrying values of goodwill and property, plant and equipment of the Group were RM17 million and RM236 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 amounts of the cash generating units (CGUs) based on value-in-use (VIU). Estimating the VIUs involve estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate. The impairment tests are significant to our audit as the assessment process is complex and highly judgemental. Significant judgements are required in determining the assumptions to be used to estimate the recoverable amounts of the CGUs as these assumptions are affected by expected future demand and economic conditions, which include estimates of future sales volumes, prices, operating costs, 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.

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Impairment testing of goodwill and property, plant and equipment (continued)

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.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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.

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:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

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

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

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)

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.

Other matters

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

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

Au Yong Swee Yin
No. 03101/02/2022 J
Chartered Accountant

Sandakan, Malaysia
2 June 2020

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	3	208,644	240,618	4,775	24,387
Cost of sales		(191,644)	(225,319)	-	-
Gross profit		17,000	15,299	4,775	24,387
Other items of income					
Interest income	4	8,051	8,154	4,799	5,084
Other income	5	1,882	1,014	-	-
Other items of expense					
Other expenses		(5,753)	(1,488)	-	-
Administrative expenses		(8,638)	(8,639)	(3,770)	(3,788)
Finance costs	6	(5,474)	(5,360)	(3,171)	(2,435)
Profit before tax	7	7,068	8,980	2,633	23,248
Income tax expense	10	(4,366)	(3,910)	(370)	(520)
Profit net of tax		2,702	5,070	2,263	22,728
Other comprehensive income					
Item that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation, net of tax		(87)	(410)	-	-
Total comprehensive income for the financial year		2,615	4,660	2,263	22,728

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2019 (continued)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(loss) attributable to:					
Owners of the parent		439	5,299	2,263	22,728
Non-controlling interests		2,263	(229)	-	-
		2,702	5,070	2,263	22,728
Total comprehensive income/ (loss) for the year attributable to:					
Owners of the parent		384	5,047	2,263	22,728
Non-controlling interests		2,231	(387)	-	-
		2,615	4,660	2,263	22,728
Earnings per share attributable to owners of the parent (sen per share):					
Basic	11	0.14	1.72		
Diluted	11	0.14	1.72		

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	236,617	227,145
Investment properties	13	43,340	43,340
Intangible assets	14	17,358	17,358
Land use rights	15	-	1,910
Deferred tax assets	17	4,623	3,033
Trade and other receivables	18	134,849	140,836
		436,787	433,622
Current assets			
Biological assets	19	1,927	1,142
Inventories	20	23,151	26,720
Trade and other receivables	18	23,337	20,567
Tax recoverable		1,503	3,364
Short term investments	21	13,927	13,860
Cash and bank balances	22	15,660	17,498
		79,505	83,151
Total assets		516,292	516,773
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	23	54,500	54,646
Lease liabilities	24	732	-
Trade and other payables	25	24,687	24,524
Income tax payable		745	228
		80,664	79,398
Net current (liabilities)/assets		(1,159)	3,753
Non-current liabilities			
Deferred tax liabilities	17	27,567	24,410
Loans and borrowings	23	49,309	53,070
Lease liabilities	24	2,614	-
Lease rental payables		-	267
		79,490	77,747
Total liabilities		160,154	157,145

Consolidated Statement of Financial Position
As at 31 December 2019 (continued)

	Note	2019 RM'000	2018 RM'000
EQUITY AND LIABILITIES (continued)			
Equity attributable to owners of the parent			
Share capital	26	318,446	318,446
Treasury shares	26	(11,097)	(11,097)
Reserves	27	(80,934)	(80,713)
Retained earnings		116,298	120,494
		342,713	347,130
Non-controlling interests		13,425	12,498
Total equity		356,138	359,628
Total equity and liabilities		516,292	516,773

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

Company Statement of Financial Position

As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,951	2,245
Investment in subsidiaries	16	318,057	295,557
Deferred tax assets	17	73	40
Other receivables	18	71,666	67,011
		391,747	364,853
Current assets			
Trade and other receivables	18	17,773	34,907
Tax recoverable		6	-
Cash and bank balances	22	166	190
		17,945	35,097
Total assets		409,692	399,950
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	23	17,750	17,550
Trade and other payables	25	10,359	7,134
Income tax payable		-	211
		28,109	24,895
Net current (liabilities)/assets		(10,164)	10,202
Non-current liabilities			
Loans and borrowings	23	43,559	34,659
Total liabilities		71,668	59,554

Company Statement of Financial Position

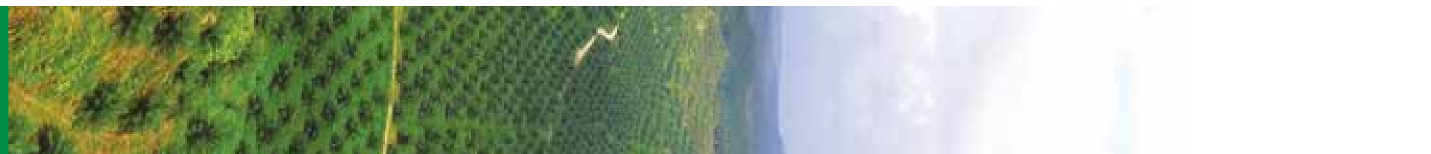
As at 31 December 2019 (continued)

	Note	2019 RM'000	2018 RM'000
Equity attributable to owners of the parent			
Share capital	26	318,446	318,446
Treasury shares	26	(11,097)	(11,097)
Reserve	27	(8,482)	(8,482)
Retained earnings		39,157	41,529
Total equity		338,024	340,396
Total equity and liabilities		409,692	399,950

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 2019

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	Reserve RM'000	Retained earnings RM'000 →	Non-controlling interests RM'000
2019								
Opening balance at 1 January 2019		359,628	347,130	318,446	(11,097)	(80,713)	120,494	12,498
Profit for the financial year		2,702	439	-	-	-	439	2,263
Other comprehensive loss for the financial year, net of tax		(87)	(55)	-	-	(55)	-	(32)
Total comprehensive income for the financial year		2,615	384	-	-	(55)	439	2,231
Effect of subsidiary treasury share transaction		(270)	(166)	-	-	(166)	-	(104)
Transactions with owners								
Dividend on ordinary shares	28	(4,635)	(4,635)	-	-	-	(4,635)	-
Dividend on ordinary shares to non-controlling interests		(1,200)	-	-	-	-	-	(1,200)
Total transactions with owners		(5,835)	(4,635)	-	-	-	(4,635)	(1,200)
Closing balance at 31 December 2019		356,138	342,713	318,446	(11,097)	(80,934)	116,298	13,425



Statements of Changes in Equity
For the financial year ended 31 December 2019 (continued)

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	Reserve RM'000	Retained earnings RM'000 →	Non-controlling interests RM'000
2018								
Opening balance at 1 January 2018		362,747	348,262	318,446	(11,097)	(80,461)	121,374	14,485
Profit/(loss) for the financial year		5,070	5,299	-	-	-	5,299	(229)
Other comprehensive loss for the financial year, net of tax		(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	28	(6,179)	(6,179)	-	-	-	(6,179)	-
Dividend on ordinary shares to non-controlling interests		(1,600)	-	-	-	-	-	(1,600)
Total transactions with owners		(7,779)	(6,179)	-	-	-	(6,179)	(1,600)
Closing balance at 31 December 2018		359,628	347,130	318,446	(11,097)	(80,713)	120,494	12,498

Statements of Changes in Equity

For the financial year ended 31 December 2019 (continued)

	Note	Equity, total RM'000	Share capital RM'000	Treasury shares RM'000	Reserve RM'000	Retained earnings RM'000
Company						
2019						
Opening balance at 1 January 2019		340,396	318,446	(11,097)	(8,482)	41,529
Profit for the financial year, representing total comprehensive income for the financial year		2,263	-	-	-	2,263
Transaction with owners						
Dividend on ordinary shares	28	(4,635)	-	-	-	(4,635)
Closing balance at 31 December 2019		338,024	318,446	(11,097)	(8,482)	39,157

Statements of Changes in Equity

For the financial year ended 31 December 2019 (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		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	28	(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 Cash Flows

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating activities					
Profit before tax		7,068	8,980	2,633	23,248
Adjustments for:					
Dividend income from subsidiaries	3	-	-	(1,775)	(21,355)
Net gain on disposal of property, plant and equipment	5	(270)	(205)	-	-
Interest income	4	(8,051)	(8,154)	(4,799)	(5,084)
Net unrealised (gain)/loss on foreign exchange	5,7	(19)	34	-	-
Interest expense	6	5,474	5,360	3,171	2,435
Depreciation of property, plant and equipment	7	12,987	13,386	315	314
Amortisation of land use rights	7	-	28	-	-
Bad debts written off	7	119	11	-	-
Property, plant and equipment scrapped	7	64	12	-	-
Fair value changes of biological assets	5,7	(785)	1,488	-	-
Reversal of expected credit losses	5	(161)	(185)	-	-
Allowances for expected credit losses	7	72	-	-	-
Total adjustments		9,430	11,775	(3,088)	(23,690)
Operating cash flows before changes in working capital		16,498	20,755	(455)	(442)
Changes in working capital					
Inventories		3,569	(1,437)	-	-
Receivables		10,541	14,989	(14)	(845)
Payables		168	(4,638)	(260)	(298)
Total changes in working capital		14,278	8,914	(274)	(1,143)
Cash flows from/(used in) operations		30,776	29,669	(729)	(1,585)
Interest received		708	758	4,799	5,084
Interest paid		(5,655)	(5,360)	(3,171)	(2,435)
Income taxes refunded		2,499	432	-	-
Income taxes paid		(2,920)	(6,878)	(620)	(539)
Net cash flows from operating activities		25,408	18,621	279	525

