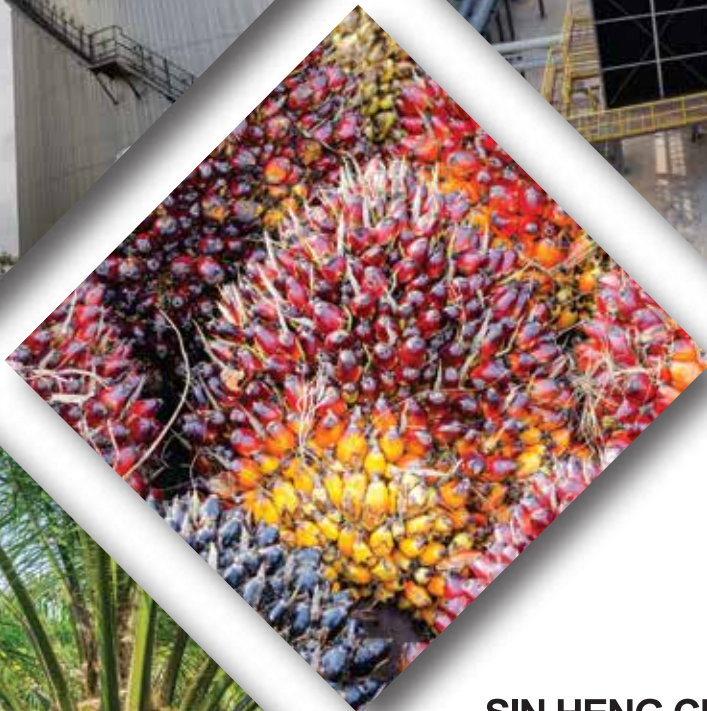
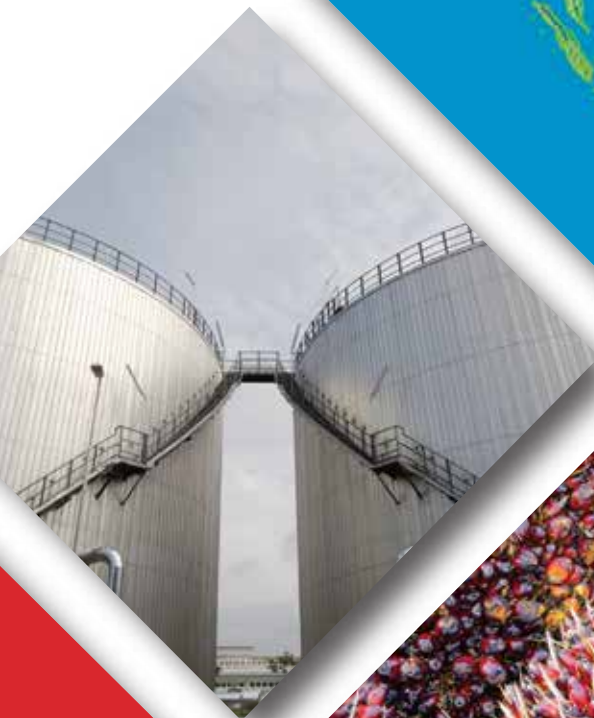


ANNUAL REPORT 2018



SIN HENG CHAN (MALAYA) BERHAD (4690-V)
(Incorporated in Malaysia)

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57TH

ANNUAL GENERAL MEETING

Venue	Dillenia Room Ground Floor Sime Darby Convention Centre
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Date	27 May 2019
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Day	Monday
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Time	10.00 a.m.
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Mak Hon Weng
Chairman/Independent Non-Executive

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

Mr. Lee Kok Choon
Non-Independent Executive

Mr. Sheldon Wee Tah Poh
Non-Independent Executive (*Appointed w.e.f. 1 June 2018*)

Mr. Thomas Tuan Kit Kwong
Independent Non-Executive

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

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

Mr. Thomas Tuan Kit Kwong
Mr. Mak Hon Weng

NOMINATION COMMITTEE

Chairman

Mr. Mak Hon Weng

Members

Mr. Thomas Tuan Kit Kwong
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 Share Registrars Sdn. Bhd.
(formerly known as *Symphony Share Registrars Sdn. Bhd.*)
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor, Malaysia
Tel : 03-7841 8088
Fax : 03-7841 8100

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
CIMB Bank Berhad
Malayan Banking Berhad

AUDITORS

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

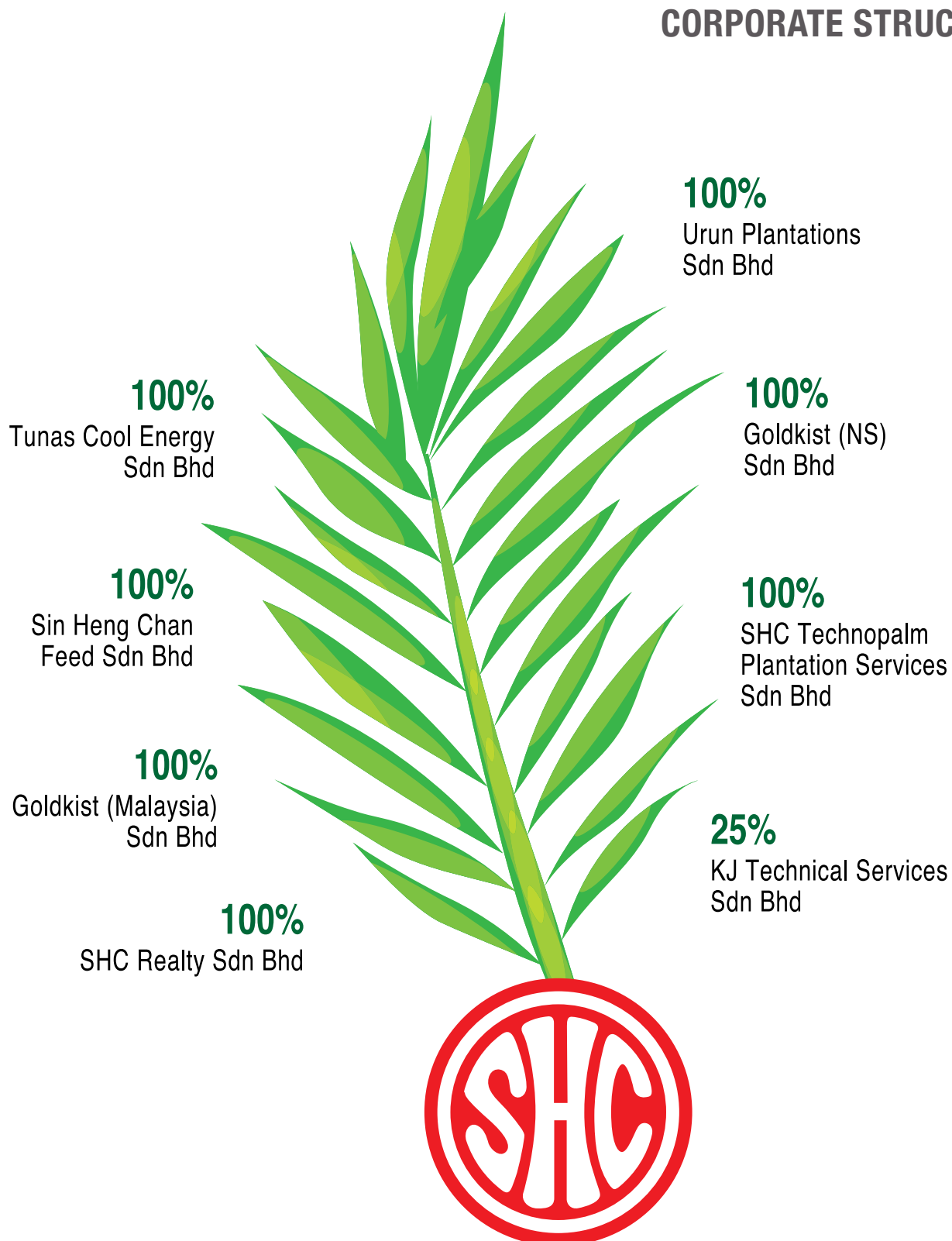
STOCK EXCHANGE LISTING

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

MR. MAK HON WENG

Male, Chairman/Independent Non-Executive Director, Aged 66, Malaysian

Mr. Mak Hon Weng was appointed to the Board on 21 March 2014. He was appointed as Chairman on 25 May 2018.

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 directorship in any other public listed company.

DATO' CHOO KENG WENG

Male, Managing Director/Non-Independent Executive Director, Aged 69, Malaysian

Dato' Choo Keng Weng is a businessman with varied interests 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 both in overseas and Malaysia. He has vast experience in consumer food products, manufacturing and trading, property investment, plantation and timber manufacturing.

He does not hold any directorship in any other public listed company. He sits in the board of several private limited companies.

MR. LEE KOK CHOON

Male, Non-Independent Executive Director, Aged 44, Malaysian

Mr. Lee Kok Choon was appointed to the Board on 21 July 2017. He is a qualified Mechanical Engineer with 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 in 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 transformed the company to become a regional leader in energy management with a focus in engineering, financial modelling and business development. In 2013, he acquired the French owned company in Malaysia and assume the role of Managing Director.

He does not hold any directorship in any other public listed company.

MR. SHELDON WEE TAH POH

Male, Non-Independent Executive Director, Aged 43, Malaysian

Mr. Sheldon Wee Tah Poh was appointed to the Board on 1 June 2018. He graduated with a Bachelor of Business in University Technology of Sydney, Australia, majoring in Marketing and Information Technology in 1999.

He has 22 years of experience in facilities management sector. He is a successful entrepreneur in several entities operating within the facilities management framework. He was involved in the transformation of PWB (M) Sdn Bhd into a national leader in the industry and eventual merger with OCS group of the companies from United Kingdom in 2013.

His investment in KJ Technical Services Sdn Bhd in 2013 has been invaluable in helping the organization to achieve its objectives. He heads the business development and assists the Managing Director in managing the corporate finances.

He does not hold any directorship in any other public listed company.

PROFILE OF DIRECTORS (CONT'D)

MR. THOMAS TUAN KIT KWONG

**Male, Independent Non-Executive Director,
Aged 55, 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 directorship in any other public listed company.

YBM TUNKU MAHMOOD BIN TUNKU MOHAMMED D.K. PSI

**Male, Independent Non-Executive Director,
Aged 74, Malaysian**

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI was appointed as Director of the Company since 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 of The Royal Court of Johor.

He serves on the board of several private limited companies.

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 2018.

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 69, Malaysian

Please refer to his Director's Profile appearing in page 4 of the Annual Report 2018.

MR. LEE KOK CHOON

Male, Non-Independent Executive Director, Aged 44, Malaysian

Please refer to his Director's Profile appearing in page 4 of the Annual Report 2018.

MR. SHELDON WEE TAH POH

Male, Non-Independent Executive Director, Aged 43, Malaysian

Please refer to his Director's Profile appearing in page 4 of the Annual Report 2018.

CHOO KIN CHOONG

Male, Group Operations Manager, Aged 28, 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, forest plantation, and energy and facility management sector for the past six years.

CAPT. (R) PANIRCHELLVUM S/O VELAITHAM, PGB

Male, Director (Plantation), Aged 65, Malaysian

Cpt. (R) Panirchellvum was appointed as Director (Plantation) for the Group's oil palm plantation segment in 2018. After graduating from Royal Military College in 1974, he had a distinguished career in the Royal Ranger Battalion, during which he received the Bravery Dagger from the Chief of the Armed Forces and the Panglima Gagah Berani from the DYMM Yang Dipertuan Agong. His has also attended the Senior Management Development Program (SMDP) by Harvard Business School and the Design Thinking Program by Stanford University.

His working experience spans 36 years in various plantation groups throughout Malaysia, including senior positions in Golden Hope, Glenealy Plantation, Asian Forestry Company and Asian Plantations Limited. He is deeply experienced in all aspects of plantation management.

MURUGAN JOSEPH

Male, General Manager, Aged 49, Malaysian

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

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, before joining the Group in December 2017.

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

SARMILA MUNIANDY**Female, Finance Manager, Aged 35, 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 in 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.

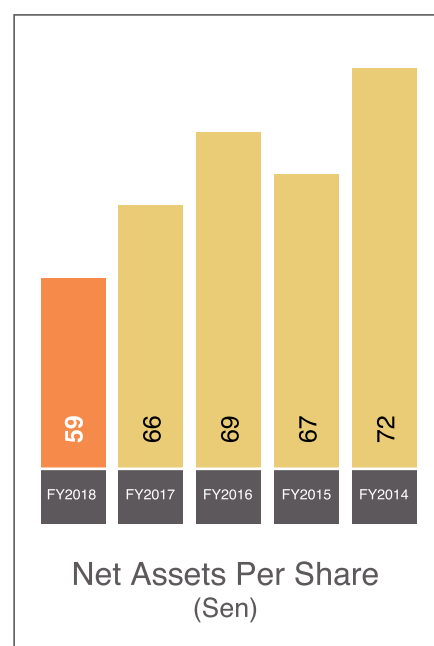
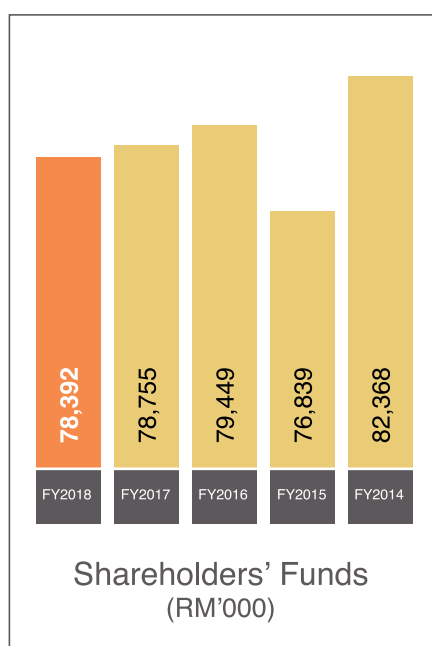
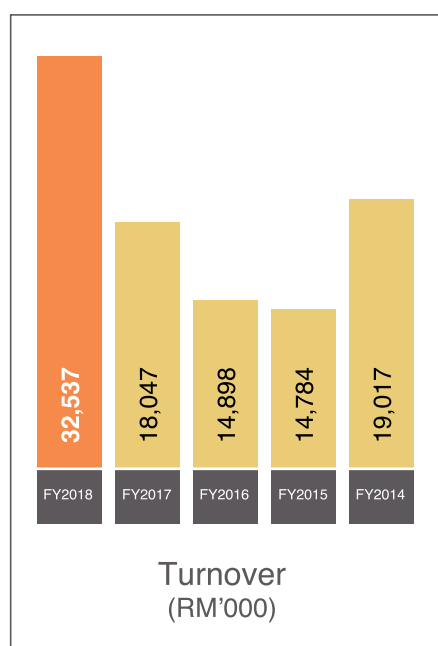
3. Convictions for Offences

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 2018.

GROUP 5-YEAR FINANCIAL SUMMARY

Financial Year Ended 31 December (RM'000)	2018	2017	2016	2015	2014
Turnover					
– Continuing operation	32,537	18,047	14,898	14,784	19,017
Profit/(Loss) for the financial year attributable to:					
Equity holders of the Company	(6,264)	(1,724)	2,610	(5,528)	(3,402)
Minority interest	-	-	-	-	-
Paid-up capital	123,992	118,092	115,067	115,067	115,067
Total tangible asset	187,276	190,284	135,746	135,284	139,727
Shareholders' funds	78,392	78,755	79,449	76,839	82,368
Earnings/(Loss) per share (sen)	(5.02)*	(1.47)*	2.27	(4.80)	(2.96)
Net assets per share (sen)	59	66	69	67	72
Net tangible assets per share (sen)	41	50	55	53	57

Note : * Based on the weighted average of ordinary share in issue during the financial year .



MANAGEMENT DISCUSSION AND ANALYSIS

PROFILE OF SIN HENG CHAN (MALAYA) GROUP

Sin Heng Chan (Malaya) Berhad ("our Group") is principally involved in two core business segments. First, the Group is engaged in the cultivation of oil palm plantations and sale of Fresh Fruit Bunches (FFB). As at 31 December 2018, our Group has a plantation landbank on mineral soil of approximately 10,997 hectares in Sarawak. For the FY 2018, this business activity accounts for 40% of the Group's revenue.

The Group's second core business activity includes 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 facility management services. It is involved in the supply of chilled water to designated buildings and shared facilities within the Pagoh Education Hub, Johor, and the Dataran Pahlawan Megamall Melaka. For FY 2018, this energy and facility management segment contributed to 60% of the Group's revenue. This segment provides the Group with a steady and recurring stream of income and reduces the Group's reliance 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 aspires to continue pursuing growth opportunities that will generate sustainable value for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the financial year ("FY") ended 2018 increased by 80.2% to RM32.5 million compared to RM18.0 million in FY 2017. The increase in revenue was primarily derived from revenue from the Group's Energy and Facility Management segment. Revenue from this segment increased nearly five-fold to RM19.6 million, compared to RM3.3 million in FY 2017. Revenue from the plantations segment decreased by 12.3% to RM12.9 million compared to RM14.7 million registered in 2017. This was due to a decrease in average CPO selling prices and the subsequent impact on the sale price of Fresh Fruit Bunches (FFB). Average CPO prices for 2018 decreased by 20.1% to RM2,235 per metric tonne (mt), compared with RM2,798 in 2017. The decrease in CPO prices offset the increased crop production from the Group's estates, which increased by 19.0% to 31,195 mt compared with 26,221 mt in 2017.

Segmental Contributions to Revenue

	Group	
	2018 RM	2017 RM
1. Plantations	12,897,566	14,708,174
2. Energy and Facilities Management	19,639,573	3,338,623
	32,537,139	18,046,797

Profit Attributable to Equity Holders of the Company

In the FY 2018, the Group registered a loss attributable to equity holders of the company of RM6.3 million compared to a net loss of RM1.7 million in FY 2017. This was primarily driven by losses from the plantations segment, which suffered from low average CPO prices in 2018. Average CPO prices in 2018 declined by 20.1%. This was despite the increased crop production from the Group's estates, which increased by 19.0% to 31,195 mt compared with 26,221 mt in 2017.

The Group's energy and facilities management segment registered a profit of RM6.5 million for FY 2018 compared to RM2.8 million in FY 2017. This increase was driven by the completion of works for the chiller plant in Dataran Pahlawan Megamall Melaka and subsequent earnings from the supply of chilled water for the project. The Group also recorded a share of results of associates amounting to RM1.2 million after accounting for the financial results of its associate company KJ Technical Services Sdn Bhd.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (Cont'd)****Segmental Contributions to Net Profit / (Loss) for the Financial Year**

	Group	
	2018 RM	2017 * RM
1. Plantations	(5,590,382)	(813,426)
2. Energy and Facilities Management	6,492,889	2,802,484
3. Investment Holding	(2,382,372)	(1,283,910)
4. Others	(83,751)	(46,388)
5. Adjustments:		
• Eliminations	(307,326)	(271,276)
• Share of results of associates	1,157,889	1,283,325
• Finance costs	(5,881,192)	(3,688,466)
• Tax credit	330,555	293,292
Net loss for financial year	(6,263,690)	(1,724,365)

* Restated due to adoption of Malaysian Financial Reporting Standard (MFRS) 141 – Agriculture

Finance Cost

Our Group finance costs increased to RM5.9 million during the year compared to RM3.7 million in the preceding year. This increase was primarily due to the financing costs from the Group's energy and facility management segment.

Liquidity and Capital Resources

As at 31 December 2018, our Group's fixed deposits, cash and bank balances stood at RM2.2 million, compared with RM7.3 million in the previous year. This decrease was a predominantly result of the utilization of funds in the ordinary course of business for both the plantation and energy and facility management segments.

Gearing

The gearing ratio of our Group as at 31 December 2018 increased to 61% from 59% in FY 2017. The increase was due to the reduction of cash and cash equivalents in the Group. The gearing ratio is calculated as net debts divided by total capital plus net debt. The Group and the Company includes net debts, payables and accruals, amount owing to related parties, and borrowings less cash and cash equivalents.

OPERATIONAL REVIEW**SEGMENT REVIEW AND ANALYSIS**

The Group has two core business segments, comprising of the plantations segment, and the energy and facilities management segment.

i) Plantations

The Group's Plantations segment involves the upstream cultivation of oil palm plantations and the sale of Fresh Fruit Bunches (FFB) to external CPO mills. As at 31 December 2018, our Group has a plantation landbank on mineral soil of approximately 10,997 hectares located in Sarawak.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATIONAL REVIEW (Cont'd)

SEGMENT REVIEW AND ANALYSIS (Cont'd)

i) Plantations (Cont'd)

During the year under review, the Group's recorded an increase in its production of FFB to 31,195 mt, compared to 26,221 mt in 2017. The increase in crop production of 19.0% can be attributed to the commitment of a restructured senior estate management team to drive several operational improvements in order to improve the performance of the estate. These include the recruitment of workers and the repair of inner field roads and bridges in order to facilitate the evacuation of crop from the blocks. At the same time, the management has embarked on an improvement of the existing infrastructure in the estate, which will ensure the stabilization of the estate workforce over the long term. The Group is also committed to achieving certification of the estates under the Malaysian Sustainable Palm Oil (MSPO) standards, which has been made mandatory by 2019.

