# CEPATWAWASAN GROUP BERHAD

Registration No. 200101000743 (536499-K)

ANNUAL
REPORT
# 2022

CEPAT

**CEPATWAWASAN GROUP BERHAD**

Registration No. 200101000743 (536499-K)

# Contents

# Notice of The Twenty-Third Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of the Company will be held at Amadeus III, Level 2, Sabah Hotel Sandakan, KM 1, Jalan Utara, 90703 Sandakan, Sabah on Tuesday, 23 May 2023 at 11.00 a.m. for the following businesses:

| **AGENDA** | | **Ordinary Resolution No.** |
|---|---|---|
| 1. | To lay the audited financial statements of the Company for the financial year ended 31 December 2022 together with the reports of the directors and auditors. | |
| 2. | To approve the payment of Directors' fees of up to RM190,000 for the period from the day after the Annual General Meeting to the next Annual General Meeting. | Resolution 1 |
| 3. | To approve the payment of Directors' benefits (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM50,000 for the period from the day after the Annual General Meeting to the next Annual General Meeting. | Resolution 2 |
| 4. | To re-elect the following directors retiring in accordance with Article 103 of the Company's Constitution: | |
| | a) Datuk Chua Kim Yin (JP), under Article 103(a) | Resolution 3 |
| | b) Puan Lee Nyuk Choon @ Jamilah Ariffin, under Article 101 | Resolution 4 |
| | c) Encik Musanif Bin Hj Md Nen, under Article 101 | Resolution 5 |
| 5. | To appoint auditors and to authorise the Directors to fix their remuneration. | Resolution 6 |
| 6. | To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications: | |

**AUTHORITY TO ALLOT SHARES** (Resolution 7)

"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 issued shares of the Company for the time being.

AND THAT pursuant to Clause of 61 of the Constitution, direction to the contrary of pre-emptive rights under Section 85 of the Companies Act 2016 be and is hereby given for the Directors to offer and issue new shares of the Company ranking equally to the existing shares of the Company pursuant to the aforesaid authority, to such persons for such consideration as the Directors deem fit and in the best interest of the Company."

7. To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications: **Ordinary Resolution No.**

**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 8

(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;

(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, either unconditionally or conditionally; 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 34(2) of the Act (but shall not extend to such extension 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;
(viii) cancel the treasury shares or any of the treasury shares; or
(ix) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister may by order prescribe.

| | | |
|---|---|---|
| 7. | To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications: (continued) | **Ordinary Resolution No.** |

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."

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

BY ORDER OF THE BOARD

KANG SHEW MENG [SSM PC NO. 201908002065]
SEOW FEI SAN [SSM PC NO. 201908002299]
Secretaries

Petaling Jaya

20 April 2023

**Notes:-**

(a) Only members whose names appear on the Record of Depositors as at 16 May 2023 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) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds. Where an exempt authorised nominee appoints more than one (1) proxies, the proportion of the shareholding to be represented by each proxy must be specified.

(e) If the appointer is a corporation, the Form of Proxy must be executed under its seal or under the hand of its attorney.

(f) The duly completed proxy form 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, 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 Resolutions 1 & 2**

  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. In this respect, the Board agreed that the shareholders' approval shall be sought at the Twenty-Third Annual General Meeting ("AGM") on the Directors' fees and benefits in two (2) separate resolutions as below:

  - Ordinary Resolution 1 on payment of Directors' fees for the period from the day after the AGM to the next AGM
    - The total amount of Directors' fees payable to the Non-Executive Directors for the period from the day after the AGM to the next AGM tabled for the members' approval is RM190,000.

  - Ordinary Resolution 2 on payment of Directors' benefits (excluding Directors' fees) for the period from the day after the AGM to the next AGM
    - The Directors' benefits payable to the Non-Executive Directors for the period from the day after the AGM to the next AGM tabled for the members' approval is RM50,000.

  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 Board will seek shareholders' approval at the next AGM in the event the amount of the Directors' fee and benefits are insufficient due to an increase in Board/Board Committee meetings and/or increase in Board size.

  For information, the shareholders at the Twenty-Second AGM had approved the payment of Directors' fees and benefits of up to RM240,000.00 to Non-Executive Directors for the period from 26 May 2022 until the conclusion of the Twenty-Third AGM.

- **Ordinary Resolution 7**

  The proposed Ordinary Resolution 7 if passed, will :

  a) empower the Directors of the Company to allot and issue not more than 10% of the 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; and
  b) give direction to the Directors of the Company to offer and issue new shares pursuant to the authority granted under Ordinary Resolution 7 to any such persons without first to offer the new shares to the existing members of the Company in proportion to their shareholding.

  This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next AGM 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 Twenty-Second Annual General Meeting held on 25 May 2022 and which will lapse at the conclusion of the Twenty-Third Annual General Meeting.

  The authority will provide flexibility to the Company for any possible fundraising 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 8**

  The proposed Ordinary Resolution 8, 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 20 April 2023 which is despatched together with Company's Annual Report 2022.

# Corporate Information

## BOARD OF DIRECTORS

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

**Non-Independent & Non-Executive Director**
Datuk Chua Kim Yin (JP)

**Independent & Non-Executive Directors**
Lee Nyuk Choon @ Jamilah Ariffin
Musanif Bin Hj Md Nen

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

### 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
Lee Nyuk Choon
@ Jamilah Ariffin *(Chairperson)*
Datuk Chua Kim Yin (JP) *(Member )*
Musanif Bin Hj Md Nen *(Member)*

### NOMINATION COMMITTEE
Datuk Chua Kim Yin (JP) *(Chairman)*
Lee Nyuk Choon
@ Jamilah Ariffin *(Member)*
Musanif Bin Hj Md Nen *(Member)*

### REMUNERATION COMMITTEE
Datuk Chua Kim Yin (JP) *(Chairman)*
Lee Nyuk Choon
@ Jamilah Ariffin *(Member)*
Musanif Bin Hj Md Nen *(Member)*

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

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

### AUDITORS
Messrs PKF PLT
Lot 23-1 & 25-1, 1st Floor
Lintas Plaza
Lorong Lintas Plaza
88300 Kota Kinabalu
Sabah

### 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 59*
*Executive Chairman*

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

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

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

Tan Sri Dr. Mah is a Director of Behrang 2020 Sdn Bhd and several other private limited companies. He is also the Managing Director of MHC Plantations Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). 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 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 2022.

**DATO' SERI MAH KING SENG**
*Malaysian, male, aged 64*
*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 Market of Bursa Malaysia 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, the Executive Chairman of the Company, father of Ms. Mah Li-Na, the Alternate Director to him and son of Datin Seri Ooi Ah Tin, a Director and substantial shareholder of 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 2022.

# Profile of Board of Directors (continued)

**DATUK CHUA KIM YIN (JP)**
*Malaysian, male, aged 61*
*Non-Independent Non-Executive Director*

Datuk Chua Kim Yin (JP) was appointed as an Independent Non-Executive Director of the Company on 21 July 2005 and later as Senior Independent Non-Executive Director on 25 February 2013. He was redesignated as Non-independent Non-Executive Director since 22 March 2023. He is the Chairman of both the Remuneration Committee and Nomination Committee. He is also a member of the Audit Committee.

He graduated from Monash University, Victoria, Australia with Bachelor of Economics (Accounting) in 1984 and Bachelor of Laws in 1986 and was admitted to practise as a Barrister and Solicitor of the Supreme Court of Victoria, Australia in 1987. He was admitted as an Advocate of the High Court in Borneo, in the State of Sabah in 1988. He is currently a partner in the legal firm, Messrs RCK & Co. in Kota Kinabalu, Sabah. Datuk Chua is a Justice of The Peace (JP), Sabah.

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 2022.

**LEE NYUK CHOON @ JAMILAH ARIFFIN**
*Malaysian, female, aged 58*
*Independent Non-Executive Director*

Puan Lee Nyuk Choon @ Jamilah Ariffin was appointed as an Independent Non-Executive Director of the Company on 22 March 2023. She is the Chairman of Audit Committee. She is also a member of the Remuneration Committee and Nomination Committee.

Puan Jamilah is a seasoned professional with over three decades of experience in various roles and responsibilities. Her journey started in 1988 as a Teacher at Maktab Nasional, where she honed her skills in educating and mentoring. In 2005, she transitioned into the Agricultural Services & Development sector, where she served as an Officer and contributed to the growth and development of the industry for more than a decade.

As her career progressed, she took on more challenging roles and responsibilities, including Project Manager from 2005 to 2013, Group Manager (Crop) from 2013 to 2017, and Deputy General Manager (Business Development & Operation) from 2018 to 2019. These roles helped her develop her leadership, strategic planning, and team management skills.

In 2019, she was promoted to the role of General Manager, where she currently leads and manages a team of professionals to achieve organizational goals and objectives. Her experience in various fields has equipped her with a diverse skill set, including project management, business development, operations management, and team leadership, among others.

She is a director of Kim Loong-KPD Plantations Sdn Bhd and Permodalan Plantations Sdn Bhd, subsidiary of Kim Loong Resources Berhad and IOI Corporation Berhad, both of which are companies listed on the Bursa Malaysia.

She has no family relationship with any directors and/or major shareholders of the Company and 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 2022.

**MUSANIF BIN HJ MD NEN**
*Malaysian, male, aged 61*
*Independent Non-Executive Director*

Encik Musanif Bin Hj Md Nen was appointed as an Independent Non-Executive Director of the Company on 22 March 2023. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Encik Musanif is a retired Group Executive Management and Professional of Perak State Development Cooperation (PKNP) with more than 30 years of experience. He started his career as an Assistant Project Officer in 1986 and ended his professional year with PKNP as a Director of Government Relations and Affair in 2016.

Throughout his career, Enick Musanif has played a pivotal role in the property development projects for PKNP and its subsidiaries. He has also contributed significantly to the Corporate Affairs and Entrepreneur Development division for almost 10 years. Encik Musanif is known for his outstanding performance and commitment to his role, as demonstrated by his multiple awards such as the "Anugerah Perkhidmatan Cemerlang" award from PKNP in the years of 1989, 2004, and 2011.

Encik Musanif is recognized for his professionalism and overachieving mindset, which was proven by his portfolio of successfully leading the management of PKNP subsidiary company, Maju Perak Holdings, and preparing it for a successful listing in the Bursa Malaysia Security 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 2022.

**DR. JORDINA MAH SIU YI**
*Malaysian, female, aged 30*
*Alternate Director to Tan Sri Dr. Mah King Thian @ Mah King Thiam*

Dr. Jordina Mah Siu Yi ("Dr. Mah") was appointed as an Alternate Director to 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. She then successfully completed the Bar Professional Training Course (BPTC) and was admitted to Lincoln's Inn as a barrister of England and Wales. Currently, she is working for the UK National Heart and Lung Institute (NHLI) in Imperial College London.

Dr Mah is also the Alternate Director of Tan Sri Mah in MHC Plantations Berhad, a company listed on the Main Market of Bursa Securities Malaysia Berhad and Timah Resources Limited, an Australian incorporated company listed on the Australian Securities Exchange.

She is the eldest daughter of Tan Sri Dr. Mah, who is the Executive Chairman of the Company and a substantial shareholder of 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 2022.

# Profile of Board of Directors (continued)

**MAH LI-NA**
*Malaysian, female, aged 32*
*Alternate Director to Dato' Seri Mah King Seng*

Ms. Mah Li-Na was appointed as an Alternate Director to Dato' Seri Mah King Seng on 16 May 2018. Ms. 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 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 2022.

# Profile of Key Senior Management

**TAN SRI DR. MAH KING THIAN**
*Malaysian, male, aged 59,*
*Executive Chairman*
* The profile of Tan Sri Dr. Mah is listed in the Profile of Directors on page 7 of the Annual Report.

**DATO' SERI MAH KING SENG**
*Malaysian, male, aged 64*
*Managing Director*
* The profile of Dato' Seri Mah King Seng is listed in the Profile of Directors on page 7 of the Annual Report.

**SOONG SWEE KOON**
*Malaysian, male, aged 67*
*Chief Operating Officer*

Mr. Soong Swee Koon 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 2022.

**MANIAM A/L PERUMAL**
*Malaysian, male, aged 60*
*Group General Manager*

Mr Maniam A/L Perumal was appointed as Group General Manager on 17 July 2021.

Mr. Maniam holds a Bachelor Degree in Economics from University Kebangsaan Malaysia, Bangi, Malaysia. He has more than 33 years of extensive experience in the plantation industry which includes 27 years of operational and 6 years of advisory experience. He started his career as an Assistant Manager with Boustead Estate Agency Sdn. Bhd and rose through the ranks to various capacities. He later joined Trade Winds Plantation Berhad as Planting adviser and was later promoted to Regional General Manager. Prior to him joining Cepatwawasan Group Berhad, he was with Acapalm Plantation Services as Visiting Agent.

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 2022.

He does not hold any directorships in public companies.

# Profile of Key Senior Management (continued)

**LIU SWEE KAN**
*Malaysian, male, aged 55*
*Group Accountant*

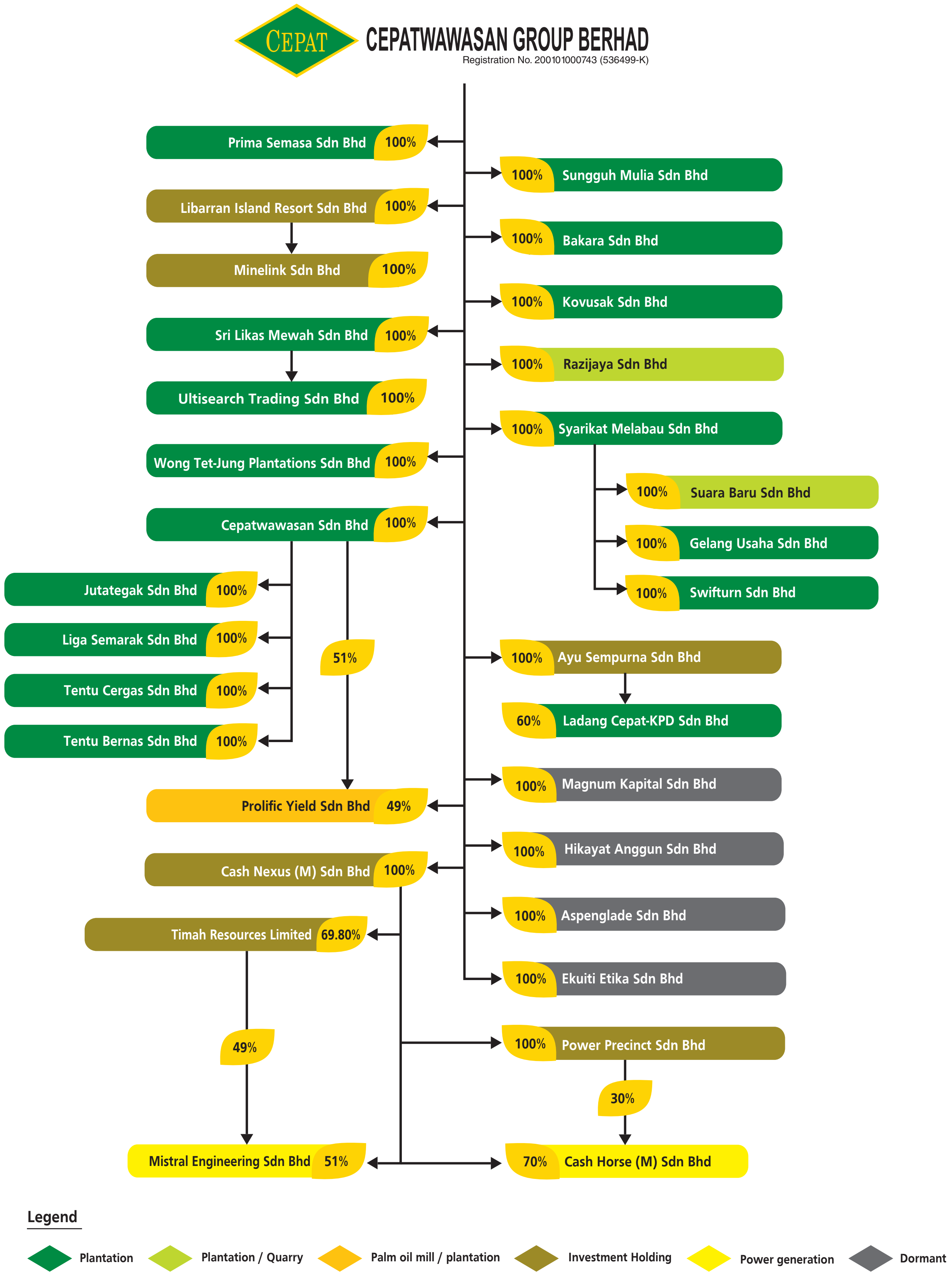
Mr. Liu Swee Kan is a qualified professional who joined the Company as Group Accountant on 14 April 2016. He is a member of the Malaysian Institute of Accountants (MIA) and obtained his professional qualification from the Malaysia Institute of Certified Public Accountants in 2005.

With over a decade of experience in the accounting industry, Mr. Liu has gained extensive expertise and knowledge in his field. He spent 10 years with Audit Firms before working as a Finance Manager in a shipping and logistic company in Sarawak for three years. After this, he joined a plantation company based in Sarawak for about eight 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 2022.

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 2022.

For the current year, revenue decreased by 2% to RM357.09 million, a decrease of RM5.92 million from the previous year's revenue of RM363.00 million. Profit before tax also declined by 24% from RM66.48 million to RM50.78 million.

The reductions in revenue and profit are mainly due to a 9% decrease in Fresh Fruit Bunch (FFB) production coupled with a 28% increase in the cost of FFB production attributed to the rising cost of fertiliser and labour. Furthermore, the Power Plant segment's contribution also declined due to a 13% decrease in power exports and a 24% decrease in the sales volume of EFB oil.

Thus, the Group's profit attributable to equity holders and earnings per share decreased from 16.38 sen to 10.21 sen. Despite this, we remain committed to improving our operating efficiency via mechanisation and better labour management.

The highlights of the Group's performance are as stated below:

| | 2022 (RM) | 2021 (RM) | Increase (+)/Decrease (-) |
|---|---|---|---|
| **Average selling price per metric tonne ("mt"):-** | | | |
| CPO | 4,984 | 4,427 | 13% |
| PK | 3,060 | 2,892 | 6% |
| FFB | 954 | 871 | 9% |
| **Production:-** | | | |
| CPO (mt) | 49,203 | 51,968 | - 5% |
| PK (mt) | 11,488 | 12,348 | - 7% |
| FFB (mt) | 96,813 | 106,660 | - 9% |
| Electricity Export (MWh) | 43,998 | 50,787 | - 13% |
| **Extraction rate:-** | | | |
| CPO | 19.96% | 20.03% | - 0.07% |
| PK | 4.64% | 4.76% | - 0.12% |

## Changes at the Board

The Board bids farewell to Mr. Chan Kam Leong and Puan Wan Salmah Binti Wan Abdullah, who both retired from the Board on 22 March 2023. They have served the Company and its related corporations as Independent Directors for more than 12 years.

On behalf of the Board, I would like to express our sincere gratitude to both of them for their wisdom and dedication throughout the years in helping to guide the Group.

In their place, we welcome Encik Musanif Bin Hj Md Nen and Puan Lee Nyuk Choon @ Jamilah Ariffin. Both were appointed as Non-Independent Non-Executive Directors on 22 March 2023. We look forward to working with both of them and are confident that their knowledge and insights will further strengthen the Group's commitment to continuously improving sustainability and value.

## Dividend

On 24 February 2023, the Board approved the following dividends to our shareholders to be paid on 28 April 2023.

- Firstly, a special "Bumper profit" single-tier ordinary dividend of 2.0 sen per ordinary share amounting to RM6,179,340 for the financial year ended 31 December 2022.
- Secondly, a single-tier dividend of 2.0 sen per ordinary share amounting to RM6,179,340 in respect of the financial year ending 31 December 2023.

We believe that these dividend payments reflect our unchanging commitment to providing value to our shareholders whilst simultaneously maintaining a sustainable financial position for the Group.

## Prospect and Outlook

The Group is expected to face market uncertainties in 2023 due to mixed supply and demand dynamics in the palm oil industry. Analysts forecast a decline in palm oil prices with Malaysian palm oil futures for delivery in three months expected to be between RM3,500-5,000 per tonne in the first quarter of 2023. The CEO of the Malaysian Palm Oil Council expects palm oil prices to trade between RM 3,900-4,300 per tonne until March 2023, and RM3,800-4,200 per tonne until the second quarter of 2023. This is a significant decrease from the record high of RM7,268 per tonne in March 2022, which was prompted by disruptions in the delivery of sunflower oil due to Russia's invasion of Ukraine.

As a result, the Group may face challenges in maintaining its financial performance in 2023. In addition to declining palm oil prices, the Group continues to face increasing production costs and foreign labour shortages. However, the Group is committed to improving its operating efficiency and productivity to maintain low operating costs. We have continued focus on the maturity profile of our oil palm trees and are exploring new methods of mechanisation. Despite all these challenges, the Board remains confident that the Group will perform satisfactorily in 2023 barring any unforeseen circumstances.

## Acknowledgment

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) is a Malaysian-based investment holding company established on 11 January, 2001. Through its subsidiary companies, the Group is engaged in a range of businesses including oil palm cultivation, milling, quarrying, and the sale of oil palm products and power generation.

The Group's business activities are segmented into three main areas: Plantation, Oil Mill, and Power Plant. The Group primarily operates in Sabah, Malaysia, where it holds a landbank of approximately 10,280 hectares.

In support of its commitment to sustainable practices, CGB has invested in renewable energy sources, including the operation of a 12.0 Megawatt Biomass Power Plant and a 4.0 Megawatt Biogas Power Plant in Sandakan, Sabah. The Group also owns an oil mill in Sandakan, with a milling capacity of 90 metric tonnes per hour.

## FINANCIAL REVIEW

### Revenue

During the year under review, the Group's revenue was RM357.09 million, representing a 2% decline of RM5.91 million compared to the previous year's revenue of RM363.00 million. The decrease in revenue was primarily driven by a reduction in FFB sales of RM11.99 million, EFB oil sales of RM4.97 million, and electricity sales of RM2.46 million. However, the decline was partly offset by an increase in CPO sales of RM14.29 million. Outlined below are the fluctuation in sales volume and pricing:-

| Average unit selling price: | 2022 (RM) | 2021 (RM) | Increase/ Decrease (-) |
|---|---|---|---|
| CPO | 4,984 | 4,427 | 13% |
| PK | 3,060 | 2,892 | 6% |
| FFB | 927 | 871 | 6% |
| Electricity/kWh | 0.3897 | 0.3861 | 1% |
| EFB Oil/mt | 4,405 | 4,013 | 10% |
| **Sales Volume** | | | |
| CPO (mt) | 49,198 | 52,163 | - 6% |
| PK (mt) | 11,489 | 12,322 | - 7% |
| FFB (mt) | 36,422 | 52,485 | - 31% |
| Electricity (MWh) | 43,998 | 50,787 | - 13% |
| EFB Oil (mt) | 5,712 | 7,506 | - 24% |

## FINANCIAL REVIEW (continued)

### Profit before Taxation

During the current financial year, the Group's profit before tax  decreased by 24% from RM66.48 million to RM50.78 million. This decline is primarily attributed to a 9% decrease in Fresh Fruit Bunch (FFB) production and a 28% increase in the cost of FFB production due to rising costs of fertilizer and labor. In addition, the contribution from the Power Plant segment also declined due to a 13% decrease in power exports and a 24% decrease in the sales volume of EFB oil.