Statements of Cash Flows

For the financial year ended 31 December 2019 (continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Investing activities					
Purchase of property, plant and equipment	12(i)	(18,603)	(13,299)	(21)	(26)
Placement of fixed deposits		(90)	(274)	-	-
Subscription of additional shares in a subsidiary	16	-	-	(22,500)	-
Proceeds from disposal of plant and equipment		360	209	-	-
Dividend received		-	-	1,775	21,355
Net change in short term money market funds		(67)	3,202	-	-
Decrease/(increase) in amounts due from subsidiaries		-	-	12,493	(10,879)
Net cash flows (used in)/ from investing activities		(18,400)	(10,162)	(8,253)	10,450
Financing activities					
Purchase of subsidiary's treasury shares		(270)	-	-	-
Dividend paid to equity holders of the parent	28	(4,635)	(6,179)	(4,635)	(6,179)
Dividend paid to non-controlling interests		(1,200)	(1,600)	-	-
Drawdown of borrowings		26,900	24,759	26,900	24,759
Repayment of borrowings		(28,779)	(28,871)	(17,800)	(17,000)
Repayment of obligations under finance leases		-	(592)	-	-
Increase/(decrease) in amounts due to subsidiaries		-	-	3,485	(13,499)
Repayment of lease liabilities		(868)	-	-	-
Net cash flows (used in)/ from financing activities		(8,852)	(12,483)	7,950	(11,919)
Net decrease in cash and cash equivalents		(1,844)	(4,024)	(24)	(944)
Net foreign exchange difference		(84)	(420)	-	-
Cash and cash equivalents at 1 January		14,771	19,215	190	1,134
Cash and cash equivalents at 31 December	22	12,843	14,771	166	190

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 2019

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 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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except as discussed below:

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs which are effective for annual financial periods beginning on or after 1 January 2019:

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	1 January 2019
MFRS 119: Plan Amendments, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Adoption of the above amendments did not have any material effect on the financial performance or position of the Group and the Company except as discussed below:

MFRS 16 Leases

MFRS 16 replaced 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.

The adoption of this new Standard has resulted in the Group and the Company recognising right-of-use assets and related lease liabilities in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting MFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group and the Company have elected to apply the definition of a lease from MFRS 117 and has not applied MFRS 16 to arrangements that were previously not identified as lease under MFRS 117 and IC Interpretation 4.

The Group and the Company have elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of MFRS 16, being 1 January 2019. At this date, the Group and the Company have also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group and the Company have relied on their historic assessment as to whether leases were onerous immediately before the date of initial application of MFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group and the Company have applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 16 Leases (continued)

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

On transition to MFRS 16, the weighted average incremental borrowing rates applied to lease liabilities recognised under MFRS 16 were 7.13% and 8.15% for land leased for the mill and power plants, respectively.

The Group and the Company have benefited from the use of hindsight for determining the lease terms when considering options to extend and terminate leases.

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

	Carrying Amount at 31 December 2018 RM'000	Reclassification RM'000	Adoption of MFRS 16 RM'000	Carrying Amount at 1 January 2019 RM'000
Group				
Non-current assets				
Property, plant and equipment	227,145	1,910	1,329	230,384
Land use rights	1,910	(1,910)	-	-
	229,055	-	1,329	230,384
Non-current liabilities				
Lease liabilities	-	(1,678)	(1,247)	(2,925)
Lease rental payables	(267)	267	-	-
Loans and borrowings	(53,070)	1,411	-	(51,659)
	(53,337)	-	(1,247)	(54,584)
Current liabilities				
Lease liabilities	-	(617)	(82)	(699)
Loans and borrowings	(54,646)	617	-	(54,029)
	(54,646)	-	(82)	(54,728)

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

(a) Amendments to MFRS 3: Definition of a Business

The definition of a business in MFRS 3 Business Combinations was amended to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Minimum requirements to be a business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. An acquired process must be considered substantive only if:

- it is critical to the ability to develop or convert acquired inputs into outputs; and
- the inputs acquired include both an organised workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organised workforce could develop or convert into outputs.

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

(b) Amendments to MFRS 101 and MFRS 108: Definition of Material

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

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

Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

(c) Revised Conceptual Framework for Financial Reporting

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship
- Reintroduces the concept of prudence
- Defines the concept of measurement uncertainty
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"
- Made changes to the definitions of an asset and a liability

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

(d) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Group and the Company do not expect the clarifications of the above would result in any material changes when determining whether a liability is current or non-current.

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.

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.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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 loses 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.

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. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. 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.

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.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

(b) Foreign currency transactions (continued)

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.

(c) Foreign currency transactions

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.

(d) 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.

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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.

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 buildings	50 years
- 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	14 - 20 years
- Heavy equipment, plant and machinery	10 - 17 years
- Motor vehicles	7 years
- Furniture, fittings and equipment	10 years

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 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.

2. Summary of significant accounting policies (continued)

2.8 Service concession arrangements (continued)

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

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

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

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

Financial asset model

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

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

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

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

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

The portion falling due within less than one year is presented 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. Summary of significant accounting policies (continued)

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.

2.10 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.

2. Summary of significant accounting policies (continued)

2.11 Intangible assets (continued)

Goodwill (continued)

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.

2.12 Land use rights

Land use rights were initially measured at cost. Following initial recognition, land use rights were measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights were 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.

2. Summary of significant accounting policies (continued)

2.13 Impairment of non-financial assets (continued)

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.

2.14 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. Summary of significant accounting policies (continued)

2.15 Financial instruments

(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.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Categories of financial instruments and subsequent measurement

Financial assets

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

(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) Fair value through other comprehensive income – debt securities

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

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

Financial assets (continued)

(c) Fair value through other comprehensive income – 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.

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

Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (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).

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 assets (continued)

Impairment of financial assets (continued)

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.

Financial liabilities

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 liability would create or enlarge an accounting mismatch.

(b) Amortised cost

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

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

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.

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. Summary of significant accounting policies (continued)

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.

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. Summary of significant accounting policies (continued)

2.21 Leases

As described in Note 2.2, the Group has applied MFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under MFRS 117 and IC 4.

Accounting policy applicable from 1 January 2019

(a) As lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

2. Summary of significant accounting policies (continued)

2.21 Leases (continued)

(a) As lessee (continued)

Measurement and recognition of leases as a lessee (continued)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

(b) As lessor

The Group's accounting policy under MFRS 16 has not changed from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Accounting policy applicable before 1 January 2019

(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)

Accounting policy applicable before 1 January 2019 (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.

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.

2. Summary of significant accounting policies (continued)

2.23 Revenue from contracts with customers (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) Does 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) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) Provides benefits that the customer simultaneously receives and consumes as the Group 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 oil from empty fruit bunches.

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

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

There is no element of financing present as the Group's 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.

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.

2.28 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. Summary of significant accounting policies (continued)

2.29 Financial guarantee contracts

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

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

2.30 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.

2.30.1 Judgements made in applying accounting policies

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

A subsidiary, Mistral Engineering Sdn. Bhd. ("Mistral") has written to the Sustainable Energy Development Authority Malaysia ("SEDA'') on 25 March 2020 seeking an extension of time to complete the Proposed Restructuring as disclosed in Note 37. The Directors of Mistral are confident that their application for extension will be approved by SEDA taking into consideration the challenges faced globally on the lockdown due to the COVID-19 outbreak. In addition, the consultant appointed by Mistral in dealing with the extension has been continuously following up on the status of the extension and believes that SEDA will grant the extension as Mistral has progressively been taking actions to comply with SEDA's requirement and it is also in the best interest of Sabah since there is a shortage of supply of electricity. The Proposed Restructuring is near completion and is pending an Extraordinary General Meeting ("EGM") to be held by Timah Resources Ltd. ("TML") to seek the approval of its shareholders, the delay being caused by the COVID-19 outbreak. The primary benefit to TML's shareholders as a result of the Proposed Restructuring will be that Mistral will be fully in compliant with SEDA's requirements to participate in the Feed-in Tariff scheme. Without the Proposed Restructuring, Mistral will lose its Feed-in Approval. The Directors of the Company, having considered all aspects of the Proposed Restructuring are of the opinion that this is in the best interest of the TML group and shareholders of TML. Accordingly, they are of the opinion that the likelihood of the Proposed Restructuring being rejected by the shareholders of TML is remote.