Despite the increase in crop production, the Group's performance in this segment was negatively affected by the large decline in CPO prices in 2018.

	2018	2017	Change (%)
Production of FFB (mt)	31,195.42	26,220.91	19.0
<u>Average Selling Price per mt (RM)</u>			
Crude Palm Oil (CPO)	2,235.17	2,797.92	(20.1)
Palm Kernel (PK)	1,708.50	2,430.33	(29.7)

As shown above, the average selling price in 2018 for CPO and PK decreased by 20.1% and 29.7% to RM2,235 per mt and RM1,709 per mt respectively compared to the previous year. CPO prices consistently weakened throughout the year, from RM2,487 in January per mt to RM1,795 in December 2018. This was due to a combination of many factors beyond the control of the Group, including persistently high domestic CPO stockpiles and global harvest increases in related vegetable oils.

In order to mitigate the effects of this, 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 which will enable it to maintain competitiveness.

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.

ii) Energy and Facilities Management

The Group's second business segment includes 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 facility management services.

For FY 2018, the Group's energy and facilities management segment registered a profit of RM6.5 million compared to RM2.8 million in FY 2017. This increase was driven by the completion of works for the chiller plant in Dataran Pahlawan Megamall Melaka and subsequent earnings from the supply of chilled water for the project. The Group also continues to supply cooling energy to the Pagoh Education Hub via a district cooling system.

This segment is expected to provide the Group with a stable and recurring revenue stream for the duration of its contracts. In view of this, the Group continues to seek further opportunities to grow this segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Prospects

For 2019, our Group's performance in the plantation division will be largely dependent on CPO and PK prices, and our FFB production. CPO and PK prices are influenced by a variety of factors affecting the supply and demand of palm oil, including the weather conditions, prices and production of substitute vegetable oils, crude oil prices, and global economic conditions. The ongoing and potential settlement of the trade war between China and the USA, and its subsequent effect on soybean oil, may also have a large bearing on prices in 2019.

Notwithstanding this, the Group will continue to focus on increasing the production of FFB from its estates. The Group remains fundamentally optimistic about the long-term prospects of the palm oil industry. Palm oil remains the most efficiently produced vegetable oil in the world. It is extremely versatile and can be processed into a wide range of products. Demand for biodiesel is expected to continue to grow over the long term.

The Group is optimistic on the ability of its energy and facility management division to continue to provide steady and recurrent income to the Group. It will continue to assess the suitability of potential new projects to grow this segment.

In the coming financial year, the Group will also continue to explore opportunities which can enhance our earnings and 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 (“the Board”) of Sin Heng Chan (Malaya) Berhad (“the Company”) recognises the importance of practicing and maintaining good corporate governance in managing and directing the board matters and business conduct throughout the Company and its subsidiaries (“the Group”) to ensure sustainable long term growth and enhancement of shareholders’ value and financial performance.

The Board believes that good corporate governance practices are pivotal towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interests of other stakeholders. Hence, the Board is fully dedicated to continuously appraise the Group’s corporate governance practices and procedures to ensure that the principles and recommendations in corporate governance are applied and adhered to in the best interests of the stakeholders.

This statement sets out the manner in which the Group has applied the three (3) principles prescribed in the Malaysian Code on Corporate Governance issued on 26 April 2017 (“MCCG”) and the extent to which it has complied with the MCCG:

Principle A: Board Leadership and Effectiveness;

Principle B: Effective Audit and Risk Management; and

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

This Corporate Governance Overview Statement should be read together with the Company’s Corporate Governance Report for the financial year ended 31 December 2018, which is available on Bursa Malaysia Securities Berhad’s website at <http://www.bursamalaysia.com>. The Corporate Governance Report has disclosed to what extent the Company has applied the Practices set out in the Malaysian Code on Corporate Governance.

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 if 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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)

- 1.1 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.

- 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 22 April 2019.

- 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 Group 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 Executive Directors, senior key management and head of each division in implementing and running the Group's day-to-day business operations.

The roles of the Chairman and Managing Director are held by different person.

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 Company Secretaries who facilitate overall compliance with the Companies Act 2016, 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 are responsible for the following in respect of effective Board operation:

- (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;

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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)**1.4 The Company Secretaries are responsible for the following in respect of effective Board operation: (Cont'd)**

- 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.

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 2018, four (4) 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 of the Board Meetings are properly recorded in the minutes of meetings by the Company Secretary, circulated in a timely manner and duly signed by the Chairman of the meetings. The Board also resolved and approved the Company's matters through circular resolutions during the financial year.

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

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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

I Board Responsibilities (Cont'd)

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 22 April 2019.

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 last reviewed on 22 April 2019.

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 22 April 2019.

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 six (6) members; comprising one (1) Managing Director, two (2) Executive Directors 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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)

- 4.1 The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring the Board's effectiveness and conduct, monitoring the monthly result so as to ensure it meets the budget and goals. The Managing Director, with the assistance of the Executive Directors, is responsible for the day-to-day management of the business as well as the implementation of the Board's policies and decisions.

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 Directors who have 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.

Mak Hon Weng is the Chairman of the Board whilst the Managing Director is Dato' Choo Keng Weng.

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.

- 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 20 February 2019. 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-Seventh Annual General Meeting. Accordingly, the Board is making a recommendation to shareholders for approval at the forthcoming Fifty-Seventh Annual General Meeting of the Company that YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI remains as an Independent Non-Executive Director.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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)

4.3 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.

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 ("NC"). The NC 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.

The appointment of new board members and senior management will be guided by the skills, competencies, knowledge, experience, commitment and integrity of the candidate.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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)

- 4.5 The Board does not establish any diversity policy for the Board and workforce in terms of gender, age and ethnicity or setting any target as it is of the view that appointment of directors and employees should be based strictly on merits and not driven by any nationality, racial, age or gender bias.

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.

- 4.6 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, YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI, 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. Mak Hon 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;
- (iii) The re-election of the director, Mr. Sheldon Wee Tah Poh, 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. Sheldon Wee Tah Poh was appointed during the financial year under review.

- (iv) 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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)

- 4.7 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 2018, the Board met four (4) times where it deliberated on and considered matters relating to the Group's financial performance, operational, corporate, business development, and any other matters that require the Board's approval. All the current Directors are committed and had devoted sufficient time to discharge their duties, as demonstrated by their full attendance at the Board Meetings detailed below:

Name of Directors and Designation	Number of Meetings attended
Mak Hon Weng (<i>Chairman/Independent Non-Executive</i>)	4/4
Dato' Choo Keng Weng (<i>Managing Director/Non-Independent Executive</i>)	4/4
Lee Kok Choon (<i>Non-Independent Executive</i>)	4/4
Sheldon Wee Tah Poh (<i>Non-Independent Executive</i>) (<i>Appointed On 01/06/2018</i>)	2/2
Thomas Tuan Kit Kwong (<i>Independent Non-Executive</i>)	4/4
YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI (<i>Independent Non-Executive</i>)	3/4

- 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, Thomas Tuan Kit Kwong and Sheldon Wee Tah Poh, the other directors have not attended any training programme due to prior schedules commitments.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 Following are the training and development programmes attended by the Directors during the financial year:

Name of Directors	Date	Training Attended
Mak Hon Weng	28 August 2018	International Professional Practices Framework for Audit Committee (AC)
Thomas Tuan Kit Kwong	28 August 2018	International Professional Practices Framework for Audit Committee (AC)
	29 October 2018	2018 Asian Confederation of Institutes of Internal Auditors ("ACIIA") Conference, Exclusive Audit Committee Package
Sheldon Wee Tah Poh	3 & 4 September 2018	Mandatory Accreditation Programme

All Directors 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. There has been no new appointment of Board member during the financial year.

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.

4.9 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.

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 ("NC") of the Company comprises exclusively Independent Non-Executive Directors and its composition are as follows:

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

The NC held one (1) meeting during the financial year ended 31 December 2018. The details of the terms of reference of NC are available for reference at the Company's website at www.shcm.com.my.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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. (Cont'd)

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 NC meeting which were then reported to the Board at the Board Meeting held thereafter. The NC evaluated all the above Assessment Forms at the NC Meeting held on 20 February 2019 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 NC 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 nine 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 NC.

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 ("RC") 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*)

The RC 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 RC are available for reference at the Company's website at www.shcm.com.my.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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

III Remuneration (Cont'd)

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. (Cont'd)

6.2 The primary function of the RC 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 RC 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.

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 remuneration of Directors' and Key Senior Management of the Company comprising remuneration received/receivable from the Company and subsidiaries companies respectively in financial year ended 31 December 2018 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	1,601,770	12,000	239,383
Non-Executive Directors	-	18,000	61,500
Total	1,601,770	30,000	300,883
Group			
Executive Directors	1,601,770	12,000	239,383
Non-Executive Directors	-	38,000	61,500
Total	1,601,770	50,000	300,883

* Other emoluments consist of benefit in kind, others allowance, contribution in EPF, SOCSO and EIS.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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. (Cont'd)

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	-	3	-	6
RM400,001 to RM450,000	1	-	1	-
RM600,001 to RM650,000	1	-	1	-
RM750,001 to RM800,000	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
RM140,001 to RM100,000	2	-	2	-
RM200,001 to RM250,000	-	-	1	-
RM250,001 to RM300,000	-	-	1	-

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 Audi 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 Chairman of the AC, Mr Thomas Tuan Kit Kwong is not the Chairman of the Board and members of the AC comprise of only Independent Non-Executive Directors.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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)

- 8.1 The details of the terms of reference of the AC are available for reference at the Company's website at www.shcm.com.my.

Annually, the composition of AC is reviewed by NC and recommended to the Board for its approval. The NC in maintaining an independent and effective AC, will ensure that only an Independent Non-Executive Director who is financially literate, has the relevant expertise and experience, and the strong understanding of the Company's business would be considered for appointment on AC. All the AC members will continue to attend training to keep themselves abreast of recent developments in accounting and auditing standards, practices and rules.

- 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 2019.

- 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 auditor.

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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 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 2018 were as follows:

	Group (RM)	Company (RM)
Audit Fees	115,100	60,000
Non-audit Fees	87,200	75,800
Total	202,300	135,800

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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT (Cont'd)

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 an 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 33 to 34 of this Annual Report.

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 to outsourced to a professional firm who reports directly to the Audit Committee.

The Statement on Risk Management and Internal Control furnished on page 33 to 34 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.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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.

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 shareholder 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 2018, 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 22 April 2019.

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 four (4) Audit Committee meetings held during the financial year 2018. The details of attendance of Committee members are as follows:

Name of Committee Members	Designation	Attendance
Mr. Thomas Tuan Kit Kwong	Chairman	4/4
YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	Member	3/4
Mr. Mak Hon Weng	Member	4/4

In addition to the AC members, the Head of Finance, the Internal Auditors, the Head of Departments and Company Secretary shall 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 AC Chairman. The AC 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 AC. Notice of meeting and supporting documents are to be circulated to the AC members at least seven (7) days prior to the meeting so as to provide the AC members with relevant and timely information for effective discussions during the meeting. The AC Chairman shall report on each meeting to the Board.

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

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 Overview Statement included in this Annual Report.

AUDIT COMMITTEE REPORT (CONT'D)

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 2018 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 AC 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
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 and the Audit Committee Report for the Board's approval and disclosure in the Company's Annual Report 2017.
16 April 2018	Audited Financial Statements for the financial year ended 31 December 2017 and the Statement on Risk Management and Internal Control for the Board's approval and disclosure in the Company's Annual Report 2017.
24 May 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the First quarter ended 31 March 2018.
9 August 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Second quarter ended 30 June 2018.
22 November 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Third quarter ended 30 September 2018.
20 February 2019	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2018.

AUDIT COMMITTEE REPORT (CONT'D)**SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (Cont'd)****External Auditors**

- Discussed and reviewed the External Auditors' audit planning memorandum for the financial year ended 31 December 2018 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 2018.
- 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 2018 on 26 February 2018, 22 November 2018 and 20 February 2019 respectively to discuss on audit matters.

Internal Audit

- Reviewed the scope of work and audit plans for the Group prepared by the Internal Auditors.
- Reviewed the Internal Audit Report for the financial year ended 31 December 2018 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 2018 on 26 February 2018 and 22 November 2018 respectively to discuss on internal audit matters.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (Cont'd)

Related Party Transaction and Conflict of Interest

All Board members will disclose if they have any RPT transaction during the quarter at every quarterly Board meetings.

At each quarterly meeting, the AC reviewed the Related Party Transaction ("RPT") and if there is any 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.

It is the duty of AC to review the RPT and RRPT, if there are fair, reasonable and on normal commercial terms and in the best interest of the Company prior to the Company entering into such transaction. All RRPT must be at arm's length transaction.

The AC 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 2018 was RM21,947.

During the financial year ended 31 December 2018 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 2018 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 recognizes 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has engaged an professional firm, 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 approach 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:

- Manuring and fertilizer control
- Fresh fruit bunches ("FFB") transportation and weighing processes

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 out 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.

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 Financial Controller, 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

ABOUT THIS REPORT

This is the first Sustainable Report published by Sin Heng Chan (Malaya) Berhad ("SHC") for the financial year ending 31 December 2018. All financial amounts in this statement are denominated in Ringgit Malaysia (RM) unless otherwise stated.

SUSTAINABILITY REPORT

SHC firmly believes that economic, social and governance ("ESG") principles and corporate governance are at the core of a sustainable business. We are committed to embedding sustainability in our business operations and culture while ensuring we practise sustainability at every level of our operations.

In this report, we intend to provide our stakeholders with reliable ESG information in relation to our Group's business activities. We remain committed to accomplish and execute our business strategy in line with the ESG targets as sustainability is a necessity and continuous commitment by the Group.

SCOPE OF PERIOD

The scope of our Sustainability Statement covers the period from 1 January 2018 to 31 December 2018. The policies and strategies discussed throughout this Report are undertaken by the Group unless otherwise specified.

Our Sustainability Approach

Our Sustainability approach integrates several business segments as part of our sustainability reporting. The Groups has two business segments: the cultivation of oil palm plantations and energy and facilities management.



Oil Plam Plantations



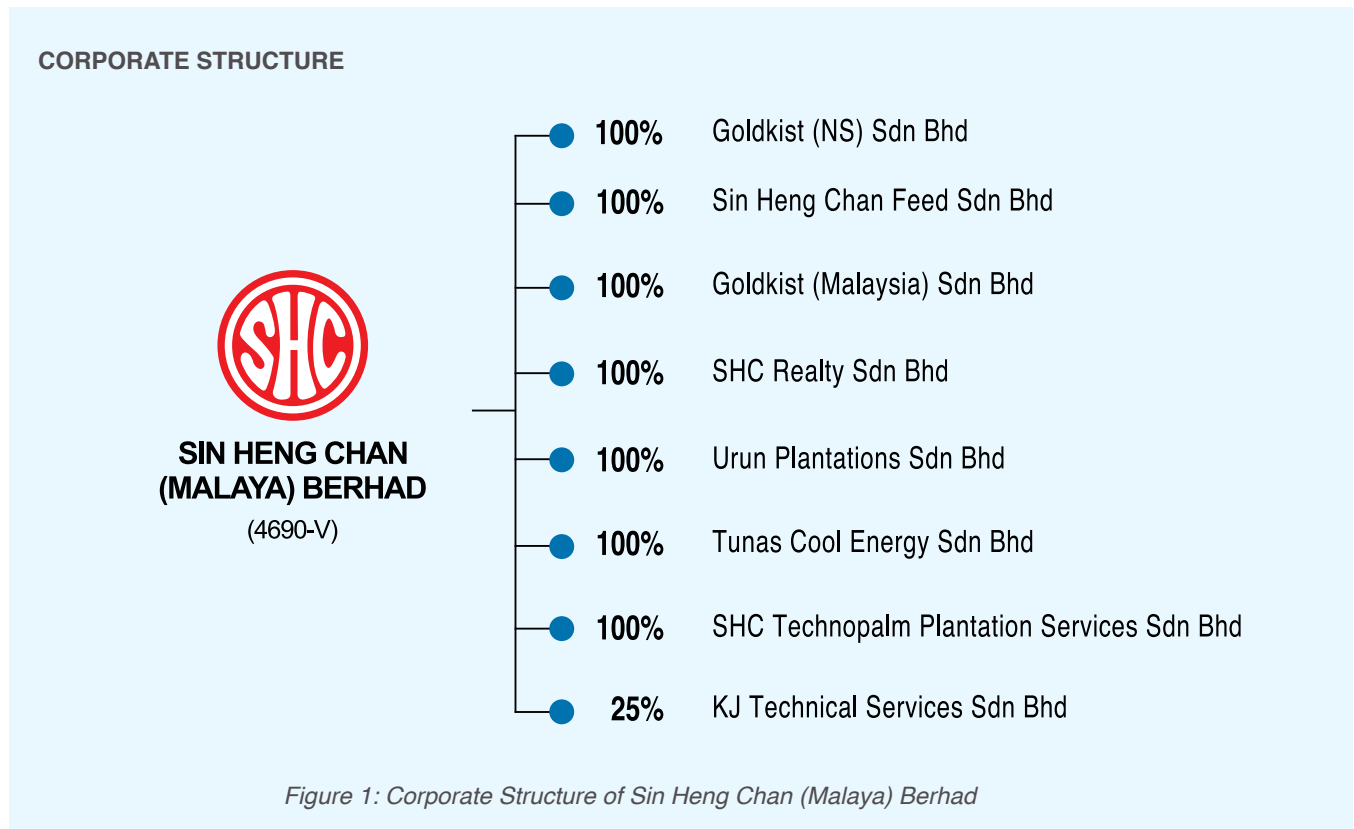
Energy and Facilities Management

SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABLE GOVERNANCE

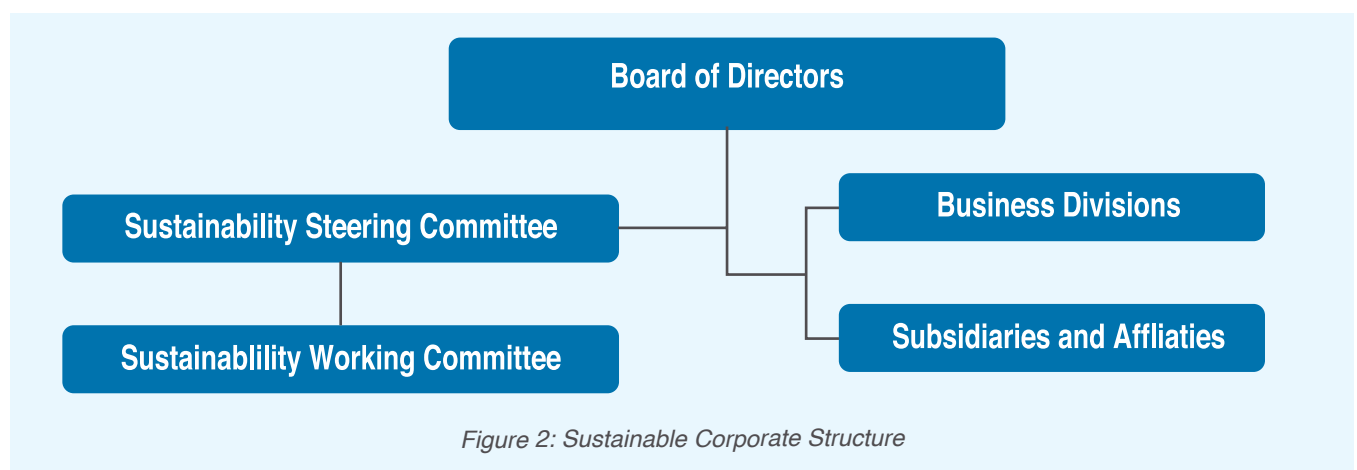
Sustainability Governance Structure

The Board of SHC has an overall responsibility for the Group, which comprises of seven wholly owned subsidiaries and one associate company. The corporate structure of SHC is shown in Figure 1 below.



Sustainable Corporate Governance Structure

In the past year, SHC has established a Sustainability Steering Committee (“SS”) comprising senior Head of Departments of relevant operations, chaired by the Group Managing Director. The SS Committee plays the role of Chief Sustainable Officer, reporting directly to the Board on matters relating to sustainability from time to time. Figure 2 below shows the Corporate Governance Structure and its reporting guidelines for the SS.



SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT

SHC is involved with various stakeholders in both business segments of the Group, comprising of oil palm plantation cultivation, and energy and facility management. Engagement and meeting the needs of all stakeholders are important to the Group.

Figure 3 below depicts the relationship between our stakeholders and our engagement methods with them. The SHC Group has put in place measures to respond to the diverse expectations and requirements of each stakeholder. The facilitation of positive communication is encouraged on a daily basis in the ordinary course of business activities.



In view of the above, the group believes in maintaining continuous engagement with its valued stakeholders through various methods such as discussion and dialogue sessions. Table 1 below depicts the engagement methods with various stakeholders and the proposed mode of engagements.

Stakeholders	Proposed Mode of Engagement	Frequency of Engagement	Sustainability Material Matters	Sustainability Issues of Concern
Shareholders & Investors (High)	<ul style="list-style-type: none"> - Annual General meeting - Announcements on Bursa Malaysia - Press releases - Financial statements - Annual report 	<ul style="list-style-type: none"> - Annually - Quarterly 	<ul style="list-style-type: none"> - Industry environment - Profitability - Financial performance - Share performance - Ethics & integrity - Corporate governance and transparency 	<ul style="list-style-type: none"> - Growth trajectory - Acquisitions and expansion - Market diversification - Risk management - Corporate governance - Sustainability performance and tracking - Reporting standards

SUSTAINABILITY STATEMENT (CONT'D)

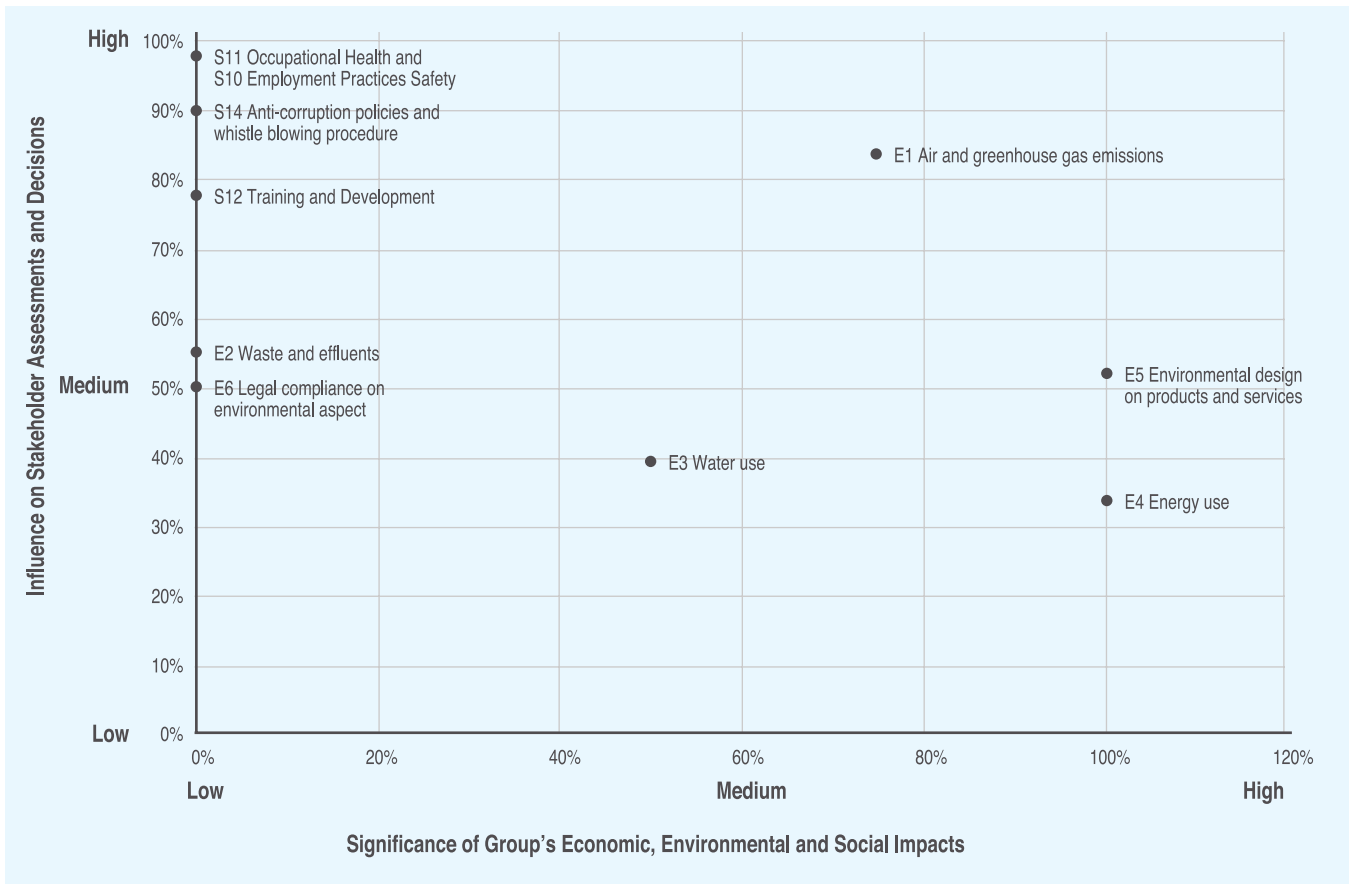
STAKEHOLDER ENGAGEMENT (Cont'd)

Stakeholders	Proposed Mode of Engagement	Frequency of Engagement	Sustainability Material Matters	Sustainability Issues of Concern
Customers (Critical)	<ul style="list-style-type: none"> - Face to face interaction - Customer feedback - Customer audits 	<ul style="list-style-type: none"> - Weekly - Monthly - Half yearly - Annually - As needed 	<ul style="list-style-type: none"> - Customer satisfaction & brand reputation 	<ul style="list-style-type: none"> - Product quality - Pricing - Quality - Product safety - Goods delivery/logistics - Customer visit and survey - Customer service and experience - Equitable business operations
Employees (Critical)	<ul style="list-style-type: none"> - Management meeting - Employee performance appraisals - Training programme - Employees feedback 	<ul style="list-style-type: none"> - Weekly - Monthly - Half yearly - Annually - As needed 	<ul style="list-style-type: none"> - Learning & development - Occupational safety & health - Employee welfare - Talent retention - Skilled labour 	<ul style="list-style-type: none"> - Job security - Remuneration and benefits - Career development and training opportunities - Workplace health and safety - Labour and human rights - Work-life balance
Government & Regulators (High)	<ul style="list-style-type: none"> - Regulatory requirement - On-going interaction - Formal and informal meetings - Government programmes and initiatives 	Periodically	Compliance	<ul style="list-style-type: none"> - Compliance to applicable laws - MSPO certification - Security issues - Waste Management - Public Nuisance issues - Labour practices - Environmental issues - Occupational Safety & Health - Economic, environmental and social impacts
Local communities (Moderate)	<ul style="list-style-type: none"> - Meetings with various stakeholders - Contribution to environment and social enhancement - Sustainability related programmes 	Periodically	Community development	<ul style="list-style-type: none"> - Social & environmental issues in relation to business operations - Support towards community development - Job creation for local community - Undertaking of business in a responsible manner

Table 1: Stakeholders Engagement

SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY MATRIX



The above chart depicts SHC's Materiality Matrix. As shown above, SHC stakeholders place importance on OSH as well as Training and Development and its influence on the ESG.

AN OVERVIEW OF THE MATERIAL ASSESSMENT

In respect of SHC's business segments, we define our Scope of Work for both the plantation and energy and facility management sectors as follows:

Economic	Regulatory Compliances	Environment	Workplace
 <ul style="list-style-type: none"> Financial Performance Business Integrity 	 <ul style="list-style-type: none"> MPSO Certification Compliances 	 <ul style="list-style-type: none"> Zero Burning and Zero Waste Management Policies 	 <ul style="list-style-type: none"> Occupational Health and Safety Diversity Human Rights Employment Practices

Figure 4: Material Suitability for Plantation Sector

SUSTAINABILITY STATEMENT (CONT'D)

AN OVERVIEW OF THE MATERIAL ASSESSMENT (Cont'd)



Environment

- Energy Efficiency
- Carbon Emission

Figure 5: Material Suitability for Energy and Facilities Management

MATERIAL ASSESSMENT FOR OIL PALM PLANTATIONS

Financial Performance

As per our scope of work, we segregate the financial performance into two different separate business segments or divisions. The chart in Figure 6 illustrates the percentage breakdown between the Group's two core business segments.

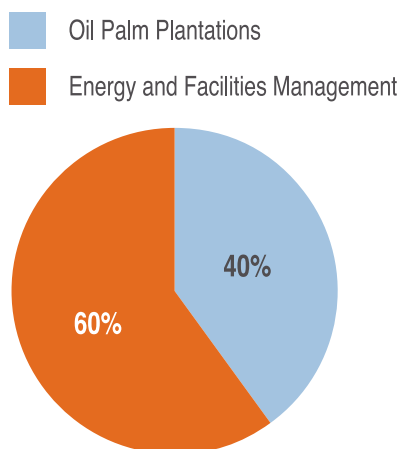


Figure 6: Revenue breakdown between the Group's two business segments

No	Business Segment	Revenue for FY 2018 (RM)
1	Oil Palm Plantations	12,897,566
2	Energy and Facilities Management	19,639,573
TOTAL		32,537,139

Table 2: Revenue breakdown between the Group's two business segments

As shown in Figure 6 and Table 2 above, the Group's revenues for FY 2018 were derived from its two core business segments. The oil palm plantations segment contributed 40% of the Group's revenue with a total of RM 12.9 million while the energy and facilities management segment contributed 60% of the Group's revenue with a total of RM 19.6 million.

SUSTAINABILITY STATEMENT (CONT'D)

BUSINESS INTEGRITY

Integrity Operational Matters

At SHC, we conduct our activities in accordance with the laws, rules and regulations in the various places we operate as well as support our employees to consistently uphold the highest standards of integrity and accountability. We define our integrity operational matters in the following areas as shown in Figure 7 below.



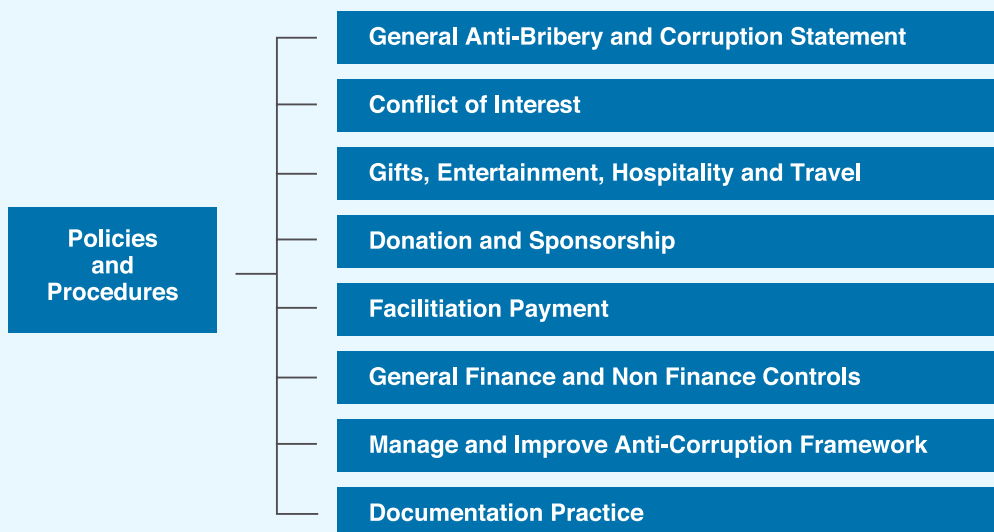
Figure 7: Business Integrity Matters

Whistle Blowing Policies

The Group's Whistle Blowing Policies can be found on our website link: <https://www.shcm.com.my/images/161116/wbp.pdf>

Anti-Corruption Policies

At SHC, we evaluate the risk of corruption in all our operations. To further strengthen our efforts, the Board will propose to seek advice on implementation the Corporate Liability Policies in the next Sustainability practice. We will seek advice on the proper Guidelines on Adequate Policies to address the amendments to the MACCA Act 2018 which includes the following concerned areas:



SUSTAINABILITY STATEMENT (CONT'D)

CORPORATE GOVERNANCE AND COMPLIANCE

SHC is committed to the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance ("MCCG") to ensure that standards of corporate governance are being observed throughout the Group with the ultimate objective of enhancing long term shareholders value and returns to our stakeholders.

Details of our corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement on pages 13 to 28 of this Annual Report as well as Corporate Governance Report for an announcement and publication at www.shcm.com.my

As part of our compliance, we instil Code of Ethics into our business practice and operations. More of the policies can be found at our website includes our Board Charter, Audit Committee, Remuneration Committee and Nomination Committee. We strive to update these policies on an annual basis.

REGULATORY COMPLIANCES

MSPO Certification

The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme is the national scheme in Malaysia for oil palm plantations and has been made mandatory by end 2019. As part of its corporate effort and to ensure its compliance, SHC is in the process of obtaining its MSPO Certificate. The MSPO Certification provides a credible, sustainable and responsible standard management of oil palm plantations. It aims to bring about positive social, environmental and economic impacts, while minimising negative impacts, particularly on its people and the environment. These benefits can be summarized as:

- Improvements in the standards of management
- Promotion of sustainable forest management
- Biodiversity enhancement
- Social enhancement
- Improved efficiency leading to economic benefits
- Adherence to health and safety policies
- Compliance with legal and contractor requirements
- Access to existing and new markets

As part of its certification process, SHC has adopted four policies to comply the MSPO and since has implemented these policies. Among the policies adopted are Environment Policy, Social and Human Rights Policy, Occupational Health and Safety Policies and Sustainable Palm Policies. Moreover, the estate has also embarked on improvements of existing infrastructure and standard operating procedures in order to ensure compliance with MSPO standards. As part of our preparations, external consultants have been engaged in order to provide training to our valued staff and workers.



MSPO External Consultant

Figure 8: MSPO Briefing - By External Consultant

SUSTAINABILITY STATEMENT (CONT'D)

REGULATORY COMPLIANCES (Cont'd)

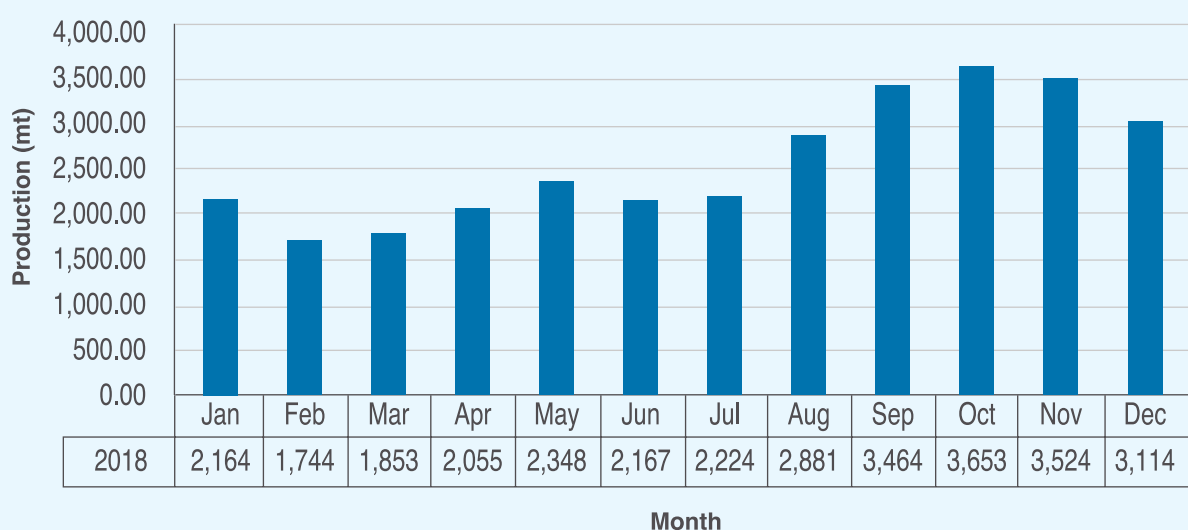
During the year, the estate has embarked on several initiatives to improve the infrastructure for staff and workers. These include:

- The construction of a telecommunications tower in partnership with SACOFA and Digi, allowing workers to communicate easily with their loved ones at home
- Upgrades on sanitary housing for workers meeting the standards of MSPO
- The establishment of a Community Learning Centre (CLC) to provide schooling to the children of our workforce
- The availability of medical clinic services to our workers



Figure 9: Various Amenities provided by SHC

As part of transparency, SHC reports the monthly production of our Fresh Fruit Brunch (FFB) to Bursa on monthly basis. The chart below, depicts the FFB production for FY 2018, totalling 31,195.42 metric tonnes of FFB.



SUSTAINABILITY STATEMENT (CONT'D)

ENVIRONMENT

Zero Burning and Waste Management Policies

In compliance with the MSPO and local regulations, SHC has adopted a strict Zero Burning policy and appropriate Waste Management Policies. SHC does not practise any open burning and strict policies are in place within the organisation to maintain compliance with this objective. This message is consistently communicated to all staff, especially to new inductees. During the year, the estate embarked on construction of a new chemical and scheduled waste store. This will ensure the safer handling of hazardous material for our workers and staff.



Chemical Store



Scheduled Waste Store



Scheduled Waste Store

In terms of organic waste, the estate is able to use Empty Fruit Bunches (EFB) as fertiliser. After selling Fresh Fruit Bunches (FFB) to the mills, the estate is able to utilise the EFBs, which are a by-product of the Crude Palm Oil production process. As much as possible, SHC practices a circular cycle within the production of its FFB.

WORKPLACE

Occupational Health and Safety Practices

To ensure its workers practise Occupational Health and Safety (OSH), SHC has a very strict regime policy on OSH. SHC currently complies with the Health and Safety Act 1997 and Factory and Machinery Act 1967. Within the period, SHC has no major reported fatalities or serious medical injuries.

SHC ensures that OSH is practised throughout its organisation. Pictures below depict the induction for workers to wear safety helmets and the importance of wearing safety helmets.



Induction Safety



Morning Briefing



Importance of Safety Helmets

SUSTAINABILITY STATEMENT (CONT'D)

HUMAN RIGHTS AND FAIR EMPLOYMENT PRACTICE

As part of our MSPO and Sustainable Practice for Human Rights and Fair Employment practice, SHC has adopted the following fair employment practices in terms of equal employment opportunity, adherence to minimum wage, prohibition of harassment, prevention of child labour, employee compensation and benefits, and training and development. The SHC policies on Fair Employment Practice are listed below:

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 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.

b. Workforce Diversity

We believe in engaging with one of our key stakeholders, who are our employees, with the aim to bring forth their potential and provide them a satisfying and rewarding career. At the same time, we are inclusive and are mindful of the need to encourage balanced participation from 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 economy by creating employment in the communities in which we operate. Many of our staff and workers are from the local communities and we are grateful for their support.

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 in providing a conducive work environment, safe and free from 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 record on 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.

SUSTAINABILITY STATEMENT (CONT'D)

FAIR EMPLOYMENT PRACTICES (Cont'd)

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 and development opportunities. We provide an integrated welfare system and treat all employees equally.

The Group complies with 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 our 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 train, to develop and to enhance our workers' skills and knowledge within the industry. This will benefit not only on 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 ASSESSMENT FOR ENERGY AND FACILITIES MANAGEMENT

This segment of SHC's business includes 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 facility management services. Via its wholly owned subsidiary, Tunas Cool Energy Sdn Bhd, the Group currently provides cooling energy to the Pagoh Education Hub (PEH) by using the District Cooling System (DCS). For purpose of this Sustainability Reporting, we will only include data from the DCS for the PEH.

MATERIAL ASSESSEMENT - ENVIRONMENT

Energy and Carbon Efficiency

District cooling is a system used for air-conditioning, in which a central plant supplies chilled water through an underground network of pipes to multiple buildings within a local area. Inside the buildings, these transmission pipes can be connected to air handling units or fan coils that allow the water to chill air that is forced to pass through, hence creating an air-conditioning environment. The buildings may also have heat exchangers installed to transfer heat between the chilled water and the air-conditioning systems of that building. Once the thermal energy is extracted from the chilled water, the water is returned to the central plant to be chilled again and then re-circulated through the closed-loop piping system. Therefore, individual buildings do not need split air-conditioning systems or to have their own chillers or cooling towers. As a result, district cooling systems have following distinct advantages compared to conventional HVAC systems:

Project Salient Terms

- | | |
|--|--|
| • Minimizes the degradation of the environment | • No noise pollution from the compressor unit |
| • Safe for use and promotes healthy and improved environment for all forms of life | • No heat production from the compressor unit |
| • Promotes the use of renewable resources | • No leakages or waste from condenser water dripping from the outdoor unit |
| • Reduces refrigerant use | • No hazards involved in maintaining the outdoor unit |
| • As the DCS eliminates the need for outdoor compressor units in conventional split unit systems, the following benefits are realised: | • No consumables for the servicing of outdoor unit |

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL ASSESSEMENT - ENVIRONMENT (Cont'd)

Energy and Carbon Efficiency (Cont'd)

Electricity and Water Reduction Effort

- Reduction in the use of energy & natural resources
- Reduction in maximum demand for the project
- Reduction in the utilisation of electricity by up to 10-20% and reduction in water consumption of up to 5-15%.