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

i) Plantation – The Plantation segment's profit decreased by RM11.43 million or 22% from RM51.62 million to RM40.19 million. The decline was primarily due to a 9% decrease in Fresh Fruit Bunch (FFB) production and a 28% increase in the cost of FFB production resulting from higher fertilizer and labor costs.

   Additionally, the segment recorded a loss of RM1.78 million in the fair value adjustments of biological assets compared to a gain of RM2.21 million in the previous year.

ii) Oil Mill – The Oil Mill segment's profit decreased slightly by RM0.74 million or 10% from RM7.08 million to RM6.34 million. The decline was primarily due to a decrease in milling margins caused by a reduction in the Mill Oil Extraction Rate (OER) and a 5% decrease in FFB processing volume.

iii) Power Plant – The Power Plant segment experienced a decrease in profit of RM4.65 million or 27%, from RM17.41 million to RM12.76 million. This decline was attributed to decreases in Power Export (13%) and EFB Oil Sales volume (24%).

### Other Income

Other income decreased significantly by RM1.85 million or 54% from RM3.39 million to RM1.54 million. The primary reason for this decrease is the absence of a fair value gain on biological assets, which was recorded at RM2.21 million in the previous year. This absence of fair value gain in biological assets has resulted in a corresponding decrease in overall other income.

### Other expenses

Other operating expenses decreased marginally from RM2.58 million to RM2.51 million.

### Finance Cost

The finance cost experienced a significant decrease of 38%, from RM2.88 million to RM1.77 million. This decrease was primarily due to a reduction in the Group's borrowings, which dropped from RM44.36 million to RM35.61 million. As a result, the finance cost incurred by the Group has also decreased, contributing to the overall improvement in financial performance.

### Taxation

The effective tax rate for 2022 was higher than the statutory tax rate of 24% principally due to reversal of deferred tax asset arising from Unabsorbed capital allowances in one of Subsidiaries recognised in previous financial year.

**FINANCIAL REVIEW** (continued)

**Profit Attributable to Equity Holders of the Company**

During the current financial year, the profit attributable to equity holders and earnings per share of the Group decreased from 16.38 sen to 10.21 sen. This decrease was primarily due to a decrease in Fresh Fruit Bunch (FFB) production and an increase in the cost of FFB production. Despite this decrease, the Group remains committed to increase the operating efficiency by mechanization and better labor management.

**Cash Flow**

In 2022, the Group faced a decline in net cash from operating activities to RM55.89 million, down from RM81.30 million in 2021. This was primarily due to a decrease in revenue and an increase in operating costs resulting from a decrease in Fresh Fruit Bunch (FFB) production, coupled with an increase in the cost of FFB production. Additionally, the Group had to pay higher income tax increased by RM7.5 million in comparison to the previous financial year.

Net cash used in investing activities decreased by 12% to RM9.57 million, mainly due to a decrease in change in short-term investments by RM1.34 million.

Net cash used in financing activities decreased by 58% to RM24.24 million in 2022, primarily due to a decrease in repayment on loans and borrowings.

Despite the decrease in net cash from operating activities and investing activities, the Group registered a net increase in cash and cash equivalents of RM22.08 million, bringing total cash and cash equivalents to RM56.69 million as of 31 December 2022.

## FIVE -YEAR FINANCIAL HIGHLIGHT

| **Financial**<br>Amount in RM'000 unless otherwise stated | **2022**<br>**RM'000** | **2021**<br>**RM'000** | **2020**<br>**RM'000** | **2019**<br>**RM'000** | **2018**<br>**RM'000** |
|---|---|---|---|---|---|
| Revenue | 357,088 | 363,002 | 234,994 | 215,280 | 249,705 |
| Profit before taxation | 50,783 | 66,478 | 21,780 | 6,718 | 8,385 |
| Taxation | (17,548) | (12,629) | (6,566) | (4,282) | (3,767) |
| Profit for the financial year | 33,235 | 53,849 | 15,214 | 2,436 | 4,618 |
| Attributable to:- | | | | | |
| Equity holders of the Company | 31,556 | 50,610 | 14,618 | 418 | 5,087 |
| Non-controlling interests | 1,679 | 3,239 | 596 | 2,018 | (469) |
| | 33,235 | 53,849 | 15,214 | 2,436 | 4,618 |
| 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 | (81,212) | (81,056) | (80,874) | (80,934) | (80,713) |
| Retained earnings | 170,127 | 150,930 | 107,693 | 96,825 | 101,042 |
| Non-controlling interests | 7,630 | 8,026 | 7,384 | 9,846 | 9,164 |
| Total equity | 403,894 | 385,249 | 341,552 | 333,086 | 336,842 |
| Loans and borrowings | 10,048 | 11,233 | 46,295 | 54,500 | 54,646 |
| Lease liabilities | 894 | 748 | 851 | 732 | - |
| Trade and other payables | 25,526 | 26,789 | 19,064 | 24,687 | 24,524 |
| Income tax payable | 2,653 | 3,526 | 1,079 | 745 | 228 |
| Deferred tax liabilities | 26,717 | 27,056 | 24,889 | 23,223 | 19,950 |
| Lease liabilities (non-current) | 2,642 | 2,521 | 3,186 | 2,614 | - |
| Loans and borrowings (non-current) | 25,561 | 33,126 | 44,751 | 49,309 | 53,070 |
| Lease rental payable | - | - | - | - | 267 |
| | 497,935 | 490,248 | 481,667 | 488,896 | 489,527 |
| Property, plant and equipment | 312,999 | 326,602 | 342,434 | 350,518 | 346,435 |
| Investment properties | 43,340 | 43,340 | 43,340 | 43,340 | 43,340 |
| Intangible assets | 17,358 | 17,358 | 17,358 | 17,358 | 17,358 |
| Land use rights | - | - | - | - | 1,910 |
| Deferred tax assets | 4,648 | 6,539 | 6,777 | 7,559 | 5,769 |
| Biological assets | 2,603 | 4,385 | 2,180 | 1,927 | 1,142 |
| Inventories | 21,099 | 16,628 | 16,482 | 23,151 | 26,719 |
| Trade and other receivables | 13,135 | 16,911 | 12,831 | 13,953 | 12,132 |
| Tax recoverable | 1,048 | 1,690 | 832 | 1,503 | 3,364 |
| Short term investments | 20,932 | 18,076 | 13,883 | 13,927 | 13,860 |
| Cash and bank balances | 60,773 | 38,719 | 25,550 | 15,660 | 17,498 |
| | 497,935 | 490,248 | 481,667 | 488,896 | 489,527 |
| Basic earnings per share (sen) | 10.21 | 16.38 | 4.73 | 0.14 | 1.65 |
| Net dividend per share (sen) | 4.00 | 3.00 | 1.50 | 1.50 | 1.50 |
| Dividend cover (times) | 2.55 | 5.46 | 3.15 | 0.09 | 1.10 |

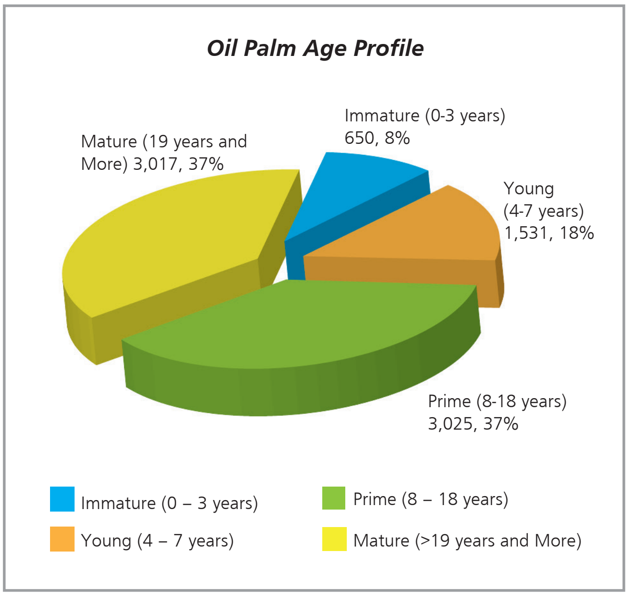
## OPERATION REVIEW

### Plantation Operations

| | | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **Production:** | | | | | | |
| FFB | (mt) | 96,813 | 106,660 | 109,950 | 118,804 | 121,514 |
| To Own Mill | (mt) | 60,391 | 54,175 | 56,972 | 92,230 | 85,687 |
| To External Mill | (mt) | 36,422 | 52,485 | 52,978 | 26,574 | 35,827 |
| **Yield per matured hectare** | | | | | | |
| Group | (mt) | 13.66 | 16.27 | 16.20 | 18.91 | 17.38 |
| Sabah MPOB average | (mt) | 15.39 | 15.77 | 16.84 | 17.66 | 18.16 |
| **Average selling price:** | | | | | | |
| FFB (External Mills) | (RM/mt) | 927 | 871 | 494 | 365 | 411 |
| **Planted Oil Palm Area** | | | | | | |
| (Weighted average hectares): | | 8,223 | 8,215 | 8,292 | 8,440 | 8,442 |
| Mature | | 7,087 | 6,555 | 6,788 | 6,282 | 6,990 |
| Immature | | 1,136 | 1,660 | 1,504 | 2,158 | 1,452 |
| **Total planted area** | | 8,223 | 8,215 | 8,292 | 8,440 | 8,442 |

The age profile of the Group Plantation is shown below:-

| Particulars | Hectare | % |
|---|---|---|
| 0 – 3 years (Immature) | 650 | 8% |
| 4 – 7 years (Young) | 1,531 | 18% |
| 8 – 18 years (Prime) | 3,025 | 37% |
| > 19 years (Mature) | 3,017 | 37% |
| **TOTAL** | **8,223** | **100%** |




The Group is a mid-sized oil palm plantation company located in Sabah, with plantations spread across Sandakan, Kinabatangan, Sugut, and Beaufort. As of December 31, 2022, the total plantation land was about 10,280 hectares, of which 8,223 hectares (80%) were planted with oil palms. Of this planted area, 7,573 hectares (92%) were mature, while the remaining 650 hectares (8%) were immature.

The total fresh fruit bunch (FFB) production for the year declined by 9,847 mt or 9% to 96,813 mt compared to the previous year. The average FFB yield per hectare also decreased significantly from 16.27 mt per hectare to 13.66 mt per hectare, which is less than the MPOB Sabah's average FFB yield of 15.39 mt per hectare for 2022. The Group's performance was adversely impacted by a labor shortage and poor road conditions of certain estates due to high rainfall during the year. The shortage of spare parts caused by the COVID-19 pandemic made it difficult for the Group to repair and maintain its machinery, which impacted the efficiency of operations and road infrastructure within the estate.

## OPERATION REVIEW (continued)

The Segment profit decreased by RM11.43 million (22%) from a segment profit of RM51.62 million to a segment profit of RM40.19 million, mainly due to the 9% decrease in FFB production, while the cost of FFB production increased by 28% due to the rise in fertilizer and labor costs. Additionally, the current year recorded a loss from fair value adjustments of biological assets of RM1.78 million compared to a gain of RM2.30 million in the previous year.

### Milling Operations

| | | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| **FFB Process** | | | | | | |
| - own estates | | 60,391 | 54,175 | 56,971 | 92,230 | 85,687 |
| - purchase | | 186,093 | 205,275 | 216,011 | 266,159 | 302,981 |
| | | 246,484 | 259,450 | 272,982 | 358,389 | 388,668 |
| **Production** | | | | | | |
| Crude palm oil | (mt) | 49,203 | 51,968 | 53,796 | 70,982 | 75,874 |
| Palm kernel | (mt) | 11,488 | 12,348 | 12,928 | 17,050 | 18,754 |
| Group | | | | | | |
| Oil extraction rate | % | 19.97 | 20.03 | 19.71 | 19.81 | 19.51 |
| Palm kernel rate | % | 4.64 | 4.76 | 4.74 | 4.76 | 4.83 |
| **Sabah MPOB average** | | | | | | |
| Oil extraction rate | % | 20.25 | 20.55 | 20.74 | 20.97 | 20.60 |
| **Average selling price:** | | | | | | |
| Crude palm oil | (RM/mt) | 4,984 | 4,427 | 2,671 | 2,059 | 2,217 |
| Palm kernel | (RM/mt) | 3,060 | 2,892 | 1,551 | 1,204 | 1,730 |

The Group's palm oil mill, Prolific Yield Palm Oil Mill, with an operating capacity of 90 mt/hr processed 246,484mt (2021: 259,450 mt) of FFB in 2022. Out of this, 186,093 mt (75%) were from external purchases and 60,391 mt (25%) from our own estates. FFB processed during the year decreased by 5.00% from 259,450 mt to 246,484 mt due to decrease in external purchase of FFB by 19,182 mt or 9.34%. The Mill's OER also declined marginally from 20.03% to 19.97% in line with the decline in Sabah's MPOB average OER which declined from 20.55% to 20.25%.

The Group's OER was lower than Sabah's MPOB average due to higher percentage of external FFB processed. These external FFB were supplied primarily by smallholders who usually have problems controlling their FFB quality due to shortages of skilled harvesters and manuring issues. The acute labor shortage in Sandakan during the year has further intensified competition for FFB supplies, resulting in a decline in FFB supply and crop quality. Millers are offering good FFB prices with more relax grading standards, which may impact the extraction rate and quality of CPO. The Group's mill has implemented a balanced grading system prioritizing both quality and quantity, combined with competitive pricing to ensure a sustainable FFB supply while maintaining satisfactory OER and CPO quality.

Segment Profit decreased marginally by RM0.74 million (10%) from Segment profit of RM7.08 million to Segment profit RM6.34 million mainly due to lower processing margin as a result of decline in Mill OER and decrease in FFB processing volume by 5%.

## OPERATIONAL REVIEW (continued)

### 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 alongside 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 Biogas FiT Approval from SEDA to sell renewable electricity to SESB for 16 years commencing from 15 February 2017.

Segment profit decreased by RM4.65 million (27%) from Segment profit of RM17.41 million to Segment profit of RM12.76 million with the decrease in Power Export (13%) and EFB Oil Sales volume (24%).

## PROSPECT

The Malaysian palm oil industry is facing a more challenging environment in the financial year 2023 with a combination of lower CPO prices and rising production costs due to labor shortages and increased fertilizer expenses. This has put pressure on industry profitability and highlighted the need for greater efficiency and productivity improvements.

To address these challenges, the Group is pursuing ongoing initiatives to achieve greater mechanization and yield improvements wherever possible. These efforts are aimed at enhancing the operational efficiency of the industry to optimize costs and boost profitability.

# Corporate Governance Overview Statement

The Board of Directors ("Board") of Cepatwawasan Group Berhad ("Company") is committed to ensuring that the highest standards of Corporate Governance are practiced throughout the Group to enhance business prosperity and corporate accountability, and 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 ("MCCG"), which was implemented in 2021.

The Board is pleased to report to shareholders on how the Group has applied the three main principles of the MCCG throughout the financial year ended 31 December 2022: Board Leadership and Effectiveness (Principle A), Effective Audit and Risk Management (Principle B), and Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders (Principle C).

This Corporate Governance Overview Statement should be read together with Corporate Governance Report 2022, which is available for viewing 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.**

1.1 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.

1.2 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.

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

- Audit Committee
- Nomination Committee
- Remuneration Committee
- 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)

1.4 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.

1.5 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.

1.6 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.

1.7 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.

**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.**

2.1 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.

2.2 The Chairman of the Board does not assume the position of Chairman of Audit Committee, Nomination Committee and Remuneration Committee. However, by invitation of these Committees, the Chairman of the Board/Managing Director and other appropriate officer(s) may be invited to attend these Committees' meeting, where their presence are considered appropriate as determined by the Chairman of these Committees.

The Board had on 24 February 2023 reviewed its Board Charter.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (continued)

**I Board Responsibilities** (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.**

3.1 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 reviews the said Code of Conduct and Ethics regularly. The Code of Conduct and Ethics is published on the Company's website at www.cepatgroup.com.

The Board had on 24 February 2023 reviewed its Code of Conduct and Ethics.

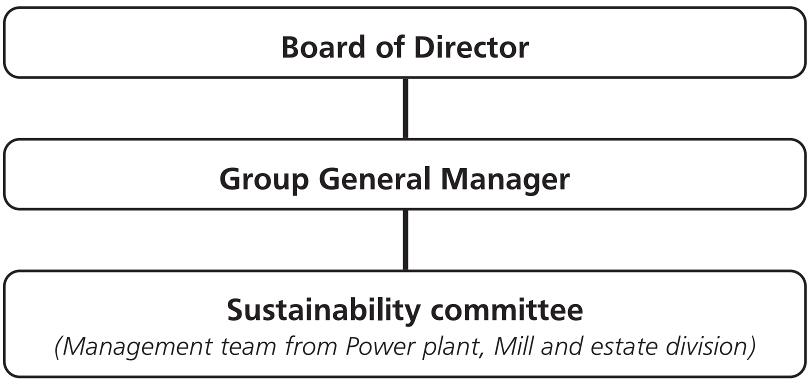
3.2 Along with good governance practices and in order to enhance transparency and accountability, the Board has established and put in place the following policies and procedures, full details of which are made available at the Company's website at www.cepatgroup.com:

- 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
- Diversity Policy
- Board of Directors' Fit and Proper Policy

The Board had on 9 June 2022 adopted the Directors' Fit and Proper Policy in line with the new rule of the MMLR to ensure a formal and transparent process for the appointment and re-election of directors of the Group. The Board had also conducted a review on 24 February 2023 on the above policies.

**4.0 The Company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.**

4.1 The Group has established a Sustainability Governance structure as below that is more extensively discuss on Page 35 of the Sustainability Report.




4.2 The Group currently does not have a formal performance evaluation on its board and senior management in addressing the Company's material sustainability risks and opportunities.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (continued)

## II Board Composition

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

5.1 The Company has complied with the requirement of paragraph 15.02 of the MMLR. The Board currently consists of two (2) Executive Directors, One (1) Non-Independent and Non-Executive Director and two (2) Independent Non-Executive Directors.

5.2 The Board had on 22 March 2023 endorsed the Nomination Committee's recommendation to re-elect and re-designate Datuk Chua Kim Yin (JP) as Non-Independent and Non-Executive Director and accepted the appointment of Puan Lee Nyuk Choon @ Jamilah Ariffin and Encik Musanif Bin Hj Md Nen as Independent Non-Executive Directors based on the satisfactory assessment of the fit and proper criteria set in the Company's Directors' Fit and Proper Policy.

5.3 The Board, based on the recommendation of the Nomination Committee, will seek shareholders' approval at the upcoming Annual General Meeting for the re-election of Datuk Chua Kim Yin (JP) as a Non-Independent and Non-Executive Director. The Board will also propose the re-election of Puan Lee Nyuk Choon @ Jamilah Ariffin and Encik Musanif Bin Hj Md Nen as Independent Directors. All of whom would be retiring in accordance with the Company's Constitution.

5.4 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 apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond nine (9) years of tenure of office.

5.5 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. The Board is mindful of the target of at least 30% women directors. Currently 20% of the Board members is woman, comprises 4 male Directors and 1 female Director. The Board also have 2 female alternate director.

5.6 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. The potential candidate may be proposed by existing director, senior management staff, shareholders or third-party referrals.

5.7 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 | 4/4 |
| Dato' Seri Mah King Seng | 4/4 |
| Datuk Chua Kim Yin (JP) | 4/4 |
| Mr. Chan Kam Leong (Resigned on 22 March 2023) | 4/4 |
| Puan Wan Salmah binti Wan Abdullah (Resigned on 22 March 2023) | 4/4 |
| Puan Lee Nyuk Choon @ Jamilah Ariffin (Appointed on 22 March 2023) | |
| Encik Musanif Bin Hj Md Nen (Appointed on 22 March 2023) | |

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (continued)

## II Board Composition (continued)

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

5.8 The Company recognizes the importance of continuous professional development and training for its directors. Our Directors evaluate and individually determine the most suitable programs, seminars, briefings, or dialogues that would enable them to enhance their knowledge and contribution to the Group. By investing in the growth and development of our directors, we believe that we can improve our competitiveness and deliver value to our shareholders.

5.9 Since the issuance of previous Annual Report, the following training programmes and seminars were attended by the following Directors:

- Employer tax audit and common payroll issues attended by Dato' Seri Mah King Seng;
- MACC Corporate Liability Act – Defense For Directors, Executives & Company and Study tour to explore the feasibility of farming, hydroponics and algae cultivation in the United Arab Emirates attended by Tan Sri Dr. Mah;
- Webinar on latest development on Public Rulings by CPA Australia attended by Datuk Chua Kim Yin (JP);
- MACC Corporate Liability Act – Defense for Directors, Executives & Company attended by Dr Jordina Mah Siu Yi;
- MPOC Meeting the Challenge of Improving Labour Rights in the Malaysian Palm Oil Supply Chain and Forum on Food Analyst/Chemist Requirement attended by Ms Mah Li-Na;

Arrangements have been made for Puan Lee Nyuk Choon @ Jamilah Ariffin and Encik Musanif Bin Hj Md Nen, who were recently appointed as independent directors, to attend their Mandatory Accreditation Programme (MAP) within 4 months of their appointment date.

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

6.1 Since the issuance of previous Annual Report, the Nomination Committee held two (2) meeting on 16 November 2022 and 24 February 2023 with the attendance of each member as follows:

| Name | Position | | Meetings attended |
|---|---|---|---|
| Datuk Chua Kim Yin (JP) | Chairman | (Non-Independent Non-Executive Director) | 2/2 |
| Puan Lee Nyuk Choon @ Jamilah Ariffin (Appointed on 22 March 2023) | Member | (Independent Non-Executive Director) | - |
| Encik Musanif Bin Hj Md Nen (Appointed on 22 March 2023) | Member | (Independent Non-Executive Director) | - |
| Mr. Chan Kam Leong (Resigned on 22 March 2023) | | (Independent Non-Executive Director) | 2/2 |
| Puan Wan Salmah binti Wan Abdullah (Resigned on 22 March 2023) | | (Independent Non-Executive Director) | 2/2 |

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (continued)

## II Board Composition (continued)

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

The summary of activities carried out during the financial year are:

- 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.
- Assessed and reviewed the profile and suitability of candidate for recommendation to the Board for appointment.

The Nomination Committee, in accordance with MMLR and MCCG best practices, reviewed the composition of the Board and recommended that Datuk Chua Kim Yin (JP) be re-designated from Independent Non-Executive Director to a Non-Independent Non-Executive Director. In addition, the Committee recommended the appointment of Puan Lee Nyuk Choon @ Jamilah Ariffin and Encik Musanif Bin Hj Md Nen to fill the vacancies left by Mr. Chan Kam Leong and Puan Wan Salmah binti Wan Abdullah, both of whom resigned from the Board on 22 March 2023.

The Nomination Committee had assessed the suitability of Puan Lee Nyuk Choon @ Jamilah Ariffin and Encik Musanif bin Hj Md Nen before recommending them to the Board for appointment. In evaluating the suitability of candidates, the Nomination Committee considers, inter-alia, their background, knowledge, fit and proper criteria set out in the Directors' Fit & Proper Policy, potential contribution to the Group, the current composition of the Board and board committees, the current and future needs of the Group, boardroom diversity (including gender diversity), tenure of each Director, any existing or potential conflict of interest that could affect the execution of the role as a Director, and additionally in the case of candidates proposed for appointment as Independent Directors, the candidates' independence.