2. Summary of significant accounting policies (continued)

2.30 Significant accounting judgement and estimates (continued)

2.30.2 Key sources of estimation uncertainty

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

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. 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 is 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.

(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.

2. Summary of significant accounting policies (continued)

2.30 Significant accounting judgement and estimates (continued)

2.30.2 Key sources of estimation uncertainty (continued)

(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.

(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 RM27,963,952 (2018: RM2,522,096) and RM438,705 (2018: RM578,222) 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 2019 was RM318 million (2018: 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		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Type of goods or services				
Sale of:				
- crude palm oil	148,274	166,423	-	-
- palm kernel	20,620	32,584	-	-
- fresh fruit bunches	9,521	14,527	-	-
- earth and stones	1,570	1,098	-	-
- empty fruit bunches oil	10,301	10,644	-	-
Construction of service concession power plants	3,308	6,354	-	-
Supply of electricity	15,050	8,988	-	-
Management fees from subsidiaries	-	-	3,000	3,032
Dividend income from subsidiaries	-	-	1,775	21,355
Total revenue from contracts with customers	208,644	240,618	4,775	24,387
Timing of revenue recognition				
At a point in time	205,336	234,264	1,775	21,355
Over time	3,308	6,354	3,000	3,032
	208,644	240,618	4,775	24,387

There are no unfulfilled performance obligations, whether satisfied or partially satisfied to be recognised over the subsequent periods.

4. Interest income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest on:				
- Advances to subsidiaries	-	-	4,798	5,084
- Short term investments and fixed deposits	708	758	1	-
- Operating financial assets	7,343	7,396	-	-
	8,051	8,154	4,799	5,084

5. Other income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equipment hiring income	-	76	-	-
Fair value changes of biological assets (Note 19)	785	-	-	-
Net gain on disposal of property, plant and equipment	270	205	-	-
Rental income	4	4	-	-
Sale of:				
- scrapped iron	272	128	-	-
- palm kernel shell	126	48	-	-
- fibre	19	-	-	-
- bunch ash	57	109	-	-
Gain on foreign exchange				
- realised	-	52	-	-
- unrealised	19	-	-	-
Miscellaneous	169	207	-	-
Reversal of expected credit losses (Note 18)	161	185	-	-
	1,882	1,014	-	-

6. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
Bank loans	3,526	3,060	2,622	1,646
Lease liabilities	210	-	-	-
Revolving credits	1,919	2,228	549	789
Obligation under finance leases	-	72	-	-
	5,655	5,360	3,171	2,435
Less: Capitalised in bearer plants (Note 12(iv))	(181)	-	-	-
	5,474	5,360	3,171	2,435

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:				
- statutory audit				
- current year	304	299	65	59
- underprovision in prior years	13	11	6	7
- other services	117	131	15	4
Employee benefits expense (Note 8)	27,366	26,186	2,503	2,551
Expenses relating to short term leases (Note 24 (iii))	144	-	-	-
Non-executive Directors' remuneration (Note 9)	159	165	159	165
Depreciation of property, plant and equipment (Note 12)	12,987	13,386	315	314
Amortisation of land use rights	-	28	-	-
Property, plant and equipment scrapped	64	12	-	-
Bad debts written off	119	11	-	-
Loss on foreign exchange				
- unrealised	-	34	-	-
- realised	7	-	-	-
Rental of land and buildings	-	196	-	-
Fair value changes of biological assets (Note 19)	-	1,488	-	-
Allowance for expected credit losses (Note 18)	72	-	-	-

8. Employee benefits expense

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Wages and salaries	28,768	26,912	2,247	2,278
Contributions to defined contribution plan	1,385	1,278	244	249
Employee insurance scheme contribution	15	13	1	1
Social security contributions	172	135	11	23
	30,340	28,338	2,503	2,551
Capitalised in bearer plants (Note 12(iv))	2,613	1,857	-	-
Capitalised in inventories (Nurseries) (Note 20(ii))	361	295	-	-
Recognised in profit or loss (Note 7)	27,366	26,186	2,503	2,551
	30,340	28,338	2,503	2,551

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,726,046 (2018: RM2,832,813) and RM933,002 (2018: RM1,015,388) respectively, which are further disclosed in Note 9.

9. Directors' remuneration

Group	Salaries RM'000	Fees RM'000	Bonus RM'000	Allowance RM'000	Defined contribution plan RM'000	Total RM'000
2019						
Executive:						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	629	-	105	69	89	892
Dato' Seri Mah King Seng	629	-	105	40	89	863
Directors of subsidiaries	629	-	105	126	1	861
Alternative executive:						
Mah Li-Na	83	-	14	-	13	110
Total executive directors' remuneration (Note 8)	1,970	-	329	235	192	2,726
Non-executive:						
Datuk 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	1,970	159	329	235	192	2,885

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
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:						
Datuk 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)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Defined contribution plan RM'000	Total RM'000
2019					
Executive:					
Tan Sri Dr. Mah King Thian @ Mah King Thiam	315	-	52	44	411
Dato' Seri Mah King Seng	315	-	52	45	412
Alternative executive:					
Mah Li-Na	83	-	14	13	110
Total executive directors' remuneration (Note 8)	713	-	118	102	933
Non-executive:					
Datuk 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	713	159	118	102	1,092
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:					
Datuk 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

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
2019						
Executive:						
Tan Sri Dr. Mah King Thian @ Mah King Thiam	629	-	105	69	89	892
Dato' Seri Mah King Seng	629	-	105	40	89	863
Alternative executive:						
Mah Li-Na	83	-	14	-	13	110
Total executive directors' remuneration	1,341	-	224	109	191	1,865
Non-executive:						
Datuk 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	1,341	159	224	109	191	2,024

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
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
Alternative executive:						
Mah Li-Na	82	-	14	-	10	106
Total executive directors' remuneration	1,340	-	356	80	215	1,991
Non-executive:						
Datuk 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)

Company	Salaries RM'000	Fees RM'000	Bonus RM'000	Defined contribution plan RM'000	Total RM'000
2019					
Executive:					
Tan Sri Dr. Mah King Thian @ Mah King Thiam	315	-	52	44	411
Dato' Seri Mah King Seng	315	-	52	45	412
Alternative executive:					
Mah Li-Na	83	-	14	13	110
Total executive directors' remuneration	713	-	118	102	933
Non-executive:					
Datuk 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	713	159	118	102	1,092
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:					
Datuk 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

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Statements of profit or loss:				
Current income tax:				
- Malaysian income tax	2,568	2,947	348	528
- Under/(over) in respect of previous financial years	231	(72)	55	(35)
	2,799	2,875	403	493
Deferred income tax (Note 17):				
- Origination and reversal of temporary differences	365	613	(11)	27
- Under/(over) provision in respect of previous financial years	1,202	422	(22)	-
	1,567	1,035	(33)	27
Income tax expense recognised in profit or loss	4,366	3,910	370	520

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% (2018: 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 2019 and 2018 are as follows:

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax	7,068	8,980	2,633	23,248
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	1,696	2,155	632	5,580
Adjustments:				
Income not subject to tax	(212)	(158)	(426)	(5,122)
Non-deductible expenses	1,064	1,019	131	97
Effect of different tax rates in other countries	-	(24)	-	-
Effect of utilisation of previously unrecognised unabsorbed capital allowance	(33)	(37)	-	-
Deferred tax assets not recognised in respect of unabsorbed tax losses	6,106	605	-	-
Deferred tax assets recognised on investment tax allowances	(5,688)	-	-	-
Under/(over) provision of income tax in respect of previous financial years	231	(72)	55	(35)
Under/(over) provision of deferred tax in respect of previous financial years	1,202	422	(22)	-
Income tax expense recognised in profit or loss	4,366	3,910	370	520

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, excluding treasury shares held by the Company.

The following reflect the profit and share data used in the computation of basic earnings per share for the financial years ended 31 December 2019 and 2018:

	Group	
	2019 RM'000	**2018 RM'000**
Profit net of tax attributable to owners of the parent used in the computation of earnings per share	439	5,299
	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)	0.14	1.72

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions 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 the same as basic earnings per share.