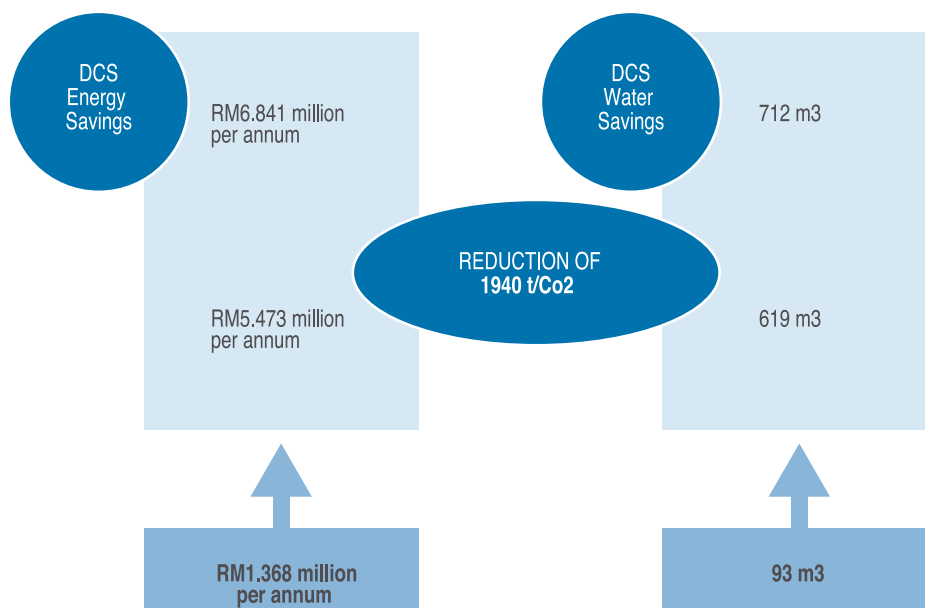
In addition, our DCS also incorporates the following green technologies:

- High efficiency series counter flow chillers – which lead to a reduction in energy consumption and improvement in plant performance
- Chilled Water Thermal Energy Storage (TES) Systems – With the TES system, the DCS is able to charge and store cooling energy in the chilled water thermal storage tanks during off-peak tariff hours. This benefits the national electricity grid as a whole since this results in a shifting of load from peak to off-peak hours. At the same time, the DCS capitalises on cheaper off-peak tariffs offered by the electric utility company.

During the day, when the energy demand for air-conditioning is high, the stored cooling energy is released by circulating chilled water through the storage system and onto the buildings. Only a limited amount of chiller capacity needs to operate during this period.

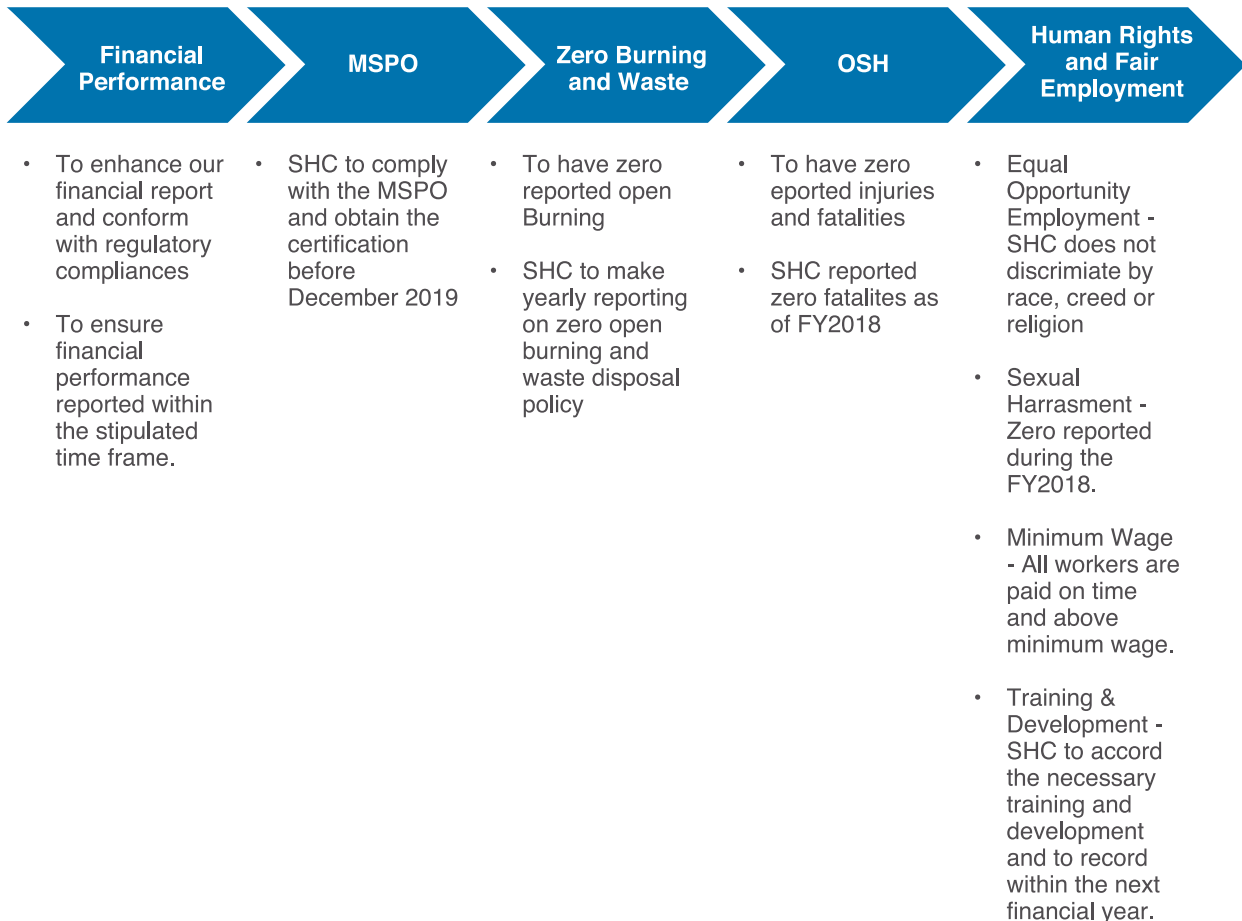
By adopting this concept, the plant consumes less electricity during the day, when electricity tariff is high. This leads to significant savings in operating costs as the electrical power demand for this plant is also low during the day. Further cost saving is achieved through reduced maximum (MD) charges.

In terms of energy efficiency of the DCS in PEH, it is estimated that a significant amount of savings in terms of electrical and water consumption amounting to RM1.368 million and 93 m³ respectively can be achieved. This savings will lead to the potential reduction of 1904 t/Co₂ per year.

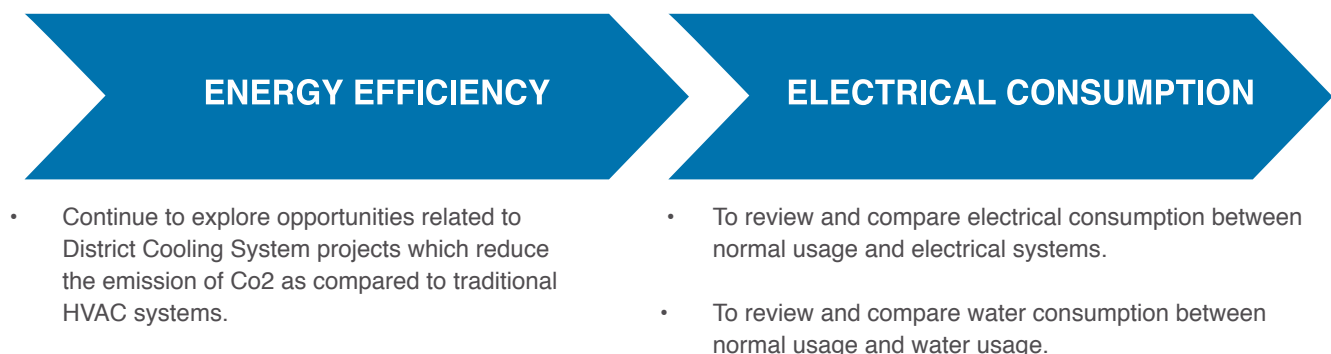


SUSTAINABILITY STATEMENT (CONT'D)

OUR MEASURABLE PERFORMANCE METRICS – PLANTATIONS DIVISION



OUR MEASURABLE PERFORMANCE METRICS – ENERGY AND FACILITES MANAGEMENT DIVISION



ADDITIONAL COMPLIANCE STATEMENT

1. UTILISATION OF PROCEEDS

A private placement exercise of the Company's shares to independent third party investors was completed on 10 August 2018 with the listing of 11,800,000 new ordinary shares, at an issue price of RM0.50 per placement share. The proceeds raised have been used for working capital and corporate purposes.

2. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOANS

There were no contracts relating to loan and material contracts of the Company and its subsidiaries involving the Directors and major shareholders interests during the financial year or since the end of the previous financial year.

3. AUDIT AND NON-AUDIT SERVICES

The amount of audit and non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year ended 31 December 2018 by the external auditors or a firm or corporation affiliated to the auditors' firm were as follows:

	Group RM	Company RM
Audit Fees	115,100	60,000
Non-Audit Fees	87,200	75,800
Total	202,300	135,800

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

- (i) The Group has shareholders' mandate on RRPT at the last Annual General Meeting held in 31 May 2018. All RRPT under the financial year review is within the mandate threshold.
- (ii) The Group will seek for Shareholders' mandate on the RRPT at the incoming Annual General Meeting to be held on 27 May 2019.

FINANCIAL STATEMENTS

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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 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities.

The principal activities of the subsidiaries and associate are set out in Notes 16 and 17 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year, attributable to Owners of the Company	(6,263,690)	(2,408,552)

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, other than the change in accounting framework as disclosed in Note 2.1 to the financial statements.

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 any dividend in respect of the current financial year.

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*
Sheldon Wee Tah Poh

(Appointed on 1.6.2018)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the Directors of the subsidiaries of the Company in office during the financial year up to the date of this report are:

Ghazali bin Ismail
Sy Choon Yen
Dato' Dr Abu Talib bin Bachik
Choo Kin Choong
Chu Siew Fei
Freddie Yong

DIRECTORS' REPORT (CONT'D)

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 and its related corporations as disclosed in Note 8(b) 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, except as disclosed in Note 33(a) 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 at the end of the financial year in the shares of the Company and of its related corporations during the financial year are as follows:

	At 1.1.2018	Number of ordinary shares		At 31.12.2018
		Bought	Sold	
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
Sheldon Wee Tah Poh	2,500,000 *	-	-	2,500,000
Deemed interest				
Dato' Choo Keng Weng	2,925,000	12,400,000	-	15,325,000 #

* Includes shares held by nominees

Deemed interested by virtue of his substantial shareholdings in Macronet Sdn. Bhd. and Goldquest Properties Pty Limited

Other than the above, none of the other Directors in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are disclosed in Note 8 (b) 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 RM118,091,787 to RM123,991,787 by way of issuance of 11,800,000 new ordinary shares at an issue price of RM0.50 per share for cash arising from exercise of private placement.

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.



DIRECTORS' REPORT (CONT'D)**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.

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

- (i) which would render writing off of 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; or
- (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; 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 and associate are disclosed in Notes 16 and 17 to the financial statements.

INDEMNIFICATION TO DIRECTORS, OFFICERS OR AUDITORS

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

However, to the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of its audit engagement against any claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the end of the financial year.

DIRECTORS' REPORT (CONT'D)

AUDITORS' REMUNERATION

Auditors' remuneration are disclosed in Note 8 to the financial statements.

AUDITORS

The auditors, Messrs. ECOVIS MALAYSIA PLT (formerly known as 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

Lee Kok Choon
Director

Kuala Lumpur
22 April 2019

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**, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 127.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (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) issued by 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 Goodwill and Other Assets, and Investment in a Subsidiary – Group and Company

Refer to Notes 4.2(a), 4.2(c), 14(b) and 16 to the financial statements.

The Group has recognised goodwill of RM16,329,389, allocated to the cash generating unit relating to oil palm plantation business ("Plantation CGU"), which derived from the acquisition of a subsidiary, Urun Plantations Sdn. Bhd. ("Urun") with carrying amount of RM58,489,008 as at 31 December 2018.

As required in MFRS 136 "Impairment of assets", goodwill is not amortised but subjected to an impairment test at least once a year, by comparing the recoverable amount of a CGU and the carrying amount, which takes into account both the goodwill and the other assets allocated to the individual CGU.

Investment in subsidiaries are valued at cost adjusted for impairment losses, if any. Given that Urun has continuously reported losses for the past financial years, indicating that the carrying amount of the investment may be impaired. As such, the Company carries out an impairment test by comparing the recoverable amount of the investment and its carrying amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value-in-use.

Management has concluded that there is no impairment in respect of the Plantation CGU's goodwill and other assets, and the Company's investment in Urun. This conclusion was based on the use of fair value less costs to sell in respect of the plantation assets held by Urun provided by external valuer.



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

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

Impairment Assessment on Goodwill and Other Assets, and Investment in a Subsidiary – Group and Company (Cont'd)

We focused on this area because of the significant judgmental factors involved in arriving the recoverable amount of the CGU, and the significant carrying amount of the assets in the scope of test.

We performed the following audit procedures, among others:

- Assessed the competence, capabilities and objectivity of the external valuer;
- Obtained the updated valuation report and discussed with the external valuer on the key assumptions used;
- Performed our own sensitivity calculation to changes in the key assumptions used by the Group; and
- Considered the adequacy of the Group's disclosures on key assumptions applied to which the outcome of the impairment assessment is most sensitive.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole 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 on 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 the basis of these financial statements.



**INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)***Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)*

As part of an audit in accordance with approved standards on 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 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.

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.

**INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD****OTHER MATTERS**

- (a) As stated in Note 2.1 to the financial statements, Sin Heng Chan (M) Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.
- (b) 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 MALAYSIA PLT
AF 001825
Chartered Accountants

Kuala Lumpur
22 April 2019

YONG HUI NEE
No. 03283/09/2020 J
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	5	32,537,139	18,046,797	-	-
Cost of sales		(31,379,516)	(14,690,334)	-	-
Gross profit		1,157,623	3,356,463	-	-
Other operating income		5,688,250	2,422,783	4,471,325	2,005,215
Administrative expenses		(6,689,130)	(3,289,165)	(5,499,389)	(1,938,913)
Other operating expenses		(2,027,685)	(2,102,597)	(1,354,308)	(1,350,212)
(Loss)/Profit from operations		(1,870,942)	387,484	(2,382,372)	(1,283,910)
Finance costs	7	(5,881,192)	(3,688,466)	(26,180)	(18,770)
Share of results of associates		1,157,889	1,283,325	-	-
Loss before tax	8	(6,594,245)	(2,017,657)	(2,408,552)	(1,302,680)
Tax credit	9	330,555	293,292	-	-
Net loss/Total comprehensive loss for the financial year		(6,263,690)	(1,724,365)	(2,408,552)	(1,302,680)
Net loss for the financial year attributable to:					
Owners of the Company		(6,263,690)	(1,724,365)		
Total comprehensive loss attributable to:					
Owners of the Company		(6,263,690)	(1,724,365)		
Basic and diluted loss per ordinary share (sen)	10	(5.02)	(1.47)		

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



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM	Group 31.12.2017 RM	1.1.2017 RM
ASSETS				
Non-current assets				
Property, plant and equipment	11	80,389,311	81,349,574	83,233,589
Prepaid lease payments	12	17,811,913	18,280,648	18,749,383
Investment properties	13	9,375,242	10,021,497	10,089,758
Intangible assets	14	24,642,988	19,192,988	16,329,389
Concession financial assets	15	54,009,975	55,715,993	-
Investment in associate	17	10,466,214	9,308,325	-
Available for sales investment		-	-	2,800,000
		196,695,643	193,869,025	131,202,119
Current assets				
Concession financial assets	15	1,706,018	1,605,388	-
Inventories	18	1,160,933	683,549	794,044
Biological assets	19	485,550	447,414	855,052
Trade receivables	20	4,971,780	2,422,208	1,810,743
Other receivables, deposits and prepayments	21	1,730,937	2,722,548	453,123
Amount owing by associate	22	2,133,472	9,070	-
Amount owing by related parties	22	258,513	423,514	917,973
Tax recoverable		-	-	36,372
Fixed deposit, cash and bank balances	23	2,232,258	7,293,820	12,706,958
		14,679,461	15,607,511	17,574,265
Assets held for sales	24	544,000	-	936,468
Total assets		211,919,104	209,476,536	149,712,852

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



STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM	Group 31.12.2017 RM	1.1.2017 RM
EQUITY AND LIABILITIES				
Equity				
Share capital	25	123,991,787	118,091,787	115,066,787
Accumulated losses		(45,600,071)	(39,336,381)	(37,612,016)
Total equity		78,391,716	78,755,406	77,454,771
Non-current liabilities				
Finance lease liabilities	26	781,281	786,275	376,273
Borrowings	27	66,963,743	69,111,799	29,676,402
Deferred tax liabilities	28	7,440,240	7,744,395	8,048,550
		75,185,264	77,642,469	38,101,225
Current liabilities				
Trade payables	29	4,835,815	1,367,370	799,324
Other payables and accruals	30	18,769,914	19,532,202	8,005,998
Finance lease liabilities	26	276,796	175,164	183,818
Borrowings	27	32,783,379	29,301,305	25,134,116
Amount owing to related parties	22	1,669,020	2,669,020	-
Income tax payable		7,200	33,600	33,600
		58,342,124	53,078,661	34,156,856
Total liabilities		133,527,388	130,721,130	72,258,081
Total liabilities and equity		211,919,104	209,476,536	149,712,852

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



**STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2018**

	Note	31.12.2018 RM	Company 31.12.2017 RM	1.1.2017 RM
ASSETS				
Non-current assets				
Property, plant and equipment	11	1,238,964	807,488	268,126
Investment properties	13	9,375,242	10,021,497	10,089,758
Investment in subsidiaries	16	65,989,015	65,989,015	58,489,015
Investment in associate	17	8,025,000	8,025,000	-
Available-for-sale investment		-	-	2,800,000
		84,628,221	84,843,000	71,646,899
Current assets				
Other receivables, deposits and prepayments	21	127,505	255,865	113,598
Amount owing by subsidiaries	22	17,164,615	16,060,010	14,922,855
Amount owing by associates	22	313,196	-	-
Fixed deposit, cash and bank balances	23	420,412	443,645	12,694,689
		18,025,728	16,759,520	27,731,142
Assets held for sales	24	544,000	-	-
Total assets		103,197,949	101,602,520	99,378,041
EQUITY AND LIABILITIES				
Equity				
Share capital	25	123,991,787	118,091,787	115,066,787
Accumulated losses		(27,344,384)	(24,935,832)	(23,633,152)
Total equity		96,647,403	93,155,955	91,433,635
Non-current liability				
Finance lease liabilities	26	412,087	511,448	247,721
Current liabilities				
Finance lease liabilities	26	101,649	96,545	95,418
Other payables and accruals	30	6,036,810	7,838,572	7,601,267
		6,138,459	7,935,117	7,696,685
Total liabilities		6,550,546	8,446,565	7,944,406
Total equity and liabilities		103,197,949	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 2018

	Note	Non-distributable Share capital RM	Distributable Accumulated losses RM	Total equity RM
Group				
At 1 January 2017				
As previously reported		115,066,787	(35,617,635)	79,449,152
Effect of adopting MFRS	2.1	-	(1,994,381)	(1,994,381)
Restated at 1 January 2017		115,066,787	(37,612,016)	77,454,771
Issuance of shares – private placement	25	3,025,000	-	3,025,000
Net loss/Total comprehensive loss for the year:				
– As previously reported		-	(932,224)	(932,224)
– Effect of adopting MFRS	2.1	-	(792,141)	(792,141)
		-	(1,724,365)	(1,724,365)
Restated at 31 December 2017/ 1 January 2018		118,091,787	(39,336,381)	78,755,406
Issuance of shares – private placement	25	5,900,000	-	5,900,000
Net loss/Total comprehensive loss for the financial year		-	(6,263,690)	(6,263,690)
At 31 December 2018		123,991,787	(45,600,071)	78,391,716
Company				
At 1 January 2017		115,066,787	(23,633,152)	91,433,635
Issuance of shares – private placement	25	3,025,000	-	3,025,000
Net loss/Total comprehensive loss for the financial year		-	(1,302,680)	(1,302,680)
At 31 December 2017/ 1 January 2018		118,091,787	(24,935,832)	93,155,955
Issuance of shares – private placement	25	5,900,000	-	5,900,000
Net loss/Total comprehensive loss for the financial year		-	(2,408,552)	(2,408,552)
At 31 December 2018		123,991,787	(27,344,384)	96,647,403