**7.0 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.**

7.1 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.

The Remuneration Committee consists of three (3) members, namely as:

| Name | Position | | Meetings attended |
|---|---|---|---|
| Datuk Chua Kim Yin (JP) | Chairman | (Non-Independent Non-Executive Director) | 1/1 |
| Puan Lee Nyuk Choon @ Jamilah Ariffin (Appointed on 22 March 2023) | Member | (Independent Non-Executive Director) | - |

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (continued)

## II Board Composition (continued)

**7.0 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 consists of three (3) members, namely as: (continued)

| Name | Position | | Meetings attended |
|---|---|---|---|
| Encik Musanif Bin Hj Md Nen (Appointed on 22 March 2023) | Member | (Independent Non-Executive Director) | - |
| Mr. Chan Kam Leong (Resigned on 22 March 2023) | | (Independent Non-Executive Director) | 1/1 |
| Puan Wan Salmah binti Wan Abdullah (Resigned on 22 March 2023) | | (Independent Non-Executive Director) | 1/1 |

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

The Board had on 24 February 2023 reviewed the terms of reference of Remuneration Committee.

**8.0 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 2022 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 | 315 | - | 155 | - | 57 | 527 |
| Dato' Seri Mah King Seng | 315 | - | 155 | - | 57 | 527 |
| **ALTERNATE DIRECTOR** | | | | | | |
| Ms. Mah Li-Na | 88 | - | 37 | - | 16 | 141 |
| **Subtotal** | **718** | **-** | **347** | **-** | **130** | **1,195** |
| **NON EXECUTIVE DIRECTORS** | | | | | | |
| Datuk Chua Kim Yin (JP) | - | 53 | - | - | - | 53 |
| Mr. Chan Kam Leong | - | 53 | - | - | - | 53 |
| Puan Wan Salmah Binti Wan Abdullah | - | 53 | - | - | - | 53 |
| **Subtotal** | **-** | **159** | **-** | **-** | **-** | **159** |
| **Total** | **718** | **159** | **347** | **-** | **130** | **1,354** |

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (continued)

## II Board Composition (continued)

**8.0 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 2022 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 | 630 | 30 | 310 | 70 | 114 | 1,154 |
| Dato' Seri Mah King Seng | 630 | - | 310 | 70 | 114 | 1,124 |
| **Directors of Subsidiaries** | 629 | - | 309 | 40 | - | 978 |
| **ALTERNATE DIRECTOR** | | | | | | |
| Ms. Mah Li-Na | 88 | - | 37 | - | 16 | 141 |
| **Subtotal** | **1,977** | **30** | **966** | **180** | **244** | **3,397** |
| **NON EXECUTIVE DIRECTORS** | | | | | | |
| Datuk Chua Kim Yin (JP) | - | 53 | - | - | - | 53 |
| Mr. Chan Kam Leong | - | 53 | - | - | - | 53 |
| Puan Wan Salmah Binti Wan Abdullah | - | 53 | - | - | - | 53 |
| **Directors of Subsidiaries** | **-** | **92** | **-** | **-** | **-** | **92** |
| **Subtotal** | **-** | **251** | **-** | **-** | **-** | **251** |
| **Total** | **1,977** | **281** | **966** | **180** | **244** | **3,648** |

The Company has on 25 May 2022 obtained a shareholders' mandate on payment of Director fees and benefits of not exceeding RM190,000 per annum and RM50,000 per annum respectively to its Non-Executive Directors.

Remuneration paid to the three (3) Senior Management who are not Directors of the Company for the financial year ended 31 December 2022 are as follows:

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

The remuneration of these three (3) Senior Management of the Company disclosed above is on an aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel's name 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

**9.0 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.**

9.1 The Audit Committee consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director chaired by Puan Lee Nyuk Choon @ Jamilah Ariffin who is an independent director.

9.2 The Audit Committee had on 24 February 2023 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 PKF.

9.3 The Board does not have a policy requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee as the Board has no intention to appoint any former key audit partner as member of the Audit Committee.

## II Risk Management and Internal Control Framework

**10.0 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.**

10.1 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.

10.2 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 pages 46 to 48 of this Annual Report.

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

11.1 The Statement on Risk Management and Internal Control furnished on page 46 to 48 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.

11.2 During the year the internal audit function is outsourced to KPMG Management & Risk Consulting Sdn. Bhd. which reports directly to the Audit Committee.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

## I Communication with Stakeholders

**12.0 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:

### 12.1 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 results 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 website of the Company and Bursa Malaysia.

### 12.2 The Annual General Meeting

The Annual General Meeting ("AGM") 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.

### 12.3 Integrated reporting

The Company is not categorised as a "Large Company" and hence has not adopted integrated reporting based on a globally recognised framework.

### 12.4 Board attendance at AGM

The Group places great importance on transparency and accountability, and the attendance of directors at the AGM is an essential aspect of this commitment. We are pleased to report that all directors attended the AGM held on 25 May 2022.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS** (continued)

## II Conduct of General Meetings

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

13.1 The Company's last AGM was conducted physically on 25 May 2022. The AGM 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 in all aspects relevant to the Company at the AGM. It is the Company's practice to send the Notice of the AGM to its shareholders at least twenty-eight (28) days before the meeting. At the AGM, 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 would undertake to furnish the shareholders with a written answer after the AGM.

13.2 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.

13.3 The Minutes of last AGM at 25 May 2022 was published on the Company website on www.cepatgroup.com on 2 June 2022, less than 30 days after the AGM.

**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 2022 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 significant related party transactions on pages 123 to 125 of the Annual Report.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**
(continued)

## II Conduct of General Meetings

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

**Additional Compliance Information** (continued)

**d Auditors' remuneration**

For the financial year ended 31 December 2022, the amount of audit fee and non-audit fee paid and payable to the External Auditors of the Company were as follows:

| Fee Incurred | Audit fee<br>RM'000 | Non Audit Fee<br>RM'000 |
|---|---|---|
| The Company | 55 | 8 |
| The Group | 309 | 22 |

The non-audit fees were in respect of the review of interim financial information for one (1) subsidiary of the Company for the financial period ended 30 June 2022 and reporting audit engagement to Group auditor for the financial year ended 31 December 2022 in accordance with International Standard on *Review Engagement, ISRE2410 Review of Interim Financial Information performed by the Independent Auditor of the Entity* and review of Statement on Risk Management and Internal Control.

# Sustainability Report

## INTRODUCTION

Cepatwawasan Group Berhad is committed to operating sustainably and responsibly. This Sustainability Report outlines the initiatives and strategies employed by the Company and Group for its Plantations, Power plants, and Oil Mill in the financial year ended 31 December 2022.

The report has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). In the preparation of this report, we have considered the material issues that affect our business operations and its impact on our internal and external stakeholders, including investors, regulatory bodies, employees, suppliers, customers, and the local community.

We remain committed to improving our sustainability performance, ensuring that we maintain timely and transparent communication with all our stakeholders. We will achieve this by monitoring specific targets and key performance indicators, fostering strong and collaborative relationships with all stakeholders, and harmonizing material sustainability risks across the Group.

## SUSTAINABILITY GOVERNANCE STRUCTURE

The Group General Manager ("GGM") is primarily responsible for providing overall direction, leading strategic decision-making and driving execution for all of the Group's sustainability related matters. The Board of Directors, entrusted with oversight of the 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 Management's corporate sustainability strategies, policies and performance. |
| Group General Manager | • Responsible for providing overall direction, leading strategic decision-making and driving execution for all of the Group's sustainability related matters. |
| Sustainability Committee | • Lead the implementation of sustainability strategies and policies within their respective departments;<br>• Monitor and provide regular updates to the GGM regarding their department's sustainability performance, based on the strategic direction set out by the Board;<br>• Identify, assess, evaluate, manage and report material sustainability risks and opportunities relevant to the Group's operations for approval; and<br>• Facilitate sustainability disclosures as required by laws and regulations, and subsequently recommend them for approval. |

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

**MATERIALITY**

As part of our materiality analysis exercise, we sought the views and feedback of all our stakeholders, considering their input in our evaluation of the environmental, economic, and social aspects of our operations, along with their associated risks and impacts. By doing so, we also identified opportunities for future success and continued growth. Based on our stakeholders' feedback, we continued to prioritize the twelve key sustainability issues identified and discussed in our previous year's Sustainability report.

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

**MARKET PLACE**

***Economic Performance***

The Group's revenue decreased by 2% to RM357.09 million, a drop of RM5.92 million from the previous year. Additionally, the Group's profit before tax decreased by 24% from RM66.48 million to RM50.78 million. Further details of the Group's economic performance for 2022 can be found in the Financial Statement in this Annual Report.

The breakdown of the direct economic value generated and distributed by the Group's Malaysian operations for 2022 and 2021 is tabulated below:

| Direct Economic Value Distribution | 2022 RM000 | 2021 RM000 |
|---|---|---|
| Employee Wages and Benefits | 32,309 | 29,945 |
| Payments to Government (Taxes and Levies) | 39,292 | 30,912 |
| CSR Activities | 394 | 498 |

**MARKET PLACE** (continued)

***Regulatory Compliance and Business Ethics***

Our business conduct is guided by honesty, integrity, and a commitment to excellence. As part of our commitment to responsible practices, we promote the well-being of our customers and strive to ensure that our business partners share our commitment. The Group upholds the principles of good corporate governance and complies with all applicable laws and regulations, meeting the expectations of our stakeholders and investors. For more information on our corporate governance practices, please see the 'Corporate Governance Overview Statement' in this Annual Report.

To ensure compliance with good corporate governance principles and our commitment to transparency and accountability, the Group's Whistleblowing Policy encourages all employees and workers to report any suspected wrongdoing, including but not limited to breaches of trust, corruption, fraud, waste or misappropriation of Group resources, abuse of power or position, sexual harassment, endangerment of employee or public health and safety, and attempts to conceal or suppress information.

The Group's Code of Conduct and Ethics, Whistleblowing Policy and other Corporate Governance policies which are listed below are accessible through the Group's website at www.cepatgroup.com

| | |
|---|---|
| Board Charter | Remuneration Policy and Procedure |
| Matters reserved for the Board | Term of Reference of Audit Committee |
| Code of Conduct and Ethics | Terms of Reference of Nomination Committer |
| Shareholder's Rights relating to General Meeting | Term of Reference of Remuneration Committee |
| Nomination and Election Process of Board Members | Anti-Bribery and Corruption Policy |
| Diversity policy | |

***Sustainability Certification***

**Malaysian Sustainable Palm Oil Certification ("MSPO")**

The Malaysian Sustainable Palm Oil Certification (MSPO) is a national certification scheme that mandates the sustainability certification of the entire oil palm industry in Malaysia, covering the entire supply chain from oil palm plantations to downstream facilities. As a responsible member of the industry, we are proud to state that all of our plantations and our Mill have completed MSPO certification. Furthermore, we have successfully completed an annual surveillance audit as mandated by MSPO in the current reporting period, demonstrating our continued commitment to sustainable practices. By complying with this certification, we are not only fulfilling our obligation to the industry, but also contributing to the creation of a sustainable future.

***Stakeholder Engagement***

The Group recognizes that the engagement and feedback of its stakeholders are an integral part of its sustainability strategies and initiatives.

The stakeholder's engagement process involves both formal and informal approaches. The following table provides an overview of the efforts undertaken by the Group to further the engagement of its stakeholders.

**MARKET PLACE** (continued)

***Stakeholder Engagement*** (continued)

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

**ENVIRONMENT**

***Water Management***

The Group is committed to preserving and protecting waterways, as well as optimizing water usage. To achieve this, we adopt various measures and practices, including a zero-discharge policy regarding Palm Oil Mill Effluent ("POME"). Our POME is first polished in the Biogas Plant and then passed through a polishing plant before being discharged via land irrigation to prevent its entry into waterways.

Measures and practices that have been implemented by the Group include:-

- land irrigation and application with treated POME;
- increase in water reservoirs and storage tanks for rainwater harvesting in the housing sites;
- riparian zones identified and maintained to avoid runoff from cultivated land into natural waterways; and
- Adopting strategies to reduce the water footprint in Palm Oil production by controlling milling Water Consumption. In 2022, the milling water consumption was 1.57m$^3$/mt (2021: 1.49 m$^3$/mt) of FFB processed.

**ENVIRONMENT** (continued)

***Water Management*** (continued)

The Group is committed to environmentally friendly practices, including the use of an Integrated Pest Management System. This approach focuses on biological control methods rather than widespread pesticide use. We use methods such as pheromone traps to capture rhinoceros beetles and effectively reduce pest damage to our crops. In some estates, we have also introduced barn owls to help suppress rat populations. These measures demonstrate our commitment to sustainability and responsible management of our land.

Moreover, we substitute chemical fertilizers with nutrient-rich organic matter, such as empty fruit bunches and treated POME, which are a common practice in our estates. Since 2011, we have not purchased Paraquat herbicide due to concerns raised over its potential harm to workers. We adhere to government regulations and use only chemicals approved by the Pesticides Board in the estate.

***Energy Consumption***

At our Estates

At our estates, diesel fuel consumption is primarily used for mechanised equipment, agricultural machinery and vehicles.

In 2022, total diesel fuel consumption of our estates and estates' housing quarters was 1.1 million liters (2021:1.5 million liters). While this decrease is positive, the Group recognises that there is more work to be done to reduce energy consumption and is actively pursuing energy efficiency measures and renewable energy projects.

At our Oil Mill

At our oil mill, the majority of the energy consumed is derived from renewable sources, with biomass fiber and shell from oil palm fruit bunches used as fuel in the boilers.

Almost 83% (2021:83%) of the energy consumption in our oil mill came from renewable sources. While this is a positive trend, the Group recognises that there is still room for improvement and is committed to pursuing additional renewable energy projects in the future.

***Greenhouse Gas ("GHG") Emission***

The Group recognizes the importance of mitigating Greenhouse Gas ("GHG") emissions, and has taken steps to reduce its carbon footprint. One of the measures taken is the construction and operation of a Biogas Power Plant ("Biogas Plant") and a Biomass Power Plant ("Biomass Plant") in Sandakan, Sabah. Both plants generate and export green power to the electrical grid, contributing to the reduction of GHG emissions.

Methane emissions from the treatment of Palm Oil Mill Effluent ("POME") are a major contributor to operational GHG emissions. The biogas plants commissioned by the Group in Sandakan can capture methane and mitigate GHG emissions. Additionally, the Group's Biomass Power Plant produces fewer GHG emissions compared to those from fossil energy sources. Together, these plants have contributed to a reduction of approximately 78,800 MT of $CO2$ in 2022 (compared to 80,800 in 2021).

Moreover, the Group's oil mill recycles POME residual solids, namely belt press solid and decanter cake, into organic fertilizers, which are then reapplied to the estates. This sustainable practice helps preserve the environment by decreasing the need for chemical fertilizers while also reducing the Group's costs.

In line with the Group's commitment to sustainability, a strict Zero Burning Policy is enforced for all new plantings, re-plantings, and other related developments. This policy helps to reduce GHG emissions, air pollution, and the risk of forest fires.

## ENVIRONMENT (continued)

### ***Conservation and HCV Areas***

We are dedicated to promoting sustainable development by prioritizing the protection of the environment and conservation of biodiversity. As part of this commitment, we have declared a total of 172 hectares of land as Conservation and High Conservation Value (HCV) areas, maintaining the same area since 2021.

## WORKPLACE

### ***Labour Relations and Human Rights***

#### Fair Employment Practices

The Group considers its employees to be one of its greatest assets and recognises them as major contributors to its success.

The Group advocates fair employment policies and practices. It is committed to equal employment opportunities without discrimination in regard to gender, age, religion, race, ethnicity, and origin. We do not use forced labour nor do we approve of the practice of child labour. We do not tolerate any involvement 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 female employees and workers are protected from sexual harassment or any form of violence in the workplace.

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

#### Employees Wages and Welfare

The Group is committed to providing fair wages and excellent welfare to its employees. In compliance with the Amendment in Minimum Wages Order 2022 ("Order") on 27 April 2022, the Group has implemented an exercise to ensure that all employees are paid at least RM1,500 per month.

We believe in recognising our people for their work performance, behaviour, creativity and involvement in the Group's activities. Our reward philosophy covers basic salary, benefits, short-term variable bonuses as well as promotion.

To ensure a comfortable living and working environment for our workers and their dependents, we provide a comprehensive range of amenities at our operating units. These amenities include housing, water and electricity supply, healthcare, places of worship, childcare facilities, and other recreational amenities. We continuously upgrade these amenities to comply with the Workers' Minimum Standards of Housing and Amenities Act 1990 (Act 446).

Our dedication to our employees extends beyond providing basic amenities. We also invest in their personal and professional development by providing training opportunities and personal growth programmes. We believe in cultivating a culture of continuous learning to help our employees achieve their full potential.

**WORKPLACE** (continued)

***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 to the whole Group. We also have Safety and Health Committees (consisting of management and employee representatives) based in all our estates and in our oil mill.

The Group's Safety and Health Officer (SHO) makes periodic workplace inspections to ensure safety protocols are implemented in compliance with legislative requirements. Workers are provided with safety equipment as befits their job responsibilities and they are given working procedures to follow. The codes of health and safety practices and procedures are strictly adhered to at all times by all 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.

The Fatal Accident Frequency rate and the Lost Time Injury Frequency Rate (LTIFR) is at 0.27 (2021: Nil) and 1.37 (2021: 1.37) respectively.

***Training and Education***

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

The Group has carried out internal training throughout the year at each of its operating units. Training topics included personal protective equipment (PPE), chemical handling, hazard guidance, vehicle competency, safety work procedures and safe handling of tools & equipment at mechanical/vehicle workshops.

***Recruitment and Employee Retention***

The Group is aware of the challenges faced by the palm oil industry in recruiting and retaining employees, especially in light of the shortage of foreign labour and the difficult working conditions on plantations.

To mitigate the risk of high employee turnover and job dissatisfaction, the Group places a strong emphasis on comprehensive employee benefits, competitive remuneration, and opportunities for training and personal development. Additionally, the Group strives to create a positive and conducive working culture that values the contributions of all employees.

To address the shortage of foreign labour, the Group is exploring ways to increase efficiency and productivity, including the use of mechanization where feasible. The Group is also working to attract and retain younger employees by offering attractive compensation packages and opportunities for career advancement.

Overall, the Group is committed to ensuring the well-being and satisfaction of its employees, recognizing their vital role in the success of the business.

## COMMUNITY

***Community Care and CSR Initiatives***

The Group's commitment to the community is demonstrated through various Corporate Social Responsibility (CSR) initiatives. We recognize the importance of promoting the well-being of the community, and therefore are dedicated to advancing education, religion, and poverty relief.

In addition, the Group is partnering with the Borneo Child Aid Society, Sabah (Humana) to provide basic education and care to the children of foreign plantation workers who are unable to enroll in Malaysian national schools. The Cepatwawasan-Humana Education Resource Centre currently has 101 (2021:98) students, the majority of whom consists of our workers' children. The Group has also built a new learning centre in its estate located in Beaufort, Sabah. Once again, this centre is catering to plantation workers' children who are unable to attend Malaysian national schools. This centre offers classes based on the Indonesian curriculum in preparation for the children's future repatriation to their home country. In 2022, the number of students attending this learning centre was 38 (2021:36).

This Statement is made in accordance with the resolution of the Board of Directors passed on 17 April 2023.

# 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 flow 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***
Puan Lee Nyuk Choon @ Jamilah Ariffin
*(Independent Non-Executive Director)*

**Committee Members**
Datuk Chua Kim Yin (JP)
*(Non-Independent Non-Executive Director)*
Encik Musanif Bin Hj Md Nen
*(Independent Non-Executive Director)*

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

The Board had on 24 February 2023 reviewed the terms of reference of Audit committee.

## MEETINGS

The Audit Committee members held four (4) meetings during the financial year ended 31 December 2022.

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

| Member | Meetings attended |
|---|---|
| Datuk Chua Kim Yin (JP) | 4/4 |
| Mr. Chan Kam Leong (Resigned on 22 March 2023) | 4/4 |
| Puan Wan Salmah binti Wan Abdullah (Resigned on 22 March 2023) | 4/4 |
| Puan Lee Nyuk Choon @ Jamilah Ariffin (Appointed on 22 March 2023) | - |
| Encik Musanif Bin Hj Md Nen (Appointed on 22 March 2023) | - |

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. The AC met once (1) with the external auditors without the presence of the executive Board members and management during the financial year under review.

(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 has outsourced its internal audit function to KPMG Management & Risk Consulting Sdn. Bhd., which reports directly to the Audit Committee. The primary role of the internal audit function is to support the Audit Committee by providing independent and objective reports on the adequacy and effectiveness of the system of internal control and the extent of compliance with procedures. The internal auditors also recommend ways to rectify shortfalls and improve the existing control environment related to the Group's operations. The findings and recommendations are submitted to the Audit Committee and senior management for their review and action.

During the financial year ended 31 December 2022, KPMG Management & Risk Consulting Sdn. Bhd. conducted audit on the Group's operations, specifically on Prima Semasa Sdn Bhd and Sungguh Mulia Sdn Bhd in the plantation segment, and Cash Horse (M) Sdn Bhd ("CHSB") and Mistral Engineering Sdn Bhd ("MESB") in the power plant segment. The audit covered various processes, including payroll management for the plantation operations, and procurement for the power plant operations.

Plantation segment on Payroll management covered:-
- Governance and strategy;
- Management and operations;
- Payment processing; and
- IT systems and security (and privacy)

Power Plant Segment on Procurement, covered:-
- General purchases;
- Third party empty fruit bunches supply; and
- Spare parts.

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 2021 (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.

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 reviews reports on internal control from its internal audit function.

The internal audit function is outsourced to KPMG Management & Risk Consulting Sdn. Bhd. which reports directly to the Audit Committee. The scope of work covered by the internal audit function is determined by the Audit Committee after careful consideration and discussion of the audit plan with the Board. Observations from internal audits were presented to the Audit Committee together with management's response and proposed action plans for its review and implementation. The costs incurred for the internal audit function for the financial year ended 31 December 2022 totalled at RM75,000.

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's and the Group's activities and operations on a regular basis including any material issues. Proposals for major capital expenditure and investment by the Group are reviewed and approved in these Board meetings.

### ii. AUDIT COMMITTEE

The Audit Committee of the Group reviews the annual internal audit plan and any internal control issues identified by the internal auditors, the external auditors, regulatory authorities and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit functions. The Audit Committee holds discussions on the actions taken on internal control issues identified in the reports prepared by the internal auditors and such discussions are minute 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 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.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL (continued)

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

### 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 Board monitors the actual performance against the Group's budget on a quarterly 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 2022, 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

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

## Principal activities

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

The principal activities of the subsidiaries are set out in Note 19 to the financial statements

## Results

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year attributable to: | | |
| Owners of the Company | 31,556 | 4,930 |
| Non-controlling interests | 1,679 | - |
| | 33,235 | 4,930 |

## Reserves and provisions

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

## Dividends

Since the end of the previous financial year, the dividends declared by the Company were as follows:

(i) in respect of the financial year ended 31 December 2021 as reported in the Directors' report of that financial year:

- single-tier ordinary dividend of 1.0 sen per ordinary share totalling RM3,089,670 paid on 29 April 2022; and
- single-tier special dividend of 1.0 sen per ordinary share totalling RM3,089,670 paid on 29 April 2022.