12. Property, plant and equipment

Group	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 plants RM'000	Total RM'000
Cost								
At 31 December 2019:								
At 1 January 2019:								
As previously reported	59,989	102,073	93,160	6,912	5,942	2,409	148,712	419,197
Effect of changes in accounting standard (Note 2.2)	3,565	-	-	-	-	-	-	3,565
At 1 January 2019 (Restated)	63,554	102,073	93,160	6,912	5,942	2,409	148,712	422,762
Additions	-	755	634	157	414	4,482	12,932	19,374
Scrapped/Written off	-	-	(331)	-	(4)	(18)	(14,522)	(14,875)
Disposal	(10)	-	(74)	-	-	-	(193)	(277)
Reclassifications	-	6,229	234	-	-	(5,569)	(894)	-
At 31 December 2019	63,544	109,057	93,623	7,069	6,352	1,304	146,035	426,984

12. Property, plant and equipment (continued)

Group	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 plants RM'000	Total RM'000
At 31 December 2019:								
Accumulated depreciation								
At 1 January 2019								
As previously reported	8,901	27,310	55,665	4,659	4,270	-	91,247	192,052
Effect on changes in accounting standard (Note 2.2)	326	-	-	-	-	-	-	326
At 1 January 2019 (Restated)	9,227	27,310	55,665	4,659	4,270	-	91,247	192,378
Depreciation charges for the financial year (Note 7)	880	2,337	4,103	475	350	-	4,842	12,987
Scrapped/Written off	-	-	(324)	-	(4)	-	(14,483)	(14,811)
Disposal	(2)	-	(74)	-	-	-	(111)	(187)
At 31 December 2019	10,105	29,647	59,370	5,134	4,616	-	81,495	190,367
Net carrying amount								
At 31 December 2019	53,439	79,410	34,253	1,935	1,736	1,304	64,540	236,617

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 plants RM'000	Total RM'000
Cost								
At 31 December 2018:								
At 1 January 2018	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 plants RM'000	Total RM'000
At 31 December 2018:								
Accumulated depreciation								
At 1 January 2018	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)

Buildings, plantation infrastructure and quarry comprise:

	Leasehold property RM'000	Oil mill and other buildings RM'000	Plantation infrastructure development expenditure RM'000	Quarry RM'000	Total RM'000
Group					
Cost					
At 31 December 2019:					
At 1 January 2019	780	37,593	54,252	9,448	102,073
Additions	-	49	706	-	755
Reclassifications	-	1,415	4,814	-	6,229
At 31 December 2019	780	39,057	59,772	9,448	109,057
Accumulated depreciation					
At 31 December 2019:					
At 1 January 2019	188	20,738	5,419	965	27,310
Depreciation charge for the financial year	-	1,565	772	-	2,337
At 31 December 2019	188	22,303	6,191	965	29,647
Net carrying amount					
At 31 December 2019	592	16,754	53,581	8,483	79,410

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 31 December 2018:					
At 1 January 2018	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 31 December 2018:					
At 1 January 2018	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)

Company

	Buildings RM'000	Furniture, fittings and equipment RM'000	Total RM'000
At 31 December 2019			
Cost			
At 1 January 2019	3,795	732	4,527
Additions	4	17	21
Disposal	-	(1)	(1)
At 31 December 2019	3,799	748	4,547
Accumulated depreciation			
At 1 January 2019	1,799	483	2,282
Depreciation charge for the financial year (Note 7)	243	72	315
Disposal	-	(1)	(1)
At 31 December 2019	2,042	554	2,596
Net carrying amount			
At 31 December 2019	1,757	194	1,951
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

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 RM19,374,748 and RM20,605 (2018: RM15,354,799 and RM26,613) respectively, as follows:

	2019 RM'000	2018 RM'000
Group		
Property, plant and equipment acquired under finance lease	590	2,055
Non-cash payments:		
Interest capitalised	181	-
Cash payments made for acquisition of property, plant and equipment	18,603	13,299
	19,374	15,354
Company		
Cash payments made for acquisition of property, plant and equipment	21	26

(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	
	2019 RM'000	2018 RM'000
Heavy equipment	-	2,595
Motor vehicles	-	1,510
	-	4,105

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 23.

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	
	2019	**2018**
	RM'000	**RM'000**
Long term leasehold land	-	26,486
Buildings	12,576	12,338
Plant and machinery	32,483	35,236
Plantation infrastructure development expenditure	40,854	36,300
Furniture, fittings and equipment	1,295	1,201
Capital work-in-progress	1,142	2,019
Bearer plant	43,346	36,576
	131,696	150,156

(iv) Bearer plants

Additions during the financial year included the following:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Interest expense (Note 6)	181	-
Employee benefits expense (Note 8)	2,613	1,857

12. Property, plant and equipment (continued)

(v) Right-of-use assets

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

	Leasehold land RM'000	Land use rights RM'000	Heavy equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2019	-	-	-	-	-
Effect of adoption of MFRS 16 leases					
- Reclassification	59,989	2,236	1,589	1,354	65,168
- Recognition (Note 2.2)	1,329	-	-	-	1,329
At 1 January 2019 (adjusted)	61,318	2,236	1,589	1,354	66,497
Additions	-	-	433	157	590
Disposal	(10)	-	-	-	(10)
At 31 December 2019	61,308	2,236	2,022	1,511	67,077
Accumulated depreciation					
At 1 January 2019	-	-	-	-	-
Effect of adoption of MFRS 16 leases					
- Reclassification	8,901	326	134	90	9,451
At 1 January 2019 (adjusted)	8,901	326	134	90	9,451
Depreciation for the financial year	852	28	188	192	1,260
Disposal	(2)	-	-	-	(2)
At 31 December 2019	9,751	354	322	282	10,709
Net Carrying Amount					
At 31 December 2019	51,557	1,882	1,700	1,229	56,368

* Leased assets of the Group with a carrying amount of RM29,044,226 are pledged as security for the related finance lease liabilities and bank loan as disclosed in Note 23 and 24.

13. Investment properties

	Group 2019 RM'000	Group 2018 RM'000
Freehold land at fair value		
At 1 January and 31 December	43,340	43,340

Fair value information

Fair value of investment properties are categories as follows:

	Group 2019 Level 3 RM'000	Group 2018 Level 3 RM'000
Freehold land	43,340	43,340

As at 31 December 2019 and 2018, the fair values of the properties are based on valuation performed by an accredited independent valuer.

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

Fair value of 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 2019 %	Range 2018 %
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.

14. Intangible assets

	Group 2019 RM'000	Group 2018 RM'000
Goodwill		
At 1 January 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 the plantation segment for impairment testing.

The recoverable amount of the above CGU has been determined based on value-in-use calculations using cash flow projections approved by management covering a five-year period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Group 2019
CPO per metric ton ("MT")	2,078
PK per MT (RM)	1,750
Discount rates	9.5% - 10.21%

(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.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the plantation segment, management believes that any reasonable possible change in any of the above key assumptions applied is unlikely to materially cause the recoverable amounts to be lower than the carrying values of the CGU.

15. Land use rights

	Group 2019 RM'000	Group 2018 RM'000
Cost		
At 1 January		
As previously reported	2,236	2,236
Effect of changes in accounting standard (Note 2.2)	(2,236)	-
At 1 January (Restated) and 31 December	-	2,236
Accumulated amortisation		
At 1 January		
As previously reported	326	298
Effect of changes in accounting standard (Note 2.2)	(326)	-
At 1 January (Restated)	-	298
Amortisation for the financial year (Note 7)	-	28
At 31 December	-	326
Net carrying amount		
At 31 December	-	1,910
Amount to be amortised:		
- Not later than one year	-	28
- Later than one year but not later than five years	-	112
- Later than five years	-	1,770
	-	1,910

16. Investments in subsidiaries

	Group 2019 RM'000	Group 2018 RM'000
Unquoted shares, at cost:		
At 1 January	295,557	295,557
Subscription of additional shares	22,500	-
At 31 December	318,057	295,557

16. Investments in subsidiaries (continued)

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2019	2018
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

16. Investments in subsidiaries (continued)

Name of Subsidiaries	Principal Activities	Proportion (%) of Ownership Interest 2019	2018
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 2019	2018
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	62.71	61.51
Held through Timah Resources Limited:			
Incorporated in Malaysia:			
Mistral Engineering Sdn. Bhd.	Power generation	62.71	61.51

\# Audited by firm other than Ernst & Young PLT
^ Listed on the Australian Securities Exchange Ltd or ASX Limited

During the financial year, the Company has acquired additional share capital of one of its subsidiaries, Prima Semasa Sdn. Bhd. of 15,000 new ordinary shares at an issue price of RM1,500 per ordinary shares.

