ANNUAL REPORT 2017

SIN HENG CHAN (MALAYA) BERHAD (4690-V)

(Incorporated in Malaysia)

56TH ANNUAL GENERAL MEETING

Dillenia & Eugenia Rooms
Ground Floor
Sime Darby Convention Centre

DAY	DATE	TIME
THURSDAY	31 MAY 2018	10.00 A.M.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Choo Keng Weng
Managing Director/
Non-Independent Executive

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI
Independent Non-Executive

Mr. Thomas Tuan Kit Kwong
Independent Non-Executive

Mr. Mak Hon Weng
Independent Non-Executive

Mr. Lee Kok Choon
Non-Independent Executive
(Appointed w.e.f. 21 July 2017)

AUDIT COMMITTEE

Chairman
Mr. Thomas Tuan Kit Kwong

Members
YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI

Mr. Mak Hon Weng

REMUNERATION COMMITTEE

Chairman
YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI

Members
Dato' Choo Keng Weng
(Resigned w.e.f. 26 February 2018)

Mr. Thomas Tuan Kit Kwong

Mr. Mak Hon Weng
(Appointed w.e.f. 26 February 2018)

NOMINATION COMMITTEE

Chairman
Mr. Mak Hon Weng
(Appointed w.e.f. 14 March 2018)

Members
Mr. Thomas Tuan Kit Kwong
(Re-designated w.e.f. 14 March 2018)

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI

COMPANY SECRETARIES

Ms. Lim Seck Wah
(MAICSA 0799845)

Ms. Kong Mei Kee
(MAICSA 7039391)

REGISTERED OFFICE

Suite 2.02, Level 2
Wisma E & C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel : 03-2094 7992
Fax : 03-2094 7996

BUSINESS OFFICE

Level 3, Wisma E & C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel : 03-2094 7992
Fax : 03-2094 7996

SHARE REGISTRAR

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 03-7720 1188
Fax : 03-7720 1111

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad

CIMB Bank Berhad

Malayan Banking Berhad

AUDITORS

MESSRS ECOVIS AHL PLT
Chartered Accountants
No. 9-3, Jalan 109F
Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
(Listed since 26 July 1973)
Stock Name : SHCHAN
Stock Code : 4316

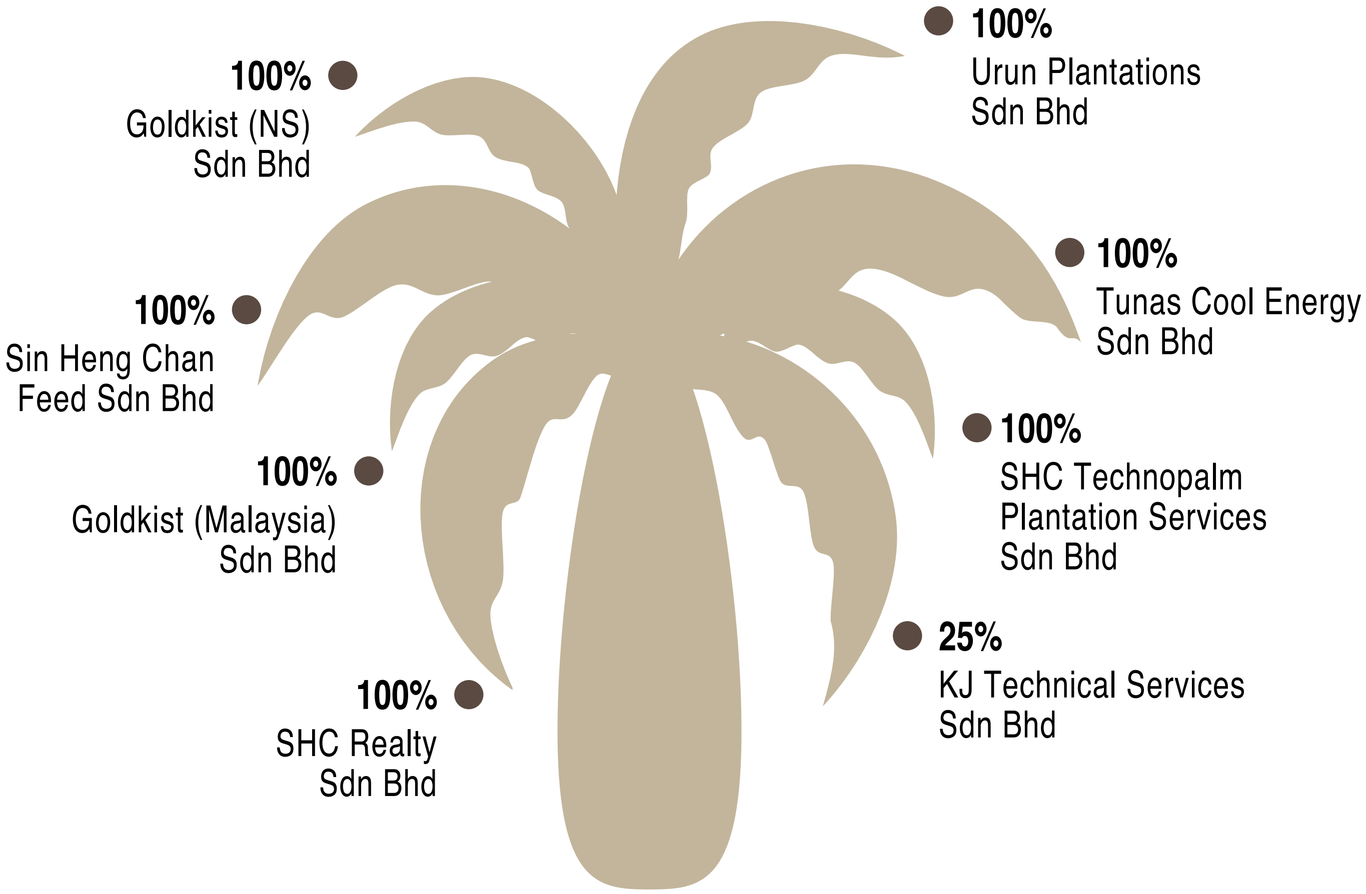
WEBSITE

www.shcm.com.my

CORPORATE STRUCTURE

SIN HENG CHAN (MALAYA) BERHAD

(4690-V)



PROFILE OF DIRECTORS

DATO' CHOO KENG WENG

Male, Managing Director/Non-Independent Executive Director
Aged 68, Malaysian

Dato' Choo Keng Weng is a businessman with varied interest and investments in Malaysia and overseas.

He was appointed as Managing Director of Sin Heng Chan (Malaya) Berhad on 17 June 1995. He holds a Bachelor of Science and Master in Business Administration (MBA) in Finance (USA). After graduation in 1978, he served in various corporate positions overseas and in Malaysia. He has vast experience in consumer food products, manufacturing and trading, property investment, plantation and timber manufacturing.

He does not hold any directorships in any other public listed companies and/or listed issuers. He sits in the board of several private limited companies.

YBM TUNKU MAHMOOD BIN TUNKU MOHAMMED D.K. PSI

Male, Independent Non-Executive Director
Aged 73, Malaysian

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI was appointed as Director of the Company in January 1999.

He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI served the military for many years. He is a businessman and is involved with plantation and hospitality business. In 2012, YBM Tunku Mahmood was appointed as "Jumaah Majlis Diraja Johor". He was nominated as a Member or The Royal Court of Johor.

He does not hold any directorships in any other public listed companies and/or listed issuers. He serves on the board of several private limited companies.

MR. THOMAS TUAN KIT KWONG

Male, Independent Non-Executive Director
Aged 54, Malaysian

Mr. Thomas Tuan Kit Kwong was appointed to the Board on 11 November 2011.

He is the Chairman of Audit Committee and a member of Nomination Committee and Remuneration Committee of the Company.

He is a Chartered Accountant by profession and is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA). He started his accounting career with Azman, Wong, Salleh & Co. and subsequently joined KPMG Peat Marwick.

In 1991, Mr. Thomas joined Syarikat Teratai KG Sdn Bhd as Financial Controller. He left to join Kelanamas Industries Berhad. He was appointed as Director and CEO of Pakai Industries Berhad since 1995.

He does not hold any directorships in any other public listed companies and/or listed issuers.

MR. MAK HON WENG

Male, Independent Non-Executive Director
Aged 65, Malaysian

Mr. Mak Hon Weng was appointed to the Board on 21 March 2014.

He is a Chartered Accountant (FCCA) and Chartered Secretary (ACIS) by training. He is also a member of the Malaysian Institute of Accountants (MIA).

He is the Chairman of Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company.

He has more than 35 years of experience in senior managerial position, mostly in the banking industry. He last served as Senior Vice President with Alliance Bank Malaysia Bhd focusing in project financing for the real estate and construction sector.

He does not hold any directorships in any other public listed companies and/or listed issuers.

MR. LEE KOK CHOON

Male, Non-Independent Executive Director
Aged 43, Malaysian

Mr. Lee Kok Choon was appointed to the Board on 21 July 2017. He is a qualified Mechanical Engineer with a 1st class Bachelor of Engineering (Mechanical) degree from the University of Monash, Australia.

He is a director and shareholder of KJ Technical Services Sdn. Bhd. He started off working as a project engineer for a French owned leading energy management company. After serving the company for 12 years, he was promoted to Chief Operating Officer. During this period, he managed to transform the company to become a regional leader in energy management with a focus on engineering, financial modelling and business development. In 2013, he acquired the French owned company in Malaysia via management buyout and he became the Managing Director.

He does not hold any directorships in any other public listed companies and/or listed issuers.

Other Information:

1. ***Family Relationship with any Director and/or Substantial Shareholder***
   None of the Directors have any family relationship with any Director and/or Substantial Shareholders of the Company.
2. ***Directors' Shareholdings***
   Details of the Directors' shareholdings in the Company are provided in the Analysis of Shareholdings Section in this Annual Report.
3. ***Conflict of Interest with the Group***
   None of the Directors of the Company have any conflict of interest with the Group.
4. ***Convictions for Offences***
   None of the Directors of the Company have been convicted of any offences within the past five (5) years. There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.
5. ***Number of Board Meeting Attended***
   Details of the Board Meeting attendance of each Director are disclosed in the Statement on Corporate Governance in this Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

DATO' CHOO KENG WENG

Male, Managing Director/Non-Independent Executive Director
Aged 68, Malaysian

Please refer to his Director's Profile appearing in page 4 of the Annual Report 2017.

LEE KOK CHOON

Male, Non-Independent Executive Director
Aged 43, Malaysian

Please refer to his Director's Profile appearing in page 5 of the Annual Report 2017.

CHOO KIN CHOONG

Male, Group Operations Manager
Aged 27, Malaysian

Mr. Choo graduated in 2012 with a Bachelor of Arts in Philosophy, Politics and Economics from the University of Oxford, United Kingdom. He has been involved with the group's operations in the palm oil and forest plantation sector for the past six years.

TIE CHOON KEAT

Male, Financial Controller
Aged 50, Malaysian

Mr. Tie is a Chartered Accountant (FCCA) by profession. He is also a member of the Malaysian Institute of Accountants (MIA).

He has extensive exposure in financial management with more than 26 years of experience which covers various industries such as construction, real estate, property development, trading, utilities and others. He last served as General Manager, Finance with a listed company in real estate and construction sector.

NORILEE ABU HASSAN

Male, Estate Operations Manager
Aged 55, Malaysian

En Norilee has been with the SHC Group since 2012 and was appointed as the Estate Operations Manager in 2015. He graduated with a Diploma in Planting Industry and Management from UITM in 1984.

En Norilee has extensive experiences in plantation operations after spending 33 years with several large plantation base companies involved in the cultivation of oil palm, rubber, cocoa, coconut and tea. Prior to joining the Group, he worked for 10 years with Guthrie (now Sime Darby) serving various estates in Peninsular Malaysia, 11 years with IOI Corporation and 3 years as a consultant on oil palm planting with a private company covering Sumatra and Kalimantan, Indonesia.

MURUGAN JOSEPH

Male, General Manager
Aged 48, Malaysian

Mr. Murugan graduated from Universiti Utara Malaysia with a Bachelor of Economics degree in year 1997. He has more than 20 years of experience in plantation operations. He is the General Manager of the Group's plantation segment.

Before joining the Group in December 2017, he has served in various estates throughout Malaysia with companies such as Tradewinds Plantation Berhad, Asian Plantations (Swk) Sdn Bhd, Glenealy Plantation and Golden Hope Plantation.

SARMILA MUNIANDY

Female, Finance Manager
Aged 34, Malaysian

Ms Sarmila is a qualified Chartered Accountant from Malaysian Institute of Accountants (MIA). She holds Bachelor of Accounting degree from Universiti Utara Malaysia and Master in Business Administration specialized in Finance (Australia).

She has more than 10 years of financial management and auditing experience in trading, insurance, construction, energy management, operation and maintenance of cooling system, facilities management and other sectors. She joined the Group in January 2018.

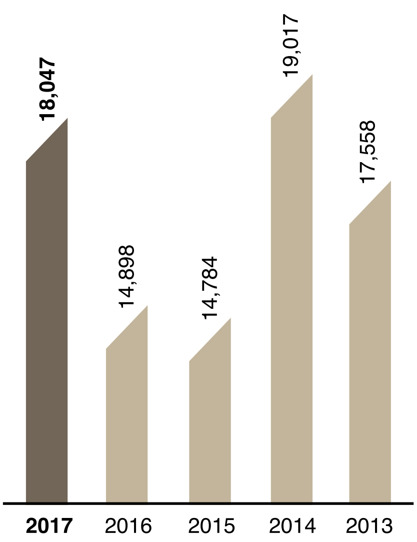
Other Information:

1. ***Family Relationship with any Director and/or Substantial Shareholder***
   Except for Dato' Choo Keng Weng who is the father of Choo Kin Choong, there is no relationship between the Directors/ Key Senior Management with any Director and/or Substantial Shareholders of the Company.
2. ***Conflict of Interest with the Group***
   None of the Directors/Key Senior Management of the Company have any conflict of interest with the Group.
3. ***Convictions for Offences***
   None of the Directors/Key Senior Management of the Company have been convicted of any offences within the past five (5) years. There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

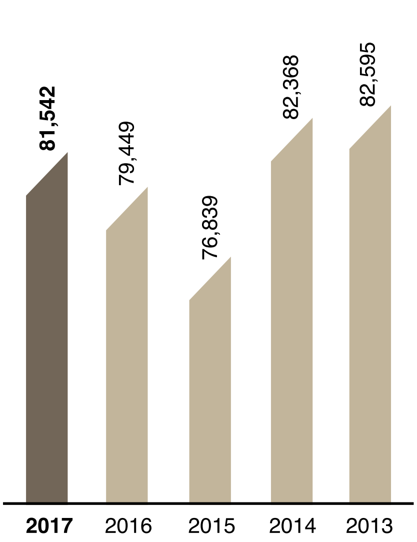
GROUP 5-YEAR FINANCIAL SUMMARY

Financial Year Ended 31 December (RM'000)	2017	2016	2015	2014	2013
Turnover					
– Continuing operation	18,047	14,898	14,784	19,017	17,558
Profit/(Loss) for the financial year attributable to:					
Equity holders of the Company	(932)	2,610	(5,528)	(3,402)	463
Minority interest	-	-	-	-	-
Paid-up capital	118,092	115,067	115,067	115,067	111,667
Total tangible asset	193,524	135,746	135,284	139,727	136,836
Shareholders' funds	81,542	79,449	76,839	82,368	82,595
Earnings/(Loss) per share (sen)	0.79	2.27	(4.80)	(2.96)	0.41
Net assets per share (sen)	68	69	67	72	74
Net tangible assets per share (sen)	52	55	53	57	59

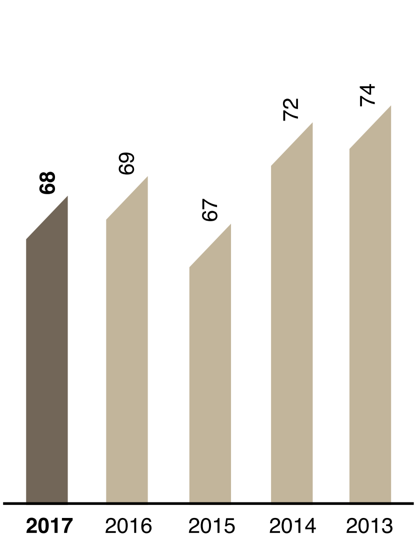
TURNOVER
(RM'000)



SHAREHOLDERS' FUNDS
(RM'000)



NET ASSETS PER SHARE
(SEN)



MANAGEMENT DISCUSSION AND ANALYSIS

DESCRIPTION OF OUR GROUP BUSINESSES AND STRATEGIES

Sin Heng Chan (Malaya) Berhad ("our Group") is principally involved in the oil palm plantation business. As at 31 December 2017, our Group has a plantation landbank of approximately 27,174 acres in Sarawak.

During the year, the Group completed the acquisitions of the entire equity interest in Tunas Cool Energy Sdn Bhd ("TCE") for a total cash consideration of RM7.5 million and a 25% equity interest in KJ Technical Services Sdn Bhd ("KJTS") for a total consideration of RM10.0 million which was satisfied via a combination of share issuance and cash. Upon fulfillment of all the conditions precedent in the Share Sale Agreements, the acquisition of KJTS was completed on 23 June 2017, while the acquisition of TCE was completed on 18 August 2017.

These acquisitions marked a diversification of the Group's existing principal activities to include the engineering, procurement and construction of district cooling systems, the supply of cooling energy from district cooling systems and related activities, and the provision of energy and facilities management services. The Group envisions that this new energy and facilities management segment will provide the Group with strong and stable earnings in the future.

TCE has been appointed by Sime Darby Property Selatan Satu Sdn Bhd ("SDPSSSB") to supply cooling energy via a district cooling system to designated buildings and shared facilities within the Pagoh Education Hub for 20 years. The supply of chilled water commenced in May 2017 and TCE expects to receive a consistent stream of recurring income from the off-take arrangement for the duration of the contract period.

KJTS provides the Group with the engineering expertise in comprehensive energy and facilities management. Its services also include engineering, design, construction, operations and maintenance of district cooling systems and provision of energy and performance guarantees for building owners. KJTS is currently involved in several projects throughout Malaysia.

The diversification reduces the Group's reliance on the current oil palm plantation business, which is highly cyclical and dependent on various other factors beyond the Group's control, such as weather conditions, and crude palm oil prices.

Moving forward, our Group aims to continue pursuing growth opportunities that will create value for our shareholders. The Group also holds three parcels of land in Melaka and continues to assess options to unlock the value of this investment.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the financial year ("FY") ended 2017 was RM18.0 million compared to RM14.9 million in FY 2016, representing an increase of 20.8%. The increase in revenue was largely derived from revenue from the Group's new Energy and Facilities Management segment. In FY 2017, the Group derived revenue of RM3.3 million from services rendered in energy and facilities management. Revenue derived from the plantation segment declined slightly to RM14.7 million as compared to RM14.9 million in FY 2016. This was due to a decrease in fresh fruits bunches ("FFB") production to 26,221 mt in FY 2017 compared to 28,209 mt in FY 2016.

Segmental Contributions to Revenue

	Group	
	FY2017 RM	**FY2016 RM**
1. Plantation	14,708,174	14,897,582
2. Energy and Facilities Management	3,338,623	-
	18,046,797	14,897,582

Profit Attributable to Equity Holders of the Company

In the FY 2017, the Group registered a loss attributable to equity holders of the company of RM0.9 million compared to a net profit of RM2.6 million in FY 2016. The difference in profit was largely attributed to the absence of a gain from disposal of a wholly owned subsidiary in year 2016. The energy and facilities segment contributed RM2.8 million of operational profit before interest and tax to the Group. The Group also registered a RM1.3 million share of results of associates after accounting for the financial results of its newly acquired associate company KJTS.

FINANCIAL REVIEW (Cont'd)

Revenue (Cont'd)

Segmental contributions to Net Profit/(Loss) for the Financial Year

	Group	
	FY2017 RM	FY2016 RM
1. Plantation	945,145	5,022,741
2. Energy and Facilities Management	2,802,484	-
3. Investment Holding	(1,283,910)	3,583,159
4. Others	(46,388)	(38,752)
5. Adjustments:		
• Eliminations	(1,142,691)	(3,524,990)
• Share of results of associates	1,283,325	-
• Finance costs	(3,688,466)	(2,463,878)
• Tax credit	198,277	32,070
Net (loss)/profit for financial year	(932,224)	2,610,350

Other Operating Income

The Group registered other operating income of RM2.4 million in FY 2017 compared to RM5.9 million in FY 2016. The decrease was due to the absence of a recognition of gain from the disposal of a wholly owned subsidiary of the Company in year 2016.

Finance Cost

Our Group finance costs increased to RM3.7 million during the year compared to RM2.5 million in the preceding year. This increase was largely due to the inclusion of financing costs from the Group's newly acquired subsidiary TCE. Without the inclusion of TCE's financing costs, the Group would have incurred finance costs of RM2.9 million.

Liquidity and Capital Resources

As at 31 December 2017, our Group's fixed deposits, cash and bank balances stood at RM7.3 million, compared with RM12.7 million in the previous year. This decrease was a predominantly result of the utilization of funds for the acquisitions of TCE and KJTS during the year.

Gearing

The gearing ratio of our Group as at 31 December 2017 increased to 113% from 54% in FY 2016. The increase was due to the inclusion of TCE's borrowings in the Group's balance sheet. The gearing ratio is calculated as total debt divided by total capital where the total debt is calculated as total borrowings (including "short term and long term borrowings" as shown in the statements of financial position). Total capital is calculated as total equity plus reserves.

OPERATIONAL REVIEW

i) Plantation

During the year under review, the Group's production of FFB declined to 26,221 mt from 28,209 mt in 2016. As a result of the 7% decrease in FFB, revenue from the plantation segment declined slightly to RM14.7 million as compared to RM14.9 million in FY 2016.