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 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(6,594,245)	(2,017,657)	(2,408,552)	(1,302,680)
Adjustments for:				
Allowance for impairment loss	-	-	18,720	12,466
Amortisation of intangible assets	550,000	-	-	-
Amortisation of prepaid lease payments	468,735	468,735	-	-
Amortisation of investment properties	102,255	68,261	102,255	68,261
Depreciation of property, plant and equipment	4,257,261	3,897,333	295,042	191,189
Fair value (gain)/loss on biological assets	(38,136)	407,638	-	-
Finance costs	5,881,192	3,688,466	26,180	18,770
Financial income from concession financial asset	(3,593,077)	(1,750,608)	-	-
Share of profit of associates	(1,157,889)	(1,283,325)	-	-
Property, plant and equipment written off	32,175	17,337	-	-
Interest income	(58,209)	(224,054)	(354,257)	(500,442)
Gain on disposal of property, plant and equipment	-	(275,412)	-	(216,258)
Gain on disposal of assets held for sales	-	(163,532)	-	-
Operating (loss)/profit before changes in working capital	(149,938)	2,833,182	(2,320,612)	(1,728,694)
Changes in working capital:				
Inventories	(477,384)	110,495	-	-
Trade receivables	(2,549,572)	4,439,311	-	-
Other receivables, deposits and prepayments	991,611	2,788,330	128,360	(142,267)
Concession financial assets	5,198,465	2,984,743	-	-
Trade payables	3,468,445	(2,768,889)	-	-
Other payables and accruals	(762,288)	281,712	(1,801,762)	237,305
Cash generated from/(used in) operations	5,719,339	10,668,884	(3,994,014)	(1,633,656)
Income tax refunded	-	25,510	-	-
Net cash generated from/(used in) operating activities	5,719,339	10,694,394	(3,994,014)	(1,633,656)

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 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of other investments	-	2,800,000	-	2,800,000
Acquisition of subsidiary, net of cash acquired	-	(7,807,468)	-	(7,500,000)
Acquisition of associates	-	(8,025,000)	-	(8,025,000)
Acquisition of intangible assets	(6,000,000)	-	-	-
Advances to associate	(2,124,402)	(9,070)	(313,196)	-
Advances to subsidiaries	-	-	(1,123,325)	(1,149,621)
Repayment from related parties	165,001	494,459	-	-
Interest received	58,209	224,054	354,257	500,442
Purchase of property, plant and equipment (Note a)	(3,006,173)	(1,228,773)	(726,518)	(180,180)
Proceeds from disposal of property, plant and equipment	-	368,585	-	301,887
Proceeds from asset held for sales	-	1,100,000	-	-
Net cash used in investing activities	(10,907,365)	(12,083,213)	(1,808,782)	(13,252,472)
CASH FLOWS FROM FINANCING ACTIVITIES				
(Repayment to)/advances from related parties	(1,000,000)	1,799,845	-	-
Interest paid	(5,881,192)	(3,688,466)	(26,180)	(18,770)
Proceeds from issuance of shares	5,900,000	3,025,000	5,900,000	3,025,000
Drawdown of borrowings	4,500,000	1,429,893	-	-
Repayment of borrowings	(5,615,250)	(5,358,209)	-	-
Repayment of lease liabilities	(226,362)	(484,252)	(94,257)	(371,146)
Net cash (used in)/generated from financing activities	(2,322,804)	(3,276,189)	5,779,563	2,635,084
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,510,830)	(4,665,008)	(23,233)	(12,251,044)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	(15,048,855)	(10,383,847)	443,645	12,694,689
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note b)	(22,559,685)	(15,048,855)	420,412	443,645

Notes:

(a) Purchase of property, plant and equipment

During the financial year, the Group's and the Company's additions to property, plant and equipment amounted to RM3,329,173 (2017: RM2,114,373) and RM726,518 (2017: RM816,180) of which RM323,000 (2017: RM885,600) and RM Nil (2017: RM636,000) were financed through finance lease arrangements. The remaining additions of RM3,006,173 (2017: RM1,228,773) and RM726,518 (2017: RM180,180) 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.



STATEMENTS OF CASH FLOWS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Notes: (Cont'd)

(b) Cash and cash equivalents

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed banks	200,000	6,707,251	200,000	400,000
Cash and bank balances	2,032,258	586,569	220,412	43,645
Fixed deposits, cash and bank balances (Note 23)	2,232,258	7,293,820	420,412	443,645
Less: Bank overdraft (Note 27)	(24,791,943)	(22,342,675)	-	-
Cash and cash equivalents	(22,559,685)	(15,048,855)	420,412	443,645

(c) Movement in financing activities

Group	At 1 January RM	Additions RM	Cash flows RM	Acquisition of subsidiary RM	At 31 December RM
2018					
Term loans	76,070,429	-	(1,115,250)	-	74,955,179
Finance lease	961,439	323,000	(226,362)	-	1,058,077
Related parties	2,669,020	-	(1,000,000)	-	1,669,020
2017					
Term loans	31,719,713	-	(3,928,316)	48,279,032	76,070,429
Finance lease	560,091	885,600	(484,252)	-	961,439
Related parties	-	-	1,799,845	869,175	2,669,020

Company	At 1 January RM	Additions RM	Cash flows RM	At 31 December RM
2018				
Finance lease	607,993	-	(94,257)	513,736
2017				
Finance lease	343,139	636,000	(371,146)	607,993

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 associate are disclosed in Notes 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 Suite 3, Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia. The financial statements have been prepared under the historical cost convention except otherwise stated in Note 3 to the financial statements.

For all periods up to and including the year ended 31 December 2017, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). These financial statements for the year ended 31 December 2018 are the Group's and the Company's first financial statements prepared in accordance with MFRS, including MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 – Financial Instruments, MFRS 15 - Revenue from Contracts with Customers and MFRS 141 - Agriculture. Except for certain differences, the requirements under FRS and MFRS are similar. Please refer to Note 2.1 for information on the Group's and the Company's adoption of MFRS and the impact of transition to MFRS. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency. All information is presented in RM.

The preparation of financial statements in conformity with MFRS in Malaysia requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and contingent liabilities, if any. Judgements and estimates are applied in the measurements, hence actual results could differ from reported amounts. The areas involving significant judgement and estimation uncertainty to the financial statements are disclosed in Note 4 to the financial statements.

2.1 First Time Adoption of Malaysian Financial Reporting Standards

These financial statements for the year ended 31 December 2018 are the Group's and the Company's first financial statements prepared in accordance with MFRS, including MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 – Financial Instruments, MFRS 15 – Revenue from Contracts with Customers and MFRS 141 – Agriculture. For periods up to and including the year ended 31 December 2017, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Cont'd)

2.1 First Time Adoption of Malaysian Financial Reporting Standards (Cont'd)

The following note explains the principal adjustments made by the Group and the Company in restating its FRS financial statements, including the statements of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017.

Bearer Plants and Biological Assets

Prior to the adoption of the Amendments to MFRS 141, plantation development expenditure ("PDE") incurred (all the new planting and pre-cropping expenditure from land clearing to the point of maturity) on the plantation were capitalised and amortised at maturity using straight line basis over the estimated useful life of oil palms trees or remaining lease period of oil palm plantation land.

Upon the adoption of the Amendments to MFRS 141, the Group and Company are required to measure biological assets separately from bearer plants. New planting, pre-cropping and infrastructure expenditure are classified as bearer plants and planting infrastructure, and would be accounted for the same as property, plant and equipment under MFRS 116, whereas the produce growing on the bearer plants falls within the scope of MFRS 141 Biological Assets and valued at fair value. The resulting adjustments were recognised against retained earnings.

- (a) The effects of the adoption of MFRS 141 and its amendments on the line items of statements of financial position as at 1 January 2017 are as follows:

Group	Reported under FRS RM	Effect of adoption of MFRS RM	Presented under MFRS RM
<i>Effect on statements of financial position:</i>			
As at 01.01.2017			
Non-current assets			
Property, plant and equipment	8,891,515	74,342,074	83,233,589
Plantation development expenditure	78,643,913	(78,643,913)	-
Prepaid lease payments	17,664,917	1,084,466	18,749,383
Current assets			
Biological assets	-	855,052	855,052
Net changes in total assets		(2,362,321)	
Equity			
Accumulated losses	(35,617,635)	(1,994,381)	(37,612,016)
Non-current liabilities			
Deferred tax liabilities	8,416,490	(367,940)	8,048,550
Net changes in total liabilities and equity		(2,362,321)	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Cont'd)

2.1 First Time Adoption of Malaysian Financial Reporting Standards (Cont'd)

Bearer Plants and Biological Assets (Cont'd)

- (b) The effects of the adoption of MFRS 141 and its amendments on the line items of statement of financial position as at 31 December 2017 are as follows:

Group	Reported under FRS RM	Effect of adoption of MFRS RM	Presented under MFRS RM
<i>Effect on statements of financial position:</i>			
As at 31.12.2017			
Non-current assets			
Property, plant and equipment	8,891,139	72,458,435	81,349,574
Plantation development expenditure	77,212,680	(77,212,680)	-
Prepaid lease payments	17,223,294	1,057,354	18,280,648
Current assets			
Biological assets	-	447,414	447,414
Net changes in total assets		(3,249,477)	
Equity			
Accumulated losses	(36,549,859)	(2,786,522)	(39,336,381)
Non-current liabilities			
Deferred tax liabilities	8,207,350	(462,955)	7,744,395
Net changes in total liabilities and equity		(3,249,477)	

- (c) The effects of the adoption of MFRS 141 and its amendments on the line items of statements of comprehensive income for the financial year ended 31 December 2017 are as follows:

Group	Reported under FRS RM	Effect of adoption of MFRS RM	Presented under MFRS RM
<i>Effect on statements of comprehensive income:</i>			
Financial year ended 31.12.2017			
Cost of sales	14,237,928	452,406	14,690,334
Administrative expenses	3,262,053	27,112	3,289,165
Other operating expenses	1,694,959	407,638	2,102,597
Income tax expense	(198,277)	(95,015)	(293,292)
Net changes to total comprehensive loss		792,141	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Cont'd)

2.1 First Time Adoption of Malaysian Financial Reporting Standards (Cont'd)

Bearer Plants and Biological Assets (Cont'd)

- (d) The effects of the adoption of MFRS 141 and its amendments on the line items of statements of cash flows for the financial year ended 31 December 2017 are as follows:

Group	Reported under FRS RM	Effect of adoption of MFRS RM	Presented under MFRS RM
<i>Effect on statements of cash flows:</i>			
Financial year ended 31.12.2017			
Loss before tax	(1,130,501)	(887,156)	(2,017,657)
Amortisation of plantation development expenditure	2,391,812	(2,391,812)	-
Amortisation of prepaid lease payments	441,623	27,112	468,735
Depreciation of property, plant and equipment	1,053,115	2,844,218	3,897,333
Fair value loss on biological assets	-	407,638	407,638
Net changes to operating cash flow		-	

2.2 Adoption of New Standards Effective 1 January 2018

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

(a) Classification and Measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income (OCI). The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets

Trade receivables, other receivables (excluding prepayments) and cash and bank balances previously classified as "loans and receivables" are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as "debt instruments at amortised cost".

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Cont'd)

2.2 Adoption of New Standards Effective 1 January 2018 (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

(a) *Classification and Measurement (Cont'd)*

Financial liabilities

The Group and the Company have not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Group and the Company's financial liabilities.

(b) *Impairment*

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

The application of ECL approach on the Group and the Company's financial assets did not result in any adjustments to the retained profits as at 1 January 2018.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In applying MFRS 15 retrospectively, the Group and the Company applied the following practical expedients:

- (i) for completed contracts, contracts that begin and end within the same annual reporting period were not restated;
- (ii) for completed contracts that have variable consideration, rather than estimating variable consideration amounts in the comparative reporting periods, transaction price at the date the contract was completed was used;
- (iii) for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations; determining the transaction price; and allocating the transaction price to the satisfied and unsatisfied performance obligations; and
- (iv) for all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised are not disclosed.

Apart from the additional disclosure in Note 5, the adoption of MFRS 15 has had no material impact on the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Cont'd)

2.3 MFRS, Amendments to MFRS and Interpretations that have been Issued, but not yet Adopted

The following are accounting standards, amendments and interpretations of the MFRS 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.

(i) Effective for Financial Year 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, 'Investment in Associates and Joint Ventures' - Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23, 'Uncertainty over Income Tax Treatments'

(ii) Effective for Financial Year Beginning On or After 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 3, 'Business Combinations' – Definition of a Business
- Amendments to MFRS 101, 'Presentation of Financial Statements' and MFRS 108, 'Accounting Policies', Changes in Accounting Estimates and Errors' – Definition of Material

(iii) Effective for Financial Year Beginning On or After 1 January 2021

- MFRS 17, 'Insurance Contracts'

(iv) Deferred to a Date to be Determined by the MASB

- 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

The initial applications of the abovementioned, where applicable, are not expected to have any material financial impact to the financial statement of the Group and the Company, except as follows:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, 'Leases', IC Interpretation 4, 'Determining Whether an Arrangement Contains a Lease', IC Interpretation 115, 'Operating Leases – Incentives' and IC Interpretation 127, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases of 12 months or less and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company is currently assessing the financial impact that may arise from the adoption of MFRS 16 on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

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

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

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions are eliminated in full.

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

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

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

(b) Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. Under the acquisition method, the identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquire) is goodwill or discount on acquisition. The accounting policy for goodwill is set out in Note 3(m).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Business Combinations (Cont'd)

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Gains or losses on disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(c) Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. Dividends received from subsidiaries are recorded as a component of revenue in the Company's separate income statement. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are included in the profit or loss.

(d) Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over 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.

On acquisition of an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The profit or loss reflects the Group's share of the results of the associate. Any change in other comprehensive income ('OCI') of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. When the Group's share of losses exceeds its interest in associate, the Group does not recognise further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

Dividends received or receivable from an associate is recognised as a reduction in the carrying amount of the investment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Associates (Cont'd)

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss outside operating profit and represents the profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Impairment loss is recognised in profit or loss.

In the Company's separate financial statements, investment in associate is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

(e) Foreign Currency

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.

(f) Revenue from Contracts with Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of tax, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Revenue from Contracts with Customers (Cont'd)

(i) *Sale of Plantations Produce*

The Group's plantation produce revenue are derived from sales of fresh fruit bunches (FFB). Revenue from sale of plantation produce is recognised at the point in time when control of the goods is transferred to the customer.

There is no element of financing present as the Group's sale of plantation produce are on credit terms of up to 14 days.

(ii) *Revenue from Concession Arrangement*

Under the concession agreement, the Group is engaged to construct the facilities and infrastructure and supply chilled water, which are separate performance obligations.

The fair value of revenue, which is based on fixed price under the agreement has been allocated based on relative standalone selling price of the considerations for each of the separate performance obligations.

The Group recognises construction revenue over time as the project being constructed has no alternative use to the Group and the Group has an enforceable right to the payment for the performance completed to date.

Revenue from supply of chilled water is recognised when the chilled water supply is delivered to off-taker, based on the invoiced value of sale of chilled water supplied computed on a pre-determined formula. The revenue also includes an estimated value of the chilled water supplied from the date of their last meter reading at period end. Accrued unbilled revenues are reversed in the following month when actual billing occur.

(iii) *Dividend Income*

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

(iv) *Interest Income and Finance Income from Concession Arrangement*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Revenue related to finance income under a service concession arrangement represents the interest income on the long term receivables recognised in respect of the service concession arrangements.

(g) Employee Benefits

(i) *Short-term Employee Benefits*

Wages, salaries and social security contributions are accrued and recognised as an expense in the financial period in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(g) Employee Benefits (Cont'd)****(ii) Defined Contribution Plans**

Defined contributions plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

(h) Borrowing Costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset.

Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale, and in the case of bearer plants, when the oil palms reach maturity.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

(i) Taxes**(i) Current Tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred Tax

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

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

- (a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Taxes (Cont'd)

(ii) *Deferred Tax (Cont'd)*

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

- (a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investment in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reserve in the foreseeable future and taxable profit will be available against which that temporary differences can be utilised.

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

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

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

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

(j) Property, Plant and Equipment

All property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Capital work-in-progress items are not available for use and thus not depreciated. Oil palms are classified as bearer plants. Expenditure that are directly related to the planting and upkeep of oil palms are capitalised until the palms reach maturity. Upon maturity, maintenance and upkeep of oil palms are expensed to profit or loss. Depreciation for bearer plants commence when oil palms reach maturity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Property, Plant and Equipment (Cont'd)

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values, over the term of their estimated useful lives as follows:

Bearer plants – oil palm	30 years
Leasehold buildings	1.64 – 2%
Plant and machinery	20%
Planting infrastructure	30 years
Renovations, furniture, fixtures and equipment	10 – 50%
Motor vehicles	20%

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(k) Investment Properties

Investment properties are land and building held for rental income and/or for capital appreciation which are not substantially occupied or intended to be occupied for use by, or in the operations of the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land are not depreciated. Other investment properties are depreciated on a straight line basis to write down the cost of each asset to its residual values over its estimated useful life.

The principal annual depreciation rates are:

Leasehold land over the lease period ranging from 44 to 97 years

The residual values and useful lives are reviewed, and adjusted if appropriate, annually. Investment properties are tested for impairment whenever indication of impairment exists, see Note 3(o) on impairment of non-financial assets.

(l) Prepaid Lease Payments

Prepaid lease rentals represent payments for rights to use land over a pre-determined period that is accounted for as an operating lease and is stated at cost less accumulated amortisation and accumulated impairment losses.

The prepaid lease rentals are amortised on a straight-line basis over the lease period of 61 years (2017: 61 years).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) 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.

(n) Service Concession Arrangements

A substantial portion of the Group's assets are used within the framework of concession contracts granted by a grantor.

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

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

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

(a) Concession Intangible Assets

Concession intangible assets comprising concession rights under intangible asset model, are stated as cost less accumulated amortisation and impairment losses, if any. Concession intangible assets acquired separately are measured on initial recognition cost, which is the fair value as at the date of acquisition.

The amortisation begins when the concession asset is completed and ready for it to be capable of operating in the manner intended by management. The management adopts the chilled water supplied volume-based amortisation policy during concession period, which is in line with the pattern in which the asset's economic benefits are consumed.

At end of each reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount.

The concession intangible assets apply to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. During construction or upgrade phase or upon acquisition, the Group records a concession intangible asset representing the right to charge users and recognised profits from the construction or upgrade or acquisition of the infrastructure.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Service Concession Arrangements (Cont'd)

(b) *Concession Financial Assets*

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

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

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

Concession financial assets are recognised at amortised cost.

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

(o) *Impairment of Non-financial Asset*

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use ("CGU").

An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, or an appropriate valuation model is used. Valuation model calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in profit or loss in the period in which it arises. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rated basis.

An impairment loss in respect of goodwill is not reversed. In respect of assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is credited to profit or loss in the financial year in which the reversal is recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Biological Assets

The biological assets of the Group comprise of the produce growing on oil palms. Biological assets are measured at fair value less cost to sell. Changes in fair value less cost to sell are recognised in profit or loss. Fair value is determined based on the present value expected net cash flows generated from the sale of biological assets.

The management considered the oil content of the unripe biological assets and derived the assumption that the net cash flow to be generated from biological assets prior to more than 2 weeks to harvest from the reporting date to be negligible, therefore quantity of unripe biological assets on bearer plants of up to 2 weeks prior to harvest from the reporting date was used for valuation purpose.

(q) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average basis. Cost includes all incidentals incurred in bringing the inventories into store. Net realisable value represents the estimated selling price less all estimated costs.

(r) Financial Instruments

(i) Financial Assets

Classification

From 1 January 2018, the Group and the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost.

As of 31 December 2017, the Group and the Company classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement of financial asset at amortised cost

At initial recognition, the Group measures a financial asset at its fair value plus transactions costs, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Financial instruments (Cont'd)

(i) *Financial assets (Cont'd)*

Measurement of financial asset at amortised cost (Cont'd)

Subsequent to initial recognition, the financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss and statement of comprehensive income as applicable.

Measurement of financial asset at fair value through profit or loss

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

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

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statements of profit or loss when the right of payment has been established.