(ii) in respect of the financial year ended 31 December 2022 as reported in the Directors' report of the previous financial year:

- single-tier special dividend of 2.0 sen per ordinary share totalling RM6,179,340 paid on 29 April 2022.

On 24 February 2023, the Board approved the following dividends:

(i) single-tier special dividend of 2.0 sen per ordinary share totalling RM6,179,340 in respect of the financial year ended 31 December 2022 and payable on 28 April 2023; and

(ii) single-tier ordinary dividend of 2.0 sen per ordinary share totalling RM6,179,340 in respect of the financial year ending 31 December 2023 and payable on 28 April 2023.

# Directors' Report (continued)

## Directors

The Directors who have held office during the financial year and up 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, JP
Dr. Jordina Mah Siu Yi*
Mah Li-Na*
Lee Nyuk Choon @ Jamilah Ariffin *(Appointed on 22 March 2023)**
Musanif Bin Hj Md Nen *(Appointed on 22 March 2023)*
Chan Kam Leong *(Resigned on 22 March 2023)*
Wan Salmah Binti Wan Abdullah *(Resigned on 22 March 2023)*

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

Pursuant to Section 253 of the Companies Act, 2016 in Malaysia, the Directors of subsidiaries during the financial year and up to the date of this report, who are not also the Directors of the Company, are as follows:

Soong Swee Koon
Jack Tian Hock Tan
Lee Chong Hoe
Derrick Martin De Souza
Andree Alexander Funk
Datin Seri Ooi Ah Thin

## Directors' interests in shares

The holdings and deemed holdings in the ordinary shares of the Company and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept under Section 59 of the Companies Act, 2016 in Malaysia are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.1.2022 | Bought | Sold | At 31.12.2022 |
| **The Company** | | | | |
| **Direct interest:** | | | | |
| Mah Li-Na | 1,000 | - | - | 1,000 |
| **Indirect interest:** | | | | |
| Tan Sri Dr. Mah King Thian @ Mah King Thiam | 118,937,600 | 429,400 | - | 119,367,000 |
| Dato' Seri Mah King Seng | 118,937,600 | 429,400 | - | 119,367,000 |
| Chan Kam Leong # | 540,000 | - | - | 540,000 |

**Directors' interests in shares** (continued)

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.1.2022 | Bought | Sold | At 31.12.2022 |
| **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 |
| 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 # | 593,294 | - | (590,186) | 3,108 |

# Interest by virtue of shares held by spouse.

By virtue of their interests in the Company, Tan Sri Dr. Mah King Thian @ Mah King Thiam and Dato' Seri Mah King Seng are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interest in accordance with Section 8 of the Companies Act, 2016.

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

**Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

There were no arrangements during and at the end of the financial year, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

**Directors' remuneration**

The remuneration paid to or receivable by the Directors of the Group and Company during the financial year is amounted to RM3,647,940 and RM1,354,340 respectively.

**Indemnity and insurance for Directors, officers and auditors**

There was no indemnity given to or liability insurance effected for any Director, officer or auditor of the Group or of the Company during the financial year.

**Subsidiaries**

The details of the Company's subsidiaries are disclosed in Note 19 to the financial statements.

**Issues of shares and debentures**

The Company did not issue any new shares or debentures during the financial year.

**Treasury shares**

As at 31 December 2022, 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.

**Options granted over unissued shares**

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

**Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

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

(i) which would render it necessary to write off any bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

**Other statutory information** (continued)

As at the date of this report, there does not exist:

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

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

**Holding company**

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

**Auditors**

The auditors, PKF PLT, have indicated their willingness to continue in office.

During the financial year, the total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Group and of the Company are amounted to RM308,712 and RM55,000 respectively.

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

TAN SRI DR MAH KING THIAN @ MAH KING THIAM
Director

DATO' SERI MAH KING SENG
Director

Dated 17 April 2023

# Statement by Directors
## Pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the accompanying financial statements set out on pages 61 to 140 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the financial year ended on that date.

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

TAN SRI DR MAH KING THIAN @ MAH KING THIAM
Director

DATO' SERI MAH KING SENG
Director

Dated 17 APRIL 2023

# 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 61 to 140 are, to the best of my knowledge and belief, 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 in Malaysia.

Subscribed and solemnly declared by )
the abovenamed LIU SWEE KAN )
at Sandakan in the state of Sabah )
on 17 April 2023 )

LIU SWEE KAN
CA No. 24234

Before me,

SALBIAH BINTI SULAIMAN
NO: S-069

# 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 2022 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 61 to 140.

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 2022, and of their financial performance and their 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 opinion.

*Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

**Key Audit Matters**

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

# 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 (continued)

We have determined the matters described below to be the key audit matters to be communicated in our report.

| Area of focus | How our audit addressed the key audit matter |
|---|---|
| **Impairment testing of property, plant and equipment** | |
| As highlighted in Note 16 to the financial statements, the carrying value of property, plant and equipment of the Group was RM313 million as at 31 December 2022.<br><br>The market capitalisation of the Group amounted to RM232 million as of 31 December 2022 is lower than the net tangible assets of the Group of RM387 million, which gives indication that the carrying amounts of property, plant and equipment of the subsidiaries of the Group may potentially be higher than their recoverable amounts and therefore, a formal estimate of their recoverable amounts may be required for impairment testing.<br><br>In carrying out the impairment testing of the property, plant and equipment, the Group considered whether the market capitalisation to book value shortfall can be reasonably related to specific subsidiaries or cash generating units within the Group. The Group has identified a few subsidiaries exhibiting indicators of impairment and has accordingly performed impairment testing on the property, plant and equipment of these subsidiaries.<br><br>The Group has engaged independent valuers to determine the recoverable amounts of property, plant and equipment of the subsidiaries that are exhibiting impairment indicators. These independent valuers use industry/market accepted valuation methodology and approaches to determine the fair value of the underlying asset. Due to the measurement of fair value being inherently judgemental and the carrying value of these assets being material to the Group, we have considered this to be a key audit matter. | Our audit procedures included, among others:<br><br>• obtaining the valuation reports prepared by the independent valuers engaged by the Group;<br><br>• reviewing these reports for appropriateness of the methodology used and the reasonableness of the assumptions used; and<br><br>• assessing the competency, capabilities and objectivity of these independent valuers engaged by the Group. |

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

### Key Audit Matters (continued)

| Area of focus | How our audit addressed the key audit matter |
|---|---|
| **Impairment testing of goodwill** | |
| As highlighted in Note 18 to the financial statements, the carrying value of goodwill of the Group was RM17 million as at 31 December 2022.<br><br>In accordance with paragraph 10 of MFRS 136 *Impairment of Assets*, goodwill is required to be tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired.<br><br>The Group estimated the recoverable amounts of the cash generating units (“CGUs”) to which goodwill is allocated based on either fair value less costs of disposal (“FVLCD”) or value in use (“VIU”). For FVLCD, the Group engaged independent valuers to determine the recoverable amount of certain significant property, plant and equipment relating to the CGUs that are exhibiting impairment indicators. These independent valuers use industry/market accepted valuation methodology and approaches to determine the fair value of the underlying asset. Due to the measurement of fair value being inherently judgemental and the carrying value of these assets being material to the Group, we have considered this to be a key audit matter.<br><br>Estimating the VIU involves estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate. Significant judgements are required in determining the assumptions to be used to estimate the VIU 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 included, among others:<br><br>FVLCD<br><br>• obtaining the valuation reports prepared by the independent valuers engaged by the Group;<br><br>• reviewing these reports for appropriateness of the methodology used and the reasonableness of the assumptions used; and<br><br>• assessing the competency, capabilities and objectivity of these independent valuers engaged by the Group.<br><br>VIU<br><br>• assessing whether the assumptions on which the cash flow projections are based are consistent with past actual outcomes, in particular the assumptions about estimated future sales volumes, prices, operating costs, terminal value and possible variations in the timing of those future cash flows;<br><br>• assessing the discount rate used to determine the present value of the cash flows;<br><br>• testing the mathematical accuracy of the impairment assessment; and<br><br>• performing stress test and sensitivity analysis around the key inputs that are expected to be most sensitive to the recoverable amount. |

# 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 (continued)

| Area of focus | How our audit addressed the key audit matter |
|---|---|
| **Deferred tax assets** | |
| Deferred tax asset of the Group with a carrying amount of RM5 million as at 31 December 2022 is associated with the biogas power plant operation of Mistral Engineering Sdn. Bhd. ("MESB"). Management has used significant judgement and estimates in determining the sufficiency of future taxable profits to utilise the deferred tax asset. Therefore, we had determined the realisability of the deferred tax asset to be a key audit matter.<br><br>As the generation of electricity and resulting profitability of the biogas power plant of MESB is dependent on sufficiency of liquid waste from processing of crude palm oil and kernel oil by the palm oil mill, management considered various factors to forecast future level of crude palm oil and kernel oil processing to support the biogas power plant. These factors include sufficiency of oil palm crops, market demand of crude palm oil and kernel oil and anticipated future prices of the commodities. Based on historical results of normalised level of crude palm oil and kernel oil processed, current market trends and susceptibility of the industry to global developments, management has forecasted sufficient future taxable profits to utilise the deferred tax asset. | Our audit procedures included, among others:<br><br>• obtaining management forecast on future taxable profits and held discussions with management on their judgements and assumptions in arriving at the forecast;<br><br>• examining the inputs used in the forecast such as price and quantity of electricity sale and evaluating its reasonableness based on the historical normalised level of crude palm oil and kernel oil processing, trend of electricity tariff rates, impact of latest developments affecting the palm oil industry and its ability to cope and others;<br><br>• performing sensitivity analysis on possible variations to the values of inputs used by management in their forecast and challenging where necessary on certain judgements used in arriving at these values; and<br><br>• considering if management had disregarded any contradictory evidence in forecasting the future taxable profits. |

### 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

### 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.

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

(i) 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.

(ii) 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.

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

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

# Independent Auditors' Report to the Members of Cepatwawasan Group Berhad

(Incorporated in Malaysia) (continued)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

(v) 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.

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

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

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

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

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 19 to the financial statements.

### Other Matter

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.

**PKF PLT**
202206000012 (LLP0030836-LCA)
CHARTERED ACCOUNTANTS

**CHAU MAN KIT**
02525/03/2024 J
CHARTERED ACCOUNTANT

Kota Kinabalu

Dated 17 April 2023

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2022

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Revenue | 5 | 357,088 | 363,002 | 14,684 | 9,257 |
| Cost of sales | | (295,604) | (286,354) | - | - |
| **Gross profit** | | 61,484 | 76,648 | 14,684 | 9,257 |
| Interest income | 6 | 985 | 375 | 3,642 | 3,457 |
| Other operating income | 7 | 1,545 | 3,393 | - | - |
| Other expenses | 8 | (2,511) | (2,585) | - | (9,391) |
| (Allowance)/Reversal of allowance for expected credit losses | 9 | (218) | 51 | (6,522) | - |
| Administrative expenses | | (8,729) | (8,520) | (4,061) | (3,592) |
| **Profit/(Loss) from operations** | 12 | 52,556 | 69,362 | 7,743 | (269) |
| Finance costs | 13 | (1,773) | (2,884) | (2,796) | (1,980) |
| **Profit/(Loss) before taxation** | | 50,783 | 66,478 | 4,947 | (2,249) |
| Income tax expense | 14 | (17,548) | (12,629) | (17) | (293) |
| **Profit/(Loss) for the financial year** | | 33,235 | 53,849 | 4,930 | (2,542) |
| **Other comprehensive loss net of tax** | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of a foreign operation | | (23) | (61) | - | - |
| **Other comprehensive loss for the financial year, net of tax** | | (23) | (61) | - | - |
| **Total comprehensive income/(loss) for the financial year** | | 33,212 | 53,788 | 4,930 | (2,542) |
| **Profit/(Loss) attributable to:** | | | | | |
| Owners of the Company | | 31,556 | 50,610 | 4,930 | (2,542) |
| Non-controlling interests | | 1,679 | 3,239 | - | - |
| | | 33,235 | 53,849 | 4,930 | (2,542) |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the Company | | 31,542 | 50,570 | 4,930 | (2,542) |
| Non-controlling interests | | 1,670 | 3,218 | - | - |
| | | 33,212 | 53,788 | 4,930 | (2,542) |
| **Earnings per share attributable to owners of the Company (sen per share)** | | | | | |
| Basic and diluted | 15 | 10.21 | 16.38 | | |

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

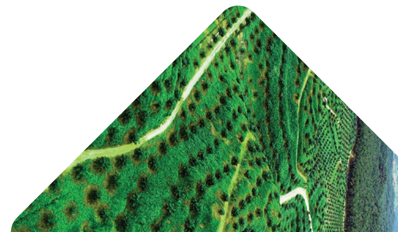
# Statements of Financial Position
As at 31 December 2022

| ASSETS | Note | Group 2022 RM'000 | Group 2021 RM'000 | Company 2022 RM'000 | Company 2021 RM'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 16 | 312,999 | 326,602 | 1,316 | 1,511 |
| Investment properties | 17 | 43,340 | 43,340 | - | - |
| Intangible assets | 18 | 17,358 | 17,358 | - | - |
| Investments in subsidiaries | 19 | - | - | 308,094 | 308,094 |
| Deferred tax assets | 20 | 4,648 | 6,539 | 166 | 146 |
| Trade and other receivables | 21 | - | - | 55,511 | 68,125 |
| | | 378,345 | 393,839 | 365,087 | 377,876 |
| **Current assets** | | | | | |
| Biological assets | 22 | 2,603 | 4,385 | - | - |
| Inventories | 23 | 21,099 | 16,628 | - | - |
| Trade and other receivables | 21 | 13,135 | 16,911 | 19,362 | 23,043 |
| Tax recoverable | | 1,048 | 1,690 | 246 | - |
| Short-term investments | 24 | 20,932 | 18,076 | - | - |
| Cash and bank balances | 25 | 60,773 | 38,719 | 30,823 | 2,865 |
| | | 119,590 | 96,409 | 50,431 | 25,908 |
| **TOTAL ASSETS** | | 497,935 | 490,248 | 415,518 | 403,784 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 26 | 318,446 | 318,446 | 318,446 | 318,446 |
| Treasury shares | 26 | (11,097) | (11,097) | (11,097) | (11,097) |
| Reserves | 27 | (81,212) | (81,056) | (8,482) | (8,482) |
| Retained profits | 28 | 170,127 | 150,930 | 21,573 | 29,002 |
| | | 396,264 | 377,223 | 320,440 | 327,869 |
| Non-controlling interests | | 7,630 | 8,026 | - | - |
| **Total equity** | | 403,894 | 385,249 | 320,440 | 327,869 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 29 | 25,561 | 33,126 | 25,561 | 33,126 |
| Deferred tax liabilities | 20 | 26,717 | 27,056 | - | - |
| Lease liabilities | 30 | 2,642 | 2,521 | - | - |
| | | 54,920 | 62,703 | 25,561 | 33,126 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 29 | 10,048 | 11,233 | 6,948 | 6,883 |
| Lease liabilities | 30 | 894 | 748 | - | - |
| Trade and other payables | 31 | 25,526 | 26,789 | 62,569 | 35,898 |
| Taxation | | 2,653 | 3,526 | - | 8 |
| | | 39,121 | 42,296 | 69,517 | 42,789 |
| **Total liabilities** | | 94,041 | 104,999 | 95,078 | 75,915 |
| **TOTAL EQUITY AND LIABILITIES** | | 497,935 | 490,248 | 415,518 | 403,784 |

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

| Group | Note | Share capital RM'000 | Treasury shares RM'000 | Reserves RM'000 | Retained profits RM'000 | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Company → | | | | | | |
| | | ← Non-distributable → | | | Distributable | | | |
| At 1 January 2021 | | 318,446 | (11,097) | (80,874) | 107,693 | 334,168 | 7,384 | 341,552 |
| Profit for the financial year | | - | - | - | 50,610 | 50,610 | 3,239 | 53,849 |
| Other comprehensive income | | | | | | | | |
| - Foreign currency translation | 27 | - | - | (40) | - | (40) | (21) | (61) |
| Total comprehensive income for the financial year | | - | - | (40) | 50,610 | 50,570 | 3,218 | 53,788 |
| Effect of subsidiary treasury share transaction | 27 | - | - | (142) | - | (142) | (84) | (226) |
| Effect of acquisition of non-controlling interests | 19 | - | - | - | 351 | 351 | (892) | (541) |
| Transactions with owners of the Company | | | | | | | | |
| - Dividend on ordinary shares | 32 | - | - | - | (7,724) | (7,724) | - | (7,724) |
| - Dividend on ordinary shares to non-controlling interests | | - | - | - | - | - | (1,600) | (1,600) |
| Total transactions with owners of the Company | | - | - | - | (7,724) | (7,724) | (1,600) | (9,324) |
| At 31 December 2021 | | 318,446 | (11,097) | (81,056) | 150,930 | 377,223 | 8,026 | 385,249 |

*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 2022 (continued)

| Group | Note | Share capital RM'000 | Treasury shares RM'000 | Reserves RM'000 | Retained profits RM'000 | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Company → | | | | | | |
| | | ← Non-distributable → | | | Distributable | | | |
| At 1 January 2022 | | 318,446 | (11,097) | (81,056) | 150,930 | 377,223 | 8,026 | 385,249 |
| Profit for the financial year | | - | - | - | 31,556 | 31,556 | 1,679 | 33,235 |
| Other comprehensive income | | | | | | | | |
| - Foreign currency translation | 27 | - | - | (14) | - | (14) | (9) | (23) |
| Total comprehensive income for the financial year | | - | - | (14) | 31,556 | 31,542 | 1,670 | 33,212 |
| Effect of subsidiary treasury share transaction | 27 | - | - | (142) | - | (142) | (66) | (208) |
| Transactions with owners of the Company | | | | | | | | |
| - Dividend on ordinary shares | 32 | - | - | - | (12,359) | (12,359) | - | (12,359) |
| - Dividend on ordinary shares to non-controlling interests | | - | - | - | - | - | (2,000) | (2,000) |
| Total transactions with owners of the Company | | - | - | - | (12,359) | (12,359) | (2,000) | (14,359) |
| At 31 December 2022 | | 318,446 | (11,097) | (81,212) | 170,127 | 396,264 | 7,630 | 403,894 |

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

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | | | Distributable | |
| **Company** | **Note** | **Share capital RM'000** | **Treasury shares RM'000** | **Reserves RM'000** | **Retained profits RM'000** | **Total equity RM'000** |
| At 1 January 2021 | | 318,446 | (11,097) | (8,482) | 39,268 | 338,135 |
| Total comprehensive loss for the financial year | | - | - | - | (2,542) | (2,542) |
| Transaction with owners of the Company | | | | | | |
| - Dividend on ordinary shares | 32 | - | - | - | (7,724) | (7,724) |
| At 31 December 2021 | | 318,446 | (11,097) | (8,482) | 29,002 | 327,869 |
| Total comprehensive income for the financial year | | - | - | - | 4,930 | 4,930 |
| Transaction with owners of the Company | | | | | | |
| - Dividend on ordinary shares | 32 | - | - | - | (12,359) | (12,359) |
| At 31 December 2022 | | 318,446 | (11,097) | (8,482) | 21,573 | 320,440 |

*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 2022

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Cash flows from operating activities** | | | | |
| Profit/(Loss) before taxation | 50,783 | 66,478 | 4,947 | (2,249) |
| Adjustments for: | | | | |
| Allowance/(Reversal of allowance) for expected credit losses | 218 | (51) | 6,522 | - |
| Depreciation of property, plant and equipment | 21,185 | 21,581 | 212 | 230 |
| Dividend income from subsidiaries | - | - | (11,900) | (6,400) |
| Fair value loss/(gain) on biological assets | 1,782 | (2,205) | - | - |
| Gain on disposal of property, plant and equipment | (115) | - | - | - |
| Gain on termination of lease liabilities | - | (23) | - | - |
| Impairment on investments in subsidiaries | - | - | - | 9,391 |
| Impairment on slow moving inventories | 124 | 1,310 | - | - |
| Interest expenses | 1,773 | 2,884 | 2,796 | 1,980 |
| Interest income | (985) | (375) | (3,642) | (3,457) |
| Inventories written off | 96 | 341 | - | - |
| Property, plant and equipment written off | 509 | 934 | - | - |
| **Operating profit/(loss) before working capital changes** | 75,370 | 90,874 | (1,065) | (505) |
| Change in inventories | (4,691) | (1,797) | - | - |
| Change in receivables | 3,558 | (4,027) | (124) | (32) |
| Change in payables | (1,263) | 7,727 | (83) | 402 |
| **Cash from/(used in) operations** | 72,974 | 92,777 | (1,272) | (135) |
| Income tax paid | (16,549) | (9,018) | (332) | (420) |
| Income tax refunded | 322 | 383 | 41 | - |
| Interest paid | (1,843) | (3,213) | (2,796) | (1,980) |
| Interest received | 985 | 375 | 3,642 | 3,457 |
| **Net cash from/(used in) operating activities** | 55,889 | 81,304 | (717) | 922 |

(forward)

*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 2022 (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment* | (6,829) | (6,214) | (17) | (20) |
| Acquisition of non-controlling interests | - | (541) | - | - |
| Change in short-term investments | (2,856) | (4,193) | - | - |
| Decrease in amounts due from subsidiaries | - | - | 9,897 | 8,230 |
| Dividend received | - | - | 11,900 | 6,400 |
| (Placement)/Withdrawal of deposits with licensed banks | (1) | 13 | - | - |
| Proceeds from disposal of property, plant and equipment | 118 | - | - | - |
| **Net cash (used in)/from investing activities** | (9,568) | (10,935) | 21,780 | 14,610 |
| | 46,321 | 70,369 | 21,063 | 15,532 |
| **Cash flows from financing activities** | | | | |
| Acquisition of subsidiary's treasury shares | (208) | (226) | - | - |
| Dividend paid to equity holders of the Company | (12,359) | (7,724) | (12,359) | (7,724) |
| Dividend paid to non-controlling interests | (2,000) | (1,600) | - | - |
| Increase in amounts due to subsidiaries | - | - | 26,754 | 18,122 |
| Repayment of loans and borrowings | (8,750) | (46,687) | (7,500) | (28,100) |
| Repayment of lease liabilities | (928) | (885) | - | - |
| **Net cash (used in)/from financing activities** | (24,245) | (57,122) | 6,895 | (17,702) |
| **Net increase/(decrease) in cash and cash equivalents** | 22,076 | 13,247 | 27,958 | (2,170) |
| Effect of exchange rate fluctuations | (23) | (65) | - | - |
| **Cash and cash equivalents at beginning of financial year** | 34,635 | 21,453 | 2,865 | 5,035 |
| **Cash and cash equivalents at end of financial year (Note 25)** | 56,688 | 34,635 | 30,823 | 2,865 |

(forward)

*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 2022 (continued)

Non-cash transactions

* Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment inclusive of interest capitalised of RM69,532 and RMNil (2021: RM328,766 and RMNil) with an aggregate cost of RM8,093,940 and RM17,318 (2021: RM6,924,868 and RM19,851) respectively of which RM1,195,100 and RMNil (2021: RM382,629 and RMNil) respectively were acquired by means of lease liabilities. Cash payments of RM6,829,308 and RM17,318 (2021: RM6,213,473 and RM19,851) respectively were made to acquire property, plant and equipment.