Commodity prices remained volatile in 2017. The Group's average crude palm oil ("CPO") selling price in January was RM3,275 per mt before declining to RM2,408 per mt in December. CPO prices softened due to a combination of factors, including an industry wide increase in CPO stockpiles due to improved weather conditions compared to 2016.

The Group continues its efforts to incorporate good agricultural and agronomic practices into its operations. These will, in the long run, result in improved efficiencies and reduced operational costs. The management is constantly assessing ways to reduce the estate's dependence on manual labour. To this end, mechanization is incorporated where possible into estate works. Development and maintenance of key building and road infrastructure will continue to be important management strategies to improve future crop performance.

The management is aware of the importance of quality human resources to meeting the Group's goals. As part of the Group's commitment to human resource development, the Group will continue internal training programs for our valued staff members and workers.

The Group will also continue its commitment to supporting local communities that surround the estate by offering opportunities for employment and contributing to community development projects.

OPERATIONAL REVIEW (Cont'd)

ii) Energy and Facilities Management

Our fledgling energy and facilities management segment contributed promising results to the Group in the FY 2017. This segment contributed an operating profit of RM2.8 million to the Group in FY 2017. TCE's district cooling system commenced supply of cooling energy to the Pagoh Education Hub in May 2017. This is expected to provide the Group with a stable and recurring revenue stream for the duration of the contract period. With this, TCE will look to pursue similar projects which provide the Group with earnings visibility and consistent stream of recurring income.

PROSPECTS

For 2018, our Group's performance in the plantation division will be largely dependent on CPO prices and our FFB production. CPO prices are expected to be volatile as industry stockpiles are influenced by a myriad of factors including industry-wide weather conditions, global demand from major importing countries, as well as the direction of substitute edible oils and crude oil prices. The economic uncertainties caused by political changes in Europe and the USA and the spectre of trade wars may also be unfavorable to commodity prices.

Within this context, the Group will continue its focus on improving its FFB production yield and cost management. The Group remains fundamentally optimistic about the long term prospects of the palm oil industry. The management is committed to meeting these challenges by improving production efficiency while controlling operational costs.

The outlook for the Group's energy and facilities management division is positive. Although the facilities management industry in Malaysia is still in its infancy, there is a growing awareness from building owners of the value of outsourcing facilities management services to specialists. The management is committed to securing new projects in the coming year by providing clients with solutions that increase building efficiencies and reduce operational costs.

In the coming financial year, the Group will continue to look for suitable strategic investments which can enhance our earnings. In this way, we aim to provide our valued shareholders with long term returns.

NOTE OF APPRECIATION

On behalf of the Board, I wish to once again to extend our gratitude to our valued stakeholders, including our customers, investors, vendors, business associates, financiers and the relevant authorities for their continued support throughout the year.

The Group would also like to acknowledge the hard work and dedication of our management and staff members, as well as the members of our Board, who have worked with diligence and distinction in pursuit of our goals. We look forward to your continued support in the coming year.

Thank you.

DATO' CHOO KENG WENG
Managing Director

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("Board") of SIN HENG CHAN (MALAYA) BERHAD ("the Company") recognizes the importance of practicing and maintaining good corporate governance towards the success of the Company and its subsidiaries ("the Group") whilst pursuing its corporate objectives. The Board is fully committed in ensuring that the high standards of corporate governance is being practiced throughout the Group in ensuring continuous and sustainable growth for the interest of all its shareholders.

The Board is pleased to set out below the manner in which the Group has applied the three (3) main principles in the Malaysian Code on Corporate Governance ("MCCG 2017") known as Board Leadership and Effectiveness (Principle A), Effective Audit (Principle B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principle C) throughout the financial year ended 31 December 2017.

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 takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance. The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realizing long-term shareholders' values.

The Board has assumed the following principal responsibilities in discharging its fiduciary duties:

(a) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
(b) Overseeing the conduct of the Group's businesses and evaluating whether or not its businesses are being properly managed;
(c) Identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
(d) Ensuring that all candidates appointed to Senior Management positions are of sufficient caliber, including the orderly succession of Senior Management personnel;
(e) Reviewing the adequacy and integrity of the Group's internal control and management information systems;
(f) Carrying out periodic review of the Group's financial performance and operating results and major capital commitments; and
(g) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Group.

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

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

All committees have written terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company and the Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

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. (Cont'd)

1.2 The Managing Director leads the Board and is responsible for the effective performance of the Board. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.

The roles of the Managing Director as well as terms of reference of the committees are spelt out in detail in the Board Charter which is made available for reference at the Company's website at www.shcm.com.my. The last review and update of Board Charter was on 26 February 2018.

1.3 The Board has delegated to the Managing Director, the authority and responsibility for implementing of the Board policies, strategies and decisions adopted by the Board. The Managing Director takes on primary responsibility to spearhead and manage the overall business activities of the various business divisions of the Group. The Managing Director is assisted by an Executive Director, senior key management and head of each division in implementing and running the Group's day-to-day business operations.

The presence of the Independent Directors fulfills a pivotal role of corporate accountability. They provide unbiased and independent advice, alternative viewpoints, challenge perceptions and judgment as appropriate to take account of the interest of the Group, shareholders, employees and any party with whom the Group conducts business.

1.4 The Board is supported by qualified and competent name Company Secretaries who facilitate overall compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and other laws and regulations. The secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company Secretaries carry out the following tasks:

(a) Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting, Extraordinary General Meeting and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;
(b) Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia Securities Berhad on a timely basis;
(c) Ensure that deliberations at the meetings are well captured and minuted;
(d) Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;
(e) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
(f) Remind the Directors and principal officers of the closed period and no trading in the Company's shares;
(g) Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents;
(h) Assist the Chairman to organize and co-ordinate in all the Board Committee, Board and General meetings;
(i) Attend all the Board Committee, Board and General meetings;
(j) To upkeep and update the statutory records;
(k) To liaise with internal and external auditors to furnish them with the statutory records for audit purposes; and
(l) As the adviser to the Board and compliance officer of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

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. (Cont'd)

1.5 The Board meets on a quarterly basis, with additional meetings convened as and when necessary.

All Directors are notified with the notice of Board Meetings at least 7 days in advance. The agenda and a set of board papers were issued at least 3 days 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, to expedite the decision making process effectively.

During the financial year ended 31 December 2017, five (5) Board Meetings were held. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

The Board recognizes that the decision-making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

The Executive Directors and/or other relevant Board members will furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making. In addition, the Board members are updated on the Company's activities and its operations on a regular basis.

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. All proceedings at the Board meetings are minuted and signed by the Chairman of the meetings.

Every Director has also unhindered access to the advice and services of the Company Secretaries as and when required to enable them to discharges their duties effectively.

There is a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity to take independent professional advice at the Group's expense, where necessary in furtherance of their duties.

2.0 There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual directors and managements; and issues and decisions reserved for the Board.

The Board will periodically review the Board Charter and make any changes whenever necessary. The Board Charter is published on the Company's corporate website at www.shcm.com.my. The Board Charter was last reviewed on 26 February 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

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 Board has formalised a Code of Ethics and Conduct that set out the basic principles to guide all the directors, employees and its subsidiary and associate companies. The Board shall observe and adhere to the Company's Code of Ethics and Conduct for Directors which provide guidance regarding ethical and behavioral considerations or actions in discharging their duties and responsibilities.

The Board will periodically review the Code of Ethics and Conduct to ensure it remains relevant and appropriate. The details of the Code of Ethics and Conduct are available for reference at the Company's website at www.shcm.com.my. The Code of Ethics and Conduct was reviewed and adopted.

3.2 The Board has put in place an avenue for employees and stakeholders to report genuine concerns about unethical behavior, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. All cases shall be independently investigated and appropriate actions taken where required.

The details of the whistle-blowing policy are available for reference at the Company's website at www.shcm.com.my. The whistle-blowing policy was last reviewed on 26 February 2018.

3.3 The Board shall endeavour to implement sustainability strategies which yield environmental, economic and social benefits to all its various stakeholder and the communities in which it operate to ensure long-term viability and sustainability of the Company's business.

II Board Composition

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

4.1 The Board consists of five (5) members; comprising one (1) Managing Director, one (1) Executive Director and three (3) Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

At least half of the Board comprises of the Independent Directors which is in compliance with the MCCG 2017.

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. Currently, the Board is led by the Managing Director, Dato' Choo Keng Weng. The office of Chairman was left vacant. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls and provide unbiased and independent views to safeguard the interest of the shareholders. Together with the Executive Director who has in-depth knowledge of the business, the Board constitutes of individuals who are committed to business coupled with integrity and professionalism in all its activities.

The Board considers that the current size of the Board is adequate and facilitates effective decision- making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

4.2 The Board noted the MCCG 2017 recommends that the tenure of an independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such Director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director. For resolution(s) requiring 'two- tier voting' process, the effective date will be for resolution(s) to be tabled at general meetings after 1 January 2018.

Presently, YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI is an Independent Non-Executive Director of the Company whose tenure has exceeded a cumulative term of twelve (12) years.

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI who has served on the Board as Independent Non-Executive Director of the Company to be retained as Independent Non-Executive Director of the Company was deliberated at the Nomination Committee meeting held on 26 February 2018. The Nomination Committee members were satisfied that YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI maintains his independency despite his long service extended to the Company and recommended to the Board to seek for shareholders' approval at the forthcoming Annual General Meeting.

The Board believes that although YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI has served more than twelve (12) years on the Board, he remains unbiased, objective and independent in expressing his opinions and in participating in decision making of the Board. The length of his service on the Board has not in any way interfered with his objective and independent judgement in carrying out his role as member of the Board and Committees. The Board had obtained the shareholders' approval at the previous Annual General Meeting to retain YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as Independent Non-Executive Director of the Company, and will be doing the same in the forthcoming Fifty-Sixth Annual General Meeting. Accordingly, the Board is making a recommendation to shareholders for approval at the forthcoming Fifty-Sixth Annual General Meeting of the Company that YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI remains as an Independent Non-Executive Director.

4.3 The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the independent directors are capable to exercise independent judgment and act in the best interests of the Group. The Independent Directors of the Company fulfill the criteria of "Independence". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making. Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters. The Board, via Nomination Committee and guided by the Corporate Governance Guide–Towards Boardroom Excellence has developed the criteria to assess independence and formalised the current independence assessment practice. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments by all Directors were summarised and discussed at the Nomination Committee meeting which were then reported to the Board at the Board Meeting held thereafter. Each independent director abstained from deliberation on his own assessment. The Nomination Committee was satisfied that the Independent Directors still maintain their independence.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

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

The appointment process of a new Director is summarized as follows:

(i) The candidate identified upon the recommendations from the Directors and Management or their contacts in related industries, finance accounting or legal professions and/or major shareholders;

(ii) In evaluating the suitability of candidates to the Board, the Nomination Committee considers, inter-alia, the required mix of skills, expertise, experience, time commitment and contribution of the candidates can bring to the Board. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independency will be considered;

(iii) Recommendation to be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and

(iv) Decision to be made by the Board on the proposed new appointment including appointment to the various Board committees.

4.5 The Constitution of the Company provides that all Directors of the Company are subject to retirement. At least one third (1/3) of the Directors for the time being, or the number nearest from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates. Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election.

The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of Annual General Meeting.

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

The Nomination Committee assessed and was satisfied and made recommendations to the Board for re-election/re-appointments with regards to the following:

(i) The re-election of the director, Dato' Choo Keng Weng who is due to retirement but shall be eligible for re-election pursuant to Article 94 of the Company's Constitution at the forthcoming AGM;

(ii) The re-election of the director, Mr. Lee Kok Choon, who is due to retirement but shall be eligible for re-election pursuant to Article 100 of the Company's Constitution at the forthcoming AGM;

Mr. Lee Kok Choon was appointed during the financial year under review.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

(iii) Re-election of YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI, whose tenure of service as an independent Director has exceeded a cumulative term of twelve (12) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging his role and functions as an independent Director.

The profiles of these Directors are set out on pages 4 to 5 of the Annual Report.

4.6 The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce gender diversity policy. The Board has no immediate plans to implement a gender diversity policy or targets as it is of the view that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender. The Board is evaluated on merit.

The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.

The Group gives an equal opportunity to all its employees and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

4.7 All directors of the Company do not hold more than five directorships under paragraph 15.06 of the Main Market Listing Requirements.

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

The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with Article 136 of the Constitution of the Company, a signed and approved resolution by a majority of the Directors present in Malaysia and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

During the financial year ended 31 December 2017, the Board held five (5) meetings and the details of each Director's attendance are set out below:

Name of Directors	Meetings Attended
Dato' Choo Keng Weng	5/5
YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	4/5
Thomas Tuan Kit Kwong	5/5
Mak Hon Weng	5/5
Lee Kok Choon	2/2

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II Board Composition (Cont'd)

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (Cont'd)

4.8 All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast of various issues facing the changing business environment within which the Group operates. Directors are also encouraged to evaluate their own training needs on a continuous basis and recommend to the Board for the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board by actively participate in Board deliberation and effectively discharge their duties.

During the financial year under review, except for Mak Hon Weng and Lee Kok Choon, the other directors have not attended any training programme due to prior scheduled commitments.

During the financial year under review, Directors attended in the following training programmes:

Name of Directors	Date	Training Attended
Mak Hon Weng	26 April 2017	Malaysian Code on Corporate Governance
	12 September 2017	BURSA-Sector-Specific Sustainability Reporting Workshops (Plantation Sector).
	26 October 2017	Financial Integrity And Program
Lee Kok Choon	28 to 29 September 2017	Mandatory Accreditation Programme for Directors of Public Listed Companies

All Directors except Lee Kok Choon have been with the Company for several years and are familiar with their duties and responsibilities as directors. Wherever there is a new Board member being appointed, he/she will be given briefings and orientation by the Executive Director and top management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors.

The Directors are regularly updated on new statutory and regulatory requirements and the impact and implication to the Group and Directors in carrying out their duties and responsibilities. In addition, the Directors also receives briefings and updates on the Group's businesses and operations, risk management activities and technology initiatives on a regular basis.

The Company Secretaries also update the Board Members on the revised relevant guidelines on listing requirements and implementation and its impact on the Companies Act, 2016.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II Board Composition (Cont'd)

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

The Company conducts an annual assessment to evaluate the effectiveness of the board and the Board Committees as well as the performance of each individual Director through the Nomination Committee.

The Nomination Committee of the Company comprises exclusively Independent Non-Executive Directors and its composition are as follows:

- Mr. Mak Hon Weng *(Chairman, Independent Non-Executive Director) (Appointed w.e.f. 14 March 2018)*
- YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI *(Member, Independent Non-Executive Director)*
- Mr. Thomas Tuan Kit Kwong *(Member, Independent Non-Executive Director)*
  (Re-designated w.e.f. 14 March 2018)

The Nomination Committee held one (1) meeting during the financial year ended 31 December 2017. The details of the terms of reference of Nomination Committee are available for reference at the Company's website at www.shcm.com.my.

The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluations are guided by the Corporate Governance Guide–Towards Boardroom Excellence. The Audit Committee and the Remuneration Committee each carried out its evaluation with the view to maximize the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments were summarised and discussed at the Nomination Committee meeting which were then reported to the Board at the Board Meeting held thereafter. The Nomination Committee evaluated all the above Assessment Forms at the Nomination Committee meeting held on 26 February 2018 and was satisfied with the performance of the Board and Board Committees as well as the performance of individual Directors.

During the financial year under review, the Nomination Committee carried out the following assessments and satisfied with the results of the assessments:

(i) reviewed and assessed the structure, size, required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole and the Board Committees;

(ii) reviewed and assessed the contribution of each individual Director based on criteria, responsibilities, strength, time commitment and ability to act in the best interests of the Company in decision making;

(iii) reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Constitution of the Company;

(iv) reviewed and recommended to the Board for re-appointment of Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve years and to seek shareholders' approval at the forthcoming Annual General Meeting;

(v) reviewed the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference;

(vi) assessed the independence of each of the existing Independent Directors with each Director abstaining from deliberation on his own assessment; and

(vii) reviewed the Terms of Reference of Nomination Committee.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III Remuneration

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

6.1 The Remuneration Committee of the Company comprises all Independent Non-Executive Directors and its composition is as follows:

- YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI *(Chairman, Independent Non-Executive Director)*
- Mr. Thomas Tuan Kit Kwong *(Member, Independent Non-Executive Director)*
- Mr. Mak Hon Weng *(Member, Independent Non-Executive Director) (Appointed w.e.f. 26 February 2018)*
- Dato' Choo Keng Weng *(Member, Non-Independent Director) (Resigned w.e.f. 26 February 2018)*

The Remuneration Committee held one (1) meeting during the financial year to carry out its function as stated within the terms of reference. The details of the terms of reference of Remuneration Committee are available for reference at the Company's website at www.shcm.com.my.

6.2 The primary function of the Remuneration Committee is to set up and review the policy of remuneration framework and recommend to the Board the remuneration packages of all the Directors according to the skills, level of responsibilities, experience and performance of the Directors.

The remuneration of Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The Remuneration Committee reviews the Board remuneration policy and terms of conditions of service of each Director annually taking into consideration market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group.

The Remuneration Committee is also responsible to review the remuneration packages of the Non-Executive Directors of the Company and thereafter recommend to the Board for their consideration. Non-Executive Directors are paid by way of fixed monthly fees and a meeting allowance for each meeting attended. Individual Director is not allowed to participate in discussion of his/her own remuneration.

The Board will then recommend the Directors' fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act, 2016.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III Remuneration (Cont'd)

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

The details of the Directors' and Key Senior Management remuneration comprising remuneration received/receivable from the Company and subsidiaries respectively in financial year ended 31 December 2017 are as follows:

7.1 Aggregate remuneration of Directors categorised into appropriate components are as follows:

	Salaries & Bonus (RM)	Fees (RM)	Other Emoluments (RM)
Company			
Executive Directors	582,778	6,000	1,000
Non-Executive Directors	-	18,000	18,500
Total	**582,778**	**24,000**	**19,500**
Group			
Executive Directors	582,778	6,000	1,000
Non-Executive Directors	-	38,000	18,500
Total	**582,778**	**44,000**	**19,500**

7.2 Directors' remunerations are broadly categorised into the following bands:

Range of Remuneration	**Company Number of Directors**		**Group Number of Directors**	
	Executive Directors	**Non-Executive Directors**	**Executive Directors**	**Non-Executive Directors**
Below RM50,000	1	3	1	6
RM500,001 to RM550,000	1	-	1	-

7.3 Aggregate remuneration of Key Senior Management categorised into appropriate components are as follows:

Range of Remuneration	**Company Number of Senior Management**		**Group Number of Senior Management**	
	Executive	**Non-Executive**	**Executive**	**Non-Executive**
RM50,001 to RM100,000	1	-	1	-
RM100,001 to RM150,000	1	-	2	-

PRINCIPLE B: EFFECTIVE AUDIT

I Audit Committee

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

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

The Audit Committee comprises of all Independent Directors. The composition of the committee is as follows:

- Mr. Thomas Tuan Kit Kwong *(Chairman, Independent Non-Executive Director)*
- YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI *(Member, Independent Non-Executive Director)*
- Mr. Mak Hon Weng *(Member, Independent Non-Executive Director)*

The details of the terms of reference of the Audit Committee are available for reference at the Company's website at www.shcm.com.my.

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

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

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this Annual Report.

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

Further details of these transactions are set out in the Recurrent Related Party Transactions Circular to Shareholders dated 30 April 2018.

PRINCIPLE B: EFFECTIVE AUDIT (Cont'd)

I Audit Committee (Cont'd)

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

8.4 The Audit Committee assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditors.

The External Auditors, in supporting their independence, will provide the Audit Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors have provided such declaration in their annual audit plan presented to the Audit Committee of the Company during the financial year.

The external auditors of the Company fulfill an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Company and the Group.

The external auditors have an obligation to bring to the attention of the Board of Directors, the Audit Committee and Company management any significant defects in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The external auditors of the Company are invited to attend at least two (2) meetings with the Audit Committee a year to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the Audit Committee will also have private sessions with the external auditors without the presence of the management to enable exchange of views on issues requiring attention.

During the financial year, the amount of audit fee and non-audit fee paid or payable to the External Auditors of the Company during the financial year ended 31 December 2017 were as follows:

	Group (RM)	Company (RM)
Audit Fees	71,467	37,000
Non-audit Fees	11,600	2,000
Total	**83,067**	**39,000**

PRINCIPLE B: EFFECTIVE AUDIT (Cont'd)

I Audit Committee (Cont'd)

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

The non-audit fees were in respect of tax compliance, benchmarking study in respect of transfer pricing documents and agreed-upon procedures in respect of the computation of the revised exercise price.

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

The Audit Committee and the Board are satisfied with the performance, competence and independence of the external auditors and the Board had recommended their re-appointment to the shareholders' approval at the forthcoming Annual General Meeting.

The key features underlying the relationship of the Audit Committee with external auditors are included in the Audit Committee's terms of reference as detailed in Audit Committee section of this Annual Report.

II Risk Management and Internal Control Framework

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

9.1 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.

9.2 The Audit Committee is headed by the Independent Directors and members of key management team of the respective division. The primary responsibility and purpose of the Audit Committee is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The Audit Committee reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group's Business Unit.

The key features of the Audit Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on page 32 to 33 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT (Cont'd)

II Risk Management and Internal Control Framework (Cont'd)

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

The internal audit function is outsourced to a professional firm who reports directly to the Audit Committee.

The Statement on Risk Management and Internal Control furnished on page 32 to 33 of the Annual Report provides an overview on the state of internal controls within the Group, in an effort to manage risk.

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures of material information relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board has formalized pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

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

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

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

I Communication with Stakeholders

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

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognizes the importance of timely dissemination of information to shareholders.