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 companies	Proportion of ownership interest held by non-controlling interests 2019 %	2018 %
Ladang Cepat–KPD Sdn. Bhd.	40	40
Mistral Engineering Sdn. Bhd.	37.29	38.49
Timah Resources Limited	37.29	38.49

16. Investments in subsidiaries (continued)

(ii) Summarised statement of financial position	Ladang Cepat-KPD Sdn. Bhd. 2019 RM'000	Ladang Cepat-KPD Sdn. Bhd. 2018 RM'000	Mistral Engineering Sdn. Bhd. 2019 RM'000	Mistral Engineering Sdn. Bhd. 2018 RM'000	Timah Resources Limited 2019 RM'000	Timah Resources Limited 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Non-current assets	11,376	12,251	60,063	55,061	26,161	26,161	97,600	93,473
Current assets	18,623	19,571	7,992	6,982	4,248	5,005	30,863	31,558
Total assets	29,999	31,822	68,055	62,043	30,409	31,166	128,463	125,031
Current liabilities	888	812	5,609	5,859	32	329	6,529	7,000
Non-current liabilities	1,993	2,013	47,263	46,964	-	-	49,256	48,977
Total liabilities	2,881	2,825	52,872	52,823	32	329	55,785	55,977
Net assets	27,118	28,997	15,183	9,220	30,377	30,837	72,678	69,054
Non-controlling interests	12,930	14,055	5,515	3,288	(5,020)	(4,845)	13,425	12,498

16. Investments in subsidiaries (continued)

	Ladang Cepat-KPD Sdn. Bhd. 2019 RM'000	Ladang Cepat-KPD Sdn. Bhd. 2018 RM'000	Mistral Engineering Sdn. Bhd. 2019 RM'000	Mistral Engineering Sdn. Bhd. 2018 RM'000	Timah Resources Limited 2019 RM'000	Timah Resources Limited 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
(iii) Summarised statement of profit or loss and other comprehensive income								
Revenue	7,893	9,885	8,869	8,208	-	-	16,762	18,093
Profit/(loss) for the financial year	1,121	2,030	5,964	(1,326)	(103)	(578)	6,982	126
Profit/(loss) attributable to:								
Non-controlling interests	75	501	2,227	(508)	(39)	(222)	2,263	(229)
Other comprehensive loss attributable to:								
Non-controlling interests	-	-	-	-	(32)	(158)	(32)	(158)
Non-controlling interests	75	501	2,227	(508)	(71)	(380)	2,231	(387)

16. Investments in subsidiaries (continued)

(iv) Summarised cash flows

	Ladang Cepat-KPD Sdn. Bhd.		Mistral Engineering Sdn. Bhd.		Timah Resources Limited		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net cash flows from/(used in) operating activities	1,663	2,295	4,863	2,157	(1,520)	(567)	5,006	3,885
Net cash flows from/(used in) investing activities	64	2,865	(149)	(41)	(206)	97	(291)	2,921
Net cash flows used in financing activities	(3,000)	(4,000)	(2,734)	(2,926)	-	-	(5,734)	(6,926)
Net (decrease)/increase in cash and cash equivalents	(1,273)	1,160	1,980	(810)	(1,726)	(470)	(1,019)	(120)
Net foreign exchange difference	-	-	-	-	(84)	(421)	(84)	(421)
Cash and cash equivalents at beginning of the financial year	4,305	3,145	89	899	4,871	5,762	9,265	9,806
Cash and cash equivalents at end of the financial year	3,032	4,305	2,069	89	3,061	4,871	8,162	9,265

17. Deferred tax

Group	As at 1 January 2018 RM'000	Recognised in profit or loss (Note 10) RM'000	As at 31 December 2018 RM'000	Recognised in profit or loss (Note 10) RM'000	As at 31 December 2019 RM'000
Deferred tax liabilities:					
Property, plant and equipment and investment properties	36,047	839	36,886	3,822	40,708
Biological assets	532	(291)	241	134	375
Amount due from customer on service concession	22,691	1,349	24,040	1,101	25,141
	59,270	1,897	61,167	5,057	66,224
Deferred tax assets:					
Lease liabilities	-	-	-	(14)	(14)
Provision	(789)	444	(345)	(42)	(387)
Allowance for expected credit losses (MFRS 9)	(79)	(29)	(108)	33	(75)
Unused tax losses	(6,554)	(289)	(6,843)	3,734	(3,109)
Unabsorbed agriculture and capital allowances	(30,625)	(1,352)	(31,977)	(2,030)	(34,007)
Unabsorbed reinvestment allowances	(881)	364	(517)	(517)	-
Unabsorbed investment tax allowances	-	-	-	(5,688)	(5,688)
	(38,928)	(862)	(39,790)	(3,490)	(43,280)
	20,342	1,035	21,377	1,567	22,944

17. Deferred tax (continued)

	As at 1 January 2018 RM'000	Recognised in profit or loss (Note 10) RM'000	As at 31 December 2018 RM'000	Recognised in profit or loss (Note 10) RM'000	As at 31 December 2019 RM'000
Company					
Deferred tax liabilities:					
Property, plant and equipment	43	(8)	35	(8)	27
Deferred tax assets:					
Provision for bonus	(110)	35	(75)	3	(72)
Unabsorbed capital allowances	-	-	-	(28)	(28)
	(110)	35	(75)	(25)	(100)
	(67)	27	(40)	(33)	(73)

	2019 RM'000	2018 RM'000
Presented after appropriate offsetting as follows:		
Group		
Deferred tax assets	(4,623)	(3,033)
Deferred tax liabilities	27,567	24,410
	22,944	21,377
Company		
Deferred tax assets	(73)	(40)

Unrecognised deferred tax assets

At the reporting date, the Group has unabsorbed capital allowances and unused tax losses of approximately RM438,705 (2018: RM578,222) and RM27,963,952 (2018: RM2,522,096) 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. The unused tax losses of RM1,780,932 and RM26,183,020 will expire in year of assessment 2026 and 2025 respectively.

18. Trade and other receivables

	2019 RM'000	2018 RM'000
Group		
Current		
Trade receivables		
Third parties	9,475	5,605
Operating financial assets	9,384	9,783
	18,859	15,388
Less: Allowance for expected credit losses	(325)	(485)
Trade receivables, net	18,534	14,903
Other receivables		
Deposits	2,828	3,120
GST receivables	342	309
Prepayments	1,330	2,005
Sundry receivables	1,377	1,235
	5,877	6,669
Less: Allowance for expected credit losses	(1,074)	(1,005)
Other receivables, net	4,803	5,664
	23,337	20,567
Non-current		
Trade receivables		
Operating financial assets	134,849	140,836
Total trade and other receivables (current and non-current)	158,186	161,403
Add: Cash and bank balances (Note 22)	15,660	17,498
Less: Prepayments and non refundable deposits	(2,728)	(3,632)
Less: GST receivables	(342)	(309)
Total financial assets measured at amortised cost	170,776	174,960

18. Trade and other receivables (continued)

	2019 RM'000	2018 RM'000
Company		
Current		
Other receivables		
Amounts due from subsidiaries		
- Interest bearing advances	16,737	33,885
Deposits	123	23
GST receivables	822	847
Prepayments	91	151
Sundry receivables	272	273
	1,308	1,294
Less: Allowance for expected credit losses	(272)	(272)
Other receivables, net	1,036	1,022
	17,773	34,907
Non-current		
Other receivables		
Amounts due from subsidiaries		
- Interest bearing advances	71,666	67,011
Other receivables, net	71,666	67,011
	71,666	67,011
Total trade and other receivables (current and non-current)	89,439	101,918
Add: Cash and bank balances (Note 22)	166	190
Less: Prepayments	(91)	(151)
Less: GST receivables	(822)	(847)
Total financial assets measured at amortised cost	88,692	101,110

18. Trade and other receivables (continued)

(a) Trade receivables - third parties

Trade receivables are non-interest bearing and are generally on 7 to 30 days (2018: 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	
	2019 RM'000	2018 RM'000
Neither past due nor impaired	153,322	155,604
1 to 30 days past due not impaired	20	51
31 to 60 days past due not impaired	23	37
61 to 90 days past due not impaired	18	44
More than 91 days past due not impaired	-	3
	61	135
Impaired	325	485
	153,708	156,224

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.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM61,400 (2018: RM135,259) that are past due at the reporting date but not impaired.

18. Trade and other receivables (continued)

(a) Trade receivables - third parties (continued)

Trade receivables that are impaired

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

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	485	670
Reversal of expected credit losses (Note 5)	(161)	(185)
Charge for the financial year (Note 7)	1	-
At 31 December	325	485

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

(b) Other receivables

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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At 1 January	1,005	1,005	272	272
Charge for the financial year (Note 7)	71	-	-	-
Written off	(2)	-	-	-
At 31 December	1,074	1,005	272	272

18. Trade and other receivables (continued)

(c) 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 to be generated from the Facilities at a fixed tariff for 21 years from the commercial operation date.

Subsequently on 1 January 2015, CHSB entered into FiT-REPPA with SESB after being granted feed-in approval from SEDA on 12 May 2014 to design, construct and maintain a new facility and to sell and deliver electrical energy to SESB under the Feed-In Tariff Programme in which the REPPA entered into previously was terminated by a Settlement Agreement. The construction of the new facility commenced in 2012 and was completed and available for use in 2014. Under the terms of the new agreement, CHSB will operate for a period of 16 years starting from 1 January 2015. CHSB will be responsible for any maintenance service required during the concession period.

On 1 April 2015, another subsidiary, Mistral Engineering Sdn. Bhd. ("MESB') had also entered into FiT-REPPA with SESB after being granted feed-in approval from SEDA on 18 February 2015 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 2017. Under the terms of agreement, MESB will operate for a period of 16 years starting from 15 February 2017. MESB will be responsible for any maintenance service required during the concession period.