Reconciliation of liabilities arising from financing activities:

| **Group** | | **Cash** | **Non-cash** | |
|---|---|---|---|---|
| | **1 January** | **flows** | **changes **** | **31 December** |
| **2022** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Loans and borrowings | 44,359 | (8,750) | - | 35,609 |
| Lease liabilities | 3,269 | (928) | 1,195 | 3,536 |
| | 47,628 | (9,678) | 1,195 | 39,145 |
| **2021** | | | | |
| Loans and borrowings | 91,046 | (46,687) | - | 44,359 |
| Lease liabilities | 4,037 | (885) | 117 | 3,269 |
| | 95,083 | (47,572) | 117 | 47,628 |

| **Company** | | **Cash** | **Non-cash** | |
|---|---|---|---|---|
| | **1 January** | **flows** | **changes** | **31 December** |
| **2022** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Amounts due to subsidiaries | 34,681 | 26,754 | - | 61,435 |
| Loans and borrowings | 40,009 | (7,500) | - | 32,509 |
| | 74,690 | 19,254 | - | 93,944 |
| **2021** | | | | |
| Amounts due to subsidiaries | 16,559 | 18,122 | - | 34,681 |
| Loans and borrowings | 68,109 | (28,100) | - | 40,009 |
| | 84,668 | (9,978) | - | 74,690 |

** Included in non-cash changes of lease liabilities of the Group are non-cash acquisition and termination of lease liabilities amounted to RM1,195,100 and RMNil (2021: RM382,629 and RM265,335).

*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 2022

1. **General information**

The Company is a public limited liability company that is incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

The registered office and principal place of business of the Company are located at Lot 70, Block 6, Prima Square, Mile 4, North Road, 90000 Sandakan, Sabah, Malaysia.

The Directors regard MHC Plantations Bhd., a public limited liability company incorporated and domiciled 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.

These financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors dated 17 April 2023.

2. **Basis of preparation**

(a) **Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

(b) **Basis of measurement**

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous financial year unless otherwise stated.

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

(c) **Functional and presentation currency**

The financial statements are prepared in Ringgit Malaysia (RM) which is the Company's functional currency, and all values are rounded to the nearest thousand (RM'000) unless otherwise stated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(d) **Adoption of new and revised MFRS**

During the financial year, the Group and the Company have adopted the following amendments to standards issued by the MASB that are mandatory for current financial year:

- Amendments to MFRS 3: Reference to the Conceptual Framework
- Amendment to MFRS 9: Annual Improvements to MFRS Standards 2018 – 2020
- Amendment to MFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendment to MFRS 16: Annual Improvements to MFRS Standards 2018 – 2020
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
- Amendment to MFRS 141: Annual Improvements to MFRS Standards 2018 – 2020

The adoption of the amendments to standards did not have any significant impact on the financial statements of the Group and of the Company.

2. **Basis of preparation** (continued)

(e) **Standards issued but not yet effective**

Certain new accounting standards and interpretations have been issued but not yet effective for 31 December 2022 reporting periods and have not been early adopted by the Group and the Company. These standards are not expected to have a material impact on the Group and the Company in the current or future reporting periods.

3. **Significant accounting judgements and estimates**

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) **Judgements made in applying accounting policies**

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which could have a significant effect on the amounts recognised in the consolidated financial statements.

**Operating segments**

The segments disclosed in Note 39 to the financial statements have been determined by distinguishing the business activities from which the Group earns revenues and incurs expenses. The economic characteristics of the operating segments have been reviewed and operating segments have been grouped based on the reporting to the chief operating decision maker.

(b) **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:

(i) **Depreciation of property, plant and equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. The management estimates the useful lives of the property, plant and equipment to be within seven (7) to ninety-nine (99) years. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. **Significant accounting judgements and estimates** (continued)

(b) **Key sources of estimation uncertainty** (continued)

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

(ii) **Income taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) **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 of disposal ("FVLCD") and its value in use ("VIU").

The Group estimates the recoverable amount of the cash-generating unit ("CGU") based on FVLCD and 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. In estimating the recoverable amounts of FVLCD, the Directors relied on independent professional valuers and recent market transaction prices of similar properties. .

(iv) **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 CGU exceeds its recoverable amount, which is the higher of its FVLCD and its VIU. This requires an estimation of the recoverable amounts of the CGUs to which goodwill is allocated.

Estimating a VIU 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 disclosed in Note 18 to the financial statements.

(v) **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 fresh fruit bunches ("FFB") as at the reporting date. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 22 to the financial statements.

3. **Significant accounting judgements and estimates** (continued)

(b) **Key sources of estimation uncertainty** (continued)

(vi) **Carrying value of investments in subsidiaries**

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 4(n)(ii) to the financial statements, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Significant judgment is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgments made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiaries.

(vii) **Deferred tax assets and liabilities**

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the statement of profit or loss and other comprehensive income in the period in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax credits and unutilised tax losses to the extent that it is probable that taxable profit will be available against which these items can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognised and unrecognised deferred tax assets are disclosed in Note 20 to the financial statements.

Assumptions about generation of future taxable profits would depend on the achievability of projected profits and this requires judgement of the management. These assumptions and judgement are subject to risks and uncertainty, hence there is possibility that changes in circumstances will alter expectations, which may impact on the amount of deferred tax assets recognised.

(viii) **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3. **Significant accounting judgements and estimates** (continued)

(b) **Key sources of estimation uncertainty** (continued)

(ix) **Leases**

The measurement of the right-of-use asset and lease liability for leases where the Group is lessee requires the use of judgements and assumptions, such as lease term and incremental borrowing rate. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

4. **Significant accounting policies**

(a) **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.

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. Potential voting rights are considered when assessing control only when such rights are substantive.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

4. **Significant accounting policies** (continued)

(a) **Basis of consolidation** (continued)

(ii) **Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

4. **Significant accounting policies** (continued)

(a) **Basis of consolidation** (continued)

(v) **Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit and loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so caused the non-controlling interests to have a deficit balance.

(vi) **Transactions with non-controlling interests**

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners.

On acquisition of non-controlling interests, the difference between the consideration and the Group' share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(b) **Foreign currencies**

(i) **Functional and presentation currencies**

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. Each entity in the Group determines its own company's functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) **Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Group and the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

4. **Significant accounting policies** (continued)

(b) **Foreign currencies** (continued)

(ii) **Foreign currency transactions** (continued)

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.

(iii) **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 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 the 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.

(c) **Revenue recognition**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with the customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of discounts. 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 goods or services to the customer and when the customer pays for that goods or services will be one (1) year or less.

The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one (1) of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

4. **Significant accounting policies** (continued)

(c) **Revenue recognition** (continued)

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. For measuring progress of the services of supply of electricity, the Group used output method because for supply of electricity, the output transmitted to receive by the customer is the best measure of transfer of service to the customer.

(i) **Sale of plantation produce**

The Group's revenue from plantation and mill segments are derived mainly from agricultural produce such as FFB, crude palm oil ("CPO"), palm kernel ("PK") and oil from empty fruit bunches.

Revenue from sale of agricultural produce is recognised net of discount and taxes at the point in time when control of the goods has been 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.

(ii) **Sale of earth and stones**

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

(iii) **Supply of electricity**

Revenue from supply of electricity is recognised over time as the consumer simultaneously receives and consumes the electricity provided by the Group.

(iv) **Management fee**

Management fee is recognised upon rendering of services to subsidiaries.

(v) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

(vi) **Other revenue**

Revenue from other sources are recognised as follows:

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

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

4. **Significant accounting policies** (continued)

(d) **Employee benefits**

The Group and the Company recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group and the Company consume the economic benefits arising from service provided by an employee in exchange for employee benefits.

(i) **Short term benefits**

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

Profit sharing and bonus payments are recognised when, and only when, the Group and the Company have a present legal or constructive obligation to make such payment as a result of past events and a reliable estimate of the obligation can be made.

(ii) **Post-employment benefits (defined contribution plans)**

The Group and the Company make statutory contributions to the approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Group and the Company have no further payment obligations.

(e) **Tax assets and liabilities**

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability/(asset) is measured at the amount the entity expects to pay/(recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset 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 accounting profit nor taxable profit/(or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying plant and equipment.

4. **Significant accounting policies** (continued)

(e) **Tax assets and liabilities** (continued)

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed and is reduced to the extent that it is no longer probably that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probably that sufficient taxable profit will be available.

A current or deferred tax is recognised as income and expense in profit or loss for the period, except to the extent that the tax arises from items recognised outside profit or loss. For an income or expense item recognised in other comprehensive income, the current or deferred tax expense or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

(f) **Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(g) **Property, plant and equipment**

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 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.

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

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.

4. **Significant accounting policies** (continued)

(g) **Property, plant and equipment** (continued)

Capital work-in-progress is not depreciated as these assets are not available for use. Depreciation will commence on these assets when they are ready for their intended use.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the property, plant and equipment over the term of their estimated useful lives. The principal annual rates of depreciation used are as follows:

| | |
|---|---|
| Long term leasehold land | 63 – 99 years |
| Leasehold buildings | 50 years |
| Oil mill and other buildings | 14 – 20 years |
| Plantation infrastructure | 63 – 99 years |
| Heavy equipment, plant and machinery | 7 – 25 years |
| Bearer plants – oil palm | 22 years |
| Furniture, fitting 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 year the asset is derecognised.

(h) **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 condition as 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 losses arising from changes in the fair values of 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 as disclosed in Note 4 (g) up to the date of change in use.

4. **Significant accounting policies** (continued)

(i) **Intangible assets**

**Goodwill**

Goodwill arising from a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU 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 CGU and part of the operation within that CGU 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 CGU retained.

(j) **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 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 as it relates to produce on the bearer plants that are expected to be harvested at a date not more than twelve (12) months.

(k) **Inventories**

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

(a) **Palm oil products 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.

(b) **Consumable stores**

Purchase costs and expenses in bringing them into store on a weighted average cost method.

(c) **Oil palm nurseries**

Purchase costs and upkeep expenses on a weighted average cost method.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

4. **Significant accounting policies** (continued)

(k) **Inventories** (continued)

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.

(l) **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) **Financial assets**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

4. **Significant accounting policies** (continued)

(l) **Financial instruments** (continued)

(i) **Financial assets** (continued)

**Financial assets at amortised cost (debt instruments)**

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade and other receivables and cash and bank balances.

**Financial assets at fair value through OCI (debt instruments)**

The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of 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.

The Group and the Company have no debt instruments at fair value through OCI.

**Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and the Company have no equity instruments at fair value through OCI.

4. **Significant accounting policies** (continued)

(l) **Financial instruments** (continued)

(i) **Financial assets** (continued)

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group's financial assets at fair value through profit or loss includes short-term investments.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4. **Significant accounting policies** (continued)

(l) **Financial instruments** (continued)

(i) **Financial assets** (continued)

**Derecognition** (continued)

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

(ii) **Financial liabilities**

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

Financial liabilities, within the scope of MFRS 9, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification as follows:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

**Financial liabilities measured at amortised cost**

The Group's and the Company's financial liabilities measured at amortised cost include trade and other payables and loans and borrowings.

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

4. **Significant accounting policies** (continued)

(l) **Financial instruments** (continued)

(ii) **Financial liabilities** (continued)

**Financial liabilities measured at amortised cost** (continued)

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

(m) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, at banks, deposits with licensed banks with maturity not exceeding three (3) months and short-term, highly liquid investments which are readily convertible to cash with short periods to maturity and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts, if any.

(n) **Impairment**

(i) **Impairment of financial assets**

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. **Significant accounting policies** (continued)

(n) **Impairment** (continued)

(i) **Impairment of financial assets** (continued)

For debt instruments considered to have low credit risk, the Group and the Company apply the low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassess the internal credit rating of the debt instrument.

In addition, the Group and the Company consider that there has been a significant increase in credit risk when contractual payments are more than one (1) year past due. It is the Group's and the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group and the Company consider a financial asset in default when contractual payments are one (1) year past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) **Impairment of non-financial assets**

The Group and the Company assess 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 and the Company make 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 (CGU).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

4. **Significant accounting policies** (continued)

(n) **Impairment** (continued)

(ii) **Impairment of non-financial assets** (continued)

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 that 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.

(o) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

(p) **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.

(q) **Borrowing costs**

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

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

4. **Significant accounting policies** (continued)

(r) **Leases**

(i) **Classification**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) **Lease term**

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

(iii) **Recognition and initial measurement**

**As a lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

4. **Significant accounting policies** (continued)

(r) **Leases** (continued)

(iii) **Recognition and initial measurement** (continued)

**As a lessee** (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected to use the recognition exemption that permits entities not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve (12) months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**As a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and applies the exemption described above, then it classifies the sublease as an operating lease.

(iv) **Subsequent measurement**

**As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the 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 estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4. **Significant accounting policies** (continued)

(r) **Leases** (continued)

(iv) **Subsequent measurement** (continued)

**As a lessee**

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group affects whether the Group and the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**As a lessor**

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

(s) **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 guarantee contracts are recognised initially as a liability at fair value, net transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(t) **Provisions**

Provisions are recognised when the Group and the Company have present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made.

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 resources embodying economic benefits will be required to settle the obligation, the provision will be reversed. Where 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 and the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

4. **Significant accounting policies** (continued)

(u) **Contingencies**

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

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

(v) **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker ("CODM"), which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(w) **Fair value measurement**

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

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

The 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 unobservable inputs.

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

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

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 5. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** **RM'000** | **2021** **RM'000** | **2022** **RM'000** | **2021** **RM'000** |
| **Revenue from contracts with customers** | | | | |
| **Type of goods or services** | | | | |
| Sale of: | | | | |
| - crude palm oil | 245,204 | 230,917 | - | - |
| - earth and stones | 644 | 973 | - | - |
| - empty fruit bunches oil | 25,159 | 30,127 | - | - |
| - fresh fruit bunches | 33,774 | 45,738 | - | - |
| - palm kernel | 35,160 | 35,640 | - | - |
| Supply of electricity | 17,147 | 19,607 | - | - |
| | 357,088 | 363,002 | - | - |
| **Revenue from other sources** | | | | |
| Dividend income from subsidiaries | - | - | 11,900 | 6,400 |
| Management fees from subsidiaries | - | - | 2,784 | 2,857 |
| | 357,088 | 363,002 | 14,684 | 9,257 |
| **Timing of revenue recognition** | | | | |
| At a point in time | 339,941 | 343,395 | 11,900 | 6,400 |
| Over time | 17,147 | 19,607 | 2,784 | 2,857 |
| | 357,088 | 363,002 | 14,684 | 9,257 |

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

## 6. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| Interest on: | **2022** **RM'000** | **2021** **RM'000** | **2022** **RM'000** | **2021** **RM'000** |
| - Advances to subsidiaries | - | - | 3,356 | 3,451 |
| - Short-term investments and fixed deposits | 985 | 375 | 286 | 6 |
| | 985 | 375 | 3,642 | 3,457 |

## 7. Other operating income

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>RM'000 | 2021<br>RM'000 | 2022<br>RM'000 | 2021<br>RM'000 |
| Fair value gain on biological assets (Note 22) | - | 2,205 | - | - |
| Gain on disposal of property, plant and equipment | 115 | - | - | - |
| Gain on termination of lease liabilities | - | 23 | - | - |
| Miscellaneous income | 671 | 454 | - | - |
| Realised gain on foreign exchange | 69 | 61 | - | - |
| Rental income | 66 | 88 | - | - |
| Sale of: | | | | |
| - bunch ash | 15 | - | - | - |
| - fibre | 146 | 110 | - | - |
| - palm kernel shell | 336 | 316 | - | - |
| - scrapped iron | 127 | 136 | - | - |
| | 1,545 | 3,393 | - | - |

## 8. Other expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 2022<br>RM'000 | 2021<br>RM'000 | 2022<br>RM'000 | 2021<br>RM'000 |
| Fair value loss on biological assets (Note 22) | 1,782 | - | - | - |
| Impairment on investments in subsidiaries (Note 19) | - | - | - | 9,391 |
| Impairment on slow moving inventories (Note 23) | 124 | 1,310 | - | - |
| Inventories written off | 96 | 341 | - | - |
| Property, plant and equipment written off (Note 16) | 509 | 934 | - | - |
| | 2,511 | 2,585 | - | 9,391 |

## 9. (Allowance)/Reversal of allowance for expected credit losses

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | Restated 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Allowance for expected credit losses (Note 21) | (218) | - | (6,522) | - |
| Reversal of allowance for expected credit losses (Note 21) | - | 51 | - | - |
| | (218) | 51 | (6,522) | - |

## 10. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Salaries and wages | 30,432 | 28,196 | 2,541 | 2,348 |
| Contributions to defined contribution plan | 1,519 | 1,509 | 286 | 261 |
| Contributions to employees insurance system | 17 | 15 | 1 | 1 |
| Social security contributions | 341 | 225 | 10 | 8 |
| | 32,309 | 29,945 | 2,838 | 2,618 |
| Capitalised in bearer plants (Note 16) | 667 | 954 | - | - |
| Capitalised in inventories (Nurseries) (Note 23) | 114 | 182 | - | - |
| Recognised in profit or loss | 31,528 | 28,809 | 2,838 | 2,618 |
| | 32,309 | 29,945 | 2,838 | 2,618 |

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM3,397,335 (2021: RM3,334,868) and RM1,195,340 (2021: RM1,192,485) respectively as further disclosed in Note 11 to the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2022 (continued)

## 11. Directors' remuneration

The details of remuneration received and receivable by Directors of the Group and of the Company during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Executive Directors' remuneration (Note 10) | | | | |
| - Salaries and other emoluments | 1,977 | 1,979 | 718 | 718 |
| - Bonus | 966 | 965 | 347 | 347 |
| - Fee | 30 | 31 | - | - |
| - Allowance | 180 | 120 | - | - |
| - Contributions to defined contribution plan | 244 | 240 | 130 | 127 |
| | 3,397 | 3,335 | 1,195 | 1,192 |
| Non-executive Directors' remuneration | | | | |
| - Fee | 251 | 245 | 159 | 152 |
| Total Directors' remuneration | 3,648 | 3,580 | 1,354 | 1,344 |

## 12. Profit/(Loss) from operations

| | Group | | Company | |
|---|---|---|---|---|
| Other than as disclosed in Notes 6, 7, 8, 9, 10 and 11, profit/(loss) from operations is arrived at after charging: | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Auditors' remuneration | | | | |
| - Statutory audit | | | | |
| - Current year | 309 | 310 | 55 | 55 |
| - Overprovision in prior year | (1) | (22) | - | (5) |
| - Other services | 42 | 20 | 8 | 8 |
| Depreciation of property, plant and equipment (Note 16) | 21,185 | 21,581 | 212 | 230 |
| Rental expenses* | 152 | 161 | - | - |

* Expenses relating to short-term lease accounted for applying the recognition exception of MFRS 16 Leases. There are no material expense relating to low value assets.

## 13. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| - Advances from subsidiaries | - | - | 1,360 | - |
| - Lease liabilities | 199 | 231 | - | - |
| - Revolving credits | 218 | 1,198 | 10 | 427 |
| - Term loans | 1,426 | 1,784 | 1,426 | 1,553 |
| | 1,843 | 3,213 | 2,796 | 1,980 |
| Less: Capitalised in bearer plants (Note 16) | (70) | (329) | - | - |
| | 1,773 | 2,884 | 2,796 | 1,980 |

## 14. Income tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Current taxation | 13,221 | 9,983 | 34 | 364 |
| Deferred tax (Note 20) | 1,845 | 2,580 | (20) | (73) |
| | 15,066 | 12,563 | 14 | 291 |
| Under/(Over) provision in prior year | | | | |
| - Current taxation | 2,775 | 241 | 3 | 2 |
| - Deferred tax (Note 20) | (293) | (175) | - | - |
| | 2,482 | 66 | 3 | 2 |
| | 17,548 | 12,629 | 17 | 293 |

14. **Income tax expense** (continued)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Profit/(Loss) before taxation | 50,783 | 66,478 | 4,947 | (2,249) |
| Taxation at Malaysian statutory tax rate of 24% | 12,189 | 15,955 | 1,187 | (540) |
| Non-deductible expenses | 796 | 1,838 | 2,351 | 2,842 |
| Non-taxable income | (95) | (453) | (3,524) | (2,011) |
| Effect of unrecognised temporary differences/(utilisation of previously unrecognised temporary differences) | 2,176 | (4,777) | - | - |
| | 15,066 | 12,563 | 14 | 291 |
| Under/(Over) provision in prior years | | | | |
| - Current taxation | 2,775 | 241 | 3 | 2 |
| - Deferred tax | (293) | (175) | - | - |
| | 2,482 | 66 | 3 | 2 |
| | 17,548 | 12,629 | 17 | 293 |

15. **Earnings per share**

(a) **Basic**

Basic earnings per share is calculated by dividing profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| Profit net of tax attributable to owners of the Company (RM'000) | 31,556 | 50,610 |
| Weighted average number of ordinary shares in issue* ('000) | 308,967 | 308,967 |
| Basic earnings per share (sen) | 10.21 | 16.38 |

* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

(b) **Diluted**

There is no dilution in the earnings per share of the current and previous year end as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

16. **Property, plant and equipment**

| **Group**<br><br>**2022**<br><br>**Cost** | **Long term leasehold land RM'000** | **Buildings, plantation infrastructure and quarry RM'000** | **Heavy equipment, plant and machinery, and motor vehicles RM'000** | **Bearer plants RM'000** | **Furniture, fittings and equipment RM'000** | **Capital work-in-progress RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|---|
| At 1 January 2022 | 63,647 | 160,803 | 209,663 | 157,106 | 6,581 | 1,009 | 598,809 |
| Additions | - | 5 | 3,901 | 2,534 | 225 | 1,429 | 8,094 |
| Disposals | - | - | (1,071) | - | - | - | (1,071) |
| Written off (Note 8) | - | - | (1,368) | - | (1) | (182) | (1,551) |
| Reclassification | - | 882 | 51 | - | - | (933) | - |
| At 31 December 2022 | 63,647 | 161,690 | 211,176 | 159,640 | 6,805 | 1,323 | 604,281 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2022 | 11,816 | 53,280 | 111,680 | 90,214 | 5,217 | - | 272,207 |
| Charge for the financial year (Note 12) | 874 | 5,289 | 10,336 | 4,376 | 310 | - | 21,185 |
| Disposals | - | - | (1,068) | - | - | - | (1,068) |
| Written off (Note 8) | - | - | (1,042) | - | - | - | (1,042) |
| At 31 December 2022 | 12,690 | 58,569 | 119,906 | 94,590 | 5,527 | - | 291,282 |
| **Net book value** | | | | | | | |
| At 31 December 2022 | 50,957 | 103,121 | 91,270 | 65,050 | 1,278 | 1,323 | 312,999 |

16. **Property, plant and equipment** (continued)

| Group<br><br>2021<br><br>Cost | Long term leasehold land RM'000 | Buildings, plantation infrastructure and quarry RM'000 | Heavy equipment, plant and machinery, and motor vehicles RM'000 | Bearer plants RM'000 | Furniture, fittings and equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 63,605 | 160,317 | 209,338 | 152,336 | 6,458 | 2,003 | 594,057 |
| Additions | 412 | 214 | 291 | 4,806 | 129 | 1,073 | 6,925 |
| Disposals | (370) | - | - | - | - | - | (370) |
| Written off (Note 8) | - | - | (860) | - | (14) | (929) | (1,803) |
| Reclassification | - | 272 | 894 | (36) | 8 | (1,138) | - |
| At 31 December 2021 | 63,647 | 160,803 | 209,663 | 157,106 | 6,581 | 1,009 | 598,809 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2021 | 11,003 | 47,990 | 101,952 | 85,769 | 4,909 | - | 251,623 |
| Charge for the financial year (Note 12) | 941 | 5,290 | 10,585 | 4,445 | 320 | - | 21,581 |
| Disposals | (128) | - | - | - | - | - | (128) |
| Written off (Note 8) | - | - | (857) | - | (12) | - | (869) |
| At 31 December 2021 | 11,816 | 53,280 | 111,680 | 90,214 | 5,217 | - | 272,207 |
| **Net book value** | | | | | | | |
| At 31 December 2021 | 51,831 | 107,523 | 97,983 | 66,892 | 1,364 | 1,009 | 326,602 |