In addition to shareholders participation at general meetings, the Board also encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the Independent Director, YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI at the contact details set out in the corporate information section of this Annual Report.

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving its shareholders as clear and complete information of the Company's financial performance, major developments and position as possible. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results and corporate website.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

II Conduct of General Meetings

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

12.1 The Annual General Meeting is the principal forum for dialogue and interaction with shareholders.

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both the individual and institutional investors on all aspects relevant to the Company at the Annual General Meeting. It is also a requirement for the Company to send the Notice of the Annual General Meeting and related circular to its shareholders at least twenty-one (21) days before the meeting. At the Annual General Meeting, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general to seek more information. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the Annual General Meeting.

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

For those Independent Directors who have served more than 12 years will be subject to 2-tier voting.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2017, the Company has applied the principles and recommendations of the corporate governance set out in MCCG 2017, where necessary and appropriate.

This Statement is made at the Board of Directors' Meeting held on 26 February 2018.

AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting process and internal control system.

The Audit Committee have adopted practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to all the Company's shareholders.

MEMBERSHIP

The Audit Committee is appointed by the Board and comprises exclusively of Independent Non-Executive Directors:

Chairman	
Mr. Thomas Tuan Kit Kwong	Independent Non-Executive Director
Members	
YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	Independent Non-Executive Director
Mr. Mak Hon Weng	Independent Non-Executive Director

MEETINGS

There were five (5) Audit Committee meetings held during the financial year 2017. The details of attendance of Committee members are as follows:

Name of Committee Members	Designation	Attendance
Mr. Thomas Tuan Kit Kwong	Chairman	5/5
YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	Member	4/5
Mr. Mak Hon Weng	Member	5/5

In addition to the Audit Committee members, the Head of Finance, the Internal Auditors and Company Secretary shall normally attend the meeting as invitees. Representatives of the External Auditors shall attend meetings where matters relating to the audit of the statutory accounts are to be discussed and to present the Audited Financial Statements at the specific meeting. Other Board members, Senior Management and Employees may attend the meeting upon the invitation of the Audit Committee Chairman. The Audit Committee shall meet with the External Auditors without the presence of the Executive Directors and the Management at least twice a year.

The Company Secretary shall be the secretary of the Audit Committee. Notice of meeting and supporting documents are to be circulated to the Audit Committee members at least seven (7) days prior to the meeting so as to provide the Audit Committee members with relevant and timely information for effective discussions during the meeting. The Audit Committee Chairman shall report on each meeting to the Board.

Any resolution in writing signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held and may consist of several documents in the like form, each signed by one or more members of the Audit Committee.

The Audit Committee members have undergone relevant training during the financial year to be apprised of regulatory changes as well as to stay abreast with contemporary issues that may affect the Group. Details of the Audit Committee members' training are shown in the Company's Corporate Governance Statement included in this Annual Report.

AUTHORITY

The Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

a) have authority to investigate any matter within its terms of reference;
b) have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties;
c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
d) be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and
e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

In line with the Terms of Reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2017 in discharging its functions and duties:

Financial Performance & Reporting

- Reviewed the unaudited quarterly financial announcements and annual financial statements of the Group prior to submission to the Board of Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016, Financial Reporting Standards, International Financial Reporting Standards and applicable Listing Requirements of Bursa Malaysia Securities Berhad.

- Reported to the Board on significant audit issues and concerns discussed during the Audit Committee meetings which have significant impact of the Group from time to time, for consideration and deliberation by the Board.

- Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report of the Company.

- The dates the Committee met during the financial year to deliberate on financial reporting matters are as detailed below:

Date of meetings	Financial Reporting Statements Reviewed
23 February 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2016 and the Audit Committee Report for the Board's approval and disclosure in the Company's Annual Report 2016.
5 April 2017	Audited Financial Statements for the financial year ended 31 December 2016 and the Statement on Risk Management and Internal Control for the Board's approval and disclosure in the Company's Annual Report 2016.
24 May 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the First quarter ended 31 March 2017.
24 August 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Second quarter ended 30 June 2017.
23 November 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Third quarter ended 30 September 2017.
26 February 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2017.

External Auditors

- Discussed and reviewed the external auditors' audit planning memorandum for the financial year ended 31 December 2017 outlining their auditors' responsibilities, engagement team, background of the group, business highlights, materiality, audit risk assessment, significant risks and areas of audit focus, consideration of fraud, internal control plan and involvement of internal auditors, involvement of component auditors, timetable, engagement quality control, independence policies and procedures and audit fees.

- Deliberated on the external auditors' report at its meeting with regard to the relevant disclosures in the annual audited financial statement for financial year ended 31 December 2017.

- Reviewed the external auditors' findings arising from audits, particularly comments and response in management letters in order to be satisfied that appropriate action is being taken.

- Discussed and reviewed with the external auditors the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.

- Dialogue session with the external auditors, without the presence of the Executive Director and management.

- Reviewed and evaluated the performance and effectiveness of the external auditors. The Audit Committee assessed the integrity, capability, professionalism and work ethics of the external auditors. The Audit Committee was satisfied with the external auditor's performance and therefore, the Audit Committee had recommended to the Board, the re-appointment of the external auditors at the Annual General Meeting.

- Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the external auditors.

- Received reports from the external auditors on their own policies regarding independence and the measures taken to control the quality of their work.

- The Audit Committee had numerous meetings with the external auditors during the financial year ended 31 December 2017 on 23 February 2017, 23 November 2017 and 26 February 2018 respectively to discuss on audit matters.

Internal Audit

- Reviewed the Internal Audit Report for the financial year ended 31 December 2017 from Internal Auditors and assessed the internal audits' findings, recommendations together with the Management's comments.

- Reviewed and assessed Internal Auditors based on staff strength, resources, professional integrity, independence, familiarity with Group's operation as well as reputation and recommended to the Board the re-appointment of Internal Auditors.

- Reviewed the adequacy and performance of Internal Audit function and its comprehensiveness of the coverage of activities within the Group.

- The Audit Committee had numerous meetings with the Internal Auditors during the financial year ended 31 December 2017 on 24 August 2017 and 26 February 2018 respectively to discuss on internal audit matters.

Related Party Transaction and Conflict of Interest

At each quarterly meeting, the Audit Committee reviewed the Related Party Transaction ("RPT") and Conflict of Interest ("COI") situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of management integrity.

The Audit Committee reviewed and determined whether the RPT and COI situation presented by the Management is fair, reasonable and on normal commercial terms and in the best interest of the Company prior to the Company entering into such transaction.

The Audit Committee must ensure:

(a) Adequate oversight over the controls on the identification of the interested parties and identification of the RPT and possible COI situations; and

(b) Assess and address the reasonableness of the RPT and COI situation to ensure that interested parties do not abuse their powers to gain unfair advantages.

During the financial year under review, there were no RPT and COI situation reported.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to Messrs Baker Tilly Monteiro Heng Governance Sdn. Bhd., a professional company specializing in providing accountancy, business and financial advisory services to multinational organisations. The professional fee and other cost incurred in respect of the internal audit function for the financial year ended 31 December 2017 was RM19,829.31.

During the financial year ended 31 December 2017 the internal auditors have carried out audits to assess the adequacy of the internal controls of the main operating subsidiaries, based on the audit plan approved by the Audit Committee. The internal auditors reported their findings and recommendations to the Audit Committee for deliberations together with the Management. Where areas of improvements were required, it was highlighted to the Management for implementation. The Audit Committee monitored the progress of the implementation.

The detail of internal audit functions during the period under review is stated in the Statement on Risk Management and Internal Control of this Annual Report.

During the period under review, the Internal Auditors carried out the following activities:

a) Presented and obtained approval from the Audit Committee the annual internal audit plan, its audit strategy and scope of audit work;

b) Performed audits according to the annual internal audit plan, to review the adequacy and effectiveness of the internal control system, compliance with policies and procedures and reported ineffective and inadequate controls and made recommendations to improve their effectiveness; and

c) Performed follow-up reviews in assessing the progress of the agreed management's action plans and report to the management and Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to present the Group's Statement on Risk Management and Internal Control for the financial year ended 31 December 2017 which is made in compliance with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's (Bursa Malaysia) main market listing requirements and is guided by "Statement on Risk Management and Internal Control : Guidelines for Directors and Listed Issuers" endorsed by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board is responsible for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. However, such a system is designed to manage the Group's risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the policies and business objectives of the Group. Therefore, it should be noted that it can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has undertaken the appropriate initiatives to strengthen the transparency, accountability and efficiency of the operations. The Board recognize the importance of ensuring that a sound system of internal controls and effective risk management practices are in place in the organization. It had therefore given due attention towards improving the effectiveness of internal control, risk management and governance process of the organization.

The management assist the Board in the implementation of the Board's policies and procedures on risk and control, also in the design, operations and monitoring of suitable internal controls to mitigate and control these risks.

RISK MANAGEMENT FRAMEWORK

The Board recognizes the importance of identifying and managing principal risks of the Group's daily operations and that the identification and the management of such risk will affect the achievement of the Group's corporate objectives. As part of the integral process of risk management, the Group's risk management framework shall be structured in which the existence of significant risk of the Group has been identified and quantified. Priority will be given for areas of high risks to assist the Board and Senior Management.

The functional management has been given a clear line of accountability and delegated authorities have been established as part of the internal control efforts through the standard operating practices. The senior management is responsible for identifying, managing and reporting on significant risks on an ongoing basis and any significant risk matters shall be brought to the attention of Executive Director, and if necessary, are also raised for discussion at Board meetings.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has engaged a professional firm, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH") to provide internal audit services to assist the Board in providing the assurance it requires on the effectiveness as well as the adequacy and the integrity of the Group's systems of internal control.

During the year under review, BTMH carried out review on the effectiveness of the internal control systems and highlights to the Audit Committee any significant findings in respect of non-compliance and major control weaknesses of which the management is responsible for ensuring the corrective actions are taken on the reported weaknesses.

The internal audit reviews are carried out using risk-based approached and based on major operating cycles as recommended and agreed with senior management and endorsed by the Audit Committee.

In the year under review, the following reviews on the Group's operations were undertaken by the internal Auditors :

- Harvesting Program and Work Monitoring at the Plantation Estate
- Procurement Process at the Plantation Estate
- Manuring Process and Documentation of Movement of Fertilizers
- Work Process for Contract Works

The findings arising from the above reviews have been reported to the management for their response and subsequently for the Audit Committee deliberation before they are reported to the Board. Where weaknesses were identified, recommended procedures have been or are being put in place to strengthen controls.

THE INTERNAL CONTROL PROCESS

The following are the key processes that have been established as part of the Group's internal control effort :

a) Internal control efforts were done through standard operating procedures and guidelines involving operational planning, capital expenditure, safeguarding of assets against unauthorized use or disposition, financial and accounting records, reporting system and monitoring of Group's business and performances.

b) The Executive Directors through their daily involvement in the business operations and attendance at operational and management level of meetings, monitor the Group's policies and procedures.

c) The Audit Committee review internal control issues identified by the internal and external auditors and evaluate the adequacy and the effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits.

d) The Corporate office at the holding company coordinates and monitors the monthly performance results of the independent operational units, based on actual against budgeted financial performances, key business indicators and highlights of the related happenings. The liquidity position of the Group is monitored daily through the online banking system and also through the weekly reporting of bank transactions of the business units.

The internal control system will continue to be reviewed, added on or updated in line with the changes in the operating environment.

This statement is issued in accordance with a resolution of the Board date 16 April 2018.

CONCLUSION

For the financial year under review up to the date of approval of this statement for inclusion in the annual report, based on inquiry, information and assurance provided by the Managing Director and Executive Director the Board is of the opinion that the internal control system was generally satisfactory and adequate for their purpose. There will be continual focus on measures to protect and enhance shareholders' value and business sustainability.

SUSTAINABILITY STATEMENT

INTRODUCTION

In tandem with our drive to create greater value not only for the Group but also the communities in which we operate, our sustainable business practices take into consideration Economic, Environmental and Social pillars.

The primary objective of this Sustainability Report is to elaborate on the Group's collective sustainability efforts. Our Sustainability Report covers the Group's efforts and initiatives undertaken in the financial year ended 31 December 2017.

This report details material issues pertinent to the Group's diversified business streams and highlights key measures carried out by our various business units and subsidiaries in Malaysia. There are no significant restatements of data compared to prior years as this is our first sustainability report.

Our "Sustainability Policy" supports our commitment to reaching the forefront of our industry and meeting the commercial expectations of our shareholders while ensuring that we do not compromise the long term wellbeing and health of all stakeholders and the environment in which we operate. The said Sustainability Policy entails:

- Compliance of ethical standards by suppliers;
- Compliance to environmental and occupational safety and health regulations;
- "Green" principles in procurement practices;
- Management and disposal of waste in a responsible manner;
- Incorporation of green technology into our engineering practices
- Commitment to ensure a safe and healthy working environment;
- Fair and just treatment of employees;
- Training and development of employees;
- Contributions towards local authorities and communities;
- Uphold business excellence and continuity;
- On-going development of clients for long-term partnerships; and
- Compliance to better practices under the Malaysian Code of Corporate Governance.

GOVERNANCE STRUCTURE

We do not have a Sustainability Committee at the Board level, however, there is a Sustainability Steering ("SS") Committee comprising senior Heads of Department of relevant operations, chaired by our Group Managing Director. The SS Committee plays the role of Chief Sustainability Officer, reporting directly to the Board of any sustainability matters from time to time.

The SS Committee oversees the implementation of the organisation's sustainability approach and ensures that key targets are monitored. There is another Sustainability Working ("SW") Committee comprising key staff from various departments of the operating companies nominated by the SS Committee. The said composition allows the SS Committee to leverage on departmental access to information and specific stakeholders. The SW Committee's reporting duties include provision of information, collection of feedback from stakeholders, as well as addressing material issues and driving initiatives approved by the SS Committee.

STAKEHOLDERS IDENTIFIED

The Group continues to engage its valued stakeholders through various methods such as discussion and dialogue sessions. This feedback is integral for the Group to further develop its sustainability agenda and improve its long term relationships. Thus far, the following stakeholders have been identified:

Stakeholders	Proposed Mode of Engagement	Frequency of Engagement	Sustainability Material Matters	Sustainability Issues of Concern
Shareholders & Investors (High)	- Annual General meeting - Announcements on Bursa Malaysia - Press releases - Financial statements - Annual report	- Annually - Quarterly	- Industry environment - Profitability - Dividend - Return on Investment - Financial performance - Share performance - Ethics & integrity - Corporate governance and transparency	- Growth trajectory - Acquisitions and expansion - Market diversification - Risk management - Corporate governance - Sustainability performance and tracking - Reporting standards
Customers (Critical)	- Face to face interaction - Customer feedback - Customer buy-off - Marketing promotions - Engagement surveys - Customer audits	- Weekly - Monthly - Half yearly - Annually - As needed	- Customer satisfaction & brand reputation	- Product quality - Pricing - Quality - Product safety - Goods delivery/logistics - Customer visit and survey - Customer service and experience - Equitable business operations
Employees (Critical)	- Management meeting - Employee performance appraisals - Training programme - Employees feedback	- Weekly - Monthly - Half yearly - Annually - As needed	- Learning & development - Occupational Safety & Health - Employee welfare - Talent retention - Skilled labour	- Job security - Remuneration and benefits - Career development and training opportunities - Workplace health and safety - Labour and human rights - Work-life balance
Government & Regulators (High)	- Regulatory requirement - On-going interaction - Formal and informal meetings - Government programmes and initiatives	Periodically	Compliance	- Compliance to applicable laws - Security issues - Waste Management - Public Nuisance issues - Labour practices - Environmental issues - Occupational Safety & Health - Economic, environmental and social impacts

STAKEHOLDERS IDENTIFIED (Cont'd)

Stakeholders	Proposed Mode of Engagement	Frequency of Engagement	Sustainability Material Matters	Sustainability Issues of Concern
Local communities (Moderate)	- Meetings with various stakeholders - Contribution to environment and social enhancement - Sustainability related programmes	Periodically	Community development	- Social & environmental issues in relation to business operations - Support towards community development - Job creation for local community - Undertaking of business in a responsible manner

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED

The Group considers the key matters listed above as important to sustain our business operations into the foreseeable future.

The Group has established a set of reporting parameters for all the key sustainability matters that it has identified. Going forward, the business operation will record and report the performance of these key sustainability matters which will be presented to the SS and SW committees for their review and consideration.

The Group has identified the following matters as key to its sustainability journey:

I. Customer Value Creation

For mutual growth, we work closely with our customers to understand their needs and expectations which helps us in providing the highest levels of customer satisfaction. Being in constant communication with our customers is extremely important, as their feedback is invaluable in helping us maintain the highest level of quality in our products and services. For the plantation segment, our main customers are our CPO mills which purchase our FFB. We are in constant communication with our mill partners to seek their feedback and advice with regards to our crop delivery and quality. For the energy and facilities management segment, we also strive to maintain open and direct communication with our valued clients to ensure that any issues or problems are immediately addressed.

Quality products, timely delivery, and customer service are the aspects most valued by our customers. Operational excellence and strict quality control allow us to maintain our quality, continuous communication is another activity we undertake to ensure customers are consistently satisfied.

We conduct regular visits to customer sites in order to exchange information on technical matters as well as to offer support on matters regarding our products and services.

II. Regulatory Compliance

Compliance to local laws is pivotal to sustaining our business and to maintaining our reputation within the environment in which we operate. Credibility is a currency which is imperative for sustaining our business and one way we maintain our credibility is through compliance with local laws and regulations.

All business and support departments are tasked with ensuring they comply with regulations affecting their area of work or operations.

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED (Cont'd)

II. Regulatory Compliance (Cont'd)

Given that good governance and ethical conduct is critical to building and maintaining trust and confidence, SHC has embarked on several on-going initiatives across all businesses and implemented various policies including but not limited to:

- Code of Ethics; and
- Whistleblowing policy and procedures.

We take cognisance of the importance of continually developing our practices to ensure that we conduct our activities in accordance with the laws, rules and regulations as well as support our employees to consistently uphold the highest standards of integrity and accountability.

Our policies are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

During the Financial Year 2017 ("FY2017"), no cases of ethics and integrity practices breaches were reported.

III. INTEGRATED & RESILIENT WORKFORCE

At SHC, we recognise that our success is tied to the capabilities and wellbeing of our dedicated workforce. We therefore aim to maintain a conducive and inclusive workplace to look after our valued employees and workers. Our employees are one of the most important driving forces of sustainability across our operations. In particular, our plantation business relies substantially on the availability of harvesters and field workers. Without a sufficient workforce, our ability to harvest all the FFB from the field to be delivered to the mill is hampered. Similarly, for the energy and facilities management segment, our workforce is essential to meeting key performance indicators and maintaining client satisfaction. Our goal to support the company's strategy in relation to human resources is to build a trustworthy and honest workforce committed to provide excellent services and products to our precious customers.

a. Occupational Health and Safety

Workplace safety is essential to the sustainability of any corporation. At SHC, the Company's value proposition starts, first and foremost, with an unrelenting commitment to employee safety. In our management meetings, safety is one of the key agenda items discussed.

Nevertheless, continuous efforts have been put in place to ensure a sustainable safe work place environment. In this respect, we have an Occupational Safety & Health Management System set up based on occupational health and safety risk of our Group, and have considered the requirements of relevant Environment, Health & Safety ("EHS") legislations. In particular, we have:

- established Standard Operating Procedures ("SOP") for each work activity; conducted Hazard Identification, Risk Analysis and Risk Control generated from SOP and work activities;
- ensured compliance with applicable EHS requirements such as Occupational Safety & Health Act 1994, Factory and Machinery Act 1967, Fire Service Acts, and its associated Regulations and Orders;
- implemented an Engineering and Administrative control throughout the machine and work system;
- monthly audits on safety issues and regular inspection to identify unsafe activity and unsafe condition;
- appoint safety and health committee and conduct safety and health committee member meeting;
- seek continuous improvement in our occupational health and safety performance by taking into account evolving community expectations and management practices;
- train and hold individual employees accountable for their area of responsibility;

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED (Cont'd)

III. INTEGRATED & RESILIENT WORKFORCE (Cont'd)

- manage risk by implementing management systems to identify, assess, monitor and control hazards and by reviewing performance;
- communicate openly with employees, government and the community on occupational health and safety issues; and
- periodically review occupational health and safety policy to ensure its effectiveness and suitability to the nature of work.

During Financial Year 2017 ("FY2017"), no cases of Occupational Health and Safety ("OHS") incidents were reported.

b. Promotion of Occupational Health & Safety

We conform to local occupational health and safety regulatory requirements and practice self-checks for operations and maintenance of facilities.

While we take every possible measure to safeguard the occupational health and safety of individuals involved in our operations, all our employees possess general duties to comply with occupational health and safety standard operating procedures in accordance to Section 24 of the Occupational Safety and Health Act 1994.

We continuously aim to improve our safety culture through the renewal and deployment of occupational health and safety trainings and courses delivered to selected personnel.

IV. FAIR EMPLOYMENT PRACTICES

In addition to developing a healthy and safe workplace, we strive to provide our employees a diverse and inclusive working environment where their human rights are respected. In upholding human rights of our employees and to prevent human rights violations, we have put in place policies and procedures to ensure a healthy, safe and secure workplace.

The following are key policies and measures enshrined in our Code of Ethics (dos and don't) policy statement as well as our employee handbook.

a. Equal Employment Opportunity

In the appointment and recruitment process of SHC, we pride ourselves in being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, creed, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the work environment, all employment.

b. Workforce Diversity

We believe in keeping one of our key stakeholders, i.e. our employees engaged with the aim to bring forth their full potential and enabling a satisfying career for each of them. At the same time, we are inclusive and are mindful to encourage balanced participation of female employees in our business. We continue to promote and attract talents from the local community or within the same state which we operate in. We are proud to contribute to the local economies by creating employment in the communities in which we operate, majority of our office staff coming from the local communities.