For the financial year ended 31 December 2019, CHSB has recognised revenue of RM9.5 million (2018: RM7.1 million) on the operation of the facility in the form of supply of electricity. The revenue recognised in relation to 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 2019, MESB has recognised revenue of RM8.9 million (2018: RM8.2 million) consisting RM3.3 million (2018: RM6.3 million) on construction of the facility and RM5.6 million (2018: RM1.9 million) on the operation of the facility in the form of supply of electricity. The revenue recognised in relation to construction in 2019 represents the fair value of the construction services provided in constructing the facility. CHSB has recognised an operating financial asset, measured initially at the fair value of the construction services discounted at a rate of 5.45%.

19. Biological assets

Biological assets relate to agricultural produce growing on bearer plants, which is referred to as fresh fruit bunches ("FFB") with the following movements in carrying value:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	1,142	2,630
Fair value changes of biological assets (Note 5/Note 7)	785	(1,488)
At 31 December	1,927	1,142

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.

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

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

20. Inventories

	Group 2019 RM'000	Group 2018 RM'000
Cost		
Shell	127	26
Fibre	253	84
Empty fruit bunches	11	11
Empty fruit bunches oil	77	94
Crude palm oil	-	2,978
Palm kernels	670	549
Quarry stocks	13,743	14,958
Fertilisers and chemicals	1,309	2,046
Store, spares and consumable supplies	3,421	2,687
Nurseries	1,670	3,287
	21,281	26,720
Net realisable value		
Crude palm oil	1,870	-
	23,151	26,720

(i) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM16,823,626 (2018: RM16,002,650).

(ii) Nurseries

Additions during the financial year included the following:

	Group 2019 RM'000	Group 2018 RM'000
Employee benefits expense (Note 8)	361	295

21. Short term investments

	Group	
	2019 RM'000	2018 RM'000
Fair value through profit or loss		
Short term investments	13,927	13,860

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 2.37% to 3.32% (2018: 2.40% to 3.72%) per annum and the maturity of investments is 1 day (2018: 1 day).

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

22. Cash and bank balances

	2019 RM'000	2018 RM'000
Group		
Cash at bank and on hand	8,587	8,840
Short term deposits with licensed banks	7,073	8,658
Cash and bank balances	15,660	17,498
Company		
Cash at bank and on hand	166	190
Cash and bank balances	166	190

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 (2018: 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 2019 for the Group was 2.96% (2018: 3.04%).

Short term deposits with licensed banks of the Group amounting to RM2,816,789 (2018: RM2,727,346) are pledged as securities for banking facilities granted to the Group.

22. Cash and bank balances (continued)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	2019 RM'000	2018 RM'000
Group		
Cash and bank balances	15,660	17,498
Less: Short term deposits pledged as securities for banking facilities	(2,817)	(2,727)
Cash and cash equivalents	12,843	14,771
Company		
Cash at bank and on hand	166	190
Cash and cash equivalents	166	190

23. Loans and borrowings

	Year of Maturity	2019 RM'000	2018 RM'000
Group			
Current			
Secured:			
Obligation under finance leases	2020	-	617
Revolving credits:			
- at ICOF + 1.20% p.a.	2020	10,250	10,050
- at COF + 1.125% p.a.	2020	16,000	16,000
- at COF + 1.5% p.a.	2020	9,500	9,500
Bank loans:			
- RM loan at COF + 1.125% p.a.	2020	-	4
- RM loan at COF + 1.5% p.a.	2020	11,250	10,975
- RM loan at COF + 1.1% p.a.	2020	7,500	7,500
		54,500	54,646
Non-current			
Secured:			
Obligation under finance leases	2021-2025	-	1,411
Bank loans:			
- RM loan at COF + 1.5% p.a.	2021	5,750	17,000
- RM loan at COF + 1.1% p.a.	2021-2025	43,559	34,659
		49,309	53,070
Total loans and borrowings		103,809	107,716

23. Loans and borrowings (continued)

	Year of Maturity	2019 RM'000	2018 RM'000
Company			
Current			
Secured:			
Revolving credits:			
- at ICOF + 1.20% p.a.	2020	10,250	10,050
Bank loans:			
- RM loan at COF + 1.1% p.a.	2020	7,500	7,500
		17,750	17,550
Non-current			
Secured:			
Bank loans:			
- RM loan at COF + 1.1% p.a.	2021-2025	43,559	34,659
Total loans and borrowings		61,309	52,209

The remaining maturities of the loans and borrowings as at reporting date are as follows:

	2019 RM'000	2018 RM'000
Group		
On demand or within one year	54,500	54,646
More than 1 year and less than 2 years	13,250	19,287
More than 2 years and less than 5 years	22,500	27,924
5 years or more	13,559	5,859
	103,809	107,716
Company		
On demand or within one year	17,750	17,550
More than 1 year and less than 2 years	7,500	7,500
More than 2 years and less than 5 years	22,500	21,509
5 years or more	13,559	5,650
	61,309	52,209

23. Loans and borrowings (continued)

(i) Revolving credits at ICOF + 1.20% p.a., COF + 1.125% p.a. and COF + 1.5% p.a.

This revolving credit is secured by legal charges over certain leasehold plantations together with the plant and machinery and palm oil mill of 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.

(ii) 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.

(iii) 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.

(iv) 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)

(v) 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 2019	105,688	2,028	107,716	52,209
Effect of changes in accounting standard (Note 2.2)	-	(2,028)	(2,028)	-
Balance at 1 January 2019 (Restated)	105,688	-	105,688	52,209
Changes from financing cash flows				
Drawdown of borrowings	26,900	-	26,900	26,900
Repayment of borrowings	(28,779)	-	(28,779)	(17,800)
Total changes from financing cash flows	(1,879)	-	(1,879)	9,100
Balance at 31 December 2019	103,809	-	103,809	61,309

Notes to the Financial Statements
For the financial year ended 31 December 2019 (continued)

23. Loans and borrowings (continued)

(v) 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 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				
New finance leases (Note 12(i))	-	2,055	2,055	-
Balance at 31 December 2018	105,688	2,028	107,716	52,209

24. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	Year of Maturity	Group 2019 RM'000	Group 2018 RM'000
Current	2020	732	-
Non-current	2021 - 2042	2,614	267
		3,346	267

24. Lease liabilities (continued)

The Group has lease contracts of land used in its operations. Leases of land has lease terms of average 10 to 30 years.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the statement of financial position:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with variable payment	No of leases with termination option
Leasehold land	9	1 - 22 years	10 years	4	-	-

(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 3.93% p.a. (2018: 4.16% p.a.). These obligations are denominated in RM.

(ii) Lease liabilities

There were no leases with residual value guarantee or leases which have yet to commence of which the Group and the Company have committed.

The operating lease commitments as at 31 December 2018 is reconciled to arrive at the lease liabilities as at 1 January 2019 as follows:

	Group RM'000
Operating lease commitments as at 31 December 2018	2,023
Weighted average incremental borrowing rate as at 1 January 2019	7.13% - 8.15%
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,329
Lease liabilities recognised as at 1 January 2019	1,329

24. Lease liabilities (continued)

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group Lease liabilities RM'000
Balance at 1 January 2019	-
Effect of changes in accounting standard (Note 2.2)	
- Reclassification	2,295
- Recognition	1,329
Balance at 1 January 2019 (Restated)	3,624
Changes from financing cash flows	
Interest charged	210
Payment of:	
- principal	(868)
- interest	(210)
Total changes from financing cash flows	(868)
Other changes	
New finance leases (Note 12(i))	590
Balance at 31 December 2019	3,346

(iv) Lease payment not recognised as liabilities

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

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

	Group 2019 RM'000	Company 2019 RM'000
Expenses relating to short term leases (Note 7)	144	7

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

25. Trade and other payables

	2019 RM'000	2018 RM'000
Group		
Trade payables		
Third parties	12,214	10,030
Other payables		
Accruals	7,823	8,526
CPO sales tax and MPOB cess	978	982
Retention sum payable to contractor	1,305	1,403
Sundry payables	2,367	3,583
	12,473	14,494
Total trade and other payables	24,687	24,524
Add: Loans and borrowings (Note 23)	103,809	107,716
Add: Lease liabilities (Note 24)	3,346	-
Add: Lease rental payables	-	267
Less: CPO sales tax and MPOB cess	(978)	(982)
Total financial liabilities carried at amortised cost	130,864	131,525
Company		
Other payables		
Amounts due to subsidiaries	9,747	6,262
Accruals	561	833
Sundry payables	51	39
	10,359	7,134
Total trade and other payables	10,359	7,134
Add: Loans and borrowings (Note 23)	61,309	52,209
Total financial liabilities carried at amortised cost	71,668	59,343

25. Trade and other payables (continued)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2018: 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. Sundry payables are normally settled on an average term of three months (2018: average term of three months).