16. **Property, plant and equipment** (continued)

Buildings, plantation infrastructure and quarry comprise:

**Group**

| **Cost** | **Leasehold buildings RM'000** | **Oil mill and other buildings RM'000** | **Plantation infrastructure RM'000** | **Quarry RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| At 1 January 2021 | 780 | 87,446 | 62,643 | 9,448 | 160,317 |
| Additions | - | 124 | 90 | - | 214 |
| Reclassification | - | 236 | 36 | - | 272 |
| At 31 December 2021 | 780 | 87,806 | 62,769 | 9,448 | 160,803 |
| Additions | - | - | 5 | - | 5 |
| Reclassification | - | 882 | - | - | 882 |
| At 31 December 2022 | 780 | 88,688 | 62,774 | 9,448 | 161,690 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2021 | 344 | 39,669 | 7,012 | 965 | 47,990 |
| Charge for the financial year | 16 | 4,432 | 842 | - | 5,290 |
| At 31 December 2021 | 360 | 44,101 | 7,854 | 965 | 53,280 |
| Charge for the financial year | 16 | 3,976 | 1,297 | - | 5,289 |
| At 31 December 2022 | 376 | 48,077 | 9,151 | 965 | 58,569 |
| **Net book value** | | | | | |
| At 31 December 2022 | 404 | 40,611 | 53,623 | 8,483 | 103,121 |
| At 31 December 2021 | 420 | 43,705 | 54,915 | 8,483 | 107,523 |

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

16. **Property, plant and equipment** (continued)

**Company**

| **Cost** | **Buildings RM'000** | **Furniture fittings and equipment RM'000** | **Total RM'000** |
|---|---|---|---|
| At 1 January 2021 | 3,802 | 750 | 4,552 |
| Additions | - | 20 | 20 |
| Written off | - | (3) | (3) |
| At 31 December 2021 | 3,802 | 767 | 4,569 |
| Additions | - | 17 | 17 |
| At 31 December 2022 | 3,802 | 784 | 4,586 |
| **Accumulated depreciation** | | | |
| At 1 January 2021 | 2,233 | 598 | 2,831 |
| Charge for the financial year (Note 12) | 186 | 44 | 230 |
| Written off | - | (3) | (3) |
| At 31 December 2021 | 2,419 | 639 | 3,058 |
| Charge for the financial year (Note 12) | 179 | 33 | 212 |
| At 31 December 2022 | 2,598 | 672 | 3,270 |
| **Net book value** | | | |
| At 31 December 2022 | 1,204 | 112 | 1,316 |
| At 31 December 2021 | 1,383 | 128 | 1,511 |

The property, plant and equipment of the Group held as right-of-use assets are as follows:

| **Group** **2022** | **Cost RM'000** | **Accumulated depreciation RM'000** | **Net book value RM'000** |
|---|---|---|---|
| Long term leasehold land | 63,647 | (12,690) | 50,957 |
| Heavy equipment and motor vehicles | 5,199 | (1,662) | 3,537 |
| | 68,846 | (14,352) | 54,494 |

16. **Property, plant and equipment** (continued)

The property, plant and equipment of the Group held as right-of-use assets are as follows: (continued)

| **Group**<br><br>**2021** | **Cost**<br>**RM'000** | **Accumulated depreciation**<br>**RM'000** | **Net book value**<br>**RM'000** |
|---|---|---|---|
| Long term leasehold land | 63,647 | (11,816) | 51,831 |
| Heavy equipment and motor vehicles | 5,269 | (1,698) | 3,571 |
| | 68,916 | (13,514) | 55,402 |

Leased assets of the Group with a carrying amount of RM24,972,598 (2021: RM25,360,676) and RM3,537,384 (2021: RM3,572,299) respectively are pledged as securities for the related bank loans and finance lease liabilities as disclosed in Note 29 and 30 to the financial statements.

In addition to the leased assets above, the net carrying value of the property, plant and equipment of the Group pledged to licensed banks to secure the loans and borrowings granted to the Group as disclosed in Note 29 to the financial statements are as follows:

| | **Group** | |
|---|---|---|
| | **2022**<br>**RM'000** | **2021**<br>**RM'000** |
| Buildings | 18,490 | 20,285 |
| Plantation infrastructure | 43,311 | 43,915 |
| Plant and machinery, and motor vehicles | 69,920 | 75,413 |
| Bearer plants | 45,025 | 46,131 |
| Furniture, fittings and equipment | 769 | 828 |
| Capital work-in-progress | 928 | 170 |
| | 178,443 | 186,742 |

Additions in bearer plants during the financial year included the following:

| | **Group** | |
|---|---|---|
| | **2022**<br>**RM'000** | **2021**<br>**RM'000** |
| Employee benefits expense (Note 10) | 667 | 954 |
| Interest expense (Note 13) | 70 | 329 |

## 17. Investment properties

| | Group Freehold land 2022 RM'000 | Group Freehold land 2021 RM'000 |
|---|---|---|
| **Fair value** | | |
| At 1 January/31 December | 43,340 | 43,340 |

There is no rental income and direct expense relating to the investment properties as it was not rented out.

Investment properties are stated at fair value, which has been determined based on valuations performed during the financial year by independent professional valuers using sales comparison method that makes reference to the sales prices of comparable properties in close proximity which 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 technique | Significant unobservable inputs | Range of adjustment factor 2022 % | Range of adjustment factor 2021 % |
|---|---|---|---|
| Market comparable approach | Difference in size and bulk discount | 5 | 5 |

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

## 18. Intangible assets

| | Group 2022 RM'000 | Group 2021 RM'000 |
|---|---|---|
| **Goodwill** | | |
| At 1 January/31 December | 17,358 | 17,358 |

18. **Intangible assets** (continued)

**Impairment testing of goodwill**

Goodwill which arose from business combinations has been allocated to CGUs identified according to the individual subsidiaries, all of which are principally involved in plantation activities for impairment testing.

The recoverable amount of the above CGUs has been determined based on either FVLCD where the management relied on independent professional valuers using comparison method valuation or VIU 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 | |
|---|---|---|
| | **2022** | **2021** |
| CPO per metric tonne ("MT") | RM3,700 | RM3,000 |
| PK per MT | RM2,500 | RM2,400 |
| Discount rates | 10% | 10% |

(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.

For CGUs determined based on FVLCD, the recoverable values were determined by the professional valuers on plantation land using market comparison approach that reflects recent transacted prices of similar properties. These prices are adjusted for factors of size and location by a range of 5% - 10% to arrive at a range of valuation of RM31,950 to RM35,500 per acre for plantation land.

In prior year, the recoverable values for CGUs determined based on FVLCD were determined by reference to recent market transacted prices of similar properties. These prices are adjusted for factors of size and location by a range of 5% - 10% to arrive at a range of valuation of RM22,500 to RM26,250 per acre for plantation land.

**Sensitivity to changes in assumptions**

With regard to the assessment of VIU 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.

## 19. Investments in subsidiaries

| | Company 2022 RM'000 | Company 2021 RM'000 |
|---|---|---|
| Unquoted shares, at cost | 318,057 | 318,057 |
| Less: Impairment loss | | |
| At 1 January | (9,963) | (572) |
| Charge for the financial year (Note 8) | - | (9,391) |
| At 31 December | (9,963) | (9,963) |
| **Net carrying amount** | 308,094 | 308,094 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Proportion of ownership interest 2022 % | Proportion of ownership interest 2021 % | Principal activities |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| Cepatwawasan Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Syarikat Melabau Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Wong Tet-Jung Plantations Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Razijaya Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm and operation of a quarry |
| Sri Likas Mewah Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Kovusak Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Libarran Island Resort Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| Bakara Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Sungguh Mulia Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Prima Semasa Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Ayu Sempurna Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| Cash Nexus (M) Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| Magnum Kapital Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Hikayat Anggun Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Aspenglade Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Ekuiti Etika Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 19. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Proportion of ownership interest 2022 % | 2021 % | Principal activities |
|---|---|---|---|---|
| **Held through Cepatwawasan Sdn. Bhd.** | | | | |
| Prolific Yield Sdn. Bhd. | Malaysia | 100 | 100 | Milling and sale of oil palm products |
| Jutategak Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Liga Semarak Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Tentu Cergas Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Tentu Bernas Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| **Held through Syarikat Melabau Sdn. Bhd.** | | | | |
| Suara Baru Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm and operation of a quarry |
| Gelang Usaha Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| Swifturn Sdn. Bhd. | Malaysia | 100 | 100 | Letting of oil palm fresh fruit bunches collection centre |
| **Held through Sri Likas Mewah Sdn. Bhd.** | | | | |
| Ultisearch Trading Sdn. Bhd. | Malaysia | 100 | 100 | Cultivation of oil palm |
| **Held through Libarran Island Resort Sdn. Bhd.** | | | | |
| Minelink Sdn. Bhd. | Malaysia | 100 | 100 | Investment property holding |
| **Held through Ayu Sempurna Sdn. Bhd.** | | | | |
| Ladang Cepat-KPD Sdn. Bhd. | Malaysia | 60 | 60 | Cultivation of oil palm |
| **Held through Cash Nexus (M) Sdn. Bhd.** | | | | |
| Power Precinct Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| Cash Horse (M) Sdn. Bhd. | Malaysia | 100 | 100 | Operation of a biomass power plant |
| Timah Resources Limited # ^ | Australia | 69.80 | 69.07 | Investment holding |
| Mistral Engineering Sdn. Bhd.* | Malaysia | 51 | 51 | Power generation |

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 19. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

| Name of subsidiary | Country of incorporation | Proportion of ownership interest 2022 % | Proportion of ownership interest 2021 % | Principal activities |
|---|---|---|---|---|
| **Held through Timah Resources Limited** | | | | |
| Mistral Engineering Sdn. Bhd.* | Malaysia | 34.20 | 33.84 | Power generation |

\# Audited by firm of auditors other than PKF PLT, Malaysia.
^ Listed on the ASX Limited
* Mistral Engineering Sdn. Bhd. is held through both Cash Nexus (M) Sdn. Bhd. and Timah Resources Limited

**Increase in stake of a subsidiary**

**2021**

On 25 October 2021, the Group acquired an additional 2.94% equity interest in Timah Resources Limited ("Timah") as follows:

| | RM'000 |
|---|---|
| Consideration paid for the 2.94% increase in stake | 541 |
| Carrying value of the additional interest in Timah | (892) |
| Difference recognised in retained profits | (351) |

**Non-controlling interests in subsidiaries**

The financial information of the subsidiaries of the Group that have non-controlling interests ("NCI") is as follows:

Equity interest held by material non-controlling interests are as follows:

| Name of subsidiary companies | Country of incorporation | Ownership interest 2022 % | Ownership interest 2021 % |
|---|---|---|---|
| Ladang Cepat-KPD Sdn. Bhd. | Malaysia | 40 | 40 |
| Mistral Engineering Sdn. Bhd. | Malaysia | 14.80 | 15.16 |
| Timah Resources Limited | Australia | 30.20 | 30.93 |

19. **Investments in subsidiaries** (continued)

**Non-controlling interests in subsidiaries** (continued)

The financial information of the subsidiaries of the Group that have non-controlling interests ("NCI") is as follows: (continued)

Carrying amount of material NCI:

| Name of subsidiary companies | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Ladang Cepat-KPD Sdn. Bhd. | 13,907 | 13,760 |
| Mistral Engineering Sdn. Bhd. | 883 | 1,182 |
| Timah Resources Limited | (7,160) | (6,916) |
| | 7,630 | 8,026 |

Profit/(Loss) allocated to material NCI:

| Name of subsidiary companies | 2022 RM | 2021 RM |
|---|---|---|
| Ladang Cepat-KPD Sdn. Bhd. | 2,147 | 3,305 |
| Mistral Engineering Sdn. Bhd. | (229) | 135 |
| Timah Resources Limited | (169) | (201) |
| | 1,679 | 3,239 |

Total comprehensive income/(Loss) allocated to material NCI:

| Name of subsidiary companies | 2022 RM | 2021 RM |
|---|---|---|
| Ladang Cepat-KPD Sdn. Bhd. | 2,147 | 3,305 |
| Mistral Engineering Sdn. Bhd. | (229) | 135 |
| Timah Resources Limited | (178) | (222) |
| | 1,670 | 3,218 |

19. **Investments in subsidiaries** (continued)

| | Ladang Cepat-KPD Sdn. Bhd. | | Mistral Engineering Sdn. Bhd. | | Timah Resources Limited | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Summarised statements of profit or loss and other comprehensive income** | | | | | | |
| Revenue | 15,483 | 19,257 | 8,186 | 8,773 | - | - |
| Profit/(Loss) for the financial year | 6,310 | 9,204 | (1,643) | 832 | (454) | (611) |
| Total comprehensive income/(loss) for the financial year | 6,310 | 9,204 | (1,643) | 832 | (488) | (676) |
| **Summarised statements of financial position** | | | | | | |
| Non-current assets | 9,906 | 10,311 | 41,187 | 46,309 | 26,161 | 26,161 |
| Current assets | 25,242 | 24,374 | 8,195 | 7,567 | 2,583 | 2,824 |
| Non-current liabilities | (1,629) | (1,814) | (27,619) | (30,515) | - | - |
| Current liabilities | (1,041) | (1,702) | (380) | (336) | (540) | (91) |
| Net assets | 32,478 | 31,169 | 21,383 | 23,025 | 28,204 | 28,894 |
| **Summarised cash flows information** | | | | | | |
| Net cash from/(used in) operating activities | 7,270 | 10,418 | 2,889 | (324) | (5) | 544 |
| Net cash used in investing activities | (3,417) | (4,804) | (764) | (89) | (211) | (225) |
| Net cash used in financing activities | (5,000) | (4,000) | - | - | - | - |
| Net (decrease)/increase in cash and cash equivalents | (1,147) | 1,614 | 2,125 | (413) | (216) | 319 |
| Net foreign exchange difference | - | - | - | - | (23) | (65) |
| Cash and cash equivalents at beginning of the financial year | 4,137 | 2,523 | 3,421 | 3,834 | 2,773 | 2,519 |
| Cash and cash equivalents at end of the financial year | 2,990 | 4,137 | 5,546 | 3,421 | 2,534 | 2,773 |
| Dividend paid to non-controlling interests | (2,000) | (1,600) | - | - | - | - |

20. **Deferred tax assets/(liabilities)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| At 1 January | (20,517) | (18,112) | 146 | 73 |
| Recognised in profit or loss (Note 14) | (1,552) | (2,405) | 20 | 73 |
| At 31 December | (22,069) | (20,517) | 166 | 146 |

The components of deferred tax assets and liabilities as at the end of the financial year prior to offsetting are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Deferred tax assets** | | | | |
| Provision | 736 | 629 | 187 | 166 |
| Allowance for expected credit losses | - | 46 | - | - |
| Unutilised tax losses | 2,419 | 1,198 | - | - |
| Unabsorbed agriculture and capital allowances | 13,606 | 8,191 | - | - |
| Unabsorbed investment tax allowances | 18,154 | 5,688 | - | - |
| | 34,915 | 15,752 | 187 | 166 |
| **Deferred tax liabilities** | | | | |
| Property, plant and equipment and investment properties | (56,437) | (35,365) | (21) | (20) |
| Biological assets | (547) | (904) | - | - |
| | (56,984) | (36,269) | (21) | (20) |
| Deferred tax liabilities recognised | (22,069) | (20,517) | 166 | 146 |

Presented after appropriate offsetting as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Deferred tax assets | 4,648 | 6,539 | 166 | 146 |
| Deferred tax liabilities | (26,717) | (27,056) | - | - |
| | (22,069) | (20,517) | 166 | 146 |

20. **Deferred tax assets/(liabilities)** (continued)

No deferred tax asset has been recognised for the following items:

| | Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Unabsorbed capital allowances | 91,387 | 68,480 |
| Unutilised tax losses | 19,550 | 33,390 |
| | 110,937 | 101,870 |
| Tax rate | 24% | 24% |
| Deferred tax assets not recognised | 26,625 | 24,449 |

Year of expiry of unutilised tax losses is analysed as follows:

| | Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Unabsorbed capital allowances | 91,387 | 68,480 |
| Expiry by 2028 | 26,183 | 34,227 |
| Expiry by 2029 | 3,334 | 4,043 |
| Expiry by 2030 | 112 | 112 |
| | 29,629 | 38,382 |
| Tax rate | 24% | 24% |
| | 7,111 | 9,212 |

The unabsorbed capital allowances disclosed above are available indefinitely for offsetting against future taxable profits of the Group whereas the unutilised tax losses is available to be carried forward up to the maximum of ten (10) years, subject to no substantial change in shareholdings of these subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 21. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| **Non-current** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Other receivables** | | | | |
| Amounts due from subsidiaries | - | - | 62,033 | 68,125 |
| Less: Allowance for expected credit losses | - | - | (6,522) | - |
| Other receivables, net | - | - | 55,511 | 68,125 |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 8,067 | 13,364 | - | - |
| Less: Allowance for expected credit losses | (224) | (227) | - | - |
| Trade receivables, net | 7,843 | 13,137 | - | - |

| | Group | | Company | |
|---|---|---|---|---|
| **Current** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Other receivables** | | | | |
| Deposits | 4,009 | 2,869 | 12 | 12 |
| GST receivables | 132 | 132 | - | - |
| Prepayments | 366 | 726 | 229 | 105 |
| Other receivables | | | | |
| - Amounts due from subsidiaries | - | - | 19,121 | 22,926 |
| - Third parties | 1,560 | 1,115 | 272 | 272 |
| | 6,067 | 4,842 | 19,634 | 23,315 |
| Less: Allowance for expected credit losses | | | | |
| - Third parties | (775) | (1,068) | (272) | (272) |
| Other receivables, net | 5,292 | 3,774 | 19,362 | 23,043 |
| Trade and other receivables, current | 13,135 | 16,911 | 19,362 | 23,043 |
| **Total trade and other receivables** | 13,135 | 16,911 | 74,873 | 91,168 |

## 21. Trade and other receivables (continued)

Trade receivables are non-interest bearing and are generally on 7 to 30 days (2021: 7 to 30 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from subsidiaries are unsecured, interest bearing and repayable on demand. The interest bearing advances are subject to interest charge based on recovery of borrowing cost incurred by the Company. The non-current portion of amounts due from subsidiaries relates to amounts in which the Company has no intention in demanding repayment within twelve (12) months after the year end.

During the financial year, the following (gains)/losses were recognised in profit or loss in relation to impaired financial assets:

| Group | Trade receivables RM'000 | Other receivables RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2021 | 278 | 1,075 | 1,353 |
| Reversal during the financial year (Note 9) | (51) | - | (51) |
| Written off | - | (7) | (7) |
| At 31 December 2021 | 227 | 1,068 | 1,295 |
| Charge for the financial year (Note 9) | (3) | 221 | 218 |
| Written off | - | (514) | (514) |
| At 31 December 2022 | 224 | 775 | 999 |

| Company | Other receivables RM'000 |
|---|---|
| At 1 January 2021 | 311 |
| Written off | (39) |
| At 31 December 2021 | 272 |
| Charge for the financial year (Note 9) | 6,522 |
| At 31 December 2022 | 6,794 |

Information about the Group's exposure to credit risks and expected credit losses for trade receivables is included in Note 36 to the financial statements.

## 22. Biological assets

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| **At fair value** | RM'000 | RM'000 |
| At 1 January | 4,385 | 2,180 |
| Fair value (loss)/gain (Note 8 and 7) | (1,782) | 2,205 |
| At 31 December | 2,603 | 4,385 |

The biological assets of the Group comprise fresh fruit bunches ("FFB") prior to harvest. To arrive at the fair value of FFB, the management has considered the oil content of the unripe FFB and derived at the assumption that the net cash flows to be generated from FFB prior to more than six (6) weeks to harvest is negligible, therefore quantity of unripe FFB on bearer plants of up to six (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 five (5) to six (6) weeks prior to harvest, 50% for FFB that are three (3) to four (4) weeks prior to harvest and 83% for FFB that are one (1) to two (2) weeks prior to harvest. The quantity of unharvested FFB of the Group as at 31 December 2022 included in the fair valuation of FFB was 12,000 metric tonne (2021: 11,000 metric tonne). 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 costs 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 costs 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 relationship of the unobservable inputs to changes in fair value, with all other variables held constant is as follows:

| | Fair value gain/(loss) | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Increase by 10% RM'000 | Decrease by 10% RM'000 | Increase by 10% RM'000 | Decrease by 10% RM'000 |
| **Unobservable inputs** | | | | |
| FFB price | 407 | (407) | 541 | (541) |
| Production volume | 270 | (270) | 438 | (438) |
| Harvest and transportation costs | (140) | 140 | (103) | 103 |

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 23. Inventories

| | Group | |
|---|---|---|
| **Cost** | **2022 RM'000** | **2021 RM'000** |
| Shell | 66 | 1 |
| Fibre | 43 | 47 |
| Empty fruit bunches | 17 | 33 |
| Empty fruit bunches oil | 905 | 294 |
| Crude palm oil | 1,543 | 1,573 |
| Palm kernels | 431 | 668 |
| Quarry inventories | 7,550 | 7,964 |
| Fertilisers and chemicals | 4,336 | 2,662 |
| Store, spares and consumable supplies | 7,281 | 4,338 |
| Nurseries | 361 | 358 |
| | 22,533 | 17,938 |
| Less: Impairment | (1,434) | (1,310) |
| | 21,099 | 16,628 |

Movement in the impairment account is as follows:

| | Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| At 1 January | 1,310 | - |
| Charge for the financial year (Note 8) | 124 | 1,310 |
| At 31 December | 1,434 | 1,310 |

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM24,037,822 (2021: RM22,169,624).

Additions in nurseries during the financial year included the following:

| | Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Employee benefits expense (Note 10) | 114 | 182 |

## 24. Short-term investments

| | Group | |
|---|---|---|
| **Fair value through profit or loss** | **2022 RM'000** | **2021 RM'000** |
| Short-term investments | 20,932 | 18,076 |

Short-term funds are investments in income trust funds in Malaysia.

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 25. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Cash in hand and at banks | 19,368 | 22,565 | 1,176 | 665 |
| Deposits with licensed banks | 41,405 | 16,154 | 29,647 | 2,200 |
| **Cash and bank balances** | 60,773 | 38,719 | 30,823 | 2,865 |
| Less: Deposits pledged as securities for banking facilities and fixed deposits with maturity of more than three (3) months | (4,085) | (4,084) | - | - |
| **Cash and cash equivalents** | 56,688 | 34,635 | 30,823 | 2,865 |

Deposits of the Group and of the Company are made for varying periods of between five (5) days to twelve (12) months (2021: one (1) day to twelve (12) months) and one (1) month to three (3) months (2021: fourteen (14) days to forty (40) days) respectively depending on the cash requirements of the Group, and earn interest at the respective fixed deposit rates. The weighted average effective interest rate as at year end for deposits of the Group and of the Company was 2.33% (2021: 0.41%) and 2.51% (2021: 1.00%) respectively per annum.