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED (Cont'd)

IV. FAIR EMPLOYMENT PRACTICES (Cont'd)

c. Adherence to Minimum Wage

We observe the Minimum Wages Order 2012 and its subsequent amendments as and when announced by the government.

d. Prohibition of Harassment

We are committed to providing a work environment which is conducive, safe and free of any form of harassment and unlawful discrimination. The group views sexual harassment as a serious violation of our rules and regulations and work values. To prevent discrimination, we have a sexual harassment policy and a grievance procedure available to all and we ensure that employees are briefed about these.

During the reporting period there were no recorded instances of discrimination. Any employee found guilty of such misconduct will be subject to disciplinary actions that may include dismissal.

e. Prevention of Child Labour

We observe Children and Young Persons (Employment) (Amendment) Act 2010.

We employ only those 18 years and above in our recruitment exercise. This is in line with the policies of the international labour organisation.

f. Employees' Benefits and Compensation

We value the contributions of our diverse employees and continuously attract talents to join us by providing a supportive working environment as well development opportunities. We provide an integrated welfare system and treat all employees equally on all of our sites.

The Group complies with the various local statutory requirements and regulations on wages and benefits such as minimum wages order, employees' provident fund and SOCSO.

Other employee welfare bonuses include travel allowance, subsidies for hospitalisation and surgical insurance coverage and group personnel accident insurance, communications expenses, uniform and personal protective appliances, application of residence permits for current employees, staff compensation leave, festive gifts and events. This is to express our group's commitment for optimal work-life integration, and personal effectiveness.

g. Training and Development

In building a strong workforce, we are committed to providing an environment for our employees to enhance their skills and knowledge within the industry. This will benefit not only the personal growth and development of our employees but also the company's growth as a whole.

Training is also very important to ensure that our employees have the required competencies to perform their work and deliver their best output. We therefore encourage our employees to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities.

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED (Cont'd)

V. ENVIRONMENTAL MANAGEMENT

a. Waste Management

Waste has an extremely damaging impact on the environment and our ecosystem as a whole. Due to increasing waste intensive production activities, waste management is crucial for mitigating the impact of waste on the environment and ecosystem.

At SHC Group, we implement sustainability guidelines that improve waste management in both our plantations and all our worksites related to energy and facilities management. Our goal is to avoid and minimise the generation of waste wherever possible, We continuously search for solutions to effectively manage waste. In our daily operations, we implement waste minimisation programmes to monitor and track sources and causes of waste generation. This initiative reduces waste generation and simultaneously educates employees about mitigating and ultimately reducing waste generation. We build and maintain scheduled waste shelters to properly store scheduled waste and prevent the discharge of hazardous materials.

b. Energy Management

Energy management, as an integral part of combating climate change, calls for the need to efficiently utilise energy resources in order to effectively mitigate any detrimental effects on the environment. Efficiency of energy management is at the core of our energy and facilities management segment. We provide our clients with value engineering solutions to make their buildings and chiller plants more energy efficient, thereby reducing electricity consumption, operating costs and the building's carbon footprint.

District cooling systems are the most energy efficient method of providing cooling energy to a development. Moreover, we have increased the efficiency of our district cooling plant through several initiatives such as using series counter flow chillers and Thermal Energy Storage (TES) tank technology.

As part of our efforts to manage energy consumption and subsequently reduce our carbon emissions, we have also implemented smaller initiatives such as replacing all lights at our work place with energy saving light-emitting diode ("LED") lamps.

VI. COMMUNITY

Today, companies operate in a community-conscious landscape. Recognising the importance of community development and contributions to society is crucial if we are to stay relevant in the business world. SHC Group has in place a Corporate Social Responsibility ("CSR") Vision which has its cornerstone the values of warmth, of dreams, and of being human. The Vision directs us to return a part of our profits to society, undertake voluntary participation which creates sense of reward, and create the passion for community service based on our philosophies.

The Group has undertaken the development of oil palm plantations in rural Sarawak, with the aim at bringing social and economic benefits to the neighbouring community. We constructed several main rural access roads and bridges and continue to maintain them for the benefit of the estate and the local community. In addition, our estates provide employment and contractual opportunities to the rural folks. We are pleased to contribute social contributions to our local community during auspicious occasions.

This Sustainability Statement is made in accordance with the resolution of the Board of Directors dated 16 April 2018.

FINANCIAL STATEMENTS

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 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities.

The principal activities of the subsidiaries are as disclosed in Note 16 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year, attributable to Owners of the Company	(932,224)	(1,302,680)

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

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2017.

DIRECTORS

The Directors who served during the financial year up to the date of this report are:

Dato' Choo Keng Weng
YBM Tunku Mahmood bin Tunku Mohammed D.K. PSI
Thomas Tuan Kit Kwong
Mak Hon Weng
Lee Kok Choon *(Appointed on 21 July 2017)*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of fees and emoluments received or due and receivable by the Directors from the Company and its related corporations, or the fixed salary of a full time employee of the Company as disclosed in Note 8(c) to the financial statements) by reason of a contract made by the Company or its related corporations 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 other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 31 to the financial statements.

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

DIRECTORS' INTEREST IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests of Directors in office in the shares of the Company and of its related corporations at the end of the financial year are as follows:

	Number of ordinary shares			
	At 1.1.2017	**Acquired**	**Sold**	**At 31.12.2017**
Interest in the Company:				
Direct interest				
Dato' Choo Keng Weng	17,364,293 *	-	-	17,364,293
Lee Kok Choon	-	2,500,000	-	2,500,000
Deemed interest				
(by virtue of his interest in Macronet Sdn. Bhd.)				
Dato' Choo Keng Weng	2,925,000	-	-	2,925,000

*Note : * Includes shares held by nominees*

Save as disclosed above, none of the other Directors in office at the end of the financial year has interest in the shares of the Company and its related corporations during and as of the end of the financial year.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 8 (c) to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid up share capital of the Company was increased from RM115,066,787 to RM118,091,787 by way of issuance of 5,000,000 new ordinary shares pursuant to the acquisition of 25% equity interest in KJ Technical Services Sdn. Bhd. ("KJTS") at issue prices of RM1 per ordinary share. Details of the acquisition are disclosed in Note 17 to the financial statements.

The new ordinary shares issued during the financial year rank pari passu in all respects with existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

SHARE OPTION SCHEME

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

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (Cont'd)

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

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

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

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

(iv) 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.

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

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person other than as disclosed in Note 27 to the financial statements; or

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

In the opinion of the Directors:

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

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

COMPANY'S SHAREHOLDING

The details of the Company's shareholding in its subsidiaries are disclosed in Note 16 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 8 to the financial statements.

AUDITORS

The auditors, Messrs. ECOVIS AHL PLT, have expressed their willingness to continue in office.

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

Dato' Choo Keng Weng
Director

Thomas Tuan Kit Kwong
Director

Kuala Lumpur
16 April 2018

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **Sin Heng Chan (Malaya) Berhad** ("the Company") and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2017 of the Group and of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 49 to 110.

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

Basis for Opinion

We conducted our audit in accordance with approved standards of auditing in Malaysia and International Standards on Auditing (ISAs). 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Impairment assessment on cash-generating-units

As of 31 December 2017, the Group has identified two cash-generating-units ("CGU") which are made up by an oil palm plantation ("CGU 1") and a district cooling system ("CGU 2").

The Group is required to assess annually whether there is any indication that the respective CGU may be impaired. Impairment exists when the carrying amount of CGU exceeds its recoverable amount, which is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU").

For CGU 1, the Group determined its FVLCS by making reference to an independent valuation report prepared by an independent external valuer on two parcels of land developed as oil palm plantation and the future economic benefits to be expected from the continued use of those lands.

CGU 2 originate from the acquisition of a subsidiary during the year. The Group has determined its recoverable amount based on the VIU method. Estimating the VIU of CGU involves estimating the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate of return applicable to the Group.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

Impairment assessment on cash-generating-units (Cont'd)

Significant estimates and judgements were applied by management in determining the recoverable amounts of both CGU. The key source of estimation uncertainty relating to the impairment assessment of both CGU are disclosed in Note 4.2 (a) & (b) to the financial statements.

Our audit procedures in assessing appropriateness of the recoverable amounts of those CGU include:

- Considering the competence, capabilities, objectivity and expertise of the professional valuer;
- Obtaining an understanding of the methodology adopted by the professional valuer and evaluating the reasonableness of the variables and assumptions used in estimating the fair value of the oil palm plantation;
- Evaluating reasonableness of the VIU computation in terms of key assumptions applied and suitability of approach used by management in estimating the future cash flows expected to arise from the CGU;
- Evaluating the discount factor applied to determine if the rate used reflects the current market assessment of the time value of money; and
- Evaluating the disclosure of key assumptions applied in the cash flows projection. Key assumptions are those to which the recoverable amount is most sensitive, as disclosed in Note 19 to the financial statements.

We had determined that there are no key audit matters to be communicated in respect of the audit of the separate financial statements of the Company.

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 the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

Responsibilities of the Directors for the Financial Statements (Cont'd)

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole that 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 of auditing in Malaysia and ISAs 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 basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with approved standards of auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

OTHER MATTERS

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

ECOVIS AHL PLT
AF 001825
Chartered Accountants

CHUA KAH CHUN
No. 2696/09/19 (J)
Chartered Accountant

Kuala Lumpur
16 April 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	5	18,046,797	14,897,582	-	-
Cost of sales		(14,237,928)	(10,899,420)	-	-
Gross profit		3,808,869	3,998,162	-	-
Other operating income		2,422,783	5,944,659	2,005,215	9,475,167
Administrative expenses		(3,262,053)	(3,393,494)	(1,938,913)	(1,746,349)
Other operating expenses		(1,694,959)	(1,507,169)	(1,350,212)	(4,145,659)
Profit/(loss) from operations		1,274,640	5,042,158	(1,283,910)	3,583,159
Share of results of associates		1,283,325	-	-	-
Finance costs	7	(3,688,466)	(2,463,878)	(18,770)	430,635
(Loss)/profit before tax	8	(1,130,501)	2,578,280	(1,302,680)	4,013,794
Tax credit/(expense)	9	198,277	32,070	-	(536,472)
Net (loss)/profit/Total comprehensive (loss)/income for the financial year		(932,224)	2,610,350	(1,302,680)	3,477,322

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM
Net (loss)/profit for the financial year attributable to:			
Owners of the Company		(932,224)	2,610,350
Total comprehensive (loss)/ income attributable to:			
Owners of the Company		(932,224)	2,610,350
Basic and diluted earnings per ordinary share (sen)	10	(0.79)	2.27

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	11	8,891,139	8,891,515	807,488	268,126
Plantation development expenditure	12	77,212,680	78,643,913	-	-
Prepaid lease payments	13	17,223,294	17,664,917	-	-
Investment properties	14	10,021,497	10,089,758	10,021,497	10,089,758
Concession financial assets	15	57,321,381	-	-	-
Investment in subsidiaries	16	-	-	65,989,015	58,489,015
Investment in associates	17	9,308,325	-	8,025,000	-
Available-for-sale investment	18	-	2,800,000	-	2,800,000
Goodwill on consolidation	19	19,192,988	16,329,389	-	-
		199,171,304	134,419,492	84,843,000	71,646,899
Current assets					
Inventories	20	683,549	794,044	-	-
Trade receivables	21	2,422,208	1,810,743	-	-
Other receivables, deposits and prepayment	21	2,722,548	453,123	255,865	113,598
Tax recoverable		-	36,372	-	-
Amount owing by other related companies	22	423,514	917,973	-	-
Amount owing by subsidiaries	22	-	-	16,060,010	14,922,855
Fixed deposits, cash and bank balances	23	7,293,820	12,706,958	443,645	12,694,689
		13,545,639	16,719,213	16,759,520	27,731,142
Asset classified as held for sale	24	-	936,468	-	-
		13,545,639	17,655,681	16,759,520	27,731,142
Total assets		212,716,943	152,075,173	101,602,520	99,378,041

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	25	118,091,787	115,066,787	118,091,787	115,066,787
Accumulated losses		(36,549,859)	(35,617,635)	(24,935,832)	(23,633,152)
Total equity		81,541,928	79,449,152	93,155,955	91,433,635
Non-current liabilities					
Finance lease liabilities	26	786,275	376,273	511,448	247,721
Borrowings	27	69,111,799	29,676,402	-	-
Deferred tax liabilities	28	8,207,350	8,416,490	-	-
		78,105,424	38,469,165	511,448	247,721
Current liabilities					
Trade payables	29	1,367,370	799,324	-	-
Other payables and accruals	29	19,532,202	8,005,998	7,838,572	7,601,267
Finance lease liabilities	26	175,164	183,818	96,545	95,418
Borrowings	27	29,301,305	25,134,116	-	-
Amount owing to other related companies	22	2,659,950	-	-	-
Tax liabilities		33,600	33,600	-	-
		53,069,591	34,156,856	7,935,117	7,696,685
Total liabilities		131,175,015	72,626,021	8,446,565	7,944,406
Total equity and liabilities		212,716,943	152,075,173	101,602,520	99,378,041

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	← Attributable to Owners of the Company → Non-distributable Share capital RM	Distributable Accumulated losses RM	Total equity RM
Group				
Balance as at 1 January 2017		115,066,787	(35,617,635)	79,449,152
Issuance of ordinary shares	25	3,025,000	-	3,025,000
Total comprehensive loss for the financial year		-	(932,224)	(932,224)
Balance as at 31 December 2017		118,091,787	(36,549,859)	81,541,928

	Note	← Attributable to Owners of the Company → Non-distributable Share capital RM	Distributable Accumulated losses RM	Total equity RM
Group				
Balance as at 1 January 2016		115,066,787	(38,227,985)	76,838,802
Total comprehensive income for the financial year		-	2,610,350	2,610,350
Balance as at 31 December 2016		115,066,787	(35,617,635)	79,449,152

	Note	← Attributable to Owners of the Company → Non-distributable Share capital RM	Distributable Accumulated losses RM	Total equity RM
Company				
Balance as at 1 January 2016		115,066,787	(27,110,474)	87,956,313
Total comprehensive income for the financial year		-	3,477,322	3,477,322
Balance as at 31 December 2016/1 January 2017		115,066,787	(23,633,152)	91,433,635
Issuance of ordinary shares	25	3,025,000	-	3,025,000
Total comprehensive loss for the financial year		-	(1,302,680)	(1,302,680)
Balance as at 31 December 2017		118,091,787	(24,935,832)	93,155,955

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	(1,130,501)	2,578,280	(1,302,680)	4,013,794
Adjustments for:				
Amortisation of plantation development expenditure	2,391,812	2,397,632	-	-
Amortisation of prepaid lease payments	441,623	465,346	-	-
Depreciation of property, plant and equipment	1,053,115	1,342,265	191,189	182,393
Amortisation of investment properties	68,261	-	68,261	-
Finance costs	3,688,466	2,908,482	18,730	17,364
Provision for interest payable to a former non-controlling interest				
– current year	-	3,395	-	-
– prior year	-	(448,000)	-	(448,000)
Share of profit of associates	(1,283,325)	-	-	-
Allowance for doubtful debts	-	-	12,466	17,086
Bad debt written off	-	-	-	3,004,864
Deposits and prepayments written off	-	(100,000)	-	(100,000)
Property, plant and equipment written off	17,337	284,736	-	-
Financial income on concession financial assets	(1,750,608)	-	-	-
Interest income	(224,054)	(315,375)	(500,442)	(580,914)
Gain on disposal of property, plant and equipment	(275,412)	(145,337)	(216,258)	(6,171)
Gain on disposal of shop houses	(163,532)	-	-	-
Gain on disposal of subsidiary	-	(5,318,255)	-	(7,723,378)
Operating profit/(loss) before working capital changes	2,833,182	3,653,169	(1,728,734)	(1,622,962)
(Increase)/decrease in:				
Inventories	110,495	(201,442)	-	-
Trade receivables	4,439,311	(447,615)	-	-
Other receivables and prepayments	2,788,330	359,024	(142,266)	312,507
Amount owing by subsidiaries	-	-	(1,149,621)	(2,028,763)
Amount due from related parties	-	165,710	-	-
Concession financial asset	2,984,743	-	-	-
Increase/(decrease) in:				
Trade payables	(2,768,889)	260,591	-	-
Other payables and accrued expenses	281,712	471,682	237,305	767,094
Amount owing to other related companies	2,285,234	-	-	-
Cash generated from/(used in) operations	12,954,118	4,261,119	(2,783,316)	(2,572,124)
Interest paid	(3,688,466)	(2,463,878)	(18,730)	430,636
Interest received	224,054	315,375	500,442	580,914
Tax paid	25,510	(569,471)	-	(536,471)
Net cash generated from/(used in) operating activities	9,515,216	1,543,145	(2,301,604)	(2,097,045)

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

	Group		Company	
	2017 **RM**	**2016** **RM**	**2017** **RM**	**2016** **RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of plantation development expenditure (Note (a))	(960,579)	(1,191,709)	-	-
Proceeds from disposal of subsidiary	-	10,500,000	-	10,500,000
Proceeds from disposal of other investment	2,800,000	-	2,800,000	-
Acquisition of subsidiary, net of cash acquired (Note 16.1)	(7,807,468)	-	(7,500,000)	-
Acquisition of associates	(8,025,000)	-	(8,025,000)	-
Purchase of property, plant and equipment (Note (b))	(268,194)	(350,556)	(180,180)	(7,800)
Proceeds from disposal of property, plant and equipment	368,585	285,500	301,887	7,000
Proceeds from disposal of shop houses	1,100,000	-	-	-
Net cash (used in)/generated from investing activities	(12,792,656)	9,243,235	(12,603,293)	10,499,200
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	3,025,000	-	3,025,000	-
Repayment of borrowings – net	(3,928,316)	(1,339,316)	-	-
Repayment of lease liabilities – net	(484,252)	(407,018)	(371,147)	(93,006)
Net cash (used in)/generated from financing activities	(1,387,568)	(1,746,334)	2,653,853	(93,006)

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

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,665,008)	9,040,046	(12,251,044)	8,309,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(10,383,847)	(19,423,893)	12,694,689	4,385,540
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	(15,048,855)	(10,383,847)	443,645	12,694,689

Note (a): During the financial year, the Group's additions to plantation development expenditure amounted to RM960,579 (2016: RM1,191,709) of which RM766,908 (2016: RM820,731) represents borrowing costs capitalised. The remaining additions of RM193,671 (2016: RM370,978) was paid in cash.

Note (b): During the financial year, the Group's and the Company's additions to property, plant and equipment amounted to RM1,153,794 (2016: RM523,496) and RM816,180 (2016: RM7,800) of which RM885,600 (2016: RM172,940) and RM636,000 (2016: Nil) were financed through finance lease arrangements. The remaining additions of RM268,194 (2016: RM350,556) and RM180,180 (2016: RM7,800) were paid in cash by the Group and the Company respectively.

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

1. GENERAL INFORMATION

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

The Company is principally an investment holding company. The principal activities of the subsidiaries and associates are disclosed in Note 16 and 17 to the financial statements.

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

The registered office of the Company is located at Suite 2.02, Level 2, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on 16 April 2018.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ('FRS') and the requirements of Companies Act, 2016 in Malaysia. The financial statements of the Group and of the Company have been prepared on the historical cost convention, except as disclosed in Note 3 to the financial statements.

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

The preparation of financial statements in conformity with FRS in Malaysia requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

Adoption of FRS and Amendments to FRSs during the Current Financial Year

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year, except for the adoption of the following FRS and Amendments to FRSs:

Effective for financial periods beginning on or after 1 January 2017

- Amendments to FRS 12, Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)
- Amendments to FRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to FRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of FRS and Amendments to FRSs did not result in significant changes in the accounting policies of the Group and Company and has no significant effect on the financial performance or position of the Group and Company for the current financial year.

2. BASIS OF PREPARATION (Cont'd)

Accounting standards, amendments and interpretations to existing accounting standards not yet effective

The following are accounting standards, amendments and interpretations to existing standards that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group and the Company. The Group and the Company will adopt these standards, amendments and interpretations to existing standards, if applicable, when they become effective:

(i) Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)
- MFRS 15, Revenue from Contracts with Customers
- MFRS 15, Clarification to MFRS 15
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First time Adoption of Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

(ii) Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long Term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments

(iii) Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

(iv) Effective date yet to be determined

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. BASIS OF PREPARATION (Cont'd)

Accounting Standards, Amendments and Interpretations to Existing Accounting Standards not yet Effective (Cont'd)

The Group's and the Company's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). The Group and the Company fall within the scope of MFRS 141 Agriculture and IC Interpretation 15, Agreements for the Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called Transitioning Entities). Therefore, the Group and the Company are currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and is referred to as a "Transitioning Entity".

The subsequent adoption of the MFRS Framework would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2017, which adjusts for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework. This may result in a restatement of the financial statements for the financial year ended 31 December 2017 in accordance with MFRS, which would form the MFRS comparatives for the financial statements for the financial year ending 31 December 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9, Financial Instruments (as issued by International Accounting Standard Board in July 2014) replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss.

For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at FVTPL. For these, the portion of fair value changes caused by changes in an entity's own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

MFRS 9 also introduces the expected credit loss model (ECL) instead of the current incurred loss model to be applied to current and non-current receivables. The Group and Company are still assessing the impact of these and other accounting changes that will arise under MFRS 9 and cannot reasonably estimate the impact as at the date of this report. The Group expects to be in a position to estimate the impact of MFRS 9 when finalising reporting for first quarter of the year commencing 1 January 2018.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature of the Group's and Company's disclosures about its financial instruments particularly in the year of adoption of the new Standard. The Group and the Company will adopt the standard using the cumulative catch-up transition method and will therefore not restate comparative periods. Hence, the cumulative effect of initially applying the Standard will be recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018 and comparatives will not be restated.

2. BASIS OF PREPARATION (Cont'd)

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The Standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risks and rewards. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this Standard.

The Group and Company have elected to apply the modified retrospective approach for the initial adoption of MFRS 15. In accordance with this transition method, the Group and Company must apply MFRS 15 retrospectively only for those contracts which have not been fulfilled as of 1 January 2018. The resultant impact of initial application, if material, will be recognised in equity as of 1 January 2018, thus having no effect on prior year's income statement. The prior year's amounts will not be restated.

The provision in MFRS 15 are complex and high level of care is needed to interpretations requirements, especially on its application to revenue from concession agreement. Therefore, the Group and Company are continuing to assess the impact of the new standard and other accounting changes that will arise under MFRS 15 and cannot reasonably estimate the impact as at the date of this report. The Group expects to be in a position to estimate the impact of MFRS 15 when finalising reporting for first quarter of the year commencing 1 January 2018.

MFRS 16, Leases

MFRS 16, Leases is a new Standard that will supersede MFRS 117, Leases and related IC interpretations effective for financial period beginning 1 January 2019. MFRS 16 eliminates the distinction between finance and operating leases for lessees. It requires a lessee to recognise a "right-to-use" of the underlying assets and a lease liability reflecting future lease payments for most leases. The "right-to-use" is depreciated in accordance with the principles in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense to be recognised in income statement. This effectively means all leases are reflected on the balance sheet for lessees. For lessors, MFRS 16 retains most of the requirements in MFRS 117 and lessors continue to classify all leases as either operating or finance lease and account for them differently. There are recognition exemptions for short term leases and leases of low-value items.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

MFRS 141, Agriculture and Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants

MFRS 141, Agriculture prescribes the accounting treatment, financial statements presentation, and disclosures related to most agricultural activity. It requires measurement at fair value less costs to sell from initial recognition of biological assets, except for bearer plants, up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. This Standard requires that subsequent change in fair value less costs to sell of a biological asset be included in profit and loss for the period in which it arises.

Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants issued in June 2014 amended the scope of MFRS 116, Property, Plant and Equipment to include bearer plants related to agricultural activity, whilst MFRS 141 applies to the produce growing on those bearer plants. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce for more than one period and has a remote likelihood of being sold as agriculture produce, except for incidental scrap sales. Produce growing on bearer plants is a biological asset and shall be measured at fair value less cost to sell.

2. BASIS OF PREPARATION (Cont'd)

MFRS 141, Agriculture and Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants (Cont'd)

The Group's agriculture produce comprises fresh fruits bunches ("FFB") prior to harvest. Management is assessing the fair value of unharvested FFB at any one time by considering marketability of unripe FFB in terms of oil content. The Group expects to be able to arrive at the fair value of agriculture produce when finalizing reporting for first quarter of the year commencing 1 January 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Group. Control is achieved where the Group is exposed to, or has the rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(ii) Associates

The Group recognises an associate based on the criterion of significant influence. Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of the investee but has no control or joint control of those policies. This is normally (though not necessarily) accomplished when the Group, directly or indirectly through subsidiaries, holds 20 per cent or more of the voting rights of the investee.

When the Group's voting rights in an investee are less than 20 per cent, the Group assesses whether it has significant influence by examining all relevant facts and circumstances, including the existence of potential voting rights that are substantive, representation on the board of directors, participation in policy-making processes, material transactions between the Group and the investee, interchange of managerial personnel and provision of essential technical information.

The Group may sometimes hold an insignificant equity interest in an investee to cement a trading relationship and is represented on the board of directors of the investee. If the Group's representation on the board of directors is solely for the purpose of protecting the value of the investment rather than participation in the policy decisions, the investee is not classified as an associate.

The Group measures all investments in associates using the equity method. In applying the equity method, the Group uses the financial statements of its associates and joint venture as of the same date as the financial statements of the Group.

If the Group's share of losses of an associate or a joint venture equals or exceeds the carrying amount of its investment in the investee, the Group discontinues recognising its share of further losses. After the Group's interest is reduced to zero, it recognises additional losses by a provision only to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of Consolidation (Cont'd)

(ii) Associates (Cont'd)

Unrealised gains and losses arising from transactions between the Group and its associates or joint ventures are eliminated partially to the extent of the Group's interests in the associates or joint ventures, except when there are indications of impairment losses. This partial elimination principle applies equally to a transfer of non-monetary assets to an associate or a joint venture in exchange for equity interests in the investee.

(iii) Equity Method

In the consolidated financial statements of the Group, investments in associates and joint ventures are accounted for under the equity method. Under this method, on initial recognition, the investment in an associate and a joint venture is measured at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's:

(i) share of the investee's profit or loss through profit or loss;
(ii) share of the investee's other comprehensive income through other comprehensive income; and
(iii) share of the investee's changes in other net assets through equity.

(iv) Changes in Ownership Interests in Subsidiaries without Change of Control

Changes in the Group's interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The carrying amounts of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Investments in Subsidiaries, Associates and Joint Ventures

In the separate financial statements of the Company, investments in subsidiaries, joint ventures and associates are measured at cost less any accumulated impairment losses. Cost at initial recognition comprises cash, and fair values of other considerations transferred and liabilities assumed, and it includes acquisition-related expenses. Dividend declared by an investee is recognised as income when the Company's right to receive dividend has been established, which is generally the date the dividend is appropriately authorised by the investee.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that make strategic decisions.

(d) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(e) Revenue Recognition

Revenue is measured at the fair value consideration received and receivable in the normal course of business. The revenue recognition policies of the Group's entities are as follows:

(i) Sale of Goods

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers. Revenue represents gross invoiced value of goods sold net of trade discounts.

(ii) Plantation Management Fees

Revenue from plantation management services is recognised when the services are rendered.

(iii) Construction Revenue

Revenue related to construction under a service concession arrangement is recognised based on the stage of completion of the work performed. The stage of completion is assessed by reference to actual cost incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Revenue Recognition (Cont'd)

(iv) Dividend Income

Dividend income is recognised when the shareholders' right to receive the dividend has been established.

(v) Rendering of Services and Financial Income

Services revenue and financial income from District Cooling System operations are recognised on an accrual basis when the services are performed.

(f) Foreign Currency

(i) Functional and Presentation Currency

The financial statements of the Group's entities are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Group's entities operate (the functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

(g) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax of the Group's entities is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Income Tax (Cont'd)

(ii) Deferred Tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle their current tax assets and liabilities on a net basis.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Construction in progress is not depreciated. Depreciation of other property, plant and equipment is computed on the straight-line method at the following rates based on the estimated useful lives of the various assets or their lease periods of assets they are attached to. The annual depreciation rates are as follows:

Buildings	1.64 – 2%
Plant and machinery	20%
Renovations, furniture, fixtures and equipment	10 – 50%
Motor vehicles	20%

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the profit or loss.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in the property, plant and equipment. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3 (i) on impairment of non-financial assets.

Property, plant and equipment acquired under hire-purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations treated as liabilities in the financial statements. These assets are depreciated according to the basis set out above. Finance costs are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Impairment of Assets

(i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at the end of each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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

<u>Assets Classified as Available-for-sale Financial Assets</u>

The Group uses criteria and measurement of impairment loss applicable for 'asset carried at amortised cost' above. If, in a subsequent period, the fair value of an instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

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 allocate to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or group of units on a pro-rata basis.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised on profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Plantation Development Expenditure

New planting expenditure incurred on land clearing, upkeep of immature palms, administrative expenses and interest incurred during the pre-maturing period (pre-cropping costs) is capitalised. Development expenditure incurred up to the maturity period of 0 to 3 years are capitalised and not amortised, and are shown as non-current assets net of accumulated impairment losses. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss in the year in which they are incurred. Capitalised plantation development expenditure is amortised on the straight-line basis over 30 years or remaining lease period of oil palm plantation land.

(k) Borrowings

(i) Classification

Borrowings are initially recognised based on the proceeds received, net of repayments during the period. Portions repayable after 12 months are disclosed as non-current liabilities.

Borrowings are classified as current liabilities unless the Group's entities have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(ii) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to plantation development expenditure during pre-maturing period (pre-cropping costs) are capitalised as part of the cost of those assets, until maturity. The amount of borrowing costs eligible for capitalisation is capitalised based on the total immature area over the total plantable area.

(l) Leases

(i) Finance Leases

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the lease assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each reporting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to profit or loss as incurred.

(ii) Operating Leases

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

(m) Prepaid Lease Payments on Leasehold Land

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The upfront payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease are accounted for as prepaid lease payments and are amortised over the lease term on the straight-line basis and charged to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Investment Properties

Investment properties which consist of freehold land, leasehold land and building are properties held to earn rentals and/or for capital appreciation and are not occupied by the Group and the Company. Investment property is measured initially at cost including related transaction costs if the investment property meets the definition of qualifying asset.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Leasehold land is amortised in equal instalments over the lease period of between 48 and 99 years.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in profit or loss.

(o) Investment in Subsidiaries

Investment in unquoted shares of subsidiaries, which is eliminated on consolidation, is stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy note 3(h) on impairment of non-financial assets.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of inventories comprises the original purchase price plus cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(q) Share Capital

Ordinary shares are classified as equity instruments.

When ordinary shares and are issued in a private placement or in a rights issue to existing shareholders, they are recorded at the issue price. For ordinary shares issued in exchange for non-monetary assets, they are measured by reference to the fair values of the assets received.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at their fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax effect.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Asset Classified as Held for Sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Upon classification as held for sale, non-current assets or components of a disposal group are not depreciated and are measured at the lower of their carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

(s) Provisions

Provisions are made when the Group's entities have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation, and when a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(t) Concession Service Arrangement

For a concession service arrangement, the consideration receivable is recognised as a financial asset if the Group has an unconditional right to receive a specified or determinable amount of cash from the grantor in return for constructing the infrastructure asset and then operating and maintaining the asset for a specified period of time. Financial assets are accounted for in accordance with the accounting policy as set out in Note 3(v).

(u) Employee Benefits

(i) Short-term Employee Benefits

Salaries, wages, annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group's entities.

(ii) Defined Contribution Plan

The Group's entities are required by law to make monthly contributions to Employees Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees. The Group's entities and their employees are required to make monthly contributions to EPF calculated at certain prescribed rates of the employees' salaries. The Group's entities' contributions to EPF are disclosed separately, included in salaries and wages and shown under staff costs.

(iii) Share-based Compensation

The Group's Employees Share Options Scheme ("ESOS") allows the employees to acquire shares of the Company. The total fair value of share options granted to eligible employees is recognised as an employee cost in profit or loss with a corresponding increase in the equity compensation reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of the share options is measured at grant date taking into account, if any, the market vesting conditions upon which the options were granted but exceeding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Employee Benefits (Cont'd)

(iii) Share-based Compensation (Cont'd)

At the end of the each reporting period, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the equity compensation reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

The proceeds received net of any directly attributable transactions costs are credited to equity when the options are exercised.

(v) Financial Instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Group and the Company categories financial instruments as follows:

(i) Financial Assets

Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(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 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 other financial liabilities.

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Financial Instruments (Cont'd)

(ii) Financial Liabilities (Cont'd)

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

Other Financial Liabilities

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

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

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

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

(iii) 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 in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the asset has expired or is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents, included cash in hand, cash at bank and deposit held at call with banks net of bank overdrafts.

(x) Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation, A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

(y) Equity Instruments

Ordinary shares and special share are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transaction are accounted for as a deduction for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transactions which would otherwise have been avoided.

(z) Dividends

Interim dividends are recognised as a liability in the period in which they are declared. Final dividends are recognised in the period approval of shareholders' is obtained.

(aa) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue. Diluted EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue, assuming exercise of existing outstanding ESOS into ordinary shares.

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

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statement of financial position inclusive of GST recoverable or GST payable.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(cc) Related Parties

A related party is a person or an entity that is related to the Group and the Company under the following conditions:

(i) A person or a close member of that person's family:

- (a) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- (b) has control over the reporting entity; or
- (c) has joint control or significant influence over the reporting entity or has significant voting power in it.

(ii) Any one of the following condition applies:

- (a) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
- (c) both entities are joint ventures of a third entity.
- (d) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
- (f) the entity is controlled or jointly controlled by a person identified in (i).
- (g) a person identified in (i)(a) has significant voting power in the entity.
- (h) a person identified in (ii)(a) has significant influence over the entity or significant voting power in it.
- (i) a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity.
- (j) a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it.

(iii) Directly, or indirectly through one or more intermediaries, the party:

- (a) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries, fellow subsidiaries and fellow associates and joint ventures);
- (b) has an interest in the entity that gives it significant influence over the entity; or
- (c) has joint control over the entity;

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependants of that person or that person's spouse or domestic partner.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(dd) Current Versus Non-current Classification

Assets and liabilities in the statement of financial position are presented based on current/non-current classification. An asset is current when it is:

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

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

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

All other liabilities are classified as non-current.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

4.1 Critical Judgements Made in Applying Accounting Policies

The following are judgements made by the management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements:

(a) The Classification of Finance and Operating Lease

The Group classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incidental to ownership of the underlying asset lie. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incidental to ownership of the underlying asset. In applying judgements, the Group considers whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% of the economic life of the underlying asset, the present value of the lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used substantially by the lessee. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

The Group classifies a lease of land as a finance lease if the fair value of the leasehold land is 90% or more of the fair value of an equivalent freehold land or if the lease period, determined at the inception of the lease, is 50 years or more. Leases of land that do not meet any of these criteria are classified as operating leases.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

4.1 Critical Judgements Made in Applying Accounting Policies (Cont'd)

(b) Classification of a Property as an Investment Property or Property, Plant and Equipment

Certain property comprises of a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could be sold separately (or leased out separately as a finance lease), the Group accounts for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply or goods and services or for administrative purposes. Management uses its judgement to determine whether any ancillary services are of such significance that a property does not qualify as an investment property.

(c) Classification of Non-current Bank Borrowings

Term loan agreements entered into by the Company include repayment on demand clauses at the discretion of financial institutions. The Company believes that in the absence of a default being committed by the Company, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(d) Classification of Concession Asset an Intangible Asset or a Financial Asset in a Concession Service Arrangement

The Group has entered into a concession service arrangements for the installation and maintenance of a district cooling system. The Group has evaluated based on the terms and conditions of the arrangement, whether the concession service arrangement is accounted for using intangible asset model or financial assets model.

The management judged that based on the terms and conditions of the arrangement, the Group has an unconditional contractual right to receive cash from the grantor for the services provided, thus accounting for the concession service arrangements under the financial assets model.

4.2 Estimation Uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Group are in measuring:

(a) Impairment Assessment on Cash-generating-unit ("CGU") – Oil Palm Plantation

Where there is an indication that the carrying amount of a CGU may be impaired, the CGU's recoverable amount, being the higher of its fair value less costs to sell ("FVLCS") and value in use ("VIU") will be assessed.

As of 31 December 2017, the management have made an impairment assessment on the CGU of oil palm plantation which includes plantation development expenditure, prepaid lease payments and goodwill arising from a subsidiary which is principally involved in the cultivation of oil palm.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

4.2 Estimation Uncertainty (Cont'd)

(a) Impairment Assessment on Cash-generating-unit ("CGU") – Oil Palm Plantation (Cont'd)

The recoverable amount of this CGU was determined based on FVLCS, by reference to the latest valuation carried out by an independent firm of professional valuers in March 2018. The basis of FVLCS was determined as follows:

(a) Land (Mature Fields)

(i) Using the direct comparison method, being comparison of current prices in an active market for similar properties in the similar location and condition where necessary, adjusting for location, accessibility, size, terrain, age of trees, condition of holding and standard of maintenance, time element and other relevant characteristics.

(ii) Using the investment method (also known as discounted cash flow), where the annual income being received or expected to be received over a period of time relating to the economic future life and cost of production are then deducted to obtain the net annual income. Net annual income is then recognised by an appropriate discount rate and added to present value of reversionary bare land value to arrive at the present capital value. Discount rate is chosen based on the investment rate of return to be expected.

(b) Land (Immature Fields and Remaining Area)

(i) Using the cost method, being comparison of subject land and property with similar lands and property that were recently sold, adjusting for location, size, shape, topography, soil, tenure, title restrictions and other relevant characteristics. Cost of land clearing and infrastructures are also taken into consideration.

Management believes that the chosen valuation method is appropriate in determining the recoverable amounts of the CGU. Management is of the opinion that no impairment are to be recognised during the financial year.

The FVLCS disclosure are categorised in Level 3 of the fair value hierarchy.

(b) Impairment Assessment on Cash-generating-unit ("CGU") – District Cooling System

As of 31 December 2017, the management have made an impairment assessment on the CGU of district cooling system which includes concession financial assets and goodwill arising from a subsidiary principally involved in the supply of cooling energy.

Impairment exists when the carrying amount exceeds its recoverable amount. The recoverable amount of this CGU was determined based on VIU calculations. VIU is based on a discounted cash flow method which requires the Group to make an estimate of the expected future cash flows and to determine the appropriate discount rate to calculate the present value of those cash flows.

The carrying amount of the concession financial assets and goodwill are disclosed in Note 15 and 19 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

4.2 Estimation Uncertainty (Cont'd)

(c) Depreciation of Property, Plant and Equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

(d) Measurement of Income Taxes

Significant judgement is required in determining the Group's provision for current and deferred taxes because the ultimate tax liability for the group as a whole is uncertain. When the final outcome of the taxes payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will adjust for the differences as over- or under-provision of current or deferred taxes in the current period in which those differences arise.

5. REVENUE

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Sales of fresh fruit bunches ("FFB")	14,708,174	14,897,582	-	-
Revenue from services rendered:				
– Energy and facilities management	3,338,623	-	-	-
	18,046,797	14,897,582	-	-

6. SEGMENT REPORTING

The Board of Directors' is the Group's chief operating decision maker.

The Board assesses the performance of the operating segments based on profit before tax.

For management reporting purposes, the Group is organised into the following operating divisions according to the internal reporting structure:

– Plantation
– Plantation management fees
– Energy and facilities management
– Investment holding
– Others (consist of subsidiaries which are dormant and pre-operating)
– Inter-segment sales are charged at cost plus a percentage profit mark-up.

Other segment activities comprise mainly expenses incurred by certain subsidiaries which are not directly attributable to any significant segment.

Segmental information by geographical location has not been disclosed as the Group operates only within Malaysia.

6. SEGMENT REPORTING (Cont'd)

Segment information provided to the Board for reportable segments for the financial year:

Group 2017	Plantation RM	Energy and facilities management RM	Investment holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	14,708,174	3,338,623	-	-	-	18,046,797
Total revenue	14,708,174	3,338,623	-	-	-	18,046,797
Results						
Segment results before interest and tax	945,145	2,802,484	(1,283,910)	(46,388)	(1,142,691)	1,274,640
Profit from operations						1,274,640
Share of results of associates						1,283,325
Finance costs						(3,688,466)
Loss before tax						(1,130,501)
Tax credit						198,277
Net loss for the financial year						(932,224)

Group 2017	Plantation RM	Energy and facilities management RM	Investment holding RM	Others RM	Consolidated RM
Other information					
Additions to property, plant and equipment and plantation development expenditure	1,298,193	-	816,180	-	2,114,373
Depreciation and amortisation	3,671,363	1,254	259,450	22,744	3,954,811
Statement of Financial Position					
Assets					
Segment assets	120,217,050	71,168,647	20,839,207	492,039	212,716,943
Total assets					212,716,943
Liabilities					
Segment liabilities	52,568,597	61,410,443	8,941,024	14,000	122,934,064
Unallocated corporate liabilities	8,207,351	-	-	33,600	8,240,951
Total liabilities					131,175,015

6. SEGMENT REPORTING (Cont'd)

Group 2016	Plantation RM	Plantation management fees RM	Investment holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	14,897,582	-	-	-	-	14,897,582
Total revenue	14,897,582	-	-	-	-	14,897,582
Results						
Segment results before interest and tax	5,022,741	(30,711)	3,583,159	(8,041)	(3,524,990)	5,042,158
Profit from operations						5,042,158
Finance costs						(2,463,878)
Profit before tax						2,578,280
Tax credit						32,070
Net profit for the financial year						2,610,350

Group 2016	Plantation RM	Plantation management fees RM	Investment holding RM	Others RM	Consolidated RM
Other information					
Additions to property, plant and equipment and plantation development expenditure	1,707,405	-	7,800	-	1,715,205
Depreciation and amortisation	3,928,438	22,125	182,393	72,287	4,205,243
Statement of Financial Position					
Assets					
Segment assets	125,060,911	991,255	25,966,171	20,464	152,038,801
Unallocated corporate assets	33,000	-	-	3,372	36,372
Total assets					152,075,173
Liabilities					
Segment liabilities	56,218,424	4,700	7,944,406	8,400	64,175,930
Unallocated corporate liabilities	8,416,491	-	-	33,600	8,450,091
Total liabilities					72,626,021

7. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense on:				
Term loans	2,963,075	2,152,090	-	-
Less: Interest expense recognised in plantation development expenditure (Note 12)	(766,908)	(820,731)	-	-
	2,196,167	1,331,359	-	-
Bank overdrafts	1,454,580	1,545,131	-	-
Finance lease interest	36,573	31,759	18,730	17,131
Other interest	1,146	234	40	234
Provision for interest payable to former non-controlling interest				
Current Year	-	3,395	-	-
Overprovision in prior year	-	(448,000)	-	(448,000)
	3,688,466	2,463,878	18,770	(430,635)

8. (LOSS)/PROFIT BEFORE TAX

(a) (Loss)/profit before tax has been arrived at after (charging)/crediting the following:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income:				
– Fixed deposits with licensed banks	224,054	315,375	216,699	315,375
– Subsidiaries	-	-	283,743	265,539
Gain on disposal of property, plant and equipment	275,412	145,337	216,259	6,171
Gain on disposal of shop houses	163,532	-	-	-
Property, plant and equipment written off	(17,337)	(284,736)	-	-
Gain on disposal of subsidiary	-	5,318,255	-	7,723,378
Financial income on concession financial assets	1,750,608	-	-	-
Rental income	2,264	-	2,264	-
Management fees receivable from subsidiaries	-	-	1,286,025	1,164,475
Allowance for doubtful debts	-	-	(12,466)	(17,086)
Amortisation of plantation development expenditure	(2,391,812)	(2,397,632)	-	-
Amortisation of prepaid lease payments	(441,623)	(465,346)	-	-
Depreciation of property, plant and equipment	(1,053,115)	(1,342,265)	(191,189)	(182,393)
Amortisation of investment properties	(68,261)	-	(68,261)	-
Auditors' remuneration:				
– Current year	(71,467)	(57,900)	(37,000)	(32,000)
– Under provision in prior year	-	(1,600)	-	-
Bad debts written off	-	-	-	(3,004,864)
Deposit and prepayment written off	-	(100,000)	-	(100,000)
Rental of premises payable to other related companies	(250,772)	(203,088)	(98,356)	(79,728)

8. (LOSS)/PROFIT BEFORE TAX (Cont'd)

(b) Operating costs applicable to revenue:

	Group	
	2017	**2016**
	RM	**RM**
Inventories recognised in expense	2,318,990	1,761,390

(c) Directors' remuneration:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Executive directors:				
Fees	6,000	12,000	6,000	12,000
Other emoluments	583,778	668,530	583,778	668,530
Non-executive directors:				
Fees	38,000	38,000	18,000	18,000
Other emoluments	18,500	15,500	18,500	15,500
	646,278	734,030	626,278	714,030

Included in directors' remuneration are contributions to EPF made by the Group and the Company for the current year amounting to RM76,015 (2016: RM84,780).