26. Share capital and treasury shares

	Number of ordinary shares		Amount	
Issued and fully paid	**Share capital**	**Treasury shares**	**Share capital RM'000**	**Treasury shares RM'000**
At 1 January 2018 and 2019 and 31 December 2018 and 2019	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 2019 RM'000	Group 2018 RM'000
Foreign currency translation reserve *	(414)	(359)
Other reserve *	(80,520)	(80,354)
	(80,934)	(80,713)

	Company 2019 RM'000	Company 2018 RM'000
Reserve *	(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. Dividend

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Recognised during the financial year:				
Dividend on ordinary shares:				
Final single-tier dividend for 2018 of 1.50 sen (2018: 2.0 sen) per share	4,635	6,179	4,635	6,179

On 26 February 2020, the directors approved a single-tier dividend of 1.5% on 308,967,010 ordinary shares, amounting to a dividend payable RM4,634,505 (1.5 sen per ordinary share) payable on 28 May 2020. 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 2020.

29. 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	
	2019	**2018**
	RM'000	**RM'000**
Transactions with subsidiaries:		
Management fees received/receivable		
- Bakara Sdn. Bhd.	195	195
- Cepatwawasan Sdn. Bhd.	537	537
- Gelang Usaha Sdn. Bhd.	115	115
- Jutategak Sdn. Bhd.	104	104
- Kovusak Sdn. Bhd.	48	48
- Liga Semarak Sdn. Bhd.	14	14
- Prima Semasa Sdn. Bhd.	643	643
- Prolific Yield Sdn. Bhd.	480	512
- Razijaya Sdn. Bhd.	56	56
- Sri Likas Mewah Sdn. Bhd.	186	186
- Suara Baru Sdn. Bhd.	328	328
- Sungguh Mulia Sdn. Bhd.	61	61
- Syarikat Melabau Sdn. Bhd.	84	84
- Tentu Bernas Sdn. Bhd.	16	16
Tentu Cergas Sdn. Bhd.	12	12
- Ultisearch Trading Sdn. Bhd.	18	18
- Wong Tet-Jung Plantations Sdn. Bhd.	103	103
Interest on advances given		
- Aspenglade Sdn. Bhd.	1	1
- Bakara Sdn. Bhd.	42	9
- Cash Horse (M) Sdn. Bhd.	610	677
- Cash Nexus (M) Sdn. Bhd.	645	624
- Cepatwawasan Sdn. Bhd.	73	8
- Gelang Usaha Sdn. Bhd.	13	10
- Jutategak Sdn. Bhd.	-	2
- Libarran Island Resort Sdn. Bhd.	3	3
- Minelink Sdn. Bhd.	9	7
- Mistral Engineering Sdn. Bhd.	2,449	2,113
- Prima Semasa Sdn. Bhd.	325	1,046
- Prolific Yield Sdn. Bhd.	322	458
- Sri Likas Mewah Sdn. Bhd.	3	12
- Suara Baru Sdn. Bhd.	88	13
- Syarikat Melabau Sdn. Bhd.	150	100
- Tentu Cergas Sdn. Bhd.	1	1
- Wong Tet-Jung Plantations Sdn. Bhd.	64	-

29. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

	Company 2019 RM'000	Company 2018 RM'000
Transactions with subsidiaries: (continued)		
Gross dividend income		
- Ayu Sempurna Sdn. Bhd.	1,775	2,400
- Bakara Sdn. Bhd.	-	2,719
- Cepatwawasan Sdn. Bhd.	-	2,400
- Kovusak Sdn. Bhd.	-	634
- Sri Likas Mewah Sdn. Bhd.	-	4,253
- Sungguh Mulia Sdn. Bhd.	-	827
- Syarikat Melabau Sdn. Bhd.	-	6,210
- Wong Tet-Jung Plantations Sdn. Bhd.	-	1,912

(b) Compensation of key management personnel

The remuneration 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Short-term employee benefits	3,455	3,544	1,600	1,663
Defined contribution plan	279	306	174	193
	3,734	3,850	1,774	1,856

30. Commitments

The Group's commitments as at the reporting date are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment:				
Approved and contracted for	717	3	-	-
Approved but not contracted for	13,603	9,474	-	-
	14,320	9,477	-	-

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Service concession facilities commitments:				
Approved and contracted for	2,728	2,603	-	-
Approved but not contracted for	71	256	-	-
	2,799	2,859	-	-

31. Contingent liabilities (unsecured)

On 14 June 2016, a wholly-owned subsidiary of the Company, Suara Baru Sdn Bhd ("SB") was served with a Writ of Summons issued in the High Court in Sabah and Sarawak in 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 Bte Buang (1st Defendant). The said lands had been transferred to the 1st Defendant by their previous 33 owners, including Yuh @ Abdul Salleh Bin Pompulu ("Plaintiff"). The said lands were 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.

31. Contingent liabilities (unsecured) (continued)

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 Federal Court was eventually heard and dismissed by Court of Appeal.

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

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

32. 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:

	2019		2018	
	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 leases (Note 23)	-	-	1,411	1,496

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.

32. Fair value of financial instruments (continued)

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.

33. Fair value measurement

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

33. Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2019

	Date of valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
Assets measured at fair value:					
Investment properties (Note 13)	31 December 2019	-	-	43,340	43,340
Biological assets (Note 19)	31 December 2019	-	-	1,927	1,927
Short term investments (Note 21)	31 December 2019	13,927	-	-	13,927
		13,927	-	45,267	59,194

33. Fair value measurement (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2018

	Date of valuation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
Assets measured at fair value:					
Investment properties (Note 13)	31 December 2018	-	-	43,340	43,340
Biological assets (Note 19)	31 December 2018	-	-	1,142	1,142
Short term investments (Note 21)	31 December 2018	13,860	-	-	13,860
		13,860	-	44,482	58,342
Liabilities for which fair values are disclosed					
Loans and borrowings					
- Non-current obligations under finance leases (Note 23)	31 December 2018	-	1,496	-	1,496

There have been no transfers between levels during the financial year.

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.

34. Financial risk management objectives and policies (continued)

(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 RM112,300,000 (2018: 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 63% (2018: 52%) of the Group's trade receivables were due from 2 (2018: 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.

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.

34. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

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

31 December 2019

	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%	95%	
Estimated total gross carrying amount at default	31,772	24,248	23,285	24,368	338,155	441,828
Expected credit loss	318	727	931	1,462	321,703	325,141

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

(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 53% (2018: 51%) and 29% (2018: 33%) 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.

34. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

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
2019				
Group				
Financial liabilities:				
Trade and other payables	23,709	-	-	23,709
Loans and borrowings	57,308	43,131	14,745	115,184
Lease liabilities	904	1,890	1,553	4,347
Total undiscounted financial liabilities	81,921	45,021	16,298	143,240
Company				
Financial liabilities:				
Trade and other payables	10,359	-	-	10,359
Loans and borrowings	20,333	36,277	14,745	71,355
Total undiscounted financial liabilities	30,692	36,277	14,745	81,714
Financial guarantee contracts *	112,300	-	-	112,300

34. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

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
2018				
Group				
Financial liabilities:				
Trade and other payables	23,542	-	-	23,542
Loans and borrowings	58,662	53,002	6,116	117,780
Lease rental payables	-	-	267	267
Total undiscounted financial liabilities	82,204	53,002	6,383	141,589
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	66,075
Financial guarantee contracts *	118,300	-	-	118,300

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

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 RM2,605 (2018: RM27,761) 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 RM4 million (2018: 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	
	2019 RM	**2018 RM**
AUD/RM		
- strengthened 5% (2018: 5%)	(155,724)	(243,565)
- weakened 5% (2018: 5%)	155,724	243,565
USD/RM		
- strengthened 5% (2018: 5%)	(34,921)	(35,267)
- weakened 5% (2018: 5%)	34,921	35,267
SGD/RM		
- strengthened 5% (2018: 5%)	(23,603)	(23,543)
- weakened 5% (2018: 5%)	23,603	23,543

(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 RM1,566,437 (2018: RM1,077,048) higher/lower.

35. Capital management

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 2019 and 31 December 2018.

35. Capital management (continued)

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	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans and borrowings	23	103,809	107,716	61,309	52,209
Lease liabilities	24	3,346	-	-	-
Lease rental payables		-	267	-	-
Trade and other payables	25	24,687	24,524	10,359	7,134
Less: Cash and bank balances	22	(15,660)	(17,498)	(166)	(190)
Less: Short term investments	21	(13,927)	(13,860)	-	-
Net debt		102,255	101,149	71,502	59,153
Capital:					
Equity attributable to owners of the parent		342,713	347,130	338,024	340,396
Capital and net debt		444,968	448,279	409,526	399,549
Gearing ratio		23%	23%	17%	15%

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 2019	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	9,521	168,894	28,659	1,570	-		208,644
Inter-segment	33,818	-	-	644	(34,462)	A	-
Total revenue	43,339	168,894	28,659	2,214	(34,462)		208,644
Results:							
Interest income	528	2,898	7,449	4,862	(7,686)		8,051
Depreciation and amortisation	5,814	3,120	1,112	612	2,329		12,987
Segment profit	4,789	7,567	8,140	3,503	(16,931)	B	7,068
Assets:							
Additions to non-current assets	18,196	853	267	24	34	C	19,374
Segment assets	218,058	37,343	171,460	84,808	4,623	D	516,292
Liabilities:							
Segment liabilities	11,323	28,868	31,819	60,577	27,567	E	160,154

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)

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:

	2019 RM'000	2018 RM'000
Property, plant and equipment	19,373	15,354

D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Deferred tax assets	4,623	3,033

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2019 RM'000	2018 RM'000
Deferred tax liabilities	27,567	24,410

Geographical information

No geographical information has been provided as the Group activities are predominantly conducted in Malaysia.