## 26. Share capital and treasury shares

| **Group/Company** | No. of ordinary shares | | | |
|---|---|---|---|---|
| **Issued and fully paid:** | Share capital | Treasury shares | Share capital RM'000 | Treasury shares RM'000 |
| At 1 January 2021/ 31 December 2021/ 31 December 2022 | 318,446,210 | (9,479,200) | 318,446 | (11,097) |

### 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.

### 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 enhance 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 | Foreign currency translation reserve RM'000 | Other reserve RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2021 | 239 | 80,635 | 80,874 |
| Exchange differences on translation of a foreign operation | 40 | - | 40 |
| Effect of subsidiary treasury share transaction | - | 142 | 142 |
| At 31 December 2021 | 279 | 80,777 | 81,056 |
| Exchange differences on translation of a foreign operation | 14 | - | 14 |
| Effect of subsidiary treasury share transaction | - | 142 | 142 |
| At 31 December 2022 | 293 | 80,919 | 81,212 |

| Company | Reserve RM'000 |
|---|---|
| At 1 January 2021/31 December 2021/31 December 2022 | 8,482 |

**Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a foreign subsidiary whose functional currency is different from that of the Group's presentation currency.

**Other reserve**

Other reserve represents:

(i) the difference between the adjusted carrying amount of the non-controlling interests and the fair value of consideration paid of the Group of RM1,862,044 (2021: RM1,719,776); and
(ii) restructuring reserve arising from business combination of the Group and of the Company of RM79,057,653 (2021: RM79,057,653) and RM8,482,304 (2021: RM8,482,304) respectively.

28. **Retained profits**

The Group's and the Company's policy is to treat all gains and losses that pass through the statements of profit or loss and other comprehensive income (i.e. non-owner transactions or events) as revenue reserves. Other than retained profits, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders. Accumulated losses are the opposite of retained profits and when an entity is in an accumulated loss position, it is prohibited from distributing cash dividends to shareholders.

29. **Loans and borrowings**

| | Group | | Company | |
|---|---|---|---|---|
| **Non-current** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Secured: | | | | |
| Term loans | 25,561 | 33,126 | 25,561 | 33,126 |
| **Current** | | | | |
| Secured: | | | | |
| Revolving credits | 3,300 | 3,300 | 200 | 200 |
| Term loans | 6,748 | 7,933 | 6,748 | 6,683 |
| | 10,048 | 11,233 | 6,948 | 6,883 |
| **Total loans and borrowings** | | | | |
| Secured: | | | | |
| Revolving credits | 3,300 | 3,300 | 200 | 200 |
| Term loans | 32,309 | 41,059 | 32,309 | 39,809 |
| | 35,609 | 44,359 | 32,509 | 40,009 |
| **Maturity structure of loans and borrowings** | | | | |
| Within one year | 10,048 | 11,233 | 6,948 | 6,883 |
| Between one to two years | 6,920 | 6,830 | 6,920 | 6,830 |
| Between two to five years | 13,803 | 17,790 | 13,802 | 17,790 |
| More than five years | 4,838 | 8,506 | 4,839 | 8,506 |
| | 35,609 | 44,359 | 32,509 | 40,009 |

The interest rate structures are as follows:

| | Effective interest rate per annum | |
|---|---|---|
| | **2022** | **2021** |
| Revolving credits | ICOF + 1.20%, COF + 1.125% to 1.50% | ICOF + 1.20%, COF + 1.125% to 1.50% |
| Term loans | ICOF + 1.10%, COF + 1.50% | ICOF + 1.10% COF + 1.50% |

ICOF – Islamic Cost of Funds
COF – Cost of Funds

29. **Loans and borrowings** (continued)

(i) **Revolving credits**

The revolving credits are secured by way of:

(a) 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 as disclosed in Note 16 to the financial statements;
(b) Debentures incorporating fixed and floating charges over all the assets of these subsidiaries presently owned and subsequently acquired;
(c) Corporate guarantees given by the Company and these subsidiaries; and
(d) Short-term deposits with licensed bank.

(ii) **Term loans**

The loans are secured by way of:

(a) Legal charges over sub-divided land together with the power plant erected thereon of certain subsidiaries as disclosed in Note 16 to the financial statements;
(b) Legal charges over certain leasehold plantations as disclosed in Note 16 to the financial statements;
(c) Debentures incorporating fixed and floating charges over all the assets of certain subsidiaries presently owned and subsequently acquired;
(d) Short-term deposits with licensed bank; and
(e) Corporate guarantees given by the Company and certain subsidiaries.

30. **Lease liabilities**

| | **Group** | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Current | 894 | 748 |
| Non-current | 2,642 | 2,521 |
| | 3,536 | 3,269 |

**Maturity structure of lease liabilities:**

| | | |
|---|---|---|
| Within one year | 894 | 748 |
| Between one to two years | 837 | 678 |
| Between two to five years | 1,414 | 1,291 |
| More than five years | 391 | 552 |
| | 3,536 | 3,269 |

30. **Lease liabilities** (continued)

The Group has lease contracts of land used in its operations as disclosed in Note 16 to the financial statements. Leases of land have lease terms of average five (5) to thirty (30) years. The average discount rate implicit in the leases is 7.64% (2021: 7.64%) per annum.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in 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 | 10 | 3 – 20 years | 7 years | 5 | - | - |

The leases of the Group are secured by a charge over the leased assets which consists of heavy equipment and motor vehicles as disclosed in Note 16 to the financial statements. These leases of the Group bear effective interest rates ranging from 4.44% to 6.37% (2021: 4.44% to 7.12%) per annum.

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

31. **Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Trade payables** | | | | |
| Third parties | 12,740 | 13,998 | - | - |
| **Other payables** | | | | |
| Accruals | 6,349 | 4,902 | 1,116 | 1,203 |
| CPO sales tax and MPOB cess | 1,534 | 1,751 | - | - |
| Retention sum payable to contractor | 1,731 | 1,303 | - | - |
| Other payables | | | | |
| - Amounts due to subsidiaries | - | - | 61,435 | 34,681 |
| - Third parties | 3,172 | 4,835 | 18 | 14 |
| | 12,786 | 12,791 | 62,569 | 35,898 |
| **Total trade and other payables** | 25,526 | 26,789 | 62,569 | 35,898 |

Trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 90 days (2021: 30 to 90 days).

Amounts due to subsidiaries are unsecured, interest bearing and repayable on demand, except for an amount of RM5,168,198 (2021: RM34,681,460) which is non-interest bearing. The interest bearing advances are subject to interest charge based on recovery of borrowing cost incurred by the Company.

## 32. Dividend

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Recognised during the financial year** | RM'000 | RM'000 | RM'000 | RM'000 |
| Dividend on ordinary shares: | | | | |
| Final single-tier ordinary dividend of 1.00 sen (2021: 1.50 sen) per ordinary share | 3,090 | 4,634 | 3,090 | 4,634 |
| First single-tier special dividend of 1.00 sen (2021: 1.00 sen) per ordinary share | 3,090 | 3,090 | 3,090 | 3,090 |
| Second single-tier special dividend of 2.00 sen (2021: Nil sen) per ordinary share | 6,179 | - | 6,179 | - |
| | 12,359 | 7,724 | 12,359 | 7,724 |

## 33. Significant related party transactions

### (a) Identities of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

### (b) Related parties' transactions and outstanding balances

The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows:

| **Company** | | Transaction value | | Balance outstanding | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| **Name of related parties** | **Type of transaction** | RM'000 | RM'000 | RM'000 | RM'000 |
| With subsidiaries: | | | | | |
| Aspenglade Sdn. Bhd. | - | - | - | 10 | 5 |
| Ayu Sempurna Sdn. Bhd. | Dividend income | (3,000) | (2,400) | - | - |
| Bakara Sdn. Bhd. | Management fee | (195) | (195) | (5,432) | (2,824) |
| | Interest on advances | 128 | - | | |
| Cash Horse (M) Sdn. Bhd. | Interest on advances | (51) | (263) | 675 | 6,114 |
| Cash Nexus (M) Sdn. Bhd. | Allowance for expected credit losses | 6,522 | - | 27,122 | 32,166 |
| | Interest on advances | (1,346) | (1,130) | | |
| Cepatwawasan Sdn. Bhd. | Management fee | (537) | (537) | (14,502) | (4,168) |
| | Dividend income | (4,000) | (4,000) | | |
| | Interest on advances | 331 | (4) | | |
| Ekuiti Etika Sdn. Bhd. | - | - | - | (4,877) | (4,881) |

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 33. Significant related party transactions (continued)

### (b) Related parties' transactions and outstanding balances (continued)

The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows: (continued)

| **Company** | | **Transaction value** | | **Balance outstanding** | |
|---|---|---|---|---|---|
| | | **2022** | **2021** | **2022** | **2021** |
| **Name of related parties** | **Type of transaction** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| With subsidiaries: | | | | | |
| Gelang Usaha Sdn. Bhd. | Management fee | (115) | (115) | (5,746) | (4,091) |
| | Interest on advances | 149 | - | | |
| Hikayat Anggun Sdn. Bhd. | - | - | - | (183) | (192) |
| Jutategak Sdn. Bhd. | Management fee | (105) | (105) | (3,594) | (3,220) |
| | Interest on advances | 89 | - | | |
| Kovusak Sdn. Bhd. | Management fee | (47) | (48) | (3,337) | (2,040) |
| | Interest on advances | 78 | - | | |
| Ladang Cepat-KPD Sdn. Bhd. | - | - | - | 23 | 53 |
| Libarran Island Resort Sdn. Bhd. | Interest on advances | (4) | (3) | 98 | 88 |
| Liga Semarak Sdn. Bhd. | Management fee | (14) | (14) | (457) | (439) |
| | Interest on advances | 12 | - | | |
| Magnum Kapital Sdn. Bhd. | - | - | - | (42) | (49) |
| Minelink Sdn. Bhd. | Interest on advances | (12) | (10) | 311 | 276 |
| Mistral Engineering Sdn. Bhd. | Interest on advances | (1,146) | (1,107) | 27,295 | 29,476 |
| Power Precinct Sdn. Bhd. | - | - | - | (23) | (29) |
| Prima Semasa Sdn. Bhd. | Management fee | (584) | (638) | (461) | 1,410 |
| | Interest on advances | (16) | (197) | | |
| Prolific Yield Sdn. Bhd. | Management fee | (338) | (356) | 17,236 | 17,577 |
| | Interest on advances | (689) | (557) | | |
| | Dividend income | (4,900) | - | | |
| Razijaya Sdn. Bhd. | Management fee | (56) | (56) | (7,707) | (5,274) |
| | Interest on advances | 202 | - | | |
| Sri Likas Mewah Sdn. Bhd. | Management fee | (186) | (186) | (4,921) | (3,391) |
| | Interest on advances | 131 | - | | |
| Suara Baru Sdn. Bhd. | Management fee | (322) | (320) | (3,064) | 911 |
| | Interest on advances | 80 | (76) | | |
| Sungguh Mulia Sdn. Bhd. | Management fee | (61) | (61) | (1,798) | (1,175) |
| Syarikat Melabau Sdn. Bhd. | Management fee | (76) | (78) | (2,014) | (614) |
| | Interest on advances | 41 | (2) | | |
| Swiftturn Sdn. Bhd. | - | - | - | (44) | (42) |
| Timah Resources Limited | Interest on advances | 40 | - | - | - |
| Tentu Bernas Sdn. Bhd. | Management fee | (16) | (16) | (697) | (515) |
| | Interest on advances | 17 | - | | |
| Tentu Cergas Sdn. Bhd. | Management fee | (12) | (12) | (669) | (435) |
| | Interest on advances | 17 | - | | |
| Ultisearch Trading Sdn. Bhd. | Management fee | (18) | (18) | (1,867) | (1,302) |
| | Interest on advances | 45 | - | | |
| Wong-Tet-Jung Plantations Sdn. Bhd. | Management fee | (102) | (102) | 1,862 | 2,975 |
| | Interest on advances | (92) | (110) | | |

33. **Significant related party transactions** (continued)

(c) **Compensation of key management personnel**

The remuneration of Directors and other members of key management during the financial year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Short-term employee benefits | 4,730 | 4,382 | 2,012 | 1,774 |
| Contributions to defined contribution plan | 402 | 364 | 229 | 196 |
| | 5,132 | 4,746 | 2,241 | 1,970 |
| Included in the key management personnel are: | | | | |
| Directors' remuneration (Note 11) | 3,648 | 3,580 | 1,354 | 1,344 |
| Key management personnel's remuneration | 1,484 | 1,166 | 887 | 626 |
| | 5,132 | 4,746 | 2,241 | 1,970 |

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly, including any Director of the Group and of the Company.

The terms and conditions and prices of the above transactions are mutually agreed between the parties.

34. **Financial guarantees**

The fair value of financial guarantees provided by the Company to the banks to secure banking facilities granted to subsidiaries as disclosed in Note 29 to the financial statements with nominal amount of RM103,700,000 (2021: RM103,700,000) are 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.

35. **Commitments and contingencies**

**(a) Capital commitments**

| | Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Approved and contracted for: | | |
| - Property, plant and equipment | 1,795 | 598 |

35. **Commitments and contingencies** (continued)

**(b) Contingent liability**

On 10 May 2021, John Bin Until, Nokra Bin HJ Segun, Kuning Bin Kadir, Liew Ah Hon, Ongong Bin Unangga ("the Plantiffs") on behalf of themselves and 144 other residents of Kampung Segaliud, Sandakan, sued a subsidiary of the Company, namely, Prolific Yield Sdn. Bhd. ("Prolific") and another third party for negligence and breach of duty for alleged discharge of industrial effluent from their palm oil mill and thereby causing pollution to the nearby Segaliud River.

The Plaintiffs alleged they have suffered loss and damage to their livelihood and therefore, seek an injunction to restrain Prolific from the said alleged unlawful act and for loss and damages to be assessed by the Court.

Prolific has strongly denied the said claim as they maintain that at all material times they had set up and operated a safe and adequate industrial effluent treatment system duly approved and licensed by the relevant authorities and in compliance with the terms and conditions of the said license and all applicable relevant laws and regulations.

On 1 December 2022, the Sandakan High Court dismissed the said claim against Prolific and awarded RM30,000 costs to Prolific.

36. **Financial instruments**

(a) **Categories of financial instruments**

| | Group | | Company | |
|---|---|---|---|---|
| **Financial assets** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Measured at amortised cost | | | | |
| Trade and other receivables | 9,227 | 14,229 | 74,644 | 91,063 |
| Cash and bank balances | 60,773 | 38,719 | 30,823 | 2,865 |
| Measured at fair value through profit or loss | | | | |
| Short-term investments | 20,932 | 18,076 | - | - |
| | 90,932 | 71,024 | 105,467 | 93,928 |
| **Finance liabilities** | | | | |
| Measured at amortised cost | | | | |
| Trade and other payables | 23,992 | 25,038 | 62,569 | 35,898 |
| Loans and borrowings | 35,609 | 44,359 | 32,509 | 40,009 |
| Lease liabilities | 3,536 | 3,269 | - | - |
| | 63,137 | 72,666 | 95,078 | 75,907 |

36. **Financial instruments** (continued)

(a) **Categories of financial instruments** (continued)

A reconciliation of trade and other receivables financial assets to the amounts reflected in the statements of financial position is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **Trade and other receivables** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| As reflected in the statements of financial position (Note 21) | 13,135 | 16,911 | 74,873 | 91,168 |
| Less: Prepayments and non-refundable deposits | (3,776) | (2,550) | (229) | (105) |
| GST receivables | (132) | (132) | - | - |
| | 9,227 | 14,229 | 74,644 | 91,063 |

A reconciliation of trade and other payables financial liabilities to the amounts reflected in the statements of financial position is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| **Trade and other payables** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| As reflected in the statements of financial position (Note 31) | 25,526 | 26,789 | 62,569 | 35,898 |
| Less: CPO sales tax and MPOB cess | (1,534) | (1,751) | - | - |
| | 23,992 | 25,038 | 62,569 | 35,898 |

(b) **Financial risk management**

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 and foreign currency 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.

36. **Financial instruments** (continued)

(b) **Financial risk management** (continued)

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.

(i) **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 short-term investments 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.

As 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; and
- a nominal amount of RM103,700,000 (2021: RM103,700,000) relating to corporate guarantees provided by the Company to the banks to secure banking facilities granted to the subsidiaries.

**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.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay amounts subject to the write-off. Nevertheless, trade receivables and contract asset that are written off could still be subject to enforcement activities.

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position. The Group does not hold collateral as security.

36. **Financial instruments** (continued)

(b) **Financial risk management** (continued)

(i) **Credit risk** (continued)

The ageing analysis of the Group's trade receivables as at the reporting date is as follows:

| **2022** | **Gross amount RM'000** | **Expected credit losses RM'000** | **Carrying value RM'000** |
|---|---|---|---|
| Not past due | 7,823 | - | 7,823 |
| Past due: | | | |
| - less than 30 days | 20 | - | 20 |
| - between 31 to 60 days | - | - | - |
| - between 61 to 90 days | - | - | - |
| - more than 90 days | 224 | (224) | - |
| | 244 | (224) | 20 |
| | 8,067 | (224) | 7,843 |

| **2021** | **Gross amount RM'000** | **Expected credit losses RM'000** | **Carrying value RM'000** |
|---|---|---|---|
| Not past due | 12,341 | - | 12,341 |
| Past due: | | | |
| - less than 30 days | 739 | - | 739 |
| - between 31 to 60 days | 57 | - | 57 |
| - between 61 to 90 days | - | - | - |
| - more than 90 days | 227 | (227) | - |
| | 1,023 | (227) | 796 |
| | 13,364 | (227) | 13,137 |

36. **Financial instruments** (continued)

(b) **Financial risk management** (continued)

(i) **Credit risk** (continued)

**Trade receivables** (continued)

Impairment for trade receivables is measured at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables includes both individual impairment for those that show objective evidence of impairment (stage 3 loss) and collective impairment (stage 2 loss). Collective impairment has been provided using the provisional matrix based on historical loss experience of the respective entities in the Group with reference to past due status of the debtor, as follows:

| | Expected credit loss rates | |
|---|---|---|
| | **2022** | **2021** |
| Not past due | 0% | 0% |
| Past due: | | |
| - less than 30 days | 0% | 0% |
| - between 31 to 60 days | 0% | 0% |
| - between 61 to 90 days | 0% | 0% |
| - more than 90 days | 100% | 100% |

The expected credit loss rates are based on the historical loss rates experienced by each entity in the Group as adjusted for forward looking element as necessary.

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balances due from 2 (2021: 4) major customers representing 57% (2021: 78%) of the total trade receivables.

**Other receivables**

For other receivables, a lifetime expected credit loss is assessed for those counterparties that show significant increase in credit risk as at the end of the reporting period, and impairment made based on objective evidence of impairment.

**Inter-company advances**

The Company provides advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis and considers advances to subsidiaries to have low credit risks.

The Company determines the probability of default for these advances individually using internal information available.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. Advances provided are not secured by any collateral or supported by any other credit enhancements.

36. **Financial instruments** (continued)

(b) **Financial risk management** (continued)

(i) **Credit risk** (continued)

**Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of 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.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The following table sets out the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

| **Group** **2022** | **Carrying amount RM'000** | **Contractual undiscounted cashflows RM'000** | **Within One (1) year RM'000** | **One (1) to Five (5) years RM'000** | **Over Five (5) years RM'000** |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Trade and other payables | 23,992 | 23,992 | 23,992 | - | - |
| Loans and borrowings | 35,609 | 39,250 | 11,000 | 23,000 | 5,250 |
| Lease liabilities | 3,536 | 4,603 | 1,091 | 2,475 | 1,037 |
| | 63,137 | 67,845 | 36,083 | 25,475 | 6,287 |

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

36. **Financial instruments** (continued)

(b) **Financial risk management** (continued)

(ii) **Liquidity risk** (continued)

The following table sets out the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (continued)

| **Group**<br><br>**2021** | **Carrying amount RM'000** | **Contractual undiscounted cashflows RM'000** | **Within One (1) year RM'000** | **One (1) to Five (5) years RM'000** | **Over Five (5) years RM'000** |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Trade and other payables | 25,038 | 25,038 | 25,038 | - | - |
| Loans and borrowings | 44,359 | 48,675 | 12,050 | 27,000 | 9,625 |
| Lease liabilities | 3,269 | 4,396 | 923 | 2,362 | 1,111 |
| | 72,666 | 78,109 | 38,011 | 29,362 | 10,736 |

| **Company**<br><br>**2022** | **Carrying amount RM'000** | **Contractual undiscounted cashflows RM'000** | **Within One (1) year RM'000** | **One (1) to Five (5) years RM'000** | **Over Five (5) years RM'000** |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Trade and other payables | 62,569 | 62,569 | 62,569 | - | - |
| Loans and borrowings | 32,509 | 35,950 | 7,700 | 23,000 | 5,250 |
| Financial guarantees* | - | 103,700 | 103,700 | - | - |
| | 95,078 | 202,219 | 173,969 | 23,000 | 5,250 |
| **2021** | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | 35,898 | 35,898 | 35,898 | - | - |
| Loans and borrowings | 40,009 | 44,125 | 7,500 | 27,000 | 9,625 |
| Financial guarantees* | - | 103,700 | 103,700 | - | - |
| | 75,907 | 183,723 | 147,098 | 27,000 | 9,625 |

* The maximum amount of the issued financial guarantee contracts is allocated to the earliest period in which the guarantees could be called.

36. **Financial instruments** (continued)

(b) **Financial risk management** (continued)

(iii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises mainly from their loans and borrowings. Most of the Group's and the Company's loans and borrowings are charged a fixed interest rate plus the financial institutions' cost of fund per annum. The fixed interest rate is reviewed annually. Whilst, the cost of fund used by the financial institutions vary according to the rates set by the respective financial institutions. Meanwhile, interest rates charged on finance leases are fixed at the inception of the finance lease arrangements. 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.

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

| | **Group (Decrease)/Increase** | | **Company (Decrease)/Increase** | |
|---|---|---|---|---|
| **Effects on profit after taxation** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Increase of 70bp (2021: 70bp) | (25) | (44) | (55) | (66) |
| Decrease of 70bp (2021: 70bp) | 25 | 44 | 55 | 66 |

(iv) **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 change in foreign exchange rate.

The Group holds cash and bank balances denominated in foreign currencies for working capital purposes. As at the reporting date, such foreign currency balances (mainly in AUD, USD and SGD) amounted to RM3,849,363 (2021: RM4,021,212).

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

36. **Financial instruments** (continued)

(b) **Financial risk management** (continued)

(iv) **Foreign currency risk** (continued)

The following table demonstrates the sensitivity of the Group's profit after 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:

| | Group (Decrease)/Increase | |
|---|---|---|
| **Effects on profit after taxation** | **2022 RM'000** | **2021 RM'000** |
| AUD/RM | | |
| - strengthened 5% (2021: 5%) | (98) | (107) |
| - weakened 5% (2021: 5%) | 98 | 107 |
| USD/RM | | |
| - strengthened 5% (2021: 5%) | (29) | (27) |
| - weakened 5% (2021: 5%) | 29 | 27 |
| SGD/RM | | |
| - strengthened 5% (2021: 5%) | (20) | (18) |
| - weakened 5% (2021: 5%) | 20 | 18 |

37. **Fair value information**

The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The carrying amount of the variable rate term loans approximated their fair value as the loans will be re-priced to market interest rate on or near reporting date.