(ii) *Impairment of Financial Assets*

The Group assesses on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward looking information.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Financial Instruments (Cont'd)

(ii) *Impairment of Financial Assets (Cont'd)*

The ECL approach can be classified into the categories below:

(a) Trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience. The Group considers forward-looking factors do not have significant impact to its credit risk given the nature of its industry and the amount of ECLs is insensitive to changes to forecast economic conditions

(b) Other receivables and intercompany receivables

At each reporting date, the Group or the Company measures ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Cash and cash equivalents are also subject to the impairment requirements of MFRS 9. The identified impairment loss was immaterial.

Accounting policies applied from 31 December 2017

In the prior years, the Group and the Company assessed impairment of financial assets based on the incurred loss model.

(iii) *Financial Liabilities*

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

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes 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.

The Group has not designated any financial liabilities at fair value through profit or loss.

Other financial liabilities are recognised initially at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished and the resulting gains or losses are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(r) Financial Instruments (Cont'd)****(iv) Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(s) Share Capital and Dividends

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(t) Leases**(i) Finance Leases**

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

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

(ii) Operating Leases

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

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Provisions

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

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

(w) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, deposits and other short term, high liquid investments with originally maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, net of bank overdrafts and other restricted balances, if any.

(x) 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 or joint control over the reporting entity; or
- (c) has significant influence over the reporting entity.

(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)(b) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Related Parties (Cont'd)

(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.

(y) Current Versus Non-current Classification

Assets and liabilities in statements 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within 1 level that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(aa) 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.

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) *Classification of Non-current Bank Borrowings*

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

(b) *Classification of Concession Assets Between an Intangible Asset and/or a Financial Asset in a Concession Service Arrangement*

The Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under service concession arrangement. The Group entered into concession service agreement for the installation and maintenance of a district cooling system. The Group has evaluated based on the terms and conditions of each arrangement, whether the concession service arrangement is accounted for using intangible asset model and/or financial asset model.

The management judge that if, based on the terms and conditions of the arrangement, the Group has an unconditional contractual right to receive cash from the grantor and the grantor contractually guarantee to pay specific or determinable amounts for the services provided, then the concession service arrangements will be accounted under the financial asset model.

For concession service arrangement which given the Group a right to charge the users for the services provided, but not an unconditional right to receive cash, the Group will recognise the concession asset under the intangible asset model.

4.2 Estimation Uncertainty

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

(a) *Impairment Assessment on Cash Generating Unit Relating to Oil Palm Plantation Business ("Plantation CGU")*

The Group is required to assess at the end of each reporting period whether there is any indication that the carrying amount of a CGU may be impaired in accordance to the requirements of MFRS 136 Impairment of Assets. If any of such indication exist, the Management shall estimate the recoverable amount of the CGU. The recoverable amount of the CGU were determined based on the higher of fair value less cost to sell ("FVLCS") and value-in-use ("VIU").

The Plantation CGU includes goodwill allocated to the CGU as disclosed in Note 14(b) and other assets incurred in the oil palm plantation business.

The Plantation CGU's impairment test was based on FVLCS estimated using the income approach, by reference to the valuation carried out in March 2019 by an independent external valuer. The same method has been used in the previous financial year. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation techniques used.

The key assumptions used by the Group in arriving the recoverable amount of Plantation CGU includes, among others: the selling price of fresh fruits bunches ("FFB") of RM503.59/metric ton ("mt") (2017: RM503.59/mt), FFB yields per hectare ("ha") of 8-18 mt/ha (2017: 5-18 mt/ha) and discount rates of 8% and 10% (2017: 8% and 10%).

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the CGU to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

4.2 Estimation Uncertainty (Cont'd)

(b) *Impairment Assessment on Cash Generating Unit Relating to Supply of Cooling Energy through District Cooling System ("District Cooling System CGU")*

The District cooling system CGU includes concession financial assets, concession intangible asset and goodwill allocated to the CGU as disclosed in Note 14(b).

The recoverable amount of this CGU is based on VIU calculations which is determined by discounting the future cash flows expected to be generated from the use of the unit based on the following key assumptions:

	<u>2018</u>	<u>2017</u>
Projection period	9 to 18-year cash flows projection, based on the remaining period of the concession arrangement	19-year cash flows projection, based on the remaining period of the concession arrangement
Projected usage	6,377,693/rth per annum; and 15,300,000/rth per annum	15,300,000/rth per annum
Discount rates	9% per annum	8% per annum

The key assumptions used in the assessment is based on the Group's historical trends and actual past performances.

Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the CGU to materially exceed its recoverable amount.

(c) *Impairment Assessment of Investment in a Subsidiary – Urun Plantations Sdn. Bhd. ("Urun")*

The Company is required to assess at the end of each reporting period whether there is any indication that the carrying amount of its investment in subsidiaries may be impaired in accordance to the requirements of MFRS 136 Impairment of Assets.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amount and estimated recoverable amount of the investment.

During the financial year, Management has assessed that the investment in Urun has indicators of impairment due to its deteriorate financial performance. Management has applied the FVLCS method to estimate the recoverable amount of this investment. This method has been applied the same when assessing the Plantation CGU. Further details of the key assumptions applied in the impairment assessment of investment in Urun and sensitivity analysis to changes in the assumptions are disclosed in Note 4.2(a).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

4.2 Estimation Uncertainty (Cont'd)

(d) *Amortisation of Concession Intangible Assets*

The carrying amount of the concession intangible asset is amortised by applying the formula "actual chilled water supplied over the estimated total chilled water to be supplied". The denominator of the formula includes estimated total chilled water supply for subsequent years. Changes in the expected total chilled water supply volume could impact future amortisation charges.

(e) *Useful Lives 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.

(f) *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.

(g) *Deferred Tax Assets*

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, allowances and deductible temporary differences can be utilised. The recognition of deferred tax assets is based upon the likely timing and level of future taxable profits. Deferred tax assets not recognised on unused tax losses, capital allowances and other deductible temporary differences of the Group and of the Company amounted RM98,039,121 (2017: RM91,419,158) and RM35,768,401 (2017: RM34,482,410) respectively at the reporting date as disclosed in Note 28.

(h) *Fair Value of Biological Assets*

Biological assets represent the produce growing on oil palms. Fresh fruit bunches ("FFB") are harvested from the oil palms. The growing produce are essentially FFB prior to harvesting.

An oil palm fruit typically starts to develop oil from about 14 to 15 weeks after pollination. The oil content in the fruit increases exponentially over the next 5 weeks and reaches its maximum at about 22 weeks.

Management considered the maturity stages of FFB and concluded that FFB that are expected to be harvested for more than 2 weeks are excluded from fair valuation as their fair values are considered to be negligible.

The fair value of the growing produce is determined on the basis of present value of expected future cash flows.

If the selling price of unharvested FFB vary by 10%, the fair value of the Group's biological assets would increase or decrease by RM48,555 (2017: RM44,741).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sales of fresh fruit bunches ("FFB")	12,897,566	14,708,174	-	-
Revenue from construction of district cooling system	6,000,000	-	-	-
Revenue from energy and facilities management services	13,639,573	3,338,623	-	-
	32,537,139	18,046,797	-	-
Timing of revenue recognition				
Goods transferred at a point in time	12,897,566	14,708,174	-	-
Services rendered over time	19,639,573	3,338,623	-	-
	32,537,139	18,046,797	-	-

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:

- Plantations
- Energy and facilities management
- Investment holding
- Others (consist of subsidiaries which are dormant and pre-operating)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. SEGMENT REPORTING (Cont'd)

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

Group 2018	Plantations RM	Energy and facilities management RM	Investment holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	12,897,566	19,639,573	-	-	-	32,537,139
Total revenue	12,897,566	19,639,573	-	-	-	32,537,139
Results						
Segment results before interest, tax and share of results of associates	(5,590,382)	6,492,889	(2,382,372)	(83,751)	(307,326)	(1,870,942)
Loss from operations						(1,870,942)
Share of results of associate						1,157,889
Finance costs						(5,881,192)
Loss before tax						(6,594,245)
Tax credit						330,555
Net loss for the financial year						(6,263,690)

Group 2018	Plantations RM	Energy and facilities management RM	Investment holding RM	Others RM	Consolidated RM
Other information					
Additions to property, plant and equipment	2,602,655	-	726,518	-	3,329,173
Additions to intangible assets	-	6,000,000	-	-	6,000,000
Depreciation and amortisation	4,404,456	553,798	397,297	22,700	5,378,251
Statements of Financial Position					
Assets					
Segment assets	115,887,394	73,246,996	22,487,919	296,795	211,919,104
Total assets					211,919,104
Liabilities					
Segment liabilities	63,195,023	63,765,020	6,550,545	16,800	133,527,388
Total liabilities					133,527,388

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. SEGMENT REPORTING (Cont'd)

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

Group 2017	Plantations 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, tax and share of results of associates	(813,426)	2,802,484	(1,283,910)	(46,388)	(271,276)	387,484
Profit from operations						387,484
Share of results of associate						1,283,325
Finance costs						(3,688,466)
Loss before tax						(2,017,657)
Tax credit						293,292
Net loss for the financial year						(1,724,365)

Group 2017	Plantations RM	Energy and facilities management RM	Investment holding RM	Others RM	Consolidated RM
Other information					
Additions to property, plant and equipment	1,298,193	-	816,180	-	2,114,373
Depreciation and amortisation	4,150,881	1,254	259,450	22,744	4,434,329
Statement of Financial Position					
Assets					
Segment assets	116,967,574	71,168,647	20,848,276	492,039	209,476,536
Total assets					209,476,536
Liabilities					
Segment liabilities	60,312,993	61,410,443	8,950,094	47,600	130,721,130
Total liabilities					130,721,130

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense on:				
Term loans	4,694,352	2,963,075	-	-
Less: Interest expense recognised in bearer plants (Note 11)	(302,023)	(766,908)	-	-
	4,392,329	2,196,167	-	-
Bank overdrafts	1,432,248	1,454,580	-	-
Finance lease interest	56,487	36,573	26,052	18,730
Other interest	128	1,146	128	40
	5,881,192	3,688,466	26,180	18,770

8. LOSS BEFORE TAX

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<i>Loss before tax has been arrived at, after crediting:</i>				
Interest income:				
- Fixed deposits with licensed banks	58,209	224,054	28,211	216,699
- Subsidiaries	-	-	326,046	283,743
Gain on disposal of property, plant and equipment	-	275,412	-	216,258
Fair value changes in biological assets (net)	38,136	(407,638)	-	-
Gain on disposal of asset held for sales	-	163,532	-	-
Financial income on concession financial assets	3,593,077	1,750,608	-	-
Management services fees from subsidiaries and associates	1,884,000	-	4,114,629	1,286,025
Rental income	2,343	2,264	2,343	2,264
<i>Loss before tax has been arrived at, after charging:</i>				
Allowance for impairment loss (Note 22)	-	-	(18,720)	(12,466)
Auditors' remuneration:				
- Current year	(115,100)	(71,467)	(60,000)	(37,000)
- Under provision in prior year	(13,500)	-	(13,500)	-
Amortisation of:				
- Intangible assets	(550,000)	-	-	-
- Prepaid lease payments	(468,735)	(468,735)	-	-
- Investment properties	(102,255)	(68,261)	(102,255)	(68,261)
Depreciation of property, plant and equipment	(4,257,261)	(3,897,333)	(295,042)	(191,189)
Property, plant and equipment written off	(32,175)	(17,337)	-	-
Rental of premises to related parties	(290,256)	(250,772)	(79,728)	(98,356)

(a) The following are the operation costs included in cost of sales:

	Group	
	2018 RM	2017 RM
Consumables inventories	4,593,094	2,318,990
Amortisation of intangible assets	550,000	-
Depreciation of property, plant and equipment	3,261,211	2,844,218

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. LOSS BEFORE TAX (Cont'd)

(b) Directors' remuneration:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors:				
Fees	12,000	6,000	12,000	6,000
Salaries and other emoluments	1,629,932	507,763	1,629,932	507,763
Defined contribution plan	211,221	76,015	211,221	76,015
Non-executive Directors:				
Fees	38,000	38,000	18,000	18,000
Other emoluments	61,500	18,500	61,500	18,500
	1,952,653	646,278	1,932,653	626,278

(c) Staff costs:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, allowances and others	6,724,617	4,038,732	2,884,099	955,710
Defined contribution plan	562,854	306,504	328,541	97,474
	7,287,471	4,345,236	3,212,640	1,053,184

Staff costs of the Group are remunerations included in cost of sales amounting to RM4,074,831 (2017: RM3,292,460).

9. TAX CREDIT

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax credit comprises				
Real property gain tax	-	10,863	-	-
Current income tax expenses	7,200	-	-	-
Over provision in prior year	(33,600)	-	-	-
Deferred tax (Note 28):				
- Origination and reversal of temporary differences	(304,155)	(304,155)	-	-
Total tax credit	(330,555)	(293,292)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. TAX CREDIT (CONT'D)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss before tax	(6,594,245)	(2,017,657)	(2,408,552)	(1,302,680)
Tax expense at income tax rate of 24% (2017: 24%)	(1,582,619)	(484,238)	(578,052)	(312,643)
Income not subject to tax	(890,691)	(955,995)	-	-
Non-deductible expenses	587,566	871,584	243,573	312,643
Deferred tax assets not recognised during the financial year	1,656,693	264,494	308,638	-
Utilisation of previously unrecognised deferred tax assets	(67,904)	-	-	-
Overprovision in prior year	(33,600)	-	-	-
Real property gain tax	-	10,863	-	-
Tax credit	(330,555)	(293,292)	-	-

10. LOSS PER SHARE

Basic Loss per Share

Basic loss per ordinary share is calculated by dividing the consolidated net loss for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2018 RM	2017 RM
Net loss attributable to Owners of the Company	(6,263,690)	(1,724,365)
	Units	Units
Weighted average number of shares in issue	124,689,801	117,683,225
Basic loss per share (sen)	(5.02)	(1.47)

Diluted Loss per Share

There is no dilution in loss per share as there is no potential diluted ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RM	Bearer plants RM	Plant and machinery RM	Renovations, fixtures and equipment RM	Motor vehicles RM	Planting infrastructure RM	Construction - in-progress RM	Total RM
Cost								
At 1 January 2017								
As previously stated	7,132,455	-	9,858,070	2,505,158	5,922,731	-	402,912	25,821,326
Effects of MFRS	-	85,871,334	-	-	-	13,828,759	-	99,700,093
At 1 January 2017 (restated)								
Additional	7,132,455	85,871,334	9,858,070	2,505,158	5,922,731	13,828,759	402,912	125,521,419
Disposal	-	940,579	8,500	36,551	1,074,809	20,000	26,934	2,114,373
Write-off	-	-	(10,000)	-	(1,063,887)	-	-	(1,073,887)
Reclassification	-	-	-	(4,800)	-	-	(17,336)	(22,136)
Acquisition of subsidiary	384,510	-	28,000	-	-	-	(412,510)	-
	-	-	-	18,991	-	-	-	18,991
At 31 December 2017/1 January 2018 (restated)								
Additional	7,523,965	86,811,913	9,884,570	2,555,900	5,933,653	13,848,759	-	126,558,760
Write-off	-	228,124	178,200	813,336	353,000	1,756,513	-	3,329,173
	-	-	(6,825,970)	(1,411,761)	(342,713)	-	-	(8,580,444)
At 31 December 2018								
	7,523,965	87,040,037	3,236,800	1,957,475	5,943,940	15,605,272	-	121,307,489

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

Group	Leasehold buildings RM	Bearer plants RM	Plant and machinery RM	Renovations, fixtures and equipment RM	Motor vehicles RM	Planting infrastructure RM	Construction - in-progress RM	Total RM
Accumulated depreciation								
At 1 January 2017								
As previously stated	418,212	-	9,219,528	2,236,899	5,055,172	-	-	16,929,811
Effects of MFRS	-	20,391,607	-	-	-	4,966,412	-	25,358,019
At 1 January 2017 (restated)	418,212	20,391,607	9,219,528	2,236,899	5,055,172	4,966,412	-	42,287,830
Charge for the year								
Effects of MFRS	119,348	1,981,328	304,546	108,812	520,409	410,484	-	3,444,927
	-	401,460	-	-	-	50,946	-	452,406
Disposal	119,348	2,382,788	304,546	108,812	520,409	461,430	-	3,897,333
Write-off	-	-	(3,667)	-	(977,047)	-	-	(980,714)
Acquisition of subsidiary	-	-	-	(4,799)	-	-	-	(4,799)
	-	-	-	9,536	-	-	-	9,536
At 31 December 2017/1 January 2018 (restated)	537,560	22,774,395	9,520,407	2,350,448	4,598,534	5,427,842	-	45,209,186
Charge of the year								
Write-off	123,318	2,794,429	199,381	224,485	448,866	466,782	-	4,257,261
	-	-	(6,825,948)	(1,379,621)	(342,700)	-	-	(8,548,269)
At 31 December 2018	660,878	25,568,824	2,893,840	1,195,312	4,704,700	5,894,624	-	40,918,178
Net carrying amount								
31 December 2018	6,863,087	61,471,213	342,960	762,163	1,239,240	9,710,648	-	80,389,311
31 December 2017	6,986,405	64,037,518	364,163	205,452	1,335,119	8,420,917	-	81,349,574

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Company	Renovations, furnitures, fixtures and equipment RM	Motor vehicles RM	Total RM
Cost			
At 1 January 2017	163,634	1,087,064	1,250,698
Additional	18,871	797,309	816,180
Disposal	-	(941,315)	(941,315)
At 31 December 2017/1 January 2018	182,505	943,058	1,125,563
Additional	726,518	-	726,518
At 31 December 2018	909,023	943,058	1,852,081
Accumulated depreciation			
At 1 January 2017	105,318	877,254	982,572
Charge of the year	26,939	164,250	191,189
Disposal	-	(855,686)	(855,686)
At 31 December 2017/1 January 2018	132,257	185,818	318,075
Charge of the year	135,581	159,461	295,042
At 31 December 2018	267,838	345,279	613,117
Net carrying amount			
31 December 2018	641,185	597,779	1,238,964
31 December 2017	50,248	757,240	807,488

(a) Assets held under finance lease

The carrying amount of Group's and of the Company's motor vehicles held under finance lease at the reporting date was RM1,161,779 (2017: RM1,135,876) and RM592,818 (2017: RM750,927) respectively.

(b) Assets held under trust

The motor vehicle of the Group and the Company with net carrying amount of RM315,457 (2017: RM394,321) are held under trust by a person connected to a Director of the Company.

(c) Capitalisation of borrowing costs

During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amounting to RM302,023 (2017: RM766,908).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(d) Movement of bearer plants

Group	Mature Oil palm RM	Immature Oil palm RM	Total RM
Cost			
At 1 January 2017			
As previously stated	-	-	-
Effects of MFRS	82,737,253	3,134,081	85,871,334
At 1 January 2017 (restated)	82,737,253	3,134,081	85,871,334
Additional	940,579	-	940,579
Reclassification	7,800	(7,800)	-
At 31 December 2017/ 1 January 2018 (restated)	83,685,632	3,126,281	86,811,913
Additional	-	228,124	228,124
At 31 December 2018	83,685,632	3,354,405	87,040,037
Accumulated depreciation At 1 January 2017			
As previously stated	-	-	-
Effects of MFRS	20,391,607	-	20,391,607
At 1 January 2017 (restated)	20,391,607	-	20,391,607
Charge for the year	1,981,328	-	1,981,328
Effects of MFRS	401,460	-	401,460
	2,382,788	-	2,382,788
At 31 December 2017/ 1 January 2018 (restated)	22,774,395	-	22,774,395
Charge of the year	2,794,429	-	2,794,429
At 31 December 2018	25,568,824	-	25,568,824
Net carrying amount			
At 31 December 2018	58,116,808	3,354,405	61,471,213
At 31 December 2017	60,911,237	3,126,281	64,037,518

(e) Assets pledged as security

Bearer plants and planting infrastructure have been charge as security for borrowings as disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. PREPAID LEASE PAYMENTS

	2018 RM	Group 2017 RM
Cost		
At 1 January/ 31 December	24,667,212	24,667,212
Accumulated amortisation		
At 1 January, as previously stated	(7,443,918)	(7,002,295)
Effects of MFRS	1,057,354	1,084,466
At 1 January, as restated	(6,386,564)	(5,917,829)
Amortisation for the year (Note 8)	(468,735)	(441,623)
Effects of MFRS	-	(27,112)
As restated	(468,735)	(468,735)
At 31 December	(6,855,299)	(6,386,564)
Net carrying amount	17,811,913	18,280,648

The remaining unexpired lease period of leasehold land of the Group is 39 years (2017: 40 years).

The leasehold land 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 oil palm plantation cash-generating-units of the Group. Details of such assessment are disclosed in Note 4.2(a) to the financial statements.

13. INVESTMENT PROPERTIES

Group and Company	Freehold land RM	Leasehold land RM	Total RM
2018			
Cost			
At 1 January	544,000	9,565,729	10,109,729
Transfer to assets held for sales (Note 24)	(544,000)	-	(544,000)
At 31 December	-	9,565,729	9,565,729
Accumulated amortisation			
At 1 January	-	(88,232)	(88,232)
Additions	-	(102,255)	(102,255)
At 31 December	-	(190,487)	(190,487)
Net carrying amount	-	9,375,242	9,375,242

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT PROPERTIES (Cont'd)

Group and Company	Freehold land RM	Leasehold land RM	Total RM
2017			
Cost			
At 1 January/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

Included in investment properties with carrying amount of RM8,992,029 (2017: RM9,085,371) 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 2018 is estimated at RM10,188,630 (2017: RM28,907,755) has been arrived at by the Directors based on reference to market evidence of transaction prices for similar properties. As at 31 December 2018, 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 RM77,893 (2017: RM77,888).

14. INTANGIBLE ASSETS

Group	Goodwill RM	Concession intangible assets RM	Total RM
Cost			
At 1 January 2017	16,329,389	-	16,329,389
Additions	2,863,599	-	2,863,599
At 31 December 2017/ 1 January 2018	19,192,988	-	19,192,988
Additions	-	6,000,000	6,000,000
At 31 December 2018	19,192,988	6,000,000	25,192,988

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTANGIBLE ASSETS (Cont'd)

Group	Goodwill RM	Concession intangible assets RM	Total RM
Accumulated amortisation			
At 1 January 2017	-	-	-
Additions	-	-	-
At 31 December 2017/ 1 January 2018	-	-	-
Additions	-	550,000	550,000
At 31 December 2018	-	550,000	550,000
Net carrying amount			
31 December 2018	19,192,988	5,450,000	24,642,988
31 December 2017	19,192,988	-	19,192,988

(a) Concession intangible assets

During the financial year, the Group has entered into an agreement with Lianbang Ventures Sdn. Bhd. ("the grantor") for the construction, operation and maintenance of a district cooling plant located at Dataran Pahlawan Megamall. The Group is entitled to charge the grantor a minimum consumption of chilled water supply for a period of 10 years or if the minimum consumption is not achieved, the Company has the right to extend for another 2 years. The grantor does not guarantee the payment of the minimum consumption if it is not achieved during the period agreed.

Cost incurred in connection with the concession was classified as "Concession intangible assets" while the amortisation of concession intangible asset is included in the "cost of sales" line item in the statements of comprehensive income.

The concession intangible asset has been charged as security for the borrowings as disclosed in Note 27 to the financial statements.

(b) Goodwill on consolidation

The goodwill in the Group's consolidated statements of financial position arose from the acquisition of two subsidiaries, namely Urun Plantations Sdn. Bhd. and Tunas Cool Energy Sdn. Bhd., represents two cash generating units ("CGU") involved in oil palm plantation ("Plantation CGU") and supply of cooling energy ("District cooling system CGU") respectively.

The Group carries out its impairment assessment on the goodwill on consolidation annually. The carrying amounts of goodwill allocated to each unit are as follows:

CGU	2018 RM
Plantation	16,329,389
District cooling system	2,863,599
	19,192,988

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INTANGIBLE ASSETS (CONT'D)

(b) Goodwill on consolidation (Cont'd)

The recoverable amounts of these two CGUs are determined based on the higher of fair value less cost to sell ("FVLCS") and value-in-use ("VIU").

The recoverable amount of Plantation CGU is determined based on FVLCS, by reference to the valuation carried out in March 2019 by an independent external valuer. The recoverable amount of District cooling system CGU is determined based on VIU calculations.

The relevant key assumptions used and sensitivity to changes in assumptions for Plantation CGU and District cooling system CGU are disclosed in Notes 4.2(a) and 4.2(b) respectively.

The Directors believes that no impairment on goodwill on consolidation is required as the recoverable amount of these CGUs exceeded their carrying amounts.

15. CONCESSION FINANCIAL ASSETS

	2018 RM	Group 2017 RM
Current	1,706,018	1,605,388
Non-current	54,009,975	55,715,993
	55,715,993	57,321,381

The movements in the net carrying amounts of non-current and current concession financial assets are as follows:

	2018 RM	Group 2017 RM
At 1 January	57,321,381	-
Acquisition of subsidiary	-	58,555,516
Concession revenue recognised	9,824,605	3,274,869
Finance income recognised	3,593,077	1,750,608
Receipts	(15,023,070)	(6,259,612)
At 31 December	55,715,993	57,321,381

The Group entered into an 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 concession financial asset has been charge as security for borrowings as disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted shares, at cost	65,989,017	58,489,017
Additions	-	7,500,000
	65,989,017	65,989,017
Less: Accumulated impairment losses	(2)	(2)
Net carrying amount	65,989,015	65,989,015

The subsidiaries, all incorporated in Malaysia, are as follows:

Name of subsidiaries	Effective equity interest		Principal activities
	2018	2017	
Goldkist (Malaysia) Sdn. Bhd. #	100%	100%	Dormant
Goldkist (NS) Sdn. Bhd. #	100%	100%	Dormant
SHC Technopalm Plantation Services Sdn. Bhd. #	100%	100%	Dormant
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%	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.

Impairment on investment in subsidiaries

The Company is required to assess at the end of each reporting period whether there is any indication that the carrying amount of its investment in subsidiaries may be impaired in accordance to the requirements of MFRS 136 Impairment of Assets.

A subsidiary, Urun Plantations Sdn. Bhd. ("Urun") has continuously reported losses for the past financial years, indicating that the carrying amount of the investment amounted to RM58,489,008 (2017: RM58,489,008) may be impaired.

As a result of the impairment test, Management believes that no impairment to be recognised for the current financial year. Further details of the key assumptions applied in the impairment assessment of investment in Urun and sensitivity analysis to changes in the assumptions are disclosed in Note 4.2(a) to the financial statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. INVESTMENT IN ASSOCIATE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost	8,025,000	8,025,000	8,025,000	8,025,000
Share of post- acquisition retained earnings	2,441,214	1,283,325	-	-
	10,466,214	9,308,325	8,025,000	8,025,000
Summary of share of post-acquisition retained earnings:				
At 1 January	1,283,325	-	-	-
Share of results	1,157,889	1,283,325	-	-
At 31 December	2,441,214	1,283,325	-	-

Details of associate of the Company are as follows:

Name of company	Effective equity interest		Principal activities
	2018	2017	
KJ Technical Services Sdn. Bhd.* ("KJTS")	25%	25%	Operations and maintenance of chilled and hot water production systems and facilities management
<i>Subsidiary of KJTS:</i> DCS Power Sdn. Bhd.*	25%	25%	Provision of building maintenance and services
KJ Engineering Sdn. Bhd.*	25%	25%	Design, repair and maintenance of air-conditioning, cooling, heating and ventilation systems, project contracting and assembly and trading in engineering products
KJ Facilities Management Sdn. Bhd.*	25%	25%	Building and facilities maintenance, utilities and communications infrastructure maintenance, janitorial services, project management and design, procurement and contract and waste management and security services
<i>Associate of KJTS:</i> Astute Consultancy Sdn. Bhd.*	12.5%	12.5%	Investment holding
Acres Growth Sdn. Bhd.*	7.5%	7.5%	Investment holding, design, repair and maintenance of air-conditioning, cooling, heating and ventilation systems, project contracting and assembly and trading in engineering products

* Audited by firm of auditors other than ECOVIS MALAYSIA PLT (formerly known as ECOVIS AHL PLT)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. INVESTMENT IN ASSOCIATE (Cont'd)

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

	2018 RM	2017 RM
<u>Assets and liabilities</u>		
Current assets	30,674,477	23,914,975
Non-current assets	4,694,902	5,125,750
Current liabilities	(13,894,343)	(11,760,862)
Non-current liabilities	(2,471,454)	(2,873,632)
Net assets	19,003,582	14,406,231
<u>Results</u>		
Revenue	45,118,344	32,976,029
Net profit for the financial year	4,631,557	4,644,666
Share of profit for the financial year	1,157,889	1,283,325

18. INVENTORIES

	2018 RM	Group 2017 RM
At cost:		
Consumables	1,132,817	635,433
Oil palm seedlings	28,116	48,116
	1,160,933	683,549

19. BIOLOGICAL ASSETS

	2018 RM	Group 2017 RM
At 1 January	447,414	855,052
Fair value changes	38,136	(407,638)
At 31 December	485,550	447,414

The biological assets of the Group comprise of oil palm represents the fresh fruit bunches ("FFB") of up to 2 weeks prior to harvesting.

The quantity of unharvested FFB of the Group as at 31 December 2018 included in the fair valuation of FFB was 1,262 metric tonnes (2017: 953 metric tonnes).

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy.

The Group and the Company attribute a fair value on the FFB prior to harvest at each statement of financial position date as required under MFRS 141 "Agriculture". FFB are produce of oil palm trees and are harvested continuously throughout the financial year. Each FFB takes approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. BIOLOGICAL ASSETS (Cont'd)

In determining the fair values of FFB, management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 2 weeks prior to harvest, the FFB prior to 2 weeks before harvesting are excluded in the valuation as the fair values are considered negligible.

The valuation model adopted by the Group is income approach which considers the expected net cash inflows with reference to the market value of FFB at the date of harvest, adjusted for transportation and other cost to sell at the point of harvest. Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.

Sensitivity analysis

A 10% increase/decrease in the average oil palm FFB selling price (RM/MT) would result in the following to the fair value of the biological assets:

	Group	
	2018 RM	2017 RM
10% increase	48,555	44,741
10% decrease	(48,555)	(44,741)

20. TRADE RECEIVABLES

	Group	
	2018 RM	2017 RM
Trade receivables		
- Related party	308,365	-
- Third parties	3,053,857	873,662
- Accrued billings	1,609,558	1,548,546
	4,971,780	2,422,208

Trade receivables of the Group comprise amounts receivable for sale of goods and income receivable from energy and facilities management services. The credit period granted on sale of goods and income receivable from energy and facilities management services ranges from 14 to 60 days (2017: 10 to 30 days).

A related party included in trade receivables is amount owing by a company in which a Director of the Company has interest. This amount is non-interest bearing and the credit term granted is 60 days (2017: Nil)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	2,149,475	2,610,784	146,404	140,487
Less: allowance for impairment losses	(1,866,207)	(1,866,207)	(140,487)	(140,487)
	283,268	744,577	5,917	-
Refundable deposit	1,125,915	1,137,599	75,768	76,252
Prepayments	321,754	840,372	45,820	179,613
	1,730,937	2,722,548	127,505	255,865

Included in other receivables, deposits and prepayments of the Group and of the Company are rental deposits and advance rental of RM109,829 (2017: RM109,829) and RM56,177 (2017: RM56,177) respectively paid to Desa Samudra Sdn. Bhd., a company in which a Director of the Company has interest. Transactions with related parties are disclosed in Note 33 to the financial statements.

Other receivables are unsecured and are repayable upon demand.

22. AMOUNT OWING BY SUBSIDIARIES, ASSOCIATE, RELATED COMPANIES AND PARTIES

Amount owing by subsidiaries

	Company	
	2018 RM	2017 RM
Amounts owing by subsidiaries		
- net of allowance for impairment losses of RM13,248,492 (2017: RM13,229,772)	17,164,615	16,060,010

Amount includes loan to wholly owned subsidiaries amounting to RM7,960,376 (2017: RM5,660,376) bear interest at 5% (2017: 5%) per annum. The remaining balances arose mainly from non-trade transactions, which are unsecured, interest free and are repayable on demand.

Movement of the Company's allowance for impairment losses on amount owing by subsidiaries is as follows:

	Company	
	2018 RM	2017 RM
1 January	13,229,772	13,217,306
Addition (Note 8)	18,720	12,466
31 December	13,248,492	13,229,772

Associate and related parties balances

Amount owing by/(to) associate and related parties are unsecured, interest free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. FIXED DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed banks	200,000	6,707,251	200,000	400,000
Cash and bank balances	2,032,258	586,569	220,412	43,645
Fixed deposits, cash and bank balances	2,232,258	7,293,820	420,412	443,645

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed banks	7 days	7 to 33 days	7 days	7 to 33 days

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

	Group		Company	
	2018	2017	2018	2017
Fixed deposits with licensed banks	3.15%	3.00% to 3.40%	3.15%	3.00% to 3.40%

24. ASSETS HELD FOR SALES

Group and Company	2018 RM	2017 RM
Freehold land (Note 13)	544,000	-
	544,000	-

On 31 December 2018, the Group and the Company entered into a Sales and Purchase Agreement with Sinn Kian Hin Sendirian Berhad to dispose 3 pieces of freehold vacant land situated in Mukim Tanjong Kling, Daerah Melaka Tengah, Negeri Melaka measuring approximately 0.8057 hectares, 0.2869 hectares and 0.0923 hectares for a total consideration of RM3,252,347.

The disposal is subject to fulfilment of conditions precedent and is expected to be completed within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. SHARE CAPITAL

Group and Company	2018 Number of shares	2017 Number of shares	2018 RM	2017 RM
Ordinary shares				
Issued and fully paid				
At 1 January	120,066,787	115,066,787	118,091,787	115,066,787
Issued during the financial year	11,800,000	5,000,000	5,900,000	3,025,000
At 31 December	131,866,787	120,066,787	123,991,787	118,091,787

During the financial year, the issued and paid up share capital of the Company was increased from RM118,091,787 to RM123,991,787 by way of issuance of 11,800,000 new ordinary shares at an issue price of RM0.50 per share for cash arising from exercise of private placement.

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Future lease payment payable:				
– Not later than one year	325,860	221,472	123,528	123,528
– Later than one year and not later than five years	766,143	710,894	373,831	409,212
– Later than five years	80,431	165,360	80,432	165,360
Total future minimum lease payments	1,172,434	1,097,726	577,791	698,100
Less: Future finance charges	(114,357)	(136,287)	(64,055)	(90,107)
	1,058,077	961,439	513,736	607,993
Present value of minimum lease payments				
Within one year	276,796	175,164	101,649	96,545
Later than one year and not later than two years	293,117	185,667	106,885	101,781
Later than two year and not later than five years	411,292	600,608	228,330	301,119
Later than five years	76,872	-	76,872	108,548
	1,058,077	961,439	513,736	607,993
Analysed as:				
Repayable within twelve months	276,796	175,164	101,649	96,545
Repayable after twelve months	781,281	786,275	412,087	511,448

The finance lease of the Group and of the Company as at end of the financial year are subject to fixed interest rate ranging from 2.43% to 3.75% (2017: 2.46% 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 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. BORROWINGS

	2018 RM	Group 2017 RM
Current:		
Bank overdraft	24,791,943	22,342,675
Term loan I	3,000,000	3,000,000
Term loan II	225,057	210,518
Term loan III	3,462,521	3,264,316
Term loan IV	512,237	483,796
Term loan V	791,621	-
	32,783,379	29,301,305
Non-current:		
Term loan I	22,100,000	23,900,000
Term loan II	1,742,888	1,968,830
Term loan III	34,266,601	37,608,324
Term loan IV	5,145,875	5,634,645
Term loan V	3,708,379	-
	66,963,743	69,111,799
Total borrowings		
Bank overdraft	24,791,943	22,342,675
Term loan I	25,100,000	26,900,000
Term loan II	1,967,945	2,179,348
Term loan III	37,729,122	40,872,640
Term loan IV	5,658,112	6,118,441
Term loan V	4,500,000	-
	99,747,122	98,413,104
Less: Repayable after one year	(66,963,743)	(69,111,799)
	32,783,379	29,301,305
 The maturity profile of borrowings is as follows:		
Less than 1 year	32,783,379	29,301,305
Between 1 and 3 years	14,363,673	13,249,292
Between 3 and 5 years	23,771,651	20,050,405
More than 5 years	28,828,419	35,812,102
	99,747,122	98,413,104

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. BORROWINGS (Cont'd)

Bank Overdraft, Term Loan I and II

Bank overdraft bore effective interest rate of 5.95% (2017: 6.67%) per annum.

Term loan I and II amounted to RM60,000,000, with a drawdown of RM32,360,400, bear interest at 6.92% (2017: 6.67%) per annum.

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

- (a) First party first legal charge over 2 adjoining pieces of oil palm land held by a subsidiary of the Company as prepaid lease payments;
- (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.

Term Loan III and IV

Term loan III and IV amounted to RM48,700,000, bear interest at 2.50% above the lender's cost of fund per annum, and are repayable by monthly installments of RM473,259 and RM69,861 respectively.

Term loan III and IV 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;
- (g) Fresh guarantee for RM29,220,000 by Credit Guarantee Corporation Malaysia Berhad.

Term Loan V

The term loan V amounted to RM4,500,000, bear interest at 2.50% above the lender's cost of fund per annum, and are repayable by monthly installments of RM66,323.

Term loan V is secured by:

- a. Fresh asset sale agreement of RM6,302,686;
- b. Deed of assignment of contract proceeds;
- c. Fresh debenture over the post and all future fixed and floating aspects of a subsidiary of the Company;
- d. Corporate guarantee given by Company

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. DEFERRED TAX LIABILITIES

Group	At 1 January 2017			Recognised in profit and loss RM	Effect of adoption of MFRS RM	At 31 December 2017 RM
	As previously stated RM	Effect of adoption of MFRS RM	Restated balance RM			
2017						
Deferred tax liabilities						
Temporary differences arising from:						
– Revaluation of property, plant and equipment, and prepaid lease payments	(8,416,491)	367,940	(8,048,551)	209,140	95,016	(7,744,395)
– Property, plant and equipment	(6,639,255)	-	(6,639,255)	130,850	-	(6,508,405)
	(15,055,746)	367,940	(14,687,806)	339,990	95,016	(14,252,800)
Deferred tax assets						
Unabsorbed capital allowances	6,638,440	-	6,638,440	(130,035)	-	6,508,405
Temporary differences arising from other payables and accrued expenses	815	-	815	(815)	-	-
	6,639,255	-	6,639,255	(130,850)	-	6,508,405
	(8,416,491)	367,940	(8,048,551)	209,140	95,016	(7,744,395)

Group	Restated at 1.1.2018 RM	Recognised in profit and loss RM	Balance at 31.12.2018 RM
2018			
Deferred tax liabilities			
Temporary differences arising from:			
– Revaluation of property, plant and equipment, and prepaid lease payments	(7,744,395)	304,155	(7,440,240)
– Property, plant and equipment	(6,508,405)	(2,254,185)	(8,762,590)
	(14,252,800)	(1,950,030)	(16,202,830)
Deferred tax assets			
Unabsorbed capital allowances	6,508,405	2,211,511	8,719,916
Unused tax losses	-	42,674	42,674
	6,508,405	2,254,185	8,762,590
	(7,744,395)	304,155	(7,440,240)

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits are available for offsetting against probable future taxable profit. As at 31 December 2018, the amount of unabsorbed capital allowances and unutilised tax losses for which no deferred tax asset have been recognised in the financial statements because there is uncertainty as to when the companies that have recent history of losses will be profitable, are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unabsorbed capital allowances	3,390,085	9,426,524	1,456,861	1,564,530
Unused tax losses	94,649,036	81,992,634	34,311,540	32,917,880
	98,039,121	91,419,158	35,768,401	34,482,410

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. TRADE PAYABLES

	Group	
	2018 RM	2017 RM
– Third parties	1,844,515	843,596
– Associate	2,261,437	523,774
– Accrued billings	729,863	-
	4,835,815	1,367,370

Trade payables are non-interest bearing. The credit period granted to the Group for ranges from 15 to 90 days (2017: 15 to 90 days).

Amount owing to associate are unsecured, interest free and repayable on demand.

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	17,713,575	18,902,799	6,000,141	7,759,485
Accruals	1,056,339	629,403	36,669	79,087
	18,769,914	19,532,202	6,036,810	7,838,572

Included in other payables of the Group is an amount of RM9,020,000 (2017: RM9,211,635) and RM2,000,000 (2017: Nil) owing to a formal substantial corporate shareholder in which a Director of the Company has interest and owing to certain companies which Directors of certain subsidiaries have interest. These amount is unsecured, interest-free and repayable on demand.

31. FINANCIAL GUARANTEES

As at 31 December 2018, the Company gave financial guarantees to licensed banks and financial institutions in respect of facilities granted to certain subsidiaries amounting to RM138,561,600 (2017: RM133,949,600).

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.

32. OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Not more than one year	218,631	294,922	93,138	171,562
Later than one year and not later than five years	-	144,538	-	93,138
	218,631	439,460	93,138	264,700

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. 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 Group and the Company are as follows:

Name of related party	Relationship
Desa Samudra Sdn. Bhd.	A Director of the Company has interest
Tunas Selatan Property Sdn. Bhd.	A Director of the Company has interest
Tunas Selatan Constructions Sdn. Bhd.	A Director of the Company has interest
Stock N Options Sdn Bhd	A Director of the subsidiary has interest
Spyder Industries (M) Sdn. Bhd.	A Director of the subsidiary has interest
Java Berhad	A Director of the subsidiary has interest
KJ Technical Services Sdn. Bhd.	An associate of the Company

During the financial year, significant related party transactions are as follows:

	2018 RM	2017 RM
Group		
KJ Technical Services Sdn. Bhd.		
– Construction costs of a concession intangible asset	6,000,000	-
– Operations and maintenance services charged to the Group	8,141,543	4,285,441
– Management services fee charged from the Group	(1,884,000)	-
Tunas Selatan Constructions Sdn. Bhd.		
– Services charged from the Group	-	(122,865)
Tunas Selatan Property Sdn. Bhd.		
– (Repayment from) / Advances to the Group	(1,000,000)	1,800,000
Spyder Industries (M) Sdn. Bhd.		
– Advances to the Group	1,200,000	-
Stock N Options Sdn. Bhd.		
– Advances to the Group	800,000	-
Desa Samudra Sdn. Bhd.		
– Rental of premises charged to the Group	290,256	250,772

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. SIGNIFICANT RELATED PARTY DISCLOSURES (Cont'd)

(a) Significant related party transaction (Cont'd)

During the financial year, significant related party transactions are as follows: (Cont'd)

	2018 RM	2017 RM
Company		
Urun Plantations Sdn. Bhd.		
– Management services fee	(850,629)	(846,514)
– Interest charged by the Company	(326,046)	(283,743)
Tunas Cool Energy Sdn. Bhd.		
– Management services fee	(1,380,000)	(439,511)
KJ Technical Services Sdn. Bhd.		
– Management services fee	(1,884,000)	-
Desa Samudra Sdn. Bhd.		
– Rental of premises charged to the Company	79,728	98,356

(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	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, allowance and bonus	2,370,588	938,903	1,936,267	787,205
Defined contribution plan	292,650	125,611	243,165	107,335
Social security contribution	1,462	-	1,462	-
Benefits-in-kind	7,200	-	7,200	-
Fees	50,000	44,000	30,000	24,000
	2,721,900	1,108,514	2,218,094	918,540

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group	2018 RM	2017 RM
Financial assets at amortised cost		
Concession financial assets	55,715,993	57,321,381
Trade receivables	4,971,780	2,422,208
Other receivables and deposits	1,409,183	1,882,176
Amount owing by associate	2,133,472	9,070
Amount owing by related parties	258,513	423,514
Fixed deposit, cash and bank balances	2,232,258	7,293,820
	66,721,199	69,352,169
Financial liabilities at amortised costs		
Trade payables	4,835,815	1,367,370
Other payables and accruals	18,769,914	19,532,202
Amount owing to related parties	1,669,020	2,669,020
Finance lease liabilities	1,058,077	961,439
Borrowings	99,747,122	98,413,104
	126,079,948	122,943,135
Company	2018 RM	2017 RM
Financial assets at amortised cost		
Other receivables and deposits	81,685	76,252
Amount owing by subsidiaries	17,164,615	16,060,010
Amount owing by associates	313,196	-
Fixed deposit, cash and bank balances	420,412	443,645
	17,979,908	16,579,907
Financial liabilities at amortised costs		
Other payables and accruals	6,036,810	7,838,572
Finance lease liabilities	513,736	607,993
	6,550,546	8,446,565

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management, objectives and policies

The activities of the Group and the Company are subject to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Company financial risk management objective is to ensure that the Company creates value for its shareholder.

(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, government policies, changes in global demand resulting from population growth, and global production of similar and competitive crops.

Revenue of the Group is therefore subject to price fluctuations in the commodity market.

As at 31 December 2018, 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 before tax, by approximately RM1,289,757 (2017: 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 and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company is exposed to interest rate risk mainly through the impact of rate charges on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 27.

The Group's and the Company'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.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's profit before tax for the financial year would be decreased or increased as follows:

	2018 RM	2017 RM
Floating rate liability:		
Borrowings	498,736	492,066

Other financial assets and financial liabilities are non-interest bearing and therefore are not affected by changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management, objectives and policies (Cont'd)

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company has adopted a policy of only dealing with creditworthy counterparties and assigns credit limits to these counterparties by using its own trading records.

Credit risk arises from credit exposures to customers, including outstanding receivables, as well as deposits, cash and bank balances.

Under MFRS 9, cash and cash equivalents are also subject to the impairment. However, the identified impairment loss was immaterial as the counterparties are reputable financial institutions with high credit ratings and no history of default.

(a) Trade receivables

Credit risk concentration profile

As at the end of the reporting period, the Group has significant concentration of credit risk that arise from exposure to 4 major customers (2017: 2) which constitutes approximately 57% (2017: 80%) of the Group's trade receivables.

Exposure to credit risk, credit quality and collateral

Receivable balances are monitored on an ongoing basis. As the Group and the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of trade receivables as at the end of reporting period.

Ageing analysis of trade receivables

The ageing analysis of trade receivables as at the end of the reporting period is as follows:

	2018 RM	Group 2017 RM
Trade receivables:		
Neither past due nor impaired	4,089,831	1,938,172
Past due but not impaired:		
Less than 30 days	397,795	-
31 to 60 days	66,172	-
More than 60 days	417,982	484,036
	881,949	484,036
	4,971,780	2,422,208

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****34. FINANCIAL INSTRUMENTS (Cont'd)****(b) Financial risk management, objectives and policies (Cont'd)****(iii) Credit risk (Cont'd)****(a) Trade receivables (Cont'd)**Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired is creditworthy debtors with good payment records with the Company. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

As at 31 December 2018, RM881,949 (2017: RM484,036) of trade receivables of the Group were past due but not impaired. The Group believe that no impairment is necessary in respect of these trade receivables as they are active customers with good collection track record and no recent history of default, but with slower repayment records.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations due to shortage of funds. The Group exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility of cash flows.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management, objectives and policies (Cont'd)

(iv) Liquidity risk (Cont'd)

The tables below summaries the maturity profile of the Group's and of the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

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
2018					
Financial liabilities at amortised cost					
Non-interest bearing:					
Trade payables	4,836	4,836	4,836	-	-
Other payables and accruals	18,770	18,770	18,770	-	-
Amount owing to related parties	1,669	1,669	1,669	-	-
Interest bearing:					
Finance lease liabilities	1,058	1,172	326	766	80
Borrowings	99,747	119,323	37,286	50,135	31,902
	126,080	145,770	62,887	50,901	31,982
2017					
Financial liabilities at amortised cost					
Non-interest bearing:					
Trade payables	1,367	1,367	1,367	-	-
Other payables and accruals	19,532	19,532	19,532	-	-
Amount owing to related parties	2,669	2,669	2,669	-	-
Interest bearing:					
Finance lease liabilities	961	1,098	221	761	116
Borrowings	98,413	126,677	33,913	46,425	46,339
	122,942	151,343	57,702	47,186	46,455

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management, objectives and policies (Cont'd)

(iv) Liquidity risk (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
2018					
Financial liabilities at amortised cost					
Non-interest bearing:					
Other payables and accruals	6,037	6,037	6,037	-	-
Interest bearing:					
Finance lease liabilities	514	578	124	374	80
	6,551	6,615	6,161	374	80
2017					
Financial liabilities at amortised cost					
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	459	116

(c) Fair value of financial instruments

	2018		2017	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Finance lease liabilities	1,058	1,109	961	1,022
Company				
Finance lease liabilities	514	542	608	648

The fair value of borrowings are approximately their carrying amounts, as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the financial assets and liabilities of the Group and the Company at the reporting date approximated their fair values either due to the relatively short-term nature or are repayable on demand.

(d) Fair value hierarchy

As at the end of the reporting period, there were no financial instruments carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that the Group's and the Company's ability to continue as a going concern and maximise shareholder value.

The Group and the Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2018.

The Group and the Company monitors capital using a gearing ratio, which is net debts divided by total capital plus net debt. The Group and the Company includes within net debts, payables and accruals, amount owing to related parties, borrowings less cash and cash equivalent.

Gearing ratio

The gearing ratio analysis at end of the reporting period is disclosed as follows:

	2018 RM	Group 2017 RM
Debt	126,079,948	122,943,135
Less: Cash and cash equivalents (excluding bank overdraft)	(2,232,258)	(7,293,820)
Net debt	123,847,690	115,649,315
Capital: Equity attributable to owners of the Company	78,391,716	78,755,406
Capital and net debt	202,239,406	194,404,721
Gearing ratio	61%	59%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. COMPARATIVE

Certain comparative figures have been reclassified to conform with current year presentation.

(a) Statements of financial position

Group	As previously reported	Reclassification	As restated
<i>Statements of financial position as at 31 December 2017</i>			
<u>Non-current assets</u>			
Concession financial assets	57,321,381	(1,605,388)	55,715,993
<u>Current assets</u>			
Concession financial assets	-	1,605,388	1,605,388
Amount owing by associate	-	9,070	9,070
<u>Current liabilities</u>			
Amount owing to related parties	2,659,950	9,070	2,669,020

(b) Statements of cash flows

Group	As previously reported	Reclassification	As restated
<i>Statements of cash flows for financial year 31 December 2017</i>			
<u>Cash flows from operating activities</u>			
Changes in working capitals:			
Amount owing to related parties	2,285,234	(2,285,234)	-
Cash generated from operations	2,285,234	(2,285,234)	-
Interest paid	(3,688,466)	3,688,466	-
Interest received	224,054	(224,054)	-
Net cash used in operating activities	(1,179,178)	1,179,178	-
<u>Cash flows from investing activities</u>			
Advances to associate	-	(9,070)	(9,070)
Repayment from related parties	-	494,459	494,459
Interest received	-	224,054	224,054
Net cash generated from investing activities	-	709,443	709,443
<u>Cash flows from financing activities</u>			
Advances from related parties	-	1,799,845	1,799,845
Interest paid	-	(3,688,466)	(3,688,466)
Net cash used in financing activities	-	(1,888,621)	(1,888,621)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. COMPARATIVE (Cont'd)

(b) Statements of cash flows (Cont'd)

Company	As previously reported	Reclassification	As restated
<i>Statements of cash flows for financial year 31 December 2017</i>			
<u>Cash flows from operating activities</u>			
Changes in working capitals:			
Amount owing by subsidiaries	(1,149,621)	1,149,621	-
Cash used in operations	(1,149,621)	1,149,621	-
Interest paid	(18,770)	18,770	-
Interest received	500,442	(500,442)	-
Net cash used in operating activities	(667,949)	667,949	-
<u>Cash flows from investing activities</u>			
Advances to subsidiaries	-	(1,149,621)	(1,149,621)
Interest received	-	500,442	500,442
Net cash used in investing activities	-	(649,179)	(649,179)
<u>Cash flows from financing activities</u>			
Interest paid	-	(18,770)	(18,770)
Net cash used in financing activities	-	(18,770)	(18,770)

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, **Dato' Choo Keng Weng** and **Lee Kok Choon**, being two of the Directors of **Sin Heng Chan (Malaya) Berhad**, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 59 to 127 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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

Lee Kok Choon

Director

Kuala Lumpur

22 April 2019

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, **Sarmila A/P Muniandy**, 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 59 to 127 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.

Sarmila A/P Muniandy (MIA No. 41089)

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in the
Federal Territory on 22 April 2019

Before me,

Commissioner for Oaths

LIST OF PROPERTIES HELD AS AT 31 DECEMBER 2018

Landed properties in the Group consist of:

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	57 years	383,213
2 Klebang Land, Melaka	Vacant Land	261,360 sq.ft	2114	N/A	8,992,029
3 Provisional Lease Lot 4, Punan Land District, Sarawak	Oil Palm Plantation with Office/Store/ Worker Quarters	10,730 hectares	2057	18 years	17,811,913
Provisional Lease Lot 7, Dulit Land District, Sarawak	Oil Palm Plantation	267 hectares	2057	N/A	
Grand Total					27,731,155

ANALYSIS OF SHAREHOLDINGS AS AT 9 APRIL 2019

Number of Shares Issued	:	131,866,787
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	2,854

DISTRIBUTION OF SHAREHOLDINGS AS AT 9 APRIL 2019

Category	No. of Shareholders	No. of Shares	Percentage (%)
Less than 100	124	3,408	0.00
100 - 1,000	935	832,187	0.63
1,001 - 10,000	1,345	5,836,084	4.43
10,001 - 100,000	374	11,404,310	8.65
100,001 - less than 5% of issued shares	72	64,238,673	48.71
5% and above of issued shares	4	49,552,125	37.58
Total	2,854	131,866,787	100.00

LIST OF SUBSTANTIAL SHAREHOLDINGS AS AT 9 APRIL 2019

No.	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Wan Jin Resources Sdn. Bhd.	19,182,125	14.55	-	-
2.	Dato' Choo Keng Weng	17,364,293 ¹	13.17	15,325,000 ^{2 & 3}	11.62
3.	Goldquest Properties Pty Limited	12,400,000	9.40	-	-
4.	Samudera Sentosa Sdn. Bhd.	8,000,000	6.07	-	-
5.	Tan Sri Dato' Sri Haji Esa Bin Haji Mohamed	4,338,989	3.29	12,400,000 ³	9.40

Notes:

¹ Includes shares held by nominees.

² Deemed interest in shares held by Macronet Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.

³ Deemed interest in shares held by Goldquest Properties Pty Limited by virtue of Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS (CONT'D) AS AT 9 APRIL 2019

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 9 APRIL 2019

No.	Shareholders	Holdings	%
1.	Sabah Development Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wan Jin Resources Sdn Bhd</i>	19,182,125	14.55
2.	Goldquest Properties Pty Limited	12,400,000	9.40
3.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Choo Keng Weng</i>	9,970,000	7.56
4.	Sabah Development Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Samudera Sentosa Sdn Bhd</i>	8,000,000	6.07
5.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Hong Leong Strategic Opportunity Fund II</i>	5,900,000	4.47
6.	Tee Tiam Lee	5,900,000	4.47
7.	Choo Keng Weng	5,113,793	3.88
8.	Niaga Serimas Sdn Bhd	5,001,000	3.79
9.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for J.V. Avenue Sdn Bhd</i>	4,828,162	3.66
10.	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Esa Bin Mohamed</i>	4,338,989	3.29
11.	Macronet Sdn Bhd	2,925,000	2.22
12.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Kok Choon</i>	2,500,000	1.90
13.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Sheldon Wee Tah Poh</i>	2,500,000	1.90
14.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Su Ming Ming</i>	2,052,000	1.56
15.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Swee Yee</i>	2,024,200	1.54
16.	HSBC Nominees (Tempatan) Sdn Bhd <i>Exempt an for Credit Suisse</i>	1,578,500	1.20
17.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Salleh Bin Yeop Abd Rahman</i>	1,560,000	1.18
18.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Sy Choon Yen</i>	1,560,000	1.18
19.	Asraman Sdn Bhd	1,283,900	0.97
20.	Chu Siew Fei	865,700	0.66

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 9 APRIL 2019

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 9 APRIL 2019 (Cont'd)

No.	Shareholders	Holdings	%
21.	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Maybank Kim Eng Securities Pte Ltd for Eng Holdings Sdn Bhd</i>	838,553	0.64
22.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An for OCBC Securities Private Limited</i>	798,671	0.61
23.	Lee Lai Leng	695,600	0.53
24.	Chia Soo Hock	633,200	0.48
25.	Syed Omar Bin Syed Abdullah	600,000	0.46
26.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Choo Keng Weng</i>	600,000	0.46
27.	Ding Tai Mooi	476,900	0.36
28.	Law Chee Guan	450,000	0.34
29.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cheng Teck Loong</i>	430,800	0.33
30.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Chong Lee Fong</i>	402,000	0.31
Total		105,409,093	79.97

DIRECTORS' INTERESTS IN SHARES AS AT 9 APRIL 2019

No.	Name	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Choo Keng Weng	17,364,293 ¹	13.17	15,325,000 ^{2 & 3}	11.62
2.	Lee Kok Choon	2,500,000	1.90	-	-
3.	Sheldon Wee Tah Poh	2,500,000	1.90	-	-
4.	YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	-	-	-	-
5.	Thomas Tuan Kit Kwong	-	-	-	-
6.	Mak Hon Weng	-	-	-	-

Notes:¹ Includes shares held by nominees.² Deemed interest in shares held by Macronet Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.³ Deemed interest in shares held by Goldquest Properties Pty Limited by virtue of Section 8 of the Companies Act 2016.

NOTICE OF FIFTY-SEVENTH (57TH) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Seventh (57th) Annual General Meeting of Sin Heng Chan (Malaya) Berhad ("SHCB" or the "Company") will be held at Dillenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 27 May 2019 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 2018 together with the Directors' and Auditors' Reports thereon. | Please refer to Note A. |
| 2. To approve the payment of Directors' fees and benefits totalling RM1,952,653 for the financial year ended 31 December 2018. | Ordinary Resolution 1 |
| 3. To re-elect YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI 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 Mak Hon 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 3 |
| 5. To re-elect Sheldon Wee Tah Poh who retires in accordance with Article 100 of the Constitution of the Company and being eligible, has offered himself for re-election. | Ordinary Resolution 4 |
| 6. To re-appoint Messrs Ecovis Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolutions:

7. RETENTION OF INDEPENDENT DIRECTOR

To retain the following Director who has served the Board for more than twelve (12) years as Independent Non-Executive Director of the Company subject to the passing of Ordinary Resolution 2:

- | | |
|---|------------------------------|
| 7.1 YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI | Ordinary Resolution 6 |
|---|------------------------------|

8. AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 **Ordinary Resolution 7**

"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."

NOTICE OF FIFTY-SEVENTH (57TH) ANNUAL GENERAL MEETING (CONT'D)

9. **ROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** Ordinary Resolution 8

"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 Sections 2.2.1 and 2.2.2 of the Circular to Shareholders dated 30 April 2019 ('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."

By Order of the Board,

LIM SECK WAH (MAICSA 0799845)
KONG MEI KEE (MAICSA 7039391)
Company Secretaries

Kuala Lumpur
Dated this: 30 April 2019

NOTICE OF FIFTY-SEVENTH (57TH) ANNUAL GENERAL MEETING (CONT'D)**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 21 May 2019. Only a depositor whose name appears on the Record of Depositors as at 21 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
 2. A member entitled 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 Company Secretary's office, c/o Mega Corporate Services Sdn. Bhd. of Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
 7. **Explanatory Notes:**

Ordinary Resolution 1 on Directors' Fees and Benefits

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 57th Annual General Meeting on the Directors' fees and benefits for 2018.

The Directors' benefits comprising travelling and meeting allowance.

Ordinary Resolution 6 on Retention of Independent Director

The Board of Directors has vide the Nomination 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

NOTICE OF FIFTY-SEVENTH (57TH) ANNUAL GENERAL MEETING (CONT'D)**Notes: (Cont'd)**

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.

This resolution will be subject to two-tier voting as recommended by the Malaysian Code on Corporate Governance.

Ordinary Resolution 7 on Authority to issue shares by the company pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 7 is a renewal of mandate given by the shareholders at the previous AGM held on 31 May 2018, 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.

As at the date of this Notice, 11,800,000 new ordinary shares in the Company were issued by way of Private Placement to identified investors pursuant to Section 75(1) of the Companies Act 2016 which is equivalent to 8.95% of the Company's issued share capital. Total proceeds raised from the Private Placement exercise was RM5,900,000.00.

The details of utilization of the proceeds from the Private Placement exercise are disclosed in Other Additional Compliance Information of this Annual Report.

Ordinary Resolution 8 on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature

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 2019.

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 2018.



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-Seventh (57th) Annual General Meeting ("AGM") of the Company to be held at Dillenia Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 27 May 2019 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. Approval of payment of Directors' fees and benefits totalling RM1,952,653 for the financial year ended 31 December 2018.				
2. Re-election of YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as a Director retiring under the Constitution of the Company.				
3. Re-election of Mak Hon Weng as a Director retiring under the Constitution of the Company.				
4. Re-election of Sheldon Wee Tah Poh as a Director retiring under the Constitution of the Company.				
5. Re-appointment of Messrs Ecovis Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.				
SPECIAL BUSINESS				
6. Retention of YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI as an Independent Non-Executive Director.				
7. Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.				
8. Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.				

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 _____ 2019

**AFFIX
STAMP**

**COMPANY SECRETARY
SIN HENG CHAN (MALAYA) BERHAD (4690 V)
C/O MEGA CORPORATE SERVICES SDN. BHD.**

Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Fold along this line

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 21 May 2019. Only a depositor whose name appears on the Record of Depositors as at 21 May 2019 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 Company Secretary's office, c/o Mega Corporate Services Sdn. Bhd. of Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Glue and seal along this edge

www.shcm.com.my



SIN HENG CHAN (MALAYA) BERHAD

(4690-V)

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No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
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