Information about major customers

Revenue from two (2018: two) major customers amount to RM65,438,483 (31% of revenue) and RM78,619,353 (38% of revenue) respectively (2018: RM78,391,752 (33% of revenue) and RM90,395,611 (38% of revenue)) arising from mill segment.

37. Significant event

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

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

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

"3. An eligible producer shall be as follows:

(c) a company incorporated in Malaysia other than

(i) a company in which a foreign person holds, directly or indirectly, more than forty-nine per centum of the voting power or issued share capital (excluding preference shares)."

Mistral had replied in writing to SEDA's notice on 12 September 2019 explaining that the effective equity interest of Cash Nexus in Mistral is 62.71% held through TML and had on 15 October 2019 also sought indulgence from SEDA to grant Mistral 12 months to complete the restructuring of its shares.

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

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

37. Significant event (continued)

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

Mistral has also written to SEDA on 25 March 2020 seeking an extension of time to complete the Proposed Restructuring. The Directors of Mistral are confident that their application for extension will be approved by SEDA taking into consideration the challenges faced globally on the lockdown due to the COVID-19 outbreak and accordingly are of the view that there will be no material direct or indirect consequential financial implications to the Group.

The summarised financial information of Mistral as at 31 December 2019 is as follows:

		RM'000
(i)	Statement of financial position	
	Trade and other receivables	59,530
	Property, plant and equipment	945
	Deferred tax assets	4,350
	Total assets	68,055
	Total liabilities	52,872
(ii)	Statement of comprehensive income	
	Revenue	8,869
	Net profit after tax	5,964
(iii)	Statement of cash flows	
	Cash flows from operating activities	4,863
	Cash flows used in investing activities	149
	Cash flows used in financing activities	2,734

38. Non-adjusting events after the reporting period

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

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

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

Subsequent to the reporting date, the Directors undertook a preliminary assessment and have considered the potential impact of the recoverable amount of the goodwill and property, plant and equipment. The calculation of value in used as disclosed in Note 14 to the financial statement has been made based on conditions existing at 31 December 2019 and did not take into consideration the impact of the COVID-19 outbreak. There is a significant risk that the assumptions on gross margins, discount rates and raw materials price inflation applied in the goodwill impairment assessment would need to be revised.

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

38. Non-adjusting events after the reporting period (continued)

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

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

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

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

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

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 2 June 2020.

List of Properties of the Group as at 31 December 2019

Location of Property Sabah	Tenure	Year of Expiry	Land Area		Description	Net Book Value As At 31.12.2019 RM'000	Year Acquired
1 Prolific, Wong Tet-Jung Plantations	Leasehold 99 years	2069	39.752	hectares	Oil Palm Plantation	8,467	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	119	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	18,924	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	2,701	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	2,566	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	19,565	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,	12,852	2001
Sungai-Sungai Locality					Quarry &		
99 KM North-West of Sandakan					Plantable Reserve		

List of Properties of the Group as at 31 December 2019 (continued)

	Location of Property Sabah	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2019 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	33,362	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	4,937	2005
9	Ladang Cepat-KPD 85 KM South-West of Beaufort	Leasehold 99 years	2087	**1,595.860 hectares**	Oil Palm Plantation	24,491	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	832	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	133	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	134	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	362	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	296	2015
11	Mistral Engineering Sdn Bhd Off KM 63.7 Sandakan-Lahad Datu Highway	Leasehold 99 years	2074	**3.115 hectares**	Biogas power plant	348	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	5,692	2012

List of Properties of the Group as at 31 December 2019 (continued)

	Location of Property Kuala Lumpur	Tenure	Year of Expiry	Land Area	Description	Net Book Value As At 31.12.2019 RM'000	Date of Last Revaluation
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 5 June 2020

Issued & Fully Paid-Up Share Capital	:	318,446,210 (including treasury shares of 9,479,200)
Type of Share	:	Ordinary Share
No. of Shareholders	:	6,684
Voting Rights	:	One Vote for Every Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 to 99	86	1.286	3,686	0.001
100 to 1,000	531	7.944	346,387	0.112
1,001 to 10,000	3,628	54.278	18,856,924	6.103
10,001 to 100,000	2,129	31.852	64,103,150	20.747
100,001 to 15,448,349 (*)	308	4.608	120,664,013	39.054
15,448,350 AND ABOVE (**)	2	0.029	104,992,850	33.981
TOTAL :	**6,684**	**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 5 June 2020

Shareholders	No. of Shares Direct	%	No. of Shares Indirect	%
MHC Plantations Bhd	88,937,600	28.79	30,000,000	9.71 (1)
Dato' Mah Pooi Soo Realty Sdn Bhd	-	-	118,937,600	38.50 (2)
Tan Sri Dr. Mah King Thian @ Mah King Thiam	-	-	118,937,600	38.50 (2)
Dato' Seri Mah King Seng	-	-	118,937,600	38.50 (2)
Datin Seri Ooi Ah Thin	-	-	118,937,600	38.50 (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 5 JUNE 2020 : 318,446,210
TREASURY SHARES AS AT 5 JUNE 2020 : 9,479,200
'ADJUSTED' CAPITAL AFTER NETTING TREASURY SHARES AS AT 5 JUNE 2020 : 308,967,010

Statistical Report as at 5 June 2020 (continued)

LIST OF DIRECTORS' SHAREHOLDERS

as per the Register of Directors' Shareholdings as at 5 June 2020

Directors	No. of Shares Direct	%	No. of Shares Indirect	%
1. Tan Sri Dr. Mah King Thian @ Mah King Thiam	-	-	118,937,600	38.50 [1]
2. Dato' Seri Mah King Seng	-	-	118,937,600	38.50 [1]
3. Datuk 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 of his spouse's interest.*

TOTAL ISSUED SHARES AS AT 5 JUNE 2020 : 318,446,210
TREASURY SHARES AS AT 5 JUNE 2020 : 9,479,200
'ADJUSTED' CAPITAL AFTER NETTING TREASURY SHARES AS AT 5 JUNE 2020 : 308,967,010

LIST OF TOP 30 HOLDERS as at 5 June 2020

No.	Names	Holdings	%
1	MHC PLANTATIONS BHD.	88,937,600	28.785
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	MAYBANK NOMINEES (TEMPATAN) SDN BHD *JINCAN SDN BHD*	2,850,000	0.922
7	MERCSEC NOMIEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA*	2,356,000	0.762
8	GAN HONG LIANG	2,057,250	0.665
9	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGE SECURITIES ACCOUNT FOR YAP QWEE BENG*	1,954,000	0.632
10	FAN FOO MIN	1,840,000	0.595

Statistical Report as at 5 June 2020 (continued)

LIST OF TOP 30 HOLDERS as at 5 June 2020 (continued)

No.	Names	Holdings	%
11	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (TEE0063C)*	1,563,000	0.505
12	LEE GUAN HUAT	1,549,850	0.501
13	MKW JAYA SDN. BHD.	1,478,250	0.478
14	NGOH AH CHYE	1,450,000	0.469
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WANG CHOON SEANG (E-TMR)*	1,427,100	0.461
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LEOW MING FONG @ LEOW MIN FONG (PBCL-0G0161)*	1,330,000	0.430
17	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (M09)*	1,134,600	0.367
18	TAN LEE GIEOK	1,130,000	0.365
19	SU MING YAW	1,118,000	0.361
20	KONG SIAU LING @ NATALIE	1,100,000	0.356
21	CHYE AH LAM @ CHAI MING SENG	1,038,000	0.335
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	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GAN TEE JIN*	900,000	0.291
27	LAM SO HA @ LIM CHONG SWEE	862,600	0.279
28	TEE LIP SIN	844,300	0.273
29	AMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR NUMINA GEM SDN. BHD.*	800,000	0.258
30	LAW PEY NGET	795,750	0.257
	TOTAL	**161,696,400**	**52.334**

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CEPATWAWASAN GROUP BERHAD
Registration No. 200101000743 (536499-K)

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 [200101000743 (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 Twentieth Annual General Meeting of the Company to be held at Kompleks Pejabat Behrang 2020, Jalan Persekutuan 1, 35900 Tanjung Malim, Perak, Malaysia on Thursday, 23 July 2020 at 10.30 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		

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 ________________________ , 2020

____
Signature/Seal of Member

Notes:

(a) *Only members whose names appear on the Record of Depositors as at 14 July 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxies on his/her behalf.*

(b) *A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.*

(c) *A member may appoint not more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member appoints two (2) proxies, he shall specify 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, Malaysia or alternatively at their Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty eight hours (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

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Stamp

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c/o Tricor Investor & Issuing House Services Sdn Bhd
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