As at the reporting date, the Group held the following at fair value in the statement of financial position:

| **2022**<br>**Assets measured at fair value** | **Note** | **Carrying amount RM'000** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** |
|---|---|---|---|---|---|
| Investment properties | 17 | 43,340 | - | - | 43,340 |
| Biological assets | 22 | 2,603 | - | - | 2,603 |
| Short-term investments | 24 | 20,932 | 20,932 | - | - |
| | | 66,875 | 20,932 | - | 45,943 |

37. **Fair value information** (continued)

As at the reporting date, the Group held the following at fair value in the statement of financial position: (continued)

| **2021**<br>**Assets measured at fair value** | **Note** | **Carrying amount RM'000** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** |
|---|---|---|---|---|---|
| Investment properties | 17 | 43,340 | - | - | 43,340 |
| Biological assets | 22 | 4,385 | - | - | 4,385 |
| Short-term investments | 24 | 18,076 | 18,076 | - | - |
| | | 65,801 | 18,076 | - | 47,725 |

There have been no transfers between the levels during the current and previous financial years.

**Financial guarantees**

The fair value of financial guarantees is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned using the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the guaranteed party were to default.

The financial guarantees have not been recognised in the financial statements of the Group as the requirements to reimburse are remote and the Group does not expect to incur material losses under these corporate guarantees. As at 31 December 2022, there was no indication that the subsidiaries would default on payments.

38. **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 manage their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. The Group's strategies were unchanged from the previous financial year.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus payables less cash and bank balances and short-term investments.

# Notes to the Financial Statements
For the financial year ended 31 December 2022 (continued)

## 38. Capital management (continued)

The gearing ratio of the Group and of the Company as at the end of the reporting period was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Loans and borrowings | 35,609 | 44,359 | 32,509 | 40,009 |
| Lease liabilities | 3,536 | 3,269 | - | - |
| Trade and other payables | 25,526 | 26,789 | 62,569 | 35,898 |
| Less: Cash and bank balances | (60,773) | (38,719) | (30,823) | (2,865) |
| Short-term investments | (20,932) | (18,076) | - | - |
| Net debt | (17,034) | 17,622 | 64,255 | 73,042 |
| Total equity | 403,894 | 385,249 | 320,440 | 327,869 |
| **Gearing ratio** | - | 5% | 20% | 22% |

The Group maintains a gearing ratio that complies with the applicable debt covenant as at the reporting date. The Group is not subject to any other externally imposed capital requirements.

## 39. Segment information

### (i) Operating segment

For management purposes, the Group is organised into business units based on its products and services, and has four (4) reportable operating segments as follows:

| | |
|---|---|
| Plantation | Cultivation of oil palm |
| Mill | Milling and sale of oil palm products |
| Power plant | Power generation and sale of biomass by-products |
| All other segments | Extraction and sale of earth stone 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 statement of profit or loss and other comprehensive income. 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.

**39. Segment information** (continued)

(i) **Operating segment** (continued)

| **2022**<br>**Revenue** | **Plantation RM'000** | **Mill RM'000** | **Power plant RM'000** | **All other segments RM'000** | **Adjustments and eliminations RM'000** | **Note** | **Per consolidated financial statements RM'000** |
|---|---|---|---|---|---|---|---|
| External customers | 33,774 | 280,364 | 42,306 | 644 | - | | 357,088 |
| Inter-segment | 58,508 | - | - | 2,412 | (60,920) | (a) | - |
| Total revenue | 92,282 | 280,364 | 42,306 | 3,056 | (60,920) | | 357,088 |
| **Results** | | | | | | | |
| Interest income | 1,871 | 2,454 | 154 | 3,642 | (7,136) | | 985 |
| Finance costs | 126 | 778 | 3,817 | 4,157 | (7,105) | | 1,773 |
| Depreciation of property, plant and equipment | 6,445 | 2,964 | 10,279 | 285 | 1,212 | | 21,185 |
| Segment profit | 40,192 | 6,343 | 12,762 | 2,162 | (10,676) | (b) | 50,783 |
| **Assets** | | | | | | | |
| Addition to non-current assets | 4,605 | 633 | 2,834 | 22 | - | (c) | 8,094 |
| Segment assets | 235,295 | 41,534 | 123,279 | 93,179 | 4,648 | (d) | 497,935 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 11,580 | 14,460 | 7,181 | 34,103 | 26,717 | (e) | 94,041 |

## 39. Segment information (continued)

### (i) Operating segment (continued)

**2021**

| Revenue | Plantation RM'000 | Mill RM'000 | Power plant RM'000 | All other segments RM'000 | Adjustments and eliminations RM'000 | Note | Per consolidated financial statements RM'000 |
|---|---|---|---|---|---|---|---|
| External customers | 45,738 | 266,557 | 49,734 | 973 | - | | 363,002 |
| Inter-segment | 46,605 | - | - | 3,222 | (49,827) | (a) | - |
| Total revenue | 92,343 | 266,557 | 49,734 | 4,195 | (49,827) | | 363,002 |
| **Results** | | | | | | | |
| Interest income | 327 | 2,303 | 31 | 3,459 | (5,745) | | 375 |
| Finance costs | 147 | 957 | 4,102 | 3,123 | (5,445) | | 2,884 |
| Depreciation of property, plant and equipment | 6,063 | 3,126 | 10,271 | 249 | 1,872 | | 21,581 |
| Segment profit/(loss) | 51,625 | 7,079 | 17,410 | (198) | (9,438) | (b) | 66,478 |
| **Assets** | | | | | | | |
| Addition to non-current assets | 5,320 | 617 | 951 | 37 | - | (c) | 6,925 |
| Segment assets | 236,720 | 43,450 | 136,258 | 67,281 | 6,539 | (d) | 490,248 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 10,897 | 15,647 | 9,971 | 41,428 | 27,056 | (e) | 104,999 |

39. **Segment information** (continued)

(i) **Operating segment** (continued)

(a) Inter-segment revenue are eliminated on consolidation. This is represented mainly by sale of fresh fruit bunches by plantation segment to mill segment and sale of earth and stones by quarry segment (included in All other segments) to plantation and mill segments.

(b) The profit from inter-segment sales is deducted from segment profit/(loss) to arrive at "Profit before taxation" presented in the consolidated statement of profit or loss and other comprehensive income.

(c) Additions to non-current assets consist of:

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Property, plant and equipment | 8,094 | 6,925 |

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

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Deferred tax assets | 4,648 | 6,539 |

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

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Deferred tax liabilities | 26,717 | 27,056 |

(ii) **Geographical information**

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

(iii) **Major customers**

Revenue from 2 (2021: 2) major customers amounted to RM124,247,408 (35% of revenue) and RM105,279,143 (29% of revenue) (2021: RM107,605,645 (30% of revenue) and RM98,001,004 (27% of revenue)) respectively arising from mill segment.

## 40. Comparative figures

The comparative figures have been restated to conform with the presentation of current year as follows:

| Group | As previously reported RM'000 | Adjustment RM'000 | As restated RM'000 |
|---|---|---|---|
| Other operating income | 3,444 | (51) | 3,393 |
| Reversal of allowance for expected credit losses | - | 51 | 51 |

# List of Properties of the Group as at 31 December 2022

| | Location of Property Sabah | Tenure | Year of Expiry | Land Area | Description | Net Book Value As At 31.12.2022 RM'000 | Year Acquired |
|---|---|---|---|---|---|---|---|
| 1 | Prolific, Wong Tet-Jung Plantations | Leasehold 99 years | 2069 | 39.752 hectares | Oil Palm Plantation | 9,346 | 2001 |
| | Off KM 63.7 | | 2070 | 30.607 hectares | & Oil Mill | | |
| | Sandakan-Lahad Datu Highway | | 2074 | 8.010 hectares | | | |
| | | | 2075 | 207.903 hectares | | | |
| | | | 2076 | 9.967 hectares | | | |
| | | | 2077 | 24.460 hectares | | | 2005 |
| | | | 2082 | 6.463 hectares | | | |
| | | | 2082 | 72.790 hectares | | | |
| | Kolapis-Beluran Area | Perpetuity | | | | | |
| | | (Sublease 99 years) | 2097 | 6.435 hectares | | | |
| | District of Labuk Sugut | Leasehold 99 years | 2073 | 2.250 hectares | Plantable Reserve | | 2002 |
| | | | | **408.637 hectares** | | | |
| | Prolific Yield<br>Lot 38, Block C<br>Taman Indah Jaya Phase 4A,<br>Mile 4, Jalan Utara, Sandakan | Under Sub Division<br>Leasehold 99 years<br>(Parent title<br>TL077552035) | 2081 | **167.220 Sq.M** | Double Storey<br>Terrace Shoplot | 109 | 2002 |
| 2 | Melabau, Suara Baru, Gelang Usaha | Leasehold 99 years | 2069 | 27.480 hectares | Oil Palm Plantation | 535 | 2002 |
| | 0.2 KM East of KM 96 | | 2078 | 17.110 hectares | Oil Palm Plantation | 20,723 | 2001 |
| | Sandakan-Lahad Datu Highway | | 2079 | 260.780 hectares | & Quarry | | |
| | | | 2080 | 202.303 hectares | | | |
| | | | 2081 | 136.615 hectares | | | |
| | | | 2082 | 88.690 hectares | | | |
| | | | 2085 | 252.660 hectares | | | |
| | | | 2086 | 14.930 hectares | | | |
| | | | 2095 | 4.993 hectares | | | |
| | | | 2093 | 154.700 hectares | | | |
| | | | 2097 | 12.300 hectares | | | |
| | | Perpetuity | | | | | |
| | | (Sublease 99 years) | 2075 | 316.549 hectares | | | |
| | | | 2080 | 136.763 hectares | | | |
| | | | 2093 | 5.751 hectares | | | |
| | | | 2097 | 10.930 hectares | | | |
| | KM 28, Jalan Labuk | Leasehold 99 years | 2065 | 1.842 hectares | Plantable Reserve | | |
| | | | | **1,644.396 hectares** | | | |
| 3 | Sri Likas Mewah, Ultisearch Trading | | | | | | |
| | 2.6 KM north of KM 31, Sukau Road | Leasehold 99 years | 2085 | 10.120 hectares | Oil Palm Plantation | 3,406 | 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 | 3,551 | 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 | 22,057 | 2001 |
| | KM 4.5, Jalan Beluran | | 2071 | 133.550 hectares | | | |
| | | | 2078 | 485.300 hectares | | | |
| | | | | **1,611.550 hectares** | | | |
| 6 | Razijaya & Sugguh Mulia<br>Sungai-Sungai Locality<br>99 KM North-West of Sandakan | Leasehold 99 years | 2098 | **362.200 hectares** | Oil Palm Plantation,<br>Quarry &<br>Plantable Reserve | 12,130 | 2001 |

# List of Properties of the Group as at 31 December 2022 (continued)

| | Location of Property Sabah | Tenure | Year of Expiry | Land Area | | Description | Net Book Value As At 31.12.2022 RM'000 | Year Acquired |
|---|---|---|---|---|---|---|---|---|
| 7 | Prima Semasa<br>Sonsogon Suyad, Paitan Locality<br>105 KM North-West of Sandakan | Leasehold 99 years | 2094 | **2,997.000** | **hectares** | Oil Palm Plantation & Plantable Reserve | 30,833 | 2003 |
| 8 | Cepatwawasan, Tentu Bernas<br>Tentu Cergas, Liga Semarak & Jutategak<br>Sg. Kawananan Locality<br>113 KM North-West of Sandakan | Leasehold 99 years | 2097<br>2098<br>2099<br>2100 | 242.800<br>145.710<br>48.550<br>48.520<br>**485.580** | hectares<br>hectares<br>hectares<br>hectares<br>**hectares** | Oil Palm Plantation & Plantable Reserve | 4,269 | 2005 |
| 9 | Ladang Cepat-KPD<br>85 KM South-West of Beaufort | Leasehold 99 years | 2087 | **1,595.860** | **hectares** | Oil Palm Plantation | 18,858 | 2007 |
| 10 | Cepatwawasan Group Berhad<br>Lot 70, Block 6, Prima Square<br>Mile 4, North Road<br>Sandakan | Leasehold 99 years | 2106 | **564.386** | **Sq.M** | Three Storey Shop/Office | 575 | 2009 |
| | Cepatwawasan Group Berhad<br>Unit no. F-7-2, Level 7, Block F<br>Utama Court, Phase 2, Mile 6<br>North Road, Sandakan | Leasehold 99 years | 2081 | **106.500** | **Sq.M** | Eight Storey Apartment | 86 | 2011 |
| | Cepatwawasan Group Berhad<br>Unit no. F-8-2, Level 8, Block F<br>Utama Court, Phase 2, Mile 6<br>North Road, Sandakan | Leasehold 99 years | 2081 | **106.500** | **Sq.M** | Eight Storey Apartment | 87 | 2011 |
| | Cepatwawasan Group Berhad<br>Unit no. B1-10-1<br>Sri Utama Condominiums<br>Mile 6, North Road<br>Sandakan | Leasehold 99 years | 2081 | **122.140** | **Sq.M** | Eight Storey Condominium | 248 | 2015 |
| | Cepatwawasan Group Berhad<br>Unit no. B1-10-3<br>Sri Utama Condominiums<br>Mile 6, North Road<br>Sandakan | Leasehold 99 years | 2081 | **105.140** | **Sq.M** | Eight Storey Condominium | 201 | 2015 |
| 11 | Mistral Engineering Sdn Bhd<br>Off KM 63.7<br>Sandakan-Lahad Datu Highway | Leasehold 99 years | 2074 | **3.115** | **hectares** | Biogas power plant | 3,605 | 2012 |
| 12 | Cash Horse (M) Sdn Bhd<br>Off KM 63.7<br>Sandakan-Lahad Datu Highway | Leasehold 99 years | 2074 | **7.070** | **hectares** | Biomass power plant | 36,467 | 2012 |

# List of Properties of the Group as at 31 December 2022 (continued)

| | Location of Property<br>Kuala Lumpur | Tenure | Year of Expiry | Land Area | Description | Net Book Value As At 31.12.2022 RM'000 | Date of Last Revaluation |
|---|---|---|---|---|---|---|---|
| 13 | Minelink<br>HS (D) 118739, No. PT 9103<br>Damansara Heights<br>Mukim of Kuala Lumpur | Freehold | - | **896.976 Sq.M** | High-end residential property | 7,339 | 2022 |
| | Minelink<br>HS (D) 118740, No. PT 9104<br>Damansara Heights<br>Mukim of Kuala Lumpur | Freehold | - | **877.693 Sq.M** | High-end residential property | 7,181 | 2022 |
| | Minelink<br>HS (D) 118741, No. PT 9105<br>Damansara Heights<br>Mukim of Kuala Lumpur | Freehold | - | **896.829 Sq.M** | High-end residential property | 7,337 | 2022 |
| | Minelink<br>HS (D) 118742, No. PT 9106<br>Damansara Heights<br>Mukim of Kuala Lumpur | Freehold | - | **878.490 Sq.M** | High-end residential property | 7,188 | 2022 |
| | Minelink<br>HS (D) 118743, No. PT 9107<br>Damansara Heights<br>Mukim of Kuala Lumpur | Freehold | - | **884.183 Sq.M** | High-end residential property | 7,234 | 2022 |
| | Minelink<br>HS (D) 118744, No. PT 9108<br>Damansara Heights<br>Mukim of Kuala Lumpur | Freehold | - | **863.043 Sq.M** | High-end residential property | 7,061 | 2022 |

# Statistical Report as at 31 March 2023

| | | |
|---|---|---|
| Issued & Fully Paid-Up Share Capital | : | 318,446,210 (including treasury shares of 9,479,200) |
| Type of Share | : | Ordinary Share |
| No. of Shareholders | : | 6,061 |
| Voting Rights | : | One Vote for Every Share |

## ANALYSIS BY SIZE OF SHAREHOLDINGS

| SIZE OF HOLDINGS | NO. OF HOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 to 99 | 97 | 1.600 | 4,168 | 0.001 |
| 100 to 1,000 | 547 | 9.024 | 357,027 | 0.115 |
| 1,001 to 10,000 | 3,331 | 54.957 | 17,018,028 | 5.508 |
| 10,001 to 100,000 | 1,811 | 29.879 | 55,412,083 | 17.934 |
| 100,001 to 15,448,349 (*) | 273 | 4.504 | 130,753,454 | 42.319 |
| 15,448,350 AND ABOVE (**) | 2 | 0.032 | 105,422,250 | 34.120 |
| **TOTAL :** | **6,061** | **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 31 March 2023

| | No. of Shares | | No. of Shares | |
|---|---|---|---|---|
| **Shareholders** | **Direct** | **%** | **Indirect** | **%** |
| MHC Plantations Bhd | 89,367,000 | 28.92 | 30,000,000 | 9.71 (1) |
| Dato' Mah Pooi Soo Realty Sdn Bhd | - | - | 119,367,000 | 38.63 (2) |
| Tan Sri Dr. Mah King Thian @ Mah King Thiam | - | - | 119,367,000 | 38.63 (2) |
| Dato' Seri Mah King Seng | - | - | 119,367,000 | 38.63 (2) |
| Datin Seri Ooi Ah Thin | - | - | 119,367,000 | 38.63 (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*

**LIST OF DIRECTORS' SHAREHOLDERS**
as per the Register of Directors' Shareholdings as at 31 March 2023

| Directors | No. of Shares Direct | % | No. of Shares Indirect | % |
|---|---|---|---|---|
| 1. Tan Sri Dr. Mah King Thian @ Mah King Thiam | - | - | 119,367,000 | 38.63 (1) |
| 2. Dato' Seri Mah King Seng | - | - | 119,367,000 | 38.63 (1) |
| 3. Datuk Chua Kim Yin (JP) | - | - | - | - |
| 4. Lee Nyuk Choon @ Jamilah Arifin | - | - | - | - |
| 5. Musanif Bin Hj Md Nen | - | - | - | - |
| 6 Dr Jordina Mah Siu Yi (Alternate Director to Tan Sri Dr. Mah King Thian @ Mah King Thiam) | - | - | - | - |
| 7 Mah Li-Na (Alternate Director to Dato' Seri Mah King Seng) | 1,000 | 0.00 | - | - |

***Notes:***

1. *Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue his shareholdings in MHC Plantations Bhd.*
2. *Deemed interested pursuant to Section 59 of the Companies Act 2016 by virtue his spouse's interest.*

**LIST OF TOP 30 HOLDERS** as at 31 March 2023

| No. | Names | Holdings | % |
|---|---|---|---|
| 1 | MHC PLANTATIONS BHD. | 89,367,000 | 28.924 |
| 2 | YEW LEE HOLDINGS SDN. BERHAD | 16,055,250 | 5.196 |
| 3 | HUTAN MELINTANG PLANTATIONS SDN. BERHAD | 13,944,750 | 4.513 |
| 4 | EVERGREEN INTERMERGE SDN BHD | 5,021,900 | 1.625 |
| 5 | LEE GUAN HUAT | 4,751,450 | 1.537 |
| 6 | TLK CAPITAL SDN.BHD. | 4,400,000 | 1.424 |
| 7 | EVERGREEN INTERMERGE SDN BHD | 3,915,600 | 1.267 |
| 8 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>JINCAN SDN BHD | 2,850,000 | 0.922 |
| 9 | CITIGROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN) | 2,838,400 | 0.918 |
| 10 | GAN HONG LIANG | 2,407,250 | 0.779 |
| 11 | LIM CHENG HAI | 2,000,000 | 0.647 |
| 12 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>MAYBANK PRIVATE WEALTH MANAGEMENT FOR<br>MAH SIEW HOE (PW-M00753)(420537) | 2,000,000 | 0.647 |
| 13 | TECK GUAN DEVELOPMENT (SABAH) SDN BHD | 1,970,800 | 0.637 |

# Statistical Report as at 31 March 2023 (continued)

**LIST OF TOP 30 HOLDERS** as at 31 March 2023 (continued)

| No. | Names | Holdings | % |
|---|---|---|---|
| 14 | LIM TEONG LEONG | 1,920,000 | 0.621 |
| 15 | PHILLIP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAI KOK KONG | 1,665,000 | 0.538 |
| 16 | HLB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN | 1,466,300 | 0.474 |
| 17 | HLIB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR YAP QWEE BENG | 1,465,800 | 0.474 |
| 18 | MAYBANK SECURITIES NOMINEES (ASING) SDN BHD<br>MAYBANK SECURITIES PTE LTD FOR HO SEONG PENG | 1,450,000 | 0.469 |
| 19 | CARTABAN NOMINEES (ASING) SDN BHD<br>THE BANK OF NEW YORK MELLON FOR ENSIGN PEAK ADVISORS INC. | 1,415,400 | 0.458 |
| 20 | ZENXIN AGRICULTURE SDN BHD | 1,389,300 | 0.449 |
| 21 | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH) | 1,305,800 | 0.422 |
| 22 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR TEE KIM TEE @ TEE CHING TEE (TEE0063C) | 1,205,100 | 0.390 |
| 23 | ZENXIN AGRICULTURE SDN BHD | 1,198,900 | 0.388 |
| 24 | SU MING YAW | 1,118,000 | 0.361 |
| 25 | TAN AIK CHOON | 1,048,400 | 0.339 |
| 26 | CARTABAN NOMINEES (ASING) SDN BHD<br>THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING<br>MARKETS MICRO-CAP EQUITY MASTER FUND | 1,042,900 | 0.337 |
| 27 | CHYE AH LAM @ CHAI MING SENG | 1,038,000 | 0.335 |
| 28 | LEE GUAN SEONG | 1,024,150 | 0.331 |
| 29 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR GAN CHEE PENG (CONNAUGHT-CL) | 1,000,000 | 0.323 |
| 30 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR YEW BOON HEAN (YEW0048C) | 985,550 | 0.318 |
| | **TOTAL** | **173,261,000** | **56.077** |

# Form of Proxy

| CDS Account No. | No of Shares Held |
|---|---|
| | |

I/We ____________________________________________ (BLOCK LETTERS)

NRIC No./Passport 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./Passport No.** | **No. & % of shares to be represented by each 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 Twenty-Third Annual General Meeting of the Company to be held at Amadeus III, Level 2, Sabah Hotel Sandakan, KM 1, Jalan Utara, 90703 Sandakan, Sabah on Tuesday, 23 May 2023 at 11.00 a.m. and at any adjournment thereof and to vote as indicated below:

| | **FOR** | **AGAINST** |
|---|---|---|
| ORDINARY RESOLUTION 1 | | |
| ORDINARY RESOLUTION 2 | | |
| ORDINARY RESOLUTION 3 | | |
| ORDINARY RESOLUTION 4 | | |
| ORDINARY RESOLUTION 5 | | |
| ORDINARY RESOLUTION 6 | | |
| ORDINARY RESOLUTION 7 | | |
| ORDINARY RESOLUTION 8 | | |

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 ____________________, 2023

______________________________
Signature/Seal of Member

***Notes:***

(a) Only members whose names appear on the Record of Depositors as at 16 May 2023 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) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respe ct of each omnibus account its holds. Where an exempt authorised nominee appoints more than one (1) proxies, the proportion of the shareholding to be represented by each proxy must be specified.

(e) If the appointer is a corporation, the Form of Proxy must be executed under its seal or under the hand of its attorney.

(f) The duly completed proxy form 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, 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

**CEPATWAWASAN GROUP BERHAD**
200101000743 (536499-K)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

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