(d) Staff costs:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Salaries, allowances and others	4,345,236	3,988,293	1,053,184	849,926

Staff costs include salaries, contributions to EPF, bonuses and all other staff related expenses. Included in staff costs are contributions to EPF made by the Group and by the Company for the current year amounting to RM306,504 and RM97,474 (2016: RM264,539 and RM77,372) respectively.

9. TAX CREDIT/(EXPENSES)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Tax credit/(expenses) comprises				
Real property gain tax	(10,863)	(536,472)	-	(536,472)
Deferred tax (Note 28):				
Current year	209,140	568,542	-	-
Total tax credit/(expenses)	198,277	32,070	-	(536,472)

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
(Loss)/Profit before tax	(1,130,501)	2,578,280	(1,302,680)	4,013,794
Tax expense at income tax rate of 24% (2016: 24%)	(271,320)	618,787	(312,643)	963,311
Tax effect of income/(expenses) not chargeable/(deductible) in determining tax	863,310	426,972	312,643	(963,311)
Tax effect on allowable plantation development expenditure	(230,539)	(241,708)	-	-
Utilisation of current year capital allowances	(152,311)	(235,509)	-	-
Utilisation of deferred tax asset previously not recognised	-	-	-	-
Real property gain tax	(10,863)	(536,472)	-	(536,472)
Tax credit/(expenses)	198,277	32,070	-	(536,472)

10. EARNINGS PER SHARE

Basic Earnings per Share

Basic earnings per ordinary share is calculated by dividing the net (loss)/profit for the financial year by the weighted average number of ordinary shares in issue as at financial year end as follows:

	Group	
	2017 RM	**2016 RM**
Net (loss)/profit attributable to owners of the Company	(932,224)	2,610,350
	Units	**Units**
Weighted average number of shares in issue	117,683,225	115,066,787
Basic earnings per share (sen)	(0.79)	2.27

Diluted Earnings per Share

Diluted earnings per ordinary share is calculated by dividing net (loss)/profit for the financial year by the weighted average number of ordinary shares in issue after adjustment for the effects of dilution by potential ordinary shares as at financial year end as follows:

	Group	
	2017 RM	**2016 RM**
Net (loss)/profit attributable to owners of the Company	(932,224)	2,610,350
	Units	**Units**
Weighted average number of shares in issue	117,683,225	115,066,787
Diluted earnings per share (sen)	(0.79)	2.27

11. PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2017 RM	Additions RM	Disposals RM	Write-off RM	Reclassification RM	Acquisition of Subsidiary (Note 17) RM	At 31 December 2017 RM
Group							
2017							
Cost							
Buildings	7,132,455	7,000	-	-	384,510	-	7,523,965
Plant and machinery	9,858,070	8,500	(10,000)	-	28,000	-	9,884,570
Renovations, furniture, fixtures and equipment	2,505,158	36,551	-	(4,800)	-	18,991	2,555,900
Motor vehicles	4,381,232	6,762	(276,347)	-	541,000	-	4,652,647
Motor vehicles under finance lease	1,541,499	1,068,047	(787,540)	-	(541,000)	-	1,281,006
Construction-in-progress	402,912	26,934	-	(17,336)	(412,510)	-	-
	25,821,326	1,153,794	(1,073,887)	(22,136)	-	18,991	25,898,088

	At 1 January 2017 RM	Charge for the year RM	Disposals RM	Write-off RM	Reclassification RM	Acquisition of Subsidiary (Note 17) RM	At 31 December 2017 RM	Net Carrying Amount RM
2017								
Accumulated depreciation								
Buildings	418,212	119,348	-	-	-	-	537,560	6,986,405
Plant and machinery	9,219,528	304,546	(3,667)	-	-	-	9,520,407	364,163
Renovations, furniture, fixtures and equipment	2,236,899	108,812	-	(4,799)	-	9,536	2,350,448	205,452
Motor vehicles	4,110,957	272,399	(275,135)	-	345,183	-	4,453,404	199,243
Motor vehicles under finance lease	944,215	248,010	(701,912)	-	(345,183)	-	145,130	1,135,876
Construction-in-progress	-	-	-	-	-	-	-	-
	16,929,811	1,053,115	(980,714)	(4,799)	-	9,536	17,006,949	8,891,139

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	At 1 January 2016 RM	Additions RM	Disposals RM	Write-off RM	Reclassification RM	Disposal of Subsidiary (Note 17) RM	At 31 December 2016 RM
Group							
2016							
Cost							
Buildings	8,847,907	-	-	(352,182)	(998,800)	(364,470)	7,132,455
Plant and machinery	10,060,630	530	(185,000)	-	-	(18,090)	9,858,070
Renovations, furniture, fixtures and equipment	2,426,896	79,652	-	-	-	(1,390)	2,505,158
Motor vehicles	4,141,239	80,000	(187,966)	(174,000)	521,959	-	4,381,232
Motor vehicles under finance lease	1,850,518	212,940	-	-	(521,959)	-	1,541,499
Construction-in-progress	252,538	150,374	-	-	-	-	402,912
	27,579,728	523,496	(372,966)	(526,182)	(998,800)	(383,950)	25,821,326

	At 1 January 2016 RM	Charge for the year RM	Disposals RM	Write-off RM	Reclassification RM	Disposal of Subsidiary (Note 17) RM	At 31 December 2016 RM	Net Carrying Amount RM
2016								
Accumulated depreciation								
Buildings	432,789	140,502	-	(67,449)	(62,332)	(25,298)	418,212	6,714,243
Plant and machinery	8,759,210	570,861	(93,334)	-	-	(17,209)	9,219,528	638,542
Renovations, furniture, fixtures and equipment	2,129,854	108,195	-	-	-	(1,150)	2,236,899	268,259
Motor vehicles	3,889,857	174,855	(139,470)	(173,997)	359,712	-	4,110,957	270,275
Motor vehicles under finance lease	956,075	347,852	-	-	(359,712)	-	944,215	597,284
Construction-in-progress	-	-	-	-	-	-	-	402,912
	16,167,785	1,342,265	(232,804)	(241,446)	(62,332)	(43,657)	16,929,811	8,891,515

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	At 1 January 2017 RM	Additions RM	Disposals RM	At 31 December 2017 RM
Company				
2017				
Cost				
Renovations, furniture, fixtures and equipment	163,634	18,871		182,505
Motor vehicles	299,523	6,762	(153,775)	152,510
Motor vehicles under finance lease	787,541	790,547	(787,540)	790,548
	1,250,698	816,180	(941,315)	1,125,563

	At 1 January 2017 RM	Charge for the year RM	Disposals RM	At 31 December 2017 RM	Net carrying amount RM
Accumulated depreciation					
Renovations, furniture, fixtures and equipment	105,318	26,939	-	132,257	50,248
Motor vehicles	299,518	453	(153,774)	146,197	6,313
Motor vehicles under finance lease	577,736	163,797	(701,912)	39,621	750,927
	982,572	191,189	(855,686)	318,075	807,488

	At 1 January 2016 RM	Additions RM	Disposal RM	Reclassification RM	Att 31 December 2016 RM
Company					
2016					
Cost					
Renovations, furniture, fixtures and equipment	155,834	7,800	-	-	163,634
Motor vehicles	312,917	-	(67,966)	54,572	299,523
Motor vehicles under finance lease	842,113	-	-	(54,572)	787,541
	1,310,864	7,800	(67,966)	-	1,250,698

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	At 1 January 2016 RM	Charge for the year RM	Disposal RM	Reclassification RM	At 31 December 2016 RM	Net carrying amount
Accumulated depreciation						
Renovations, furniture, fixtures and equipment	81,100	24,218	-	-	105,318	58,316
Motor vehicles	311,417	667	(67,137)	54,571	299,518	5
Motor vehicles under finance lease	474,799	157,508	-	(54,571)	577,736	209,805
	867,316	182,393	(67,137)	-	982,572	268,126

Property, plant and equipment of the Group with net carrying amount of RM7,352,785 (2016: RM7,352,459) are charged to a licensed bank in respect of credit facilities granted to the Group as disclosed in Note 26 and Note 27.

Included in property, plant and equipment of the Group and the Company are fully depreciated property, plant and equipment which are still in use, with an aggregate cost of approximately RM6,155,319 (2016: RM4,211,000) and RM161,337 (2016: RM303,000) respectively.

Included in property, plant and equipment of the Group and the Company are motor vehicle with net carrying amount of RM394,321 (2016: Nil) held under trust by a person connected to a Director of the Company.

12. PLANTATION DEVELOPMENT EXPENDITURE

	Group 2017 RM	Group 2016 RM
Cost		
At 1 January	99,700,094	101,020,537
Additions	960,579	1,191,709
Disposal of subsidiary	-	(2,512,152)
At 31 December	100,660,673	99,700,094
Accumulated amortisation		
At 1 January	(21,056,181)	(18,784,104)
Amortisation for the year	(2,391,812)	(2,397,632)
Disposal of subsidiary	-	125,555
At 31 December	(23,447,993)	(21,056,181)
Net carrying amount	77,212,680	78,643,913

Plantation development expenditure of the Group with carrying amount of RM77,212,680 (2016: RM78,643,913) is charged to a licensed bank for credit facilities granted to the Group as disclosed in Note 27.

Included in additions during the year is interest capitalised amounting to RM766,908 (2016: RM820,731), as disclosed in Note 7.

The plantation development expenditure are identified as part of the cash-generating-units of the Group. Details of such assessment are disclosed in Note 4.2(a) to the financial statements.

13. PREPAID LEASE PAYMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cost				
At 1 January	24,667,212	36,531,127	-	9,147,600
Disposal of subsidiary	-	(2,716,315)	-	-
Reclassification (Note 14)	-	(9,147,600)	-	(9,147,600)
At 31 December	24,667,212	24,667,212	-	-
Accumulated amortisation				
At 1 January	(7,002,295)	(6,797,905)	-	-
Amortisation for the year	(441,623)	(465,346)	-	-
Disposal of subsidiary	-	260,956	-	-
At 31 December	(7,443,918)	(7,002,295)	-	-
Net carrying amount	17,223,294	17,664,917	-	-

The unexpired lease period of leasehold land and buildings of the Group and of the Company are 40 years (2016: 41 years).

Certain leasehold land and buildings with carrying amount of RM17,223,294 (2016: RM17,644,917) are pledged to a licensed bank for credit facilities granted to the Group as disclosed in Note 27.

The prepaid lease payment are identified as part of the cash-generating-units of the Group. Details of such assessment are disclosed in Note 4.2(a) to the financial statements.

14. INVESTMENT PROPERTIES

Group and Company	Freehold land RM	Leasehold land RM	Total RM
2017			
Cost			
At 1 January	544,000	9,565,729	10,109,729
Additions	-	-	-
At 31 December	544,000	9,565,729	10,109,729
Accumulated amortisation			
At 1 January	-	(19,971)	(19,971)
Additions	-	(68,261)	(68,261)
At 31 December	-	(88,232)	(88,232)
Net carrying amount	544,000	9,477,497	10,021,497

14. INVESTMENT PROPERTIES (Cont'd)

Group and Company	Freehold land RM	Leasehold land RM	Total RM
2016			
Cost			
At 1 January	544,000	418,129	962,129
Addition	-	-	-
Reclassification (Note 13)	-	9,147,600	9,147,600
At 31 December	544,000	9,565,729	10,109,729
Accumulated amortisation			
At 1 January	-	(19,971)	(19,971)
Addition	-	-	-
At 31 December	-	(19,971)	(19,971)
Net carrying amount	544,000	9,545,758	10,089,758

Included in investment properties with carrying amount of RM9,085,371 (2016: RM9,147,600) represent lands exchange in Pantai Klebang with Melaka State Government on 5 December 2013.

The fair value of the investment properties as at 31 December 2017 is estimated at RM28,907,755 (2016: RM14,865,911) has been arrived at by the Directors based on reference to market evidence of transaction prices for similar properties. As at 31 December 2017, the Directors assessed the fair value of its investment properties based on the current prices in the market of properties of similar conditions and locations.

The fair value disclosure of investment properties are categorised in Level 3 of the fair value hierarchy. Level 3 fair values of land and buildings have been generally derived using the estimated selling price of comparable properties in close proximity that are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Investment properties of the Group and of the Company did not generate rental income during the financial year. Direct operating expenses incurred by the Group and the Company for investment properties during the financial year amounted to RM77,888 (2016: RM75,047).

15. CONCESSION FINANCIAL ASSETS

	Group	
	2017 RM	2016 RM
Acquisition of subsidiary	58,555,516	-
Concession revenue recognised	3,274,869	-
Finance income recognised	1,750,608	-
Receipts	(6,259,612)	-
At 31 December	57,321,381	-

The Group entered into a concession service agreement with Sime Darby Property Selatan Satu Sdn. Bhd. ("the grantor") for the construction and operation of a district cooling system and thereafter supply of cooling energy from this district cooling system to designated university buildings for a period of 22 years. The grantor guaranteed a minimum usage over 22 years. The Group recognised the estimated consideration receivable under the concession service agreement as a financial asset.

The above arrangement is within the scope of IC Interpretation 12: Service Concession Agreement under the financial assets model.

The concession financial assets are identified as one of the cash-generating-units of the Group. Details of such assessment are disclosed in Note 4(b) to the financial statements.

The concession financial asset, a district cooling system have been charged as security in a term loan grants to a subsidiary of the Group as disclosed in Note 27 to the financial statements.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	58,489,017	61,265,639
Additions	7,500,000	-
Disposals	-	(2,776,622)
	65,989,017	58,489,017
Less: Allowance for impairment losses	(2)	(2)
	65,989,015	58,489,015

16. INVESTMENT IN SUBSIDIARIES (Cont'd)

The subsidiaries (all incorporated in Malaysia) are as follows:

Direct subsidiaries	**Effective equity interest 2017**	**Effective equity interest 2016**	**Principal activities**
Goldkist (Malaysia) Sdn. Bhd. #	100%	100%	Dormant
Goldkist (NS) Sdn. Bhd. #	100%	100%	Dormant
SHC Technopalm Plantation Services Sdn. Bhd. #	100%	100%	Provision of management services
SHC Realty Sdn. Bhd. #	100%	100%	Dormant
Sin Heng Chan Feed Sdn. Bhd. #	100%	100%	Dormant
Urun Plantations Sdn. Bhd. #	100%	100%	Cultivation of oil palm
Tunas Cool Energy Sdn. Bhd.	100%	-	Supply of cooling energy

The audited reports of these subsidiaries contain a material uncertainty relating to the appropriateness of the going concern basis used in the preparation of their financial statements. The Company has confirmed to provide continued financial support to these subsidiaries to continue their business without any significant curtailment of their operations.

16.1 Acquisition of a Subsidiary

On 18 August 2017, the Company acquired 100% equity shares of Tunas Cool Energy Sdn. Bhd., a company engaged in the supply of cooling energy for a total cash consideration of RM7,500,000.

The identified assets and liabilities of Tunas Cool Energy Sdn. Bhd. at the acquisition date were as follows:

	RM
Financial concession asset	58,555,516
Plant and equipment	9,455
Trade and other receivables	10,113,330
Cash and cash equivalents	(307,468)
Total assets	68,370,833
Trade and other payables	(63,734,432)
Total identifiable net assets acquired	4,636,401
Goodwill	2,863,599
Purchase consideration	7,500,000
Net cash outflows, net of cash acquired, presented as investing activities in the Group's statement of cash flows	7,807,468
Cash outflows, presented as investing activities in the Company's statement of cash flows	7,500,000

17. INVESTMENT IN ASSOCIATES

	Group 2017 RM	Company 2016 RM
Unquoted shares, at cost	8,025,000	8,025,000
Share of post acquisition retained earnings	1,283,325	-
	9,308,325	8,025,000

Details of associates of the Company are as follows:

Name of company	Effective equity interest 2017	Effective equity interest 2016	Principal activities
KJ Technical Services Sdn. Bhd.* ("KJTS")	25%	-	Operations and maintenance of chilled and hot water production systems and facilities management
Subsidiary of KJTS:			
DCS Power Sdn. Bhd.*	25%	-	Provision of building maintenance and services
KJ Engineering Sdn. Bhd.*	25%	-	Design, repair and maintenance of air-conditioning, cooling, heating and ventilation systems, project contracting and assembly and trading in engineering products
Associate of KJTS:			
Astute Consultancy Sdn. Bhd.*	12.5%	-	Investment holding

* Audited by firm of auditors other than Ecovis AHL PLT

On 23 June 2017, the Company acquired 25% of the equity shares of KJ Technical Services Sdn. Bhd., an engineering company where its main business activity involve energy related projects which includes energy management, comprehensive operation and maintenance of air-conditioning system. The cost of acquisition is made up of cash consideration of RM5,000,000 and issuance of 5,000,000 new ordinary shares at fair value of RM0.605 each, making up to a total consideration of RM8,025,000.

The fair value of the 5,000,000 new ordinary shares issued as part of the consideration paid was determined based on the market value of the Company's shares on the acquisition date.

17. INVESTMENT IN ASSOCIATES (Cont'd)

The summarised financial information based on the audited results of the associates for the financial year ended 31 December 2017, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2017 RM
Assets and liabilities	
Current assets	23,914,975
Non-current assets	5,125,750
Current liabilities	(11,760,862)
Non-current liabilities	(2,873,632)
Net assets	14,406,231
Results	
Revenue	32,976,029
Net profit for the financial year	4,644,666
Share of profit for the financial year	1,283,325

18. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment consists of:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted shares:				
At cost	2,800,000	2,800,000	2,800,000	2,800,000
Less: Disposal	(2,800,000)	-	(2,800,000)	-
	-	2,800,000	-	2,800,000

The details of the available-for-sale investment (incorporated in Malaysia) are as follows:

	Effective equity interest 2017	Effective equity interest 2016	Principal activities
PTS Goldkist Industries Sdn. Bhd.	-	20%	Manufacturing and trading of formulated animal feeds
Subsidiary of PTS Goldkist Industries Sdn. Bhd.			
LKPP – Goldkist Sdn. Bhd.	-	12%	Broiler breeding and the planting of fragrant coconut

On 28 September 2015, the Company entered into sale and purchase agreement to dispose all of its 2,800,000 ordinary shares in PTS Goldkist Industries Sdn. Bhd. to Goldform Resources Sdn Bhd. for a total consideration of RM2,800,000. The disposal has been completed on 6 October 2017 following confirmation of the full payment received on the last remaining balance of the purchase consideration installments to the Company.

19. GOODWILL ON CONSOLIDATION

	Group 2017 RM	Group 2016 RM
At beginning of financial year	16,329,389	16,329,389
Goodwill arising from acquisition of subsidiaries	2,863,599	-
At end of financial year	19,192,988	16,329,389

Goodwill on consolidation arose mainly from acquisition of a subsidiary which is principally involved in the cultivation of oil palm and current year acquisition of a subsidiary in supply of cooling energy.

The Group is required to annually assess whether there is any indication that the respective CGU from which goodwill arise from may be impaired. Impairment exists when the carrying amount of the CGU exceed's its recoverable amount, which is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU").

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, carrying amount of goodwill amounting to RM16,329,389 is allocated to the CGU of oil palm plantation. The recoverable amount of this CGU was determined based on FVLCS, by a reference to the latest valuation carried out by an independent firm of professional valuers in March 2018.

Details of the methodology and approaches adopted by the professional valuers are disclosed in Note 4.2(a) to the financial statements.

Carrying amount of goodwill relating to CGU of district cooling system amount to RM2,863,599. The recoverable amount of this CGU was determined based on VIU calculations.

The following factors have been considered in estimating cash flows projection:

(a) Projected district cooling term period for the supply of cooling energy to designated buildings;

(b) Projected minimum off-take for the cooling energy supply;

(c) Group's pre-tax discount rate of 8% derived in accordance with the requirements of FRS136 "Impairment of Assets" reflect specific risks relating to the Group.

If the routine of cooling energy supply exceeded its minimum off-take at later years, there would be a revision in supply rate with resulting change in the recoverable amount.

With regards to the assessment of both CGUs containing goodwill, management believes that no reasonably possible change in any of the above assumptions would cause the recoverable amounts to be materially different.

20. INVENTORIES

	Group 2017 RM	Group 2016 RM
At cost:		
Consumables	635,433	745,928
Oil palm seedlings	48,116	48,116
	683,549	794,044

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	Group 2017 RM	Group 2016 RM
Trade receivables		
– Third parties	873,662	1,810,743
– Accrued billings	1,548,546	-
	2,422,208	1,810,743

Trade receivables of the Group comprise amounts receivable for sale of goods and income receivable from energy and facilities management. The credit period granted on sale of goods ranges from 10 to 30 days (2016: 10 to 30 days). All trade receivables are denominated in Ringgit Malaysia.

As of the end of the reporting period, there was significant concentration of credit risk arising from amount owing by 3 major customers which accounted for 61% (2016: 75%, 2 customers) of total trade and other receivables of the Group. The extension of credit to and repayment from these customers are closely monitored by the management to ensure that they adhere to the agreed credit term and policies. There is no material credit risk arising from these three major customers.

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

	Group 2017 RM	Group 2016 RM
Neither past due nor impaired	1,938,172	1,697,174
Past due but not impaired:		
Less than 30 days	-	-
31 to 60 days	-	-
More than 60 days	484,036	113,569
	484,036	113,569
	2,422,208	1,810,743
Impaired	-	-
	2,422,208	1,810,743

i) Past due but not impaired

As at 31 December 2017, RM484,036 (2016: RM113,569) of trade receivables of the Group were past due but not impaired.

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

(b) Other receivables, deposits and prepayments consist of:

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Other receivables	2,610,784	1,971,510	140,487	140,487
Less: Allowance for doubtful debts	(1,866,207)	(1,866,207)	(140,487)	(140,487)
	744,577	105,303	-	-
Refundable deposits	1,137,599	93,001	76,252	48,311
Interest receivable	-	47,268	-	47,268
Prepayments	840,372	207,551	179,613	18,019
	2,722,548	453,123	255,865	113,598

All other receivables, deposits and prepayments are denominated in Ringgit Malaysia.

(i) Past due but not impaired

As at 31 December 2017, RM744,577 (2016: RM105,303) of other receivables of the Group were past due but not impaired.

(ii) Impaired and provided for

Movement of the Group's allowance for doubtful debts is as follows:

	Group	
	2017 RM	**2016 RM**
1 January/31 December	1,866,207	1,866,207

Included in other receivables, deposits and prepayments of the Group and of the Company are rental deposits and advance rental of RM109,829 (2016: RM59,436) paid to Desa Samudra Sdn. Bhd., a company in which Dato' Choo Keng Weng is also a Director. Transactions with related parties are disclosed in Note 31 to the financial statements.

22. AMOUNT OWING BY/(TO) SUBSIDIARIES AND OTHER RELATED COMPANIES

Amount owing by/(to) subsidiaries and other related companies are unsecured, interest free and repayable on demand.

All amounts owing by/(to) subsidiaries and other related companies are denominated in Ringgit Malaysia, as follows:

	Company	
	2017 RM	2016 RM
Amount owing by subsidiaries – net of allowance for doubtful debts of RM13,229,772 (2016: RM13,217,306)	16,060,010	14,922,855

Amount owing by subsidiaries arose mainly from trade transactions and interest-free advances and are repayable on demand.

(i) Past due but not impaired

As at 31 December 2017, RM16,060,010 (2016: RM14,922,855) of amount owing by subsidiaries were past due but not impaired.

(ii) Impaired and provided for

Movement of the Company's allowance for doubtful debts is as follows:

	Company	
	2017 RM	2016 RM
1 January	13,217,306	13,200,220
Addition	12,466	17,086
31 December	13,229,772	13,217,306

23. FIXED DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits with licensed banks	6,707,251	12,600,000	400,000	12,600,000
Cash and bank balances	586,569	106,958	43,645	94,689
Fixed deposits, cash and bank balances	7,293,820	12,706,958	443,645	12,694,689
Less: Bank overdraft (Note 27)	(22,342,675)	(23,090,805)	-	-
Cash and cash equivalents	(15,048,855)	(10,383,847)	443,645	12,694,689

Fixed deposits, cash and bank balances are denominated in Ringgit Malaysia.

23. FIXED DEPOSITS, CASH AND BANK BALANCES (Cont'd)

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

	Group		Company	
	2017	2016	2017	2016
Fixed deposits with licensed banks	7 to 33 days	7 to 180 days	7 to 33 days	7 to 180 days

The interest rates per annum of fixed deposits as at the end of the financial year are as follows:

	Group		Company	
	2017	2016	2017	2016
Fixed deposits with licensed banks	3.00% to 3.40%	3.00% to 3.88%	3.00% to 3.40%	3.00% to 3.88%

24. ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2017 RM	2016 RM
Shop houses	-	936,468

On 21 November 2016, the Group entered into a Sales and Purchase Agreement with Bearing & Parts Sdn. Bhd. to dispose one unit of three storey terrace corner shop house at Jalan Tun Hussein Onn, Bintulu, containing an area of 155.2 square metres located at Lot 8707, Block 32 Kemena Land District for a total consideration of RM1,166,000. During the year, the Group had completed the disposal of the shop houses when the final payment was settled.

25. SHARE CAPITAL

	Group and Company	
	2017 RM	2016 RM
Ordinary shares		
Issued and fully paid		
At 1 January	115,066,787	115,066,787
Issued during the financial year	3,025,000	
At 31 December	118,091,787	115,066,787

During the financial year, the issued and paid up share capital of the Company was increased from RM115,066,787 to RM118,091,787 by way of issuance 5,000,000 new ordinary shares pursuant to the proposed acquisition of a 25% equity interest in KJ Technical Services Sdn. Bhd. ("KJTS") at fair value of RM0.605 per ordinary share at acquisition date. Details of the acquisition are disclosed in Note 17 to the financial statements.

The new ordinary shares issued during the financial year rank pari passu in all respects with existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

26. FINANCE LEASE LIABILITIES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Future lease payment payable:				
– Not later than one year	221,472	204,828	123,528	108,204
– Later than one year and not later than five years	710,894	401,342	409,212	260,751
– Later than five years	165,360	-	165,360	-
Total future minimum lease payments	1,097,726	606,170	698,100	368,955
Less: Future finance charges	(136,287)	(46,079)	(90,107)	(25,816)
	961,439	560,091	607,993	343,139
Present value of minimum lease payments				
Within one year	175,164	183,818	96,545	95,418
Later than one year and not later than two years	185,667	133,294	101,781	99,750
Later than two years and not later than five years	600,608	242,979	409,667	147,971
	961,439	560,091	607,993	343,139
Analysed as:				
Repayable within twelve months	175,164	183,818	96,545	95,418
Repayable after twelve months	786,275	376,273	511,448	247,721

The finance lease of the Group and of the Company as at end of the financial year bore effective interest rate ranging from 2.46% to 3.75% (2016: 2.36% to 3.75%) per annum.

Certain property, plant and equipment finance through finance lease are secured by corporate guarantee given by the Company as disclosed in Note 30 to the financial statements.

27. BORROWINGS

	Group	
	2017 RM	**2016 RM**
Current:		
Bank overdraft (Note 23)	22,342,675	23,090,805
Term loan I	-	45,246
Term loan II	3,000,000	1,800,000
Term loan III	210,518	198,065
Term loan IV	3,264,316	-
Term loan V	483,796	-
	29,301,305	25,134,116
Non-current:		
Term loan I	-	614,067
Term loan II	23,900,000	26,900,000
Term loan III	1,968,830	2,162,335
Term loan IV	37,608,324	-
Term loan V	5,634,645	-
	69,111,799	29,676,402

27. BORROWINGS (Cont'd)

	Group	
	2017 RM	2016 RM
Total borrowings		
Bank overdraft	22,342,675	23,090,805
Term loan I	-	659,313
Term loan II	26,900,000	28,700,000
Term loan III	2,179,348	2,360,400
Term loan IV	40,872,640	-
Term loan V	6,118,441	-
	98,413,104	54,810,518
Less: Repayable after one year	(69,111,799)	(29,676,402)
	29,301,305	25,134,116
The maturity profile of borrowings is as follows:		
Less than 1 year	29,301,305	25,134,116
Between 1 and 3 years	13,249,292	3,259,059
Between 3 and 5 years	20,050,405	12,682,385
More than 5 years	35,812,102	13,734,958
	98,413,104	54,810,518

Borrowings are denominated in Ringgit Malaysia.

Bank Overdraft, Term Loan I, II and III

Effective interest rate as at 31 December 2017 is 4.85% and 5.96% (2016: 4.57% and 5.67%) per annum for term loan I and bank overdraft respectively.

Term loan II and III facilities amounted to RM60,000,000, with a drawdown of RM32,360,400 as at 31 December 2017, bear interest at 6.67% (2016: 6.67%) per annum.

Term loan I is secured by a shop houses held by a subsidiary of the Company which has been disposed during the financial year as disclosed in Note 24.

Bank overdraft, term loan I, II and III are secured by:

(a) First party first legal charge over 2 adjoining pieces of oil palm land held by a subsidiary of the Company;

(b) A specific debenture over the oil palm plantation of a subsidiary of the Company; and

(c) Corporate guarantee of the Company for RM85,000,000.

27. BORROWINGS (Cont'd)

Term Loan IV and V

Term loan IV and V facilities amounted to RM48,700,000 with a full drawdown of RM48,700,000 as at 31 December 2017, bear interest at 2.50% above the lender's cost of fund per annum.

Term loan IV and V are secured by:

(a) Fresh asset sale agreement of RM80,005,703, held by a subsidiary of the Company;

(b) Fresh open all monies master Commodity Murabahah facility agreement held by a subsidiary of the Company;

(c) Third party deed of assignment of the contract proceeds of a subsidiary of the Company;

(d) Letter of undertaking from the Company during the tenure of financing;

(e) Corporate guarantee given by the Company;

(f) Fresh debenture over the post and all future fixed and floating aspects of the subsidiary of the Company; and

(g) Fresh guarantee for RM29,220,000 by Credit Guarantee Corporation Malaysia Berhad.

28. DEFERRED TAX LIABILITIES

Group	At beginning of year RM	Recognised in profit or loss (Note 9) RM	At end of year RM
2017			
Deferred tax liabilities			
Temporary differences arising from			
– Revaluation of property, plant and equipment, and prepaid lease payments	(8,416,490)	209,140	(8,207,350)
– Property, plant and equipment, and plantation development expenditure	(6,639,255)	130,850	(6,508,405)
	(15,055,745)	339,990	(14,715,755)
Deferred tax assets			
Unabsorbed capital allowances	4,973,440	(130,035)	4,843,405
Unused tax losses	1,665,000	-	1,665,000
Temporary differences arising from other payables and accrued expenses	815	(815)	-
	6,639,255	(130,850)	6,508,405
	(8,416,490)	209,140	(8,207,350)

28. DEFERRED TAX LIABILITIES (Cont'd)

Group	At beginning of year RM	Recognised in profit or loss (Note 9) RM	At end of year RM
2016			
Deferred tax liabilities			
Temporary differences arising from			
– Revaluation of property, plant and equipment, and prepaid lease payments	(8,985,032)	568,541	(8,416,490)
– Property, plant and equipment, and plantation development expenditure	(6,887,374)	248,119	(6,639,255)
	(15,872,405)	816,660	(15,055,745)
Deferred tax assets			
Unabsorbed capital allowances	5,221,288	(247,848)	4,973,440
Unused tax losses	1,665,000	-	1,665,000
Temporary differences arising from other payables and accrued expenses	1,086	(271)	815
	6,887,374	(247,119)	6,639,255
	(8,985,031)	568,541	(8,416,490)

As mentioned in Note 3(g) to the financial statements, deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. As at 31 December 2017, the amount of unabsorbed capital allowances and unutilised tax losses for which no deferred tax asset have been recognised in the financial statements due to uncertainty of realisation, are as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Unabsorbed capital allowances	9,579,354	7,976,594	1,713,960	1,646,793
Unused tax losses	77,469,888	80,871,976	32,546,826	32,571,532
	87,049,242	88,848,570	34,260,786	34,218,325

Utilisation of the unabsorbed capital allowances and unused tax losses are subject to agreement by the tax authorities.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade payables comprise amounts outstanding for trade purchases and on-going costs. The credit period granted to the Group for trade purchases ranges from 15 to 90 days (2016: 15 to 90 days).

Other payables and accrued expenses consist of:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	18,902,799	7, 773,586	7,759,485	7,566,457
Accruals	629,403	232,412	79,087	34,810
	19,532,202	8,005,998	7,838,572	7,601,267

Included in other payables of the Group and of the Company is an amount of RM Nil (2016: RM1,960,000) representing down payment and monthly instalments received in relation to the disposal of available-for-sales investment as disclosed in Note 18 to the financial statements.

30. FINANCIAL GUARANTEES

As at 31 December 2017, the Company gave financial guarantees to licensed banks and financial institutions in respect of facilities granted to certain subsidiaries amounting to RM133,949,600 (2016: RM85,000,000).

The Directors are of the opinion that the financial guarantee need not be recognised as a liability as the probability of default by the relevant subsidiaries is remote.

31. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Significant Related Party Transaction

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the party has the ability, directly or indirectly, to control the Group and the Company or exercise significant influence over the Group and the Company 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 may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly, or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Group or the Company.

The Group and the Company have related party relationship with its subsidiaries and key management personnel.

The related party and their relationship with the Company and the Group are as follows:

Name of Related Party	**Relationship**
Desa Samudra Sdn. Bhd.	A company in which Dato' Choo Keng Weng is also a director and shareholder.
Tunas Selatan Property Sdn. Bhd.	A company in which Dato' Choo Keng Weng is also a shareholder.

Transactions with companies outside of the Group but related to the Directors are presented in the financial statements and notes to the financial statements as transactions with other related companies.

31. SIGNIFICANT RELATED PARTY DISCLOSURES (Cont'd)

(a) Significant Related Party Transaction (Cont'd)

During the financial year, significant related party transactions are as follows:

	Group	
	2017 RM	2016 RM
Rental of property from other related company		
– Desa Samudra Sdn. Bhd.	250,572	203,088

	Company	
	2017 RM	2016 RM
Rental of property from other related company		
– Desa Samudra Sdn. Bhd.	98,356	79,728
Provision of management services to subsidiaries		
– Urun Plantations Sdn. Bhd.	846,514	1,164,475
– Tunas Cool Energy Sdn. Bhd.	439,511	-
Interest charged to subsidiary		
– Urun Plantations Sdn. Bhd.	283,742	265,539

(b) Compensation of Key Management Personnel

The remuneration of key management personnel (inclusive of Directors' remuneration as disclosed in Note 8 to the financial statements) during the year are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, allowance and bonus	938,903	737,250	787,205	599,250
Defined contribution plan	125,611	101,340	107,335	84,780
Fees	44,000	50,000	24,000	30,000
	1,108,514	888,590	918,540	714,030

32. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The operations of the Group are subject to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the Group's exposure to risks and costs associated with financing, investing and operating activities.

Various risk management policies are formulated for observation in the day-to-day operations for controlling and managing the risks associated with financial instruments.

Market Risk

(i) Commodity Price Risk

The Group is exposed to commodity price risk since the price of oil palm fresh fruit bunches ("FFB") is subject to fluctuations due to unpredictable factors such as weather, change of global demand, global production, crude oil prices and global production of similar and completive crops.

Revenue of the Group is therefore subject to price fluctuations in the commodity market.

As at 31 December 2017, a sensitivity analysis has been performed based on the Group's exposure to commodity prices. A 10% increase or decrease in FFB prices with all other variables being held constant, would increase or decrease the Group's (loss)/profit before tax, by approximately RM1,470,817.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk mainly through the impact of rate changes on borrowings. The interest rates for the said borrowings are disclosed in Note 27 to the financial statement.

The interest rates for finance lease liabilities and amount owing to non-controlling interest and, which are fixed at the inception of the financing arrangements are disclosed in Note 26 to the financial statements.

The Group's interest-bearing financial assets is mainly its fixed deposits with licensed banks. The deposits placements as at the end of the reporting period, which bear interest fixed at initiation as disclosed in Note 23 to the financial statements, are short term and therefore their exposure to the effects of future changes in prevailing level of interest rates are limited.

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analysis below has been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in the interest rates.

32. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's (loss)/profit for the financial year would be increased or decreased as follows:

	2017 RM	2016 RM
Floating rate liability:		
Term loans	492,066	274,053

Other financial assets and financial liabilities are non-interest bearing and therefore are not affected by changes in interest rates.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and assigns credit limits to these counterparties by using its own trading records and the counterparties' financial information. The Group's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's exposure to significant concentration of credit risk to any single counterparty or any company of counterparties having similar characteristics is disclosed in Note 21 to the financial statements. The Group defines counterparties as having similar characteristics if they are related entities.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by local credit-rating agencies.

The carrying amount of financial assets recognised in the financial statements represents the Group's maximum exposure to credit risk without taking into account collateral or other credit enhancements held, if any,

Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations due to shortage of funds.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

32. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

Liquidity Risk Management (Cont'd)

The tables below summarise the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations at the statement of financial position date. The tables include both interest and principal cash flows:

Group	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	On demand or within one years RM'000	One to five years RM'000	Over five years RM'000
2017					
Financial liabilities					
Non-interest bearing:					
Trade payables	1,367	1,367	1,367	-	-
Other payables and accrued expenses	19,532	19,532	19,532	-	-
Amount owing to related parties	2,660	2,660	2,660	-	-
Interest bearing:					
Finance lease liabilities	961	1,098	221	761	116
Borrowings	98,414	126,677	33,913	46,425	46,339
	122,934	151,334	57,693	47,186	46,455
2016					
Financial liabilities					
Non-interest bearing:					
Trade payables	799	799	799	-	-
Other payables and accrued expenses	8,006	8,006	8,006	-	-
Interest bearing:					
Finance lease liabilities	560	606	205	401	-
Borrowings	54,810	64,448	27,174	21,640	15,634
	64,175	73,859	36,184	22,041	15,634

32. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

Liquidity Risk Management (Cont'd)

Company	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	On demand or within one years RM'000	One to five years RM'000	Over five years RM'000
2017					
Financial liabilities					
Non-interest bearing:					
Other payables and accruals	7,839	7,839	7,839	-	-
Interest bearing:					
Finance lease liabilities	608	698	123	459	116
	8,447	8,537	7,962	456	116
2016					
Financial liabilities					
Non-interest bearing:					
Other payables and accruals	7,601	7,601	7,601	-	-
Interest bearing:					
Finance lease liabilities	343	369	108	261	-
	7,944	7,970	7,709	261	-

(b) Fair Value of Financial Instruments

	2017		2016	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Finance lease liabilities	961	1,022	560	580
Borrowings	98,414	98,935	54,810	55,044
Company				
Finance lease liabilities	608	648	343	354

The fair values of long-term loans and finance lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

No disclosure is made for balances with related companies and other related companies as it is impractical to determine their fair values with sufficient reliability given these balances are repayable on demand.

32. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Fair Value of Financial Instruments (Cont'd)

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) prices in active markets for identical assets.

Level 2: Valuation inputs (other than Level 1 input) that are based on observable market data for the asset or liability, whether directly or indirectly.

Level 3: Valuation that are not based on observable market data for the asset or liability.

As at the reporting date, the Group and the Company held the following financial instruments carried at fair values in the statements of financial position:

	Group	
	2017 RM	**2016 RM**
Level 3		
Available-for-sale financial assets:		
Available-for-sale investment	-	2,800,000
Less: Impairment on available-for-sale investment	-	-
	-	2,800,000

33. CAPITAL RISK MANAGEMENT POLICIES

The objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balances. The Group's overall strategy remains unchanged since 2011.

The capital structure of the Group consists of net debts (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital and reserve). The Group monitors capital using a gearing ratio, which is net debt divided by total equity attributable to owners of the Company.

The Group reviews its capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital.

33. CAPITAL RISK MANAGEMENT POLICIES (Cont'd)

Gearing Ratio

The gearing ratio analysis at end of the reporting period is disclosed as follows:

	Group	
	2017 RM	2016 RM
Debt (i)	99,374,543	55,370,609
Less: Cash and cash equivalents (excluding bank overdraft)	(7,293,820)	(12,706,958)
Net debt	92,080,723	42,663,651
Equity (ii)	81,541,928	79,449,152
Gearing ratio	113%	54%

(i) Debt is defined as finance lease liabilities and term loans as disclosed in Note 26 and 27 to the financial statements.

(ii) Equity includes issued capital and reserve.

34. COMPARATIVE

Certain disclosures in prior year financial statements have been reclassified to conform with current year presentation.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, **Dato' Choo Keng Weng** and **Thomas Tuan Kit Kwong**, being two of the Directors of **Sin Heng Chan (Malaya) Berhad**, state that, in the opinion of the Directors, the financial statements set out on pages 49 to 110 are drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and the cash flows of the Group and of the Company for the financial year then ended.

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

Dato' Choo Keng Weng
Director

Thomas Tuan Kit Kwong
Director

Kuala Lumpur
16 April 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, **Tie Choon Keat**, being the officer primarily responsible for the financial management of **Sin Heng Chan (Malaya) Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 110 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.

Tie Choon Keat (16575)

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in the
Federal Territory on 16 April 2018

Before me,

Commissioner for Oaths

LIST OF PROPERTIES HELD
AS AT 31 DECEMBER 2017

	Location	Description	Area	Tenure (Year Expiring)	Age of Building	Net Book Value (RM)
A.	**Freehold**					
1	Holding 2058, 2060 & 2062 Mukim Tanjong Kling 76400 Melaka	Vacant Land	127,576 sq. ft.	-	-	544,000
B.	**Leasehold**					
1	129A Jalan Mutahir 75300 Melaka	Vacant Land	9,440 sq. ft.	2061	56 years	392,125
2	Klebang Land, Melaka	Vacant Land	261,360 sq.ft	2114	N/A	9,085,372
3	Provisional Lease Lot 4, Punan Land District, Sarawak	Oil Palm Plantation with Office/Store/ Worker Quarters	10,730 hectares	2057	17 years	17,223,294
	Provisional Lease Lot 7, Dulit Land District, Sarawak	Oil Palm Plantation	267 hectares	2057	N/A	
	Grand Total					**27,244,791**

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2018

Number of Shares Issued	:	120,066,787
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	2,896

DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Shareholders	No. of Shares	Percentage (%)
Less than 100	122	3,375	0.00
100 – 1,000	948	844,037	0.70
1,001 – 10,000	1,375	5,984,467	4.99
10,001 – 100,000	378	11,566,810	9.63
100,001 – less than 5% of issued shares	69	51,935,284	43.26
5% and above of issued shares	4	49,732,814	41.42
Total	**2,896**	**120,066,787**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDINGS

		Direct		Indirect	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Wan Jin Resources Sdn. Bhd.	19,182,125	15.98	-	-
2.	Tan Sri Dato' Sri Haji Esa Bin Haji Mohamed	12,580,689	10.48	-	-
3.	Dato' Choo Keng Weng	17,364,293 *	14.46	2,925,000 **	2.54
4.	Samudera Sentosa Sdn. Bhd.	8,000,000	6.66	-	-

Notes:

* *Includes shares held by nominees.*

** *Deemed interest in shares held by Macronet Sdn Bhd by virtue of Section 8 of the Companies Act 2016.*

THIRTY LARGEST ORIDINARY SHAREHOLDERS

No.	Shareholders	No. of Shares Held	%
1.	Sabah Development Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wan Jin Resources Sdn Bhd*	19,182,125	15.98
2.	Esa Bin Mohamed	12,580,689	10.48
3.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Choo Keng Weng*	9,970,000	8.30
4.	Sabah Development Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Samudera Sentosa Sdn Bhd*	8,000,000	6.66
5.	Choo Keng Weng	5,113,793	4.26
6.	Niaga Serimas Sdn Bhd	5,001,000	4.17
7.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for J.V. Avenue Sdn Bhd*	4,828,162	4.02
8.	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Esa Bin Mohamed*	4,158,300	3.46
9.	Macronet Sdn Bhd	2,925,000	2.44
10.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Kok Choon*	2,500,000	2.08
11.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Sheldon Wee Tah Poh*	2,500,000	2.08
12.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Su Ming Ming*	2,052,000	1.71
13.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Swee Yee*	2,024,200	1.69
14.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Mohd Salleh Bin Yeop Abd Rahman*	1,560,000	1.30
15.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Sy Choon Yen*	1,560,000	1.30
16.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Choo Keng Weng*	1,400,000	1.17
17.	Asraman Sdn Bhd	1,283,900	1.07
18.	Chu Siew Fei	842,700	0.70
19.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Maybank Kim Eng Securities Pte Ltd for Eng Holdings Sdn Bhd*	838,553	0.70
20.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for OCBC Securities Private Limited*	798,671	0.67

THIRTY LARGEST ORIDINARY SHAREHOLDERS (Cont'd)

No.	Shareholders	No. of Shares Held	%
21.	Lee Lai Leng	695,600	0.58
22.	Chia Soo Hock	633,200	0.53
23.	Syed Omar Bin Syed Abdullah	600,000	0.50
24.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Choo Keng Weng*	600,000	0.50
25.	Ding Tai Mooi	476,900	0.40
26.	Law Chee Guan	450,000	0.37
27.	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Cheng Teck Loong*	430,800	0.36
28.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Chong Lee Fong*	402,000	0.33
29.	Eng See Tiau	386,000	0.32
30.	Ong Tuann Foo	323,600	0.27
	Total	**94,117,193**	**78.40**

DIRECTORS' INTERESTS IN SHARES

		Direct		Indirect	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Dato' Choo Keng Weng	17,364,293 ***	14.46	2,925,000 ****	2.54
2.	Lee Kok Choon	2,500,000	2.08	-	-
3.	YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	-	-	-	-
4.	Mr. Thomas Tuan Kit Kwong	-	-	-	-
5.	Mr. Mak Hon Weng	-	-	-	-

Notes:
*** *Includes shares held by nominees.*
**** *Deemed interest in shares held by Macronet Sdn Bhd by virtue of Section 8 of the Companies Act 2016.*

NOTICE OF FIFTY-SIXTH (56TH) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Sixth (56th) Annual General Meeting of Sin Heng Chan (Malaya) Berhad ("SHCB" or the "Company") will be held at Dillenia & Eugenia Rooms, Ground Floor, Sime Darby Convention Centre,1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 31 May 2018 at 10.00 am for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon. **Please refer to Note A.**

2. To approve the payment of Directors' fees and benefits totalling RM626,278 for the financial year ended 31 December 2017. **Ordinary Resolution 1**

3. To re-elect Dato' Choo Keng Weng who retires in accordance with Article 94 of the Constitution of the Company and being eligible, has offered himself for re-election. **Ordinary Resolution 2**

4. To re-elect Lee Kok Choon who retires in accordance with Article 100 of the Constitution of the Company and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

5. To re-appoint Messrs Ecovis AHL PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolutions:

6. **RETENTION OF INDEPENDENT DIRECTOR**

   To retain the following Director who has served for more than twelve (12) years as Independent Non-Executive Director of the Company:

   6.1 YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI **Ordinary Resolution 5**

7. **AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** **Ordinary Resolution 6**

   "THAT subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 7**

"THAT the Company and/or its subsidiaries ('the Group') be and is/are hereby authorised to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group ('Related Parties') as specified in Section 2.2.1 of the Circular to Shareholders dated 30 April 2018 ('Circular'), provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the Group's day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
(iv) not detrimental to the minority shareholders

('Recurrent Related Party Transaction ("RRPT") Mandate');

AND THAT the RRPT Mandate, unless revoked or varied by the Company in general meeting, shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the RRPT Mandate."

9. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 8**

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Mandate be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature from time to time with the Related Parties as specified in Section 2.2.2 of the Circular to Shareholders dated 30 April 2018, provided that such transactions are in the ordinary course of business, on normal commercial terms and on terms which are not more favourable to the related parties than those generally available to the public and the RRPT are not to the detriment of the minority shareholders of the Company;

AND THAT such authority shall commence upon the passing of the resolution and to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the shareholders' mandate will lapse, unless the authority is renewed by a resolution passed at the meeting;

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

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

whichever is the earlier.

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the Mandate contemplated and/or authorised by the ordinary resolution."

10. **PROPOSED AMENDMENT TO THE CONSTITUTION OF THE COMPANY** **Special Resolution 1**

"THAT the Constitution of the Company be and is hereby amended in the manner as set out in Appendix I on page 123 to 129 of the Company's Annual Report 2017 to be in line with the Companies Act 2016 and Bursa Malaysia Securities Berhad Main Market Listing Requirements.

AND THAT the Directors be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Amendment to the Constitution of the Company."

By order of the Board,

LIM SECK WAH (MAICSA 0799845)
KONG MEI KEE (MAICSA 7039391)
Company Secretaries

Kuala Lumpur
Dated this: 30 April 2018

Notes:

A This Agenda is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders. As such this item on the Agenda is not put forward for voting.

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 25 May 2018. Only a depositor whose name appears on the Record of Depositors as at 25 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

2. A member entitle to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two (2) proxies to attend the same meeting provided that he/she specifies the proportion of his/her shareholding to be represented by each proxy. A proxy may but need not be a member of the Company.

3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.

6. The Proxy Form must be deposited at the Share Registrar, Boardroom Corporate Services (KL) Sdn Bhd of Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Notes: (Cont'd)

7. **Explanatory Notes:**

Ordinary Resolution 1

Section 230(1) of the Companies Act 2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the 56th Annual General Meeting on the Directors' fees and benefits under Resolution 1.

The Directors' benefits comprise travelling allowance and other benefits such as directors' and officers' liability insurance.

Ordinary Resolution 5 – Retention of Independent Director

The Board of Directors has vide the Nominating Committee conducted an assessment of independence of the following director who has served as Independent Non-Executive Director for a cumulative term of more than twelve (12) years and recommended him to continue to act as Independent Non-Executive Director based on the following justifications:

(i) YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI

Justifications:

(a) He fulfilled the criteria under the definition of an Independent Director, as stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and thus, he would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board;
(b) His years of experience as a businessman enabled him to provide the Board with a diverse set of experience, expertise and independent judgment; and
(c) He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposal from the Management.

Ordinary Resolution 6 – Authority to issue shares by the company pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Resolution 6 is a renewal of mandate given by the shareholders at the previous AGM held on 8 June 2017, primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the total number of the issued shares.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the total number of issued shares of the Company. The renewed authority will provide flexibility to the Company for the issuance of shares for the purpose of the possible fund raising activities for the purpose of funding future project/ investment, working capital and/or acquisitions. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM of the Company.

No shares have been issued by the Company since obtaining the said authority from its shareholders at the last AGM held on 8 June 2017.

Notes: (Cont'd)

Ordinary Resolution 7

This resolution is primarily to give flexibility to the Board of Directors to enter into recurrent related party transactions of revenue or trading nature with the Directors/Major Shareholders or persons connected with the Directors/Major Shareholders ("Renewal RRPT Mandate").

Further information of Renewal RRPT Mandate is contained in the Circular to Shareholders dated 30 April 2018.

Ordinary Resolution 8

The proposed Ordinary Resolution 8 proposed under item 9 of the Agenda if passed, will allow the Company and/or subsidiaries to enter into Recurrent Related Party Transactions in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Further information is set out in the Circular to Shareholders dated 30 April 2018 which is despatched together with the Company's Annual Report 2017.

Special Resolution 1 – Proposed Amendment to the Constitution of the Company

The proposed Special Resolution 1 above on the Proposed Amendment to the Constitution of the Company is to align with the Companies Act, 2016 and Bursa Malaysia Securities Berhad Main Market Listing Requirements.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election at this Annual General Meeting can be found on pages 4 and 5 Profile of the Board of Directors in the Company's Annual Report 2017.

APPENDIX I

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

No.	Existing Provision	No.	Proposed Amendment
2. (Interpretation)	In these Articles the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not consistent with the subject or contexts.	2. (Interpretation)	In **this Constitution** the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not consistent with the subject or contexts. **That all these words "Articles" be replaced by "Constitution".**
2. (Interpretation)	"Electronic Format"- Issuance in CD-ROM, USB thumb drive, USB flash drive or USB pen drive.	2. (Interpretation)	**"Electronic Form" means any communication or document or information sent, supplied, conveyed or transmitted via electronic communication, whether via a mobile application or internet platform or an electronic application or electronic platform maintained by the Company or by a third party(ies) or affiliate(s) or associate(s) or otherwise, if it is sent, supplied, conveyed or transmitted initially and received at its destination by the intended recipient, members or securities holders by means of electronic equipment in any form or modes for the processing (which expression includes digital compression) or storage of data received, conveyed or transmitted via email, short messaging service ("SMS"), messaging application(s), any form of digital storage, USB flash drive, memory sticks, memory cards, SD cards or any other portable electronic or digital format or storage device(s) whatsoever (whether available now or in the future), wire, radio, optical, cloud, website means or any other electromagnetic means or equivalent and as permitted under the Listing Requirements or any combination of communications thereof.**
52. (Transfer of stock)	The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.	52. (Transfer of stock)	The holders of stock may transfer the same or any part thereof in the same manner and subject to the **Constitution** as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (Cont'd)

No.	Existing Provision	No.	Proposed Amendment
54. (Definition)	Such of the Articles of the Company as are applicable to paid-up shares shall apply to stock, and the word "share" and "shareholder" therein shall include "stock" and "stockholder".	54. (Definition)	Such of the **Constitution** of the Company as are applicable to paid-up shares shall apply to stock, and the word "share" and "shareholder" therein shall include "stock" and "stockholder".
64. (Notice of Meetings)	Subject to the provisions of the Act and other agreements for shorter notice to these Articles, every notices convening meetings shall specify the place, day and hour of the meeting. The notices must also include the date of the Record of Depositors, as at the latest date which is reasonably practical and in any event shall not be less than three (3) market days before the meeting for the purpose of determining whether a depositor shall be registered as a Member entitled to attend, speak and vote at the meeting. The notices shall be given to all Members at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each Stock Exchange upon which the company is listed.	64 (1) (Notice of Meetings)	Subject to the provisions of the Act and other agreements for shorter notice to **this Constitution**, every notices convening meetings shall specify the place, day and hour of the meeting. The notices must also include the date of the Record of Depositors, as at the latest date which is reasonably practical and in any event shall not be less than three (3) market days before the meeting for the purpose of determining whether a depositor shall be registered as a Member entitled to attend, speak and vote at the meeting. The notices shall be given to all Members at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each Stock Exchange upon which the company is listed.

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (Cont'd)

No.	Existing Provision	No.	Proposed Amendment
	(New provision)	64 (2)	**Subject to the Act, Listing Requirements, laws, rules or regulations, notice of a meeting of members shall be in writing or Document which is required or permitted to be given, sent or served under the Act or under this Constitution shall be given to the members either:-** **(a) in hard copy,** **(b) in electronic form, or** **(c) partly in hard copy and partly in electronic form.**
	(New provision)	64 (3)	**A notice or Document:-** **(a) given in hard copy shall be sent to any member/ securities holder either personally or by post to the address supplied by the member to the Company for such purpose; or** **(b) given in electronic form shall be transmitted to the electronic address provided by the member/ securities holder to the Company for such purpose or by publishing on a website.**
	(New provision)	64 (4)	**A notice of a meeting of members or Document shall not be validly given by the Company by means of a website unless a notification to that effect is given in accordance with Section 320 of the Act.**

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (Cont'd)

No.	Existing Provision	No.	Proposed Amendment
	(New provision)	64 (5)	**The Company shall notify a member/ securities holder of the publication of the notice or Document on the website and such notifications shall be in writing and shall be given in hard copy or electronic form stating:-** **(a) that it concerns a meeting of members;** **(b) the place, date and time of the meeting;** **(c) the general nature of the business of the meeting; and** **(d) whether the meeting is an annual general meeting.** **If the Company sends the notice or Document or notifications through electronic mail, there must be proof of electronic mail delivery. In the event of delivery failure, the Company shall send for a hard copy of the notice or Document to him.** **Notice of meeting of members may include text of any proposed resolutions and other information as the Directors deem fit.**
	(New provision)	64 (6)	**The notice or Document shall be made available on the website throughout the period beginning from the date of the notification referred to in Clause 64(5) until the conclusion of the meeting.**
	(New provision)	64 (7)	**The contact details of the member/ securities holder as provided to the Depository shall be deemed as the last known address provided by the member to the Company for purposes of communication with the member.**
	(New provision)	64 (8)	**Where any member/ securities holder requests for a hard copy of the Document, the Company shall forward a hard copy of these Documents to the member/ securities holder as soon as reasonably practicable after the receipt of the request, free of charge.**

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (Cont'd)

No.	Existing Provision	No.	Proposed Amendment
	(New provision)	64 (9)	**Where it relates to Documents required to be completed by members/ securities holders for a rights issue or offer for sale, the Company must send these Documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.**
68. (Notice)	In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him, and the proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy.	68. (Notice)	In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint **up to 2** proxies to attend and vote instead of him, and the proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy.
76. (Chairman to have casting vote)	In the case of an equality of votes, the Chairman of the general meeting shall be entitled to second or casting vote.	76. (Chairman to have casting vote)	In the case of an equality of votes, the Chairman of the general meeting shall be entitled to second or casting vote, **saves for issues in relate to, appointing Chairman to preside the meeting.**
84. (Proxy to be in writing)	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, whether under its seal or under the hand of an officer or attorney duly authorized. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of Section 334 of the Act shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.	84. (Proxy to be in writing)	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, whether under its seal or under the hand of an officer or attorney duly authorized. A proxy may but need not be a Member of the Company and a Member may appoint **up to 2 proxies** and the provisions of Section 334 of the Act shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (Cont'd)

No.	Existing Provision	No.	Proposed Amendment
177. (Alteration of Article)	These Articles have been drafted in a manner to incorporate the requirements of the relevant governing statutes, regulations and guidance. Without prejudice to any provisions in the Act or under these Articles pertaining to the amendments of the Articles, in the event the applicable provisions of any relevant governing statutes, regulations and guidance are from time to time amended, modified or varied, such amendments, modifications or variations shall be deemed inserted herein whereupon these Articles shall be read and construed subject to and in accordance with the amended, modified or varied statutes, regulations and guidelines. The Company shall comply with the provisions of the relevant governing statutes, regulations and/or guidelines as may be amended, modified or varied from time to time and any other applicable directives or requirements imposed by the relevant stock exchange and/or any other regulatory authorities, to the extend required by law, notwithstanding any provisions in these Articles to the contrary.	177. (Alteration of **Constitution**)	**This Constitution** have been drafted in a manner to incorporate the requirements of the relevant governing statutes, regulations and guidance. Without prejudice to any provisions in the Act or under **this Constitution** pertaining to the amendments of the **Constitution**, in the event the applicable provisions of any relevant governing statutes, regulations and guidance are from time to time amended, modified or varied, such amendments, modifications or variations shall be deemed inserted herein whereupon **this Constitution** shall be read and construed subject to and in accordance with the amended, modified or varied statutes, regulations and guidelines. The Company shall comply with the provisions of the relevant governing statutes, regulations and/or guidelines as may be amended, modified or varied from time to time and any other applicable directives or requirements imposed by the relevant stock exchange and/or any other regulatory authorities, to the extend required by law, notwithstanding any provisions in **this Constitution** to the contrary.

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (Cont'd)

No.	Existing Provision	No.	Proposed Amendment
178. (Effect of the Listing Requirement)	(a) Notwithstanding anything contained in these Articles, if the Listing Requirements prohibit an act being done, the act shall not be done. (b) Nothing contained in these Articles prevents an act being done that the Listing Requirements require to be done. (d) If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision. (e) If the Listing Requirements require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision, (f) If any provision of these Articles is or become inconsistent with the Listing Requirements, these Articles are deemed, not to contain that provision to the extent of that inconsistency. We, the several persons whose names and addresses are subscribed hereunder being subscribers hereby agree to the foregoing Articles of Association.		(a) Notwithstanding anything contained in **this Constitution**, if the Listing Requirements prohibit an act being done, the act shall not be done. (b) Nothing contained in **this Constitution** prevents an act being done that the Listing Requirements require to be done. (d) If the Listing Requirements require **this Constitution** to contain a provision and they do not contain such a provision, **this Constitution is** deemed to contain that provision. (e) If the Listing Requirements require **this Constitution** not to contain a provision and they contain such a provision, **this Constitution is** deemed not to contain that provision, (f) If any provision of **this Constitution** is or become inconsistent with the Listing Requirements, **this Constitution is** deemed, not to contain that provision to the extent of that inconsistency. We, the several persons whose names and addresses are subscribed hereunder being subscribers hereby agree to the foregoing **Constitution**.

SIN HENG CHAN (MALAYA) BERHAD
(4690-V)

PROXY FORM

(Before completing this form please refer to the notes below)

No. of Ordinary Shares Held

I/We ____
(Full name in Capital Letters)

____________________________ I/C No./Co. No./CDS A/C No. ____________

of ____
(Full address)

____

being a member/members of **SIN HENG CHAN (MALAYA) BERHAD**, hereby appoint the following person(s):

Name of Proxy, NRIC No. & Address	No. of Shares or % of Shares to be Represented
1.	
2.	

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty-Sixth (56th) Annual General Meeting ("AGM") of the Company to be held at Dillenia & Eugenia Rooms, Ground Floor, Sime Darby Convention Centre,1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 31 May 2018 at 10.00 am. My/our proxy/proxies is to vote as indicated below:-

Resolutions Relating to:	First Proxy		Second Proxy	
	For	Against	For	Against
ORDINARY RESOLUTION				
1. To approve the payment of the Directors' fees and benefits totalling RM626,278 for the financial year ended 31 December 2017.				
2. Re-election of Director, Dato' Choo Keng Weng.				
3. Re-election of Director, Lee Kok Choon.				
4. To re-appoint Messrs Ecovis AHL PLT as Auditors and to authorise the Directors to fix their remuneration.				
SPECIAL BUSINESS				
5. To retain YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as Independent Non-Executive Director.				
6. Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.				
7. Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature				
8. Proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature				
SPECIAL RESOLUTION				
1. Proposed amendment to the Constitution of the Company				

Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion. The first named proxy shall be entitled to vote on a show of hands on my/our behalf.

____
Signature of Shareholder(s) /Common Seal

Signed this ____________ day of ___________ 2018

Notes:

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 25 May 2018. Only a depositor whose name appears on the Record of Depositors as at 25 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. A member entitle to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two (2) proxies to attend the same meeting provided that he/she specifies the proportion of his/her shareholding to be represented by each proxy. A proxy may but need not be a member of the Company.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.
6. The Proxy Form must be deposited at the Share Registrar, Boardroom Corporate Services (KL) Sdn Bhd of Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX
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SHARE REGISTRAR
SIN HENG CHAN (MALAYA) BERHAD (4690 V)
C/O BOARDROOM CORPORATE SERVICES (KL) SDN BHD

LOT 6.05, LEVEL 6, KPMG TOWER
8 FIRST AVENUE, BANDAR UTAMA
47800 PETALING JAYA
SELANGOR DARUL EHSAN

1st fold here

www.shcm.com.my

SIN HENG CHAN (MALAYA) BERHAD

(4690-V)

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