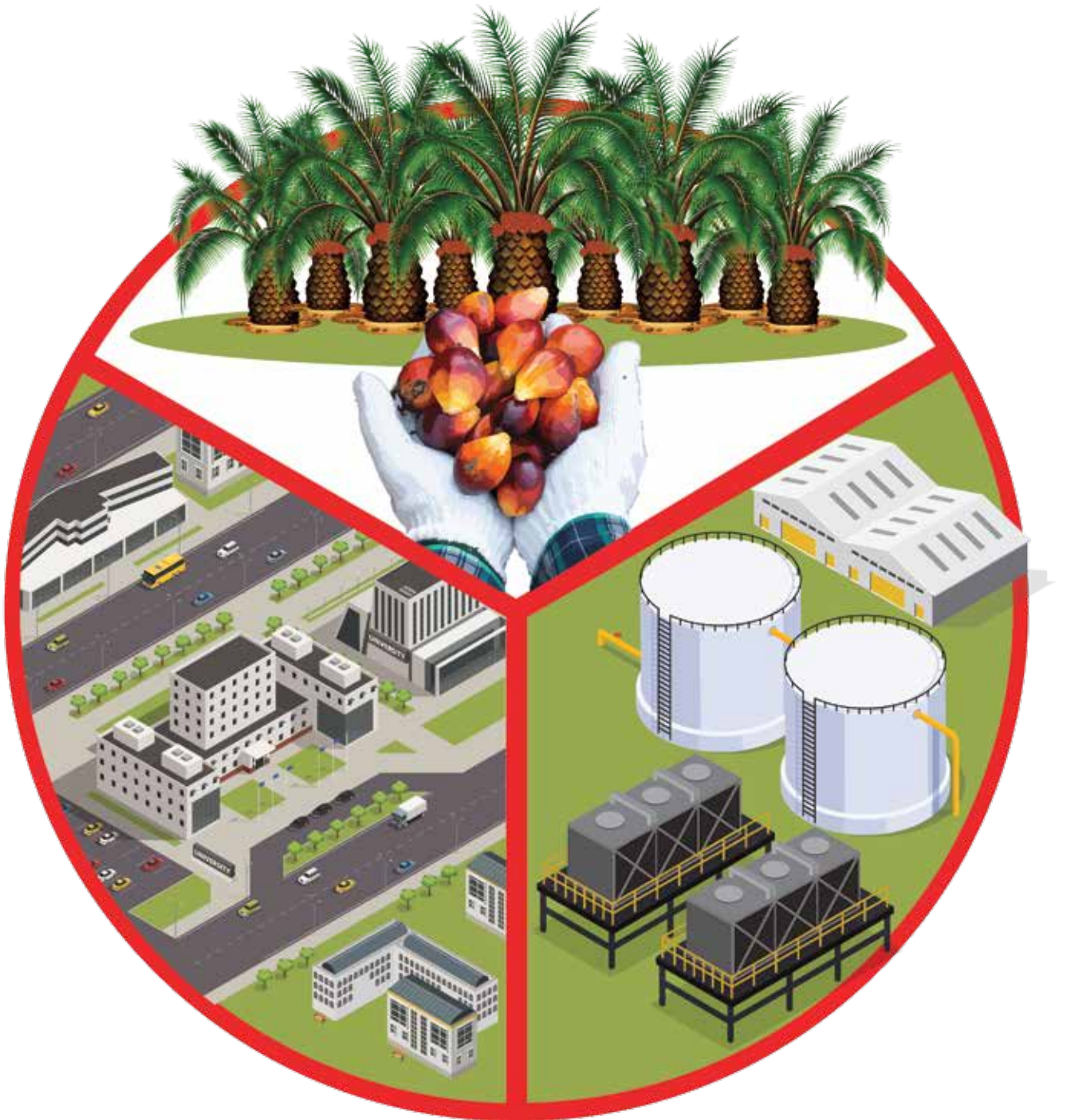




SIN HENG CHAN (MALAYA) BERHAD

(Reg. No. 196201000185 (4690-V))
(Incorporated in Malaysia)



ANNUAL REPORT
2022

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61st ANNUAL GENERAL MEETING

Broadcast Venue:

Board Room of SHC, Level 3, Wisma E & C,
No. 2, Lorong Dungun Kiri, Damansara Heights
50490 Kuala Lumpur, Wilayah Persekutuan

Date:

29 May 2023, Monday

Time:

10.00 a.m



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Mak Hon Weng
*Chairman/Independent
Non-Executive Director*

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

Mr. Thomas Tuan Kit Kwong
*Independent
Non-Executive Director*

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

**Tunku Azlan
Bin Tunku Aziz**
*Independent
Non-Executive Director*

Mr. Choo Kin Choong
*Alternate Director to
Dato' Choo Keng Weng*

AUDIT COMMITTEE

Chairman

Mr. Thomas Tuan Kit Kwong

Members

YBM Tunku Mahmood Bin Tunku
Mohammed D.K. PSI
Mr. Mak Hon Weng
Tunku Azlan Bin Tunku Aziz

NOMINATION COMMITTEE

Chairman

Tunku Azlan Bin Tunku Aziz

Members

Mr. Mak Hon Weng
Mr. Thomas Tuan Kit Kwong
YBM Tunku Mahmood Bin Tunku
Mohammed D.K. PSI

REMUNERATION COMMITTEE

Chairman

YBM Tunku Mahmood Bin Tunku
Mohammed D.K. PSI

Members

Mr. Thomas Tuan Kit Kwong
Mr. Mak Hon Weng

COMPANY SECRETARIES

Ms. Lim Seck Wah
(MAICSA 0799845)
(SSM PC NO. 202008000054)
Ms. Kong Mei Kee
(MAICSA 7039391)
(SSM PC NO. 202008002882)

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.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor
Tel : 03-7890 4700
Fax : 03-7890 4670

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Malaysia Building Society Berhad

AUDITORS

Messrs Al Jafree Salihin Kuzaimi PLT
Chartered Accountants
No. 555, Jalan Samudra Utara 1,
Taman Samudra
68100 Batu Caves
Selangor Darul Ehsan
Tel : 03-6185 9970
Fax : 03-6184 2524

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
(Reg. No. 196201000185 (4690-V))

Urun Plantations Sdn Bhd

100%

100%

SHC Technopalm Plantation
Services Sdn Bhd

Tunas Cool Energy Sdn Bhd

100%

100%

SHC Realty Sdn Bhd

SHC Capital Sdn Bhd

100%

100%

Sin Heng Chan Feed Sdn Bhd

Tunas Selatan Pagoh Sdn Bhd

100%

100%

Goldkist (NS) Sdn Bhd

Sime Darby Property
Selatan Sdn Bhd

40%

100%

Goldkist (Malaysia) Sdn Bhd



PROFILE OF DIRECTORS

MAK HON WENG

*Chairman/Independent
Non-Executive Director*

Male
Aged 70
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 member of the Audit Committee, Nomination 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

*Managing Director/
Non-Independent
Executive Director*

Male
Aged 73
Malaysian

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

He was appointed as the 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, construction 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.

THOMAS TUAN KIT KWONG

*Independent
Non-Executive Director*

Male
Aged 59
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 in both 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 a Financial Controller. He left to join Kelanamas Industries Berhad. He was appointed as Director and CEO of Pakai Industries Berhad since 1995 till present.

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

PROFILE OF DIRECTORS

(Cont'd)

YBM TUNKU MAHMOOD BIN TUNKU MOHAMMED D.K. PSI

*Independent
Non-Executive Director*

Male
Aged 78
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 in both 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 has been involved in the 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 does not hold any directorship in any other public listed company.

TUNKU AZLAN BIN TUNKU AZIZ

*Independent
Non-Executive Director*

Male
Aged 54
Malaysian

Tunku Azlan Bin Tunku Aziz was appointed to the Board of the Company on 7 May 2021.

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

Tunku Azlan is a qualified Accountant under the Association of Chartered Certified Accountants (ACCA) since 1996 and member of the Malaysia Institute of Accountants (MIA).

Presently, he is the Chief Financial Officer of Scomi Energy Services Berhad. He also sits on the Board of LFE Corporation Berhad as an Independent Non-Executive Director and member of Audit Committee.

CHOO KIN CHOONG

*Alternate Director to
Dato' Choo Keng Weng*

Male
Aged 33
Malaysian

Mr. Choo Kin Choong was appointed as an Alternate Director to the Managing Director, Dato' Choo Keng Weng effective from 1 March 2020. Mr. Choo Kin Choong is the Group General Manager.

Mr. Choo Kin Choong graduated in 2012 with Bachelor of Arts in Philosophy, Politics and Economics from the University of Oxford, United Kingdom. Mr. Choo Kin Choong has been involved with the group's operations in the palm oil, forest plantation, energy and facility management sectors for the past 11 years.

Mr. Choo Kin Choong is the son of Dato' Choo Keng Weng (Managing Director and Major Shareholder).

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

Other Information:

1. Family Relationship with any Director and/or Substantial Shareholder

Save for Mr. Choo Kin Choong who is the son of Dato' Choo Keng Weng, there is no 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 2022.

5. Attendance of Board Meeting

Details of the Board meeting attendance of each director are disclosed in the Corporate Governance Overview Statement in the Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

DATO' CHOO KENG WENG

Managing Director/Non-Independent

Executive Director

Male | Aged 73 | Malaysian

Please refer to his Director's Profile appearing in page 4 of the Annual Report 2022.

CHOO KIN CHOONG

Group General Manager/Alternate

Director to Dato' Choo Keng Weng

Male | Aged 33 | Malaysian

Please refer to his Director's Profile appearing in page 5 of the Annual Report 2022.

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

Director of Urun Plantations Sdn. Bhd.

Male | Aged 69 | Malaysian

Capt. (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. He also has attended the Senior Management Development Program (SMDP) by Harvard Business School and the Design Thinking Program by Stanford University.

His working experience spans of 40 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.

NORIHA BINTI EMBONG

Director of Tunas Selatan Pagoh Sdn. Bhd.

Female | Aged 57 | Malaysian

Ms. Noriha was appointed as Executive Director of Tunas Selatan Pagoh Sdn Bhd in July 2021.

She graduated in 1991 with a Bachelor of Science (Hons.) in Quantity Surveying from Leeds Polytechnic, United Kingdom.

She has more than 20 years of extensive experience in the construction industry, particularly in the fields of quantity surveying, contract management and commercial management. She has been involved with the successful completion of several turnkey contracts, as well as large-scale design-and-build and build-operate-transfer (BOT) projects for the government sector including hospitals, universities, highways and student accommodations. Her past working experience includes positions with the Ministry of Housing and Local Government, Public Works Department, Jurukur Bahan Bersama, and Tunas Selatan Construction Sdn Bhd.

PROFILE OF KEY SENIOR MANAGEMENT

(Cont'd)

HEDZIR BIN AMINUDIN

Director of Tunas Cool Energy Sdn. Bhd.

Male | Aged 69 | Malaysian

Mr. Hedzir was appointed as Director of Tunas Cool Energy Sdn. Bhd. and SHC Capital Sdn. Bhd. in October 2019 and June 2020 respectively.

He is a Chartered Accountant and member of the Malaysian Institute of Accountants following graduation from Turpin Stead & Sopers, Accountancy Tutors, London.

He has more than 40 years corporate experience in financial and general management and has served in various industries ranging from aviation and property investment including senior positions in Malaysia Airlines Sytem Berhad, Malaysian Mining Corporation Berhad, KLCC Property Holdings Berhad Group of Companies (A Subsidiary of Petronas) and Putrajaya Holdings Sdn. Bhd..

MURUGAN JOSEPH

General Manager

Male | Aged 53 | Malaysian

Mr. Murugan graduated from Universiti Utara Malaysia with degree in Bachelor of Economics in 1997. He has more than 22 years of experience in plantation operations. He is the General Manager of the Group's plantation segment.

He has served in various estates companies 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.

MAK KAI MENG

Group Chief Accountant

Male | Aged 51 | Malaysian

Mr. Mak is a qualified Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA).

He has more than 20 years of experience in accounting and finance sectors. He held various finance and accounting positions in public listed company and multinational corporations, which include, amongst others, Kumpulan Jetson Berhad, TSH Resources Berhad, Chemstationasia Group of Companies and Eleven Sports Network Sdn Bhd.

Mr. Mak joined the Group on 7 December 2020 as Group Chief Accountant. He is the nephew of Mr. Mak Hon Weng (Chairman/Independent Non-Executive Director).

Other Information:

1. Family Relationship with any Director and/or Substantial Shareholder

- (i) Mr. Choo Kin Choong who is the son of Dato' Choo Keng Weng; and
- (ii) Mr. Mak Kai Meng, the Group Chief Accountant is the nephew to the Non-Executive Chairman, Mr. Mak Hon Weng, save for the above, there is no any family relationship in between the Directors/Key Senior Management with any Director and/or Substantial Shareholders of the Company.

2. Conflict of Interest with the Group

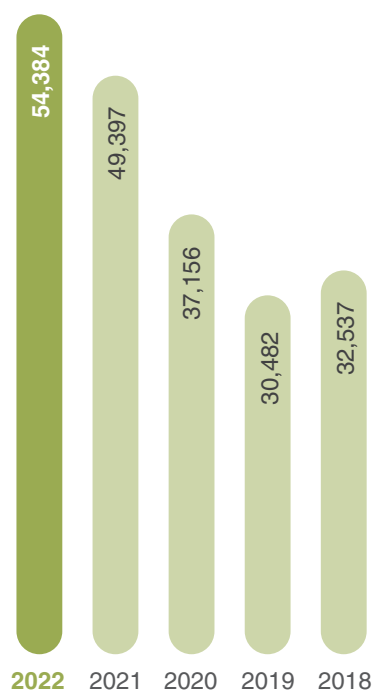
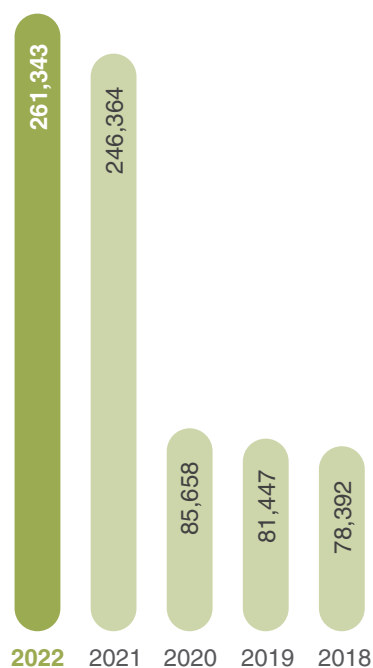
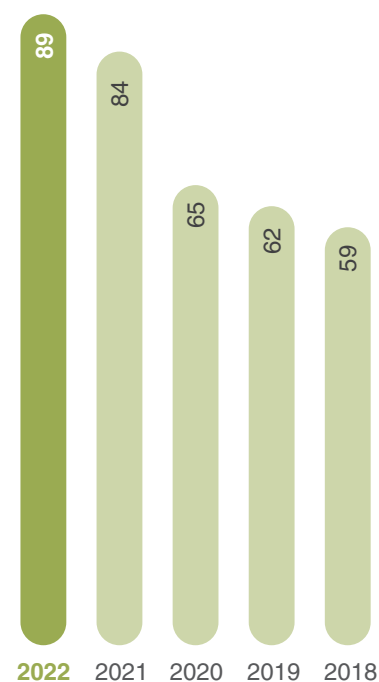
None of the Directors/Key Senior Management of the Company has any conflict of interest with the Group.

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 2022.

GROUP 5-YEAR FINANCIAL SUMMARY

Financial Year Ended 31 December (RM'000)	2022	2021 Restated	2020	2019	2018
Turnover					
- Continuing operation	54,384	49,397	37,156	30,482	32,537
Profit/(Loss) for the financial year attributable to:-					
Equity holders of the Company	14,979	63,743	4,211	3,055	(6,264)
Paid-up Capital	181,355	181,355	123,992	123,992	123,992
Total Tangible Asset	415,075	410,562	179,749	166,989	187,276
Shareholders' Funds	261,343	246,364	85,658	81,447	78,392
Earnings /(Loss) per share (sen)	5.11	30.01	3.19	2.32	(5.02)
Diluted Earnings /(Loss) per share (sen)	3.63	21.88	3.19	2.32	(5.02)
Net Assets Per Share (sen)	89	84	65	62	59
Net Tangible Assets Per Share (sen)	82	76	47	44	41

Turnover
(RM'000)Shareholders' funds
(RM'000)Net assets per share
(sen)

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS

Sin Heng Chan (Malaya) Berhad (our "Group") is principally involved in the following two core business segments.

1. Oil Palm Plantations

The Group's first core business is upstream oil palm plantation operations involving the sale of Fresh Fruit Bunches ("FFB"). As at 31 December 2022 ("FY 2022"), our Group has a plantation landbank on mineral soil of approximately 10,878 hectares in Sarawak. In FY2022, this business segment was the major contributor to the Group's revenue, accounting for 75% of the Group's total revenue for the financial year.

2. Energy and Facility Management

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. In terms of energy management services, the Group aims to provide value engineering solutions to address cooling requirements of clients which improve efficiency and reduce operational costs.

Currently the Group is involved in the supply of chilled water to designated buildings and shared facilities within the Pagoh Education Hub, Johor, and Dataran Pahlawan Megamall Melaka ("DPMM"). For FY 2022, the energy and facility management segment contributed 25% of the Group's revenue. In addition, the Group's associate company provides facility management services to four institutions of higher learning in the Pagoh Education Hub, comprising of Universiti Tun Hussein Onn Malaysia (UTHM), International Islamic University Malaysia (IIUM), Universiti Teknologi Malaysia (UTM) and Politeknik Tun Syed Nasir, as well as their shared facilities. This segment provides the Group with a steady and recurring stream of income, unlike the Group's oil palm plantation business, which is cyclical and highly dependent on Crude Palm Oil ("CPO") prices.

INDUSTRY LANDSCAPE

Global Economic Environment

Following the reopening of countries emerging from the COVID-19 pandemic, the global economy seemed poised for a strong recovery in 2022. However, the economic turbulence continued with the sudden onset of the Russia-Ukraine war in February 2022. This triggered a major disruption in global supply chains, most of which had only barely recovered from the pandemic and resulted in extremely volatile prices of global commodities. Prices of vegetable oils, crude oil, natural gas, coal, and fertiliser prices experienced sharp spikes in early 2022.

As a result of this, inflation remained stubbornly high in economies around the world despite attempts by central banks to curb price pressures through interest rate hikes. A cost-of-living crisis developed across both major and emerging economies.

Against this backdrop, several trends continued to accelerate. Climate issues remain a key focus for governments and were further highlighted in the 2022 United Nations Climate Change Conference (COP27). Extreme climate events such as droughts, wildfires, excessive rainfall and flooding are become more frequent. Droughts in major global food producing areas such as India and China affected agricultural yields. Closer to home, many parts of Malaysia experienced flooding in late 2022 and early 2023, which resulted significant economic loss.

Post the Russia-Ukraine conflict, governments are likely to pursue further diversification of energy sources to avoid future disruptions in the supply of energy. Investments in alternative green-energy sources such as wind, solar, and biofuels, and electrification, efficiency and self-dependency have become the major goals of many economies.

Another emergent theme is the increasing polarisation of global supply chains and relationships amidst geopolitical tensions. The relationship between the US and China is likely to have a large impact on future global growth, and whether the trend in previous decades of increased trade and globalisation will continue or reverse. A decoupling of the two economies would not auger well for global growth.

In the later parts of 2022, commodity prices which rose sharply following the Russia invasion of Ukraine have moderated, although geopolitical tensions remain high. Global inflation is also likely to moderate in the coming months. However, hopes of a soft landing in early 2023 – with inflation coming down while growth remaining steady – have diminished as underlying price pressures prove sticky while the side effects from a rapid rise in interest rates are becoming apparent. Banking sector vulnerabilities and stress on leveraged debtors – both corporate and individuals – are coming into focus.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Nevertheless, there is a large potential tail wind to the global economy. The reopening of China and a strong rebound from its economy driven by pent-up household savings from the zero-Covid policy period will boost aggregate demand, particularly in neighbouring Asian countries. Stronger commodity demand will also put upward pressure on many commodity prices.

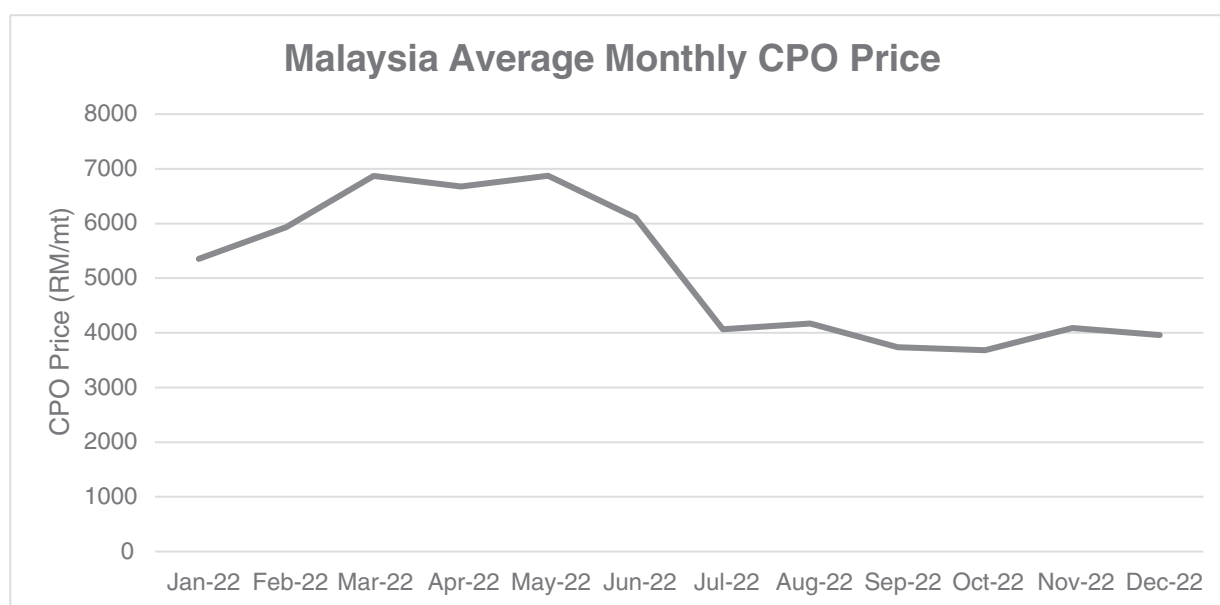
In Malaysia, the post-pandemic economic recovery continued in 2022. However, local producers were faced with many challenges such as a shortage of skilled labour, increased costs of raw materials, supply shortages, higher fuel and diesel costs. The strengthening US dollar throughout 2022 against the Malaysian Ringgit provided support for export growth. Within this context, companies in the agricultural and service industries which practice prudent cost management while adapting quickly to consumer needs will continue to remain competitive.

The Oil Palm Industry In Malaysia

In 2022, the Malaysian oil palm industry fared better than the previous year, driven by higher CPO prices. Tight supplies pushed CPO prices to a new record average price of RM5,131 per metric tonne ("mt"), which surpassed historical highs in 2021 of RM4,421 per mt.

Prices were supported by several factors. The Russian invasion of Ukraine in early 2022 and its prolonged nature disrupted the global supply chain for sunflower oil which caused a surge in demand for palm oil as a replacement for sunflower oil. Indonesia's CPO export ban and decision to increase export levies, and India's lower vegetable oil import duty on CPO, also helped to drive CPO prices up to a peak of RM6,873 per mt in May 2022. Drought in Argentina, firmer prices of soybean and crude oil in the global market, as well as a weaker Ringgit against the US dollar also helped to support prices.

These factors contributed to a 27.7% growth in palm oil export revenue in the first half of 2022. Although the industry faced longstanding issues with extreme weather events and labour shortages, CPO production recovered slightly compared to 2021 as CPO production rose by 1.9% from 18.12 million tonnes to 18.45 million tonnes. This minor increase in CPO production was mirrored regionally in Peninsular Malaysia and Sarawak as CPO production rose in those regions by 3.2% and 2.5% respectively, but decreased by 1.7% in Sabah during the same period.



Source: Malaysian Palm Oil Board, 2022

In 2022, India remained Malaysia's largest palm oil export market, as it imported 2.89 million tonnes or 18.4% of total Malaysia oil palm exports. China imported a total of 1.76 million tonnes (11.2%) while the European Union accounted for 1.47 million tonnes (9.4%). Other key markets for the Malaysian CPO market include Turkiye (5.2%), Kenya (4.9%), the Philippines (4.1%) and Pakistan (3.6%).

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Compared to the previous year, exports to India and China declined. Indian imports of palm oil reduced by 19.8% due to higher uptake of Indonesian palm oil and higher imports of soybean oil. China's consumption reduced by 5.8% due to reduced consumption of vegetable oils from continued Covid-19 lockdowns. The recovery of both of these markets in 2023 will auger well for the Malaysian palm oil industry.

GROUP FINANCIAL REVIEW

Revenue

The Group's revenue increased by 10.1% to RM54.4 million in FY 2022 compared to RM49.4 million in the preceding year ("FY 2021") mainly due to higher revenue recorded from the plantations segment, which saw an increase by 11.1% to RM40.7 million from RM36.6 million in FY 2021. The energy and facility management segment also recorded an increase of 7.2% to RM13.7 million from RM12.7 million in FY 2021.

Revenue
increased
by **10.1%**
to **RM54.4**
million in
FY2022 from
RM49.4 million
in FY2021



The increase in revenue from the plantations segment was due to the significant increase in average CPO and FFB prices during the year, which saw an average increase of 16.1% and 15.5% respectively compared to FY 2021. This increase offset the Group's marginal decrease in FFB production over the same period, which decreased by 1.9% to 39,978 mt from 40,737 mt.

	FY2022	FY2021	Difference (%)
Average CPO Price (RM/mt)*	5,131	4,421	16.1%
Average FFB Price (RM/mt)	1,042	902	15.5%
FFB Production (mt)	39,978	40,737	-1.9%

* Extracted from MPOB Peninsular Malaysia Average

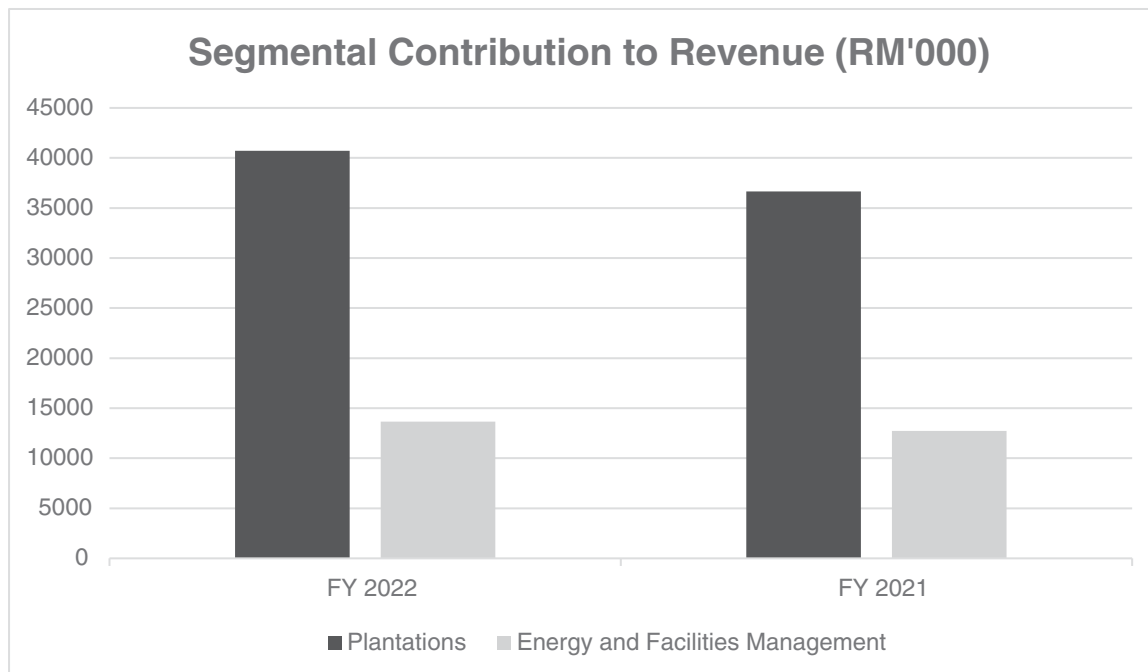
Revenue for the Group's energy and facility management segment saw an increase due to the increase in the chilled water usage from the Group's cooling system in Melaka.

Segmental contributions to Revenue

	Group	
	FY 2022 RM'000	FY 2021 RM'000
1. Plantations	40,727	36,657
2. Energy and Facilities Management	13,657	12,740
	54,384	49,397

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)



Profit Attributable To Equity Holders Of The Company

For FY 2022, the Group's profit attributable to equity holders of the company decreased to RM15.0 million, compared to RM63.7 million in FY 2021. The Group's higher profit in FY2021 was largely due to the recognition of negative goodwill amounting to RM51.2 million arising from the acquisition of the entire equity interest in Tunas Selatan Pagoh Sdn Bhd ("TSP") which was completed on 21 May 2021.

Due to the higher input costs of fertiliser and labour, the Group's plantations segment recorded a lower profit before tax ("PBT") for FY 2022 at RM6.77 million compared to RM11.04 million in FY 2021. These costs were further exacerbated by softer CPO prices in the second half of FY 2022, with an average CPO price of RM3,954 during this period being significantly lower than the RM4,787 recorded in FY2021.

The energy and facilities management segment registered a strong increase in PBT to RM14.2 million from RM8.7 million in FY 2021. This was due in part to the increase in chilled water usage in the Group's cooling plant in Melaka and higher consolidation results of the Group's subsidiary company, TSP, for FY 2022. TSP has been providing the Group with a strong and recurring income stream since the completion of the acquisition in May 2021.

The Group's investment holding segment registered a PBT of RM2.5 million for FY 2022, compared to a loss of RM5.2 million in FY 2021 due to the dividend income from its wholly owned subsidiary, TSP.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Segmental contributions to Profit after tax for the Financial Year

	Group	
	FY 2022	FY 2021 Restated
	RM'000	RM'000
Plantations	6,769	11,039
Energy and Facilities Management	14,199	8,653
Investment Holding	2,483	(5,246)
Others	(37)	(34)
Elimination	(7,830)	50,070
PBT	15,584	64,482
Tax Expenses	605	739
Profit after tax	14,979	63,743

Profit Before Tax decreased to **RM15.6 million** in FY2022 from RM64.5 million in FY2021



Profit After Tax decreased to **RM15 million** in FY2022 from RM63.7 million in FY2021

Finance Cost

For FY 2022, the Group's finance costs increased to RM9.5 million from RM8.7 million in the preceding year. The increase in finance costs was mainly due to the increased interest costs on the Group Islamic Term Note Programme issued in FY2021 for working capital requirements of the Group.

CAPITAL STRUCTURE AND CAPITAL RESOURCES

Shareholders' Equity

The Group's shareholder equity in FY 2022 increased to RM261.3 million from RM246.4 million primarily due to the net profit attributable to the Group of RM15.0 million.

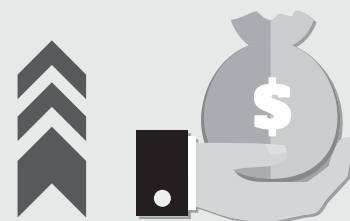
Borrowings

The Group's total borrowings for FY 2022 was RM155.2 million, lower than the previous figure of RM168.3 million. The decrease in borrowings of RM13.1 million was due to repayment of borrowings by the Group during FY2022.

Fixed Deposit, Cash And Bank

As at FY 2022, the Group's fixed deposits, cash and bank balances stood at RM32.2 million, a decrease from the FY 2021 amount of RM42.9 million. This decrease in funds was mainly due to utilisation for capital expenditure for the Group's plantation business and repayment of the Group's borrowings during the financial year.

Shareholders' Equity increased from RM246.4 million to **RM261.3 million**



Fixed Deposit, Cash and Bank decreased from RM42.9 million to **RM32.2 million**

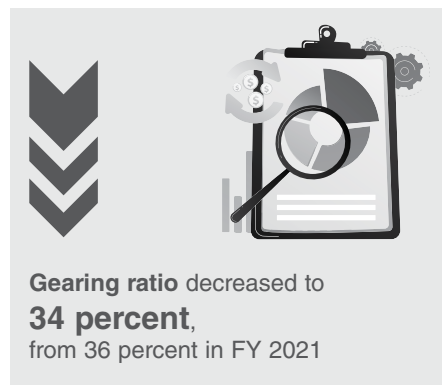


MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Gearing

The gearing ratio of the Group as at FY 2022 decreased to 34% from 36% mainly due to net profit attributable to the Group as stated above.



OPERATIONAL REVIEW

PLANTATIONS

The Group owns a contiguous landbank of 10,878 hectares of mineral soil in Sarawak, Malaysia. Within this landbank, the Group cultivates oil palm plantations and undertakes the sale of FFB to external CPO mills. As at 31 December 2022, the Group's planted area amounted to 4,546 hectares ("ha") with approximately 86% of the area being classified as mature. All of the Group's estates are 100% certified under the Malaysian Sustainable Palm Oil (MSPO) scheme.

The age profile of the current developed net area is as follows:

Palm Age (years)	Area (ha)	%
Immature (0-3 years)	648	14%
Young (4-10 years)	69	2%
Prime (11-20 years)	3,150	69%
Old (21 years & above)	679	15%
Total	4,546	100%

In 2022, the Group recorded a decrease in its production of FFB by 759 mt to 39,978mt from 40,737mt in FY 2021. The minor decrease in crop production of 2% was due to an acute shortage of estate workers in early 2022 and unfavourable weather conditions. However, the Group has been able to commence recruitment of workers after securing approval of foreign worker quotas in mid-2022. Where possible, the Group also encourages the hiring of local workers and contractors.

The Group's total planted area has increased to 4,546 ha from 4,208 ha in FY 2021. This is in line with the Group's focus towards the future as it plants up vacant and unplanted areas within its existing landbank in order to maximise yields and achieve economies of scale. This will also enable the Group to improve its age profile in the coming years.

	2022	2021	Change (%)
Production of FFB (mt)	39,978	40,737	-1.9
<u>Average Selling Price per mt (RM)</u>			
Crude Palm Oil (CPO)*	5,131	4,421	16.1
FFB Price	1,042	902	15.5

* Extracted from MPOB Peninsular Malaysia Average

Strategy and key focus areas in FY2022

The Group is optimistic and committed to sustainably improving the FFB production from its estates in the long term through the adoption of best agricultural management practices in the field, while continuing the implementation of mitigations for external disruptions wherever possible. Although fluctuating CPO prices are influenced by many factors beyond the Group's control, improved yields from good agronomic practices can mitigate some drops in CPO prices. These will continue to be focus points of the segment's operations. Towards this end, the Group has made progress in the following areas in FY 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Investments in mechanization of estate processes

The Group continued investing into mechanization during FY 2022, with the addition of newer lorries and tractors to further improve the efficiency of operations at the estate. There has also been exploration into the use of unmanned vehicles and remote drones for purposes such as fertilization, FFB evacuation, estate monitoring, pesticide application and aiding harvesting. The utilisation of drone technology enables the Group to accurately map out its terrain to identify vacant areas for new planting, as well as to ensure that newly planted areas comply with agricultural standards such as planting density per ha. As new machinery is made available in the market, the Group will continue to seek out these technologies with the goal of reducing dependency on labour and improving the efficiency of key estate processes.

Investments in infrastructure

In FY 2022, the Group continued to update the infrastructure in the estate to sufficiently accommodate the increased mechanization and further reduce operational inefficiencies. Infield roads in sections of new development that are built to accommodate larger machinery will be an essential part of reducing bottlenecks in future operations. The construction of new staff quarters and the upgrading of labour quarters will also allow more staff to be housed on-site, allowing for better monitoring of operations in general. Moving forward, the Group will look to further improve on current infrastructure.

Improving planting quality

Ongoing expansion of the estate into previously unplanted areas has allowed the Group to improve the overall planting quality of the estate, as more productive varieties of seedlings are used to reduce susceptibility to unpredictable weather cycles and improve yields per hectare. The increased use of machinery in the planting process such as augers has also allowed for more consistent planting of seedlings, which would translate to healthier mature palms.

Community engagement

As local communities remain a major part of the Group's estate, be it in the form of a neighbour or source of employees and contractors, the Group continues to work closely with community leaders and local authorities to better synergize the needs of the community with our organizational goals. One such result of this community engagement is the establishing of a school located within the estate grounds, which serves as a school for the children of local community members who work in the estate.

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. As at FY 2022, the Group supplies cooling energy to the Pagoh Education Hub via a district cooling system and to Dataran Pahlawan Megamall Melaka ("DPMM"). The recovery of economic activities in DPMM due to the absence of any movement control restrictions resulted in increased cooling energy usage during FY 2022. This, together with the higher consolidation results of the Group's subsidiary company, TSP, resulted in the energy and facilities management segment recording a 64% increase in profits for FY 2022 compared to the preceding year. FY 2022 saw a PBT of RM14.2 million compared to the RM8.7 million of FY 2021, exceeding pre-pandemic levels of growth.

Strategy and key focus areas in FY2022

The Groups aims to continue improving on the efficiency of cooling energy which is supplied to our customers, as we ensure that our operations are in-line with the ethos of energy efficiency. The Group's key focus areas for FY 2022 include the following.

Cost Control and Capital Management

As revenue from this segment is relatively fixed, profitability often lies in cost controls. This is in the form of efficiency improvements such as ensuring that minimal leakages and downtimes occurs. Proactivity in the collection of trade receivables is also an important factor, as quicker collection allows for quicker reinvestment during this period of increasing inflation rates and forecasted increases in interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

(Cont'd)

Business expansion

Due to the relatively stable nature of this segment, the Group is looking to expand this segment with considerations into acquiring other facilities as well as prospecting for potential customers. The Group's wholly owned subsidiary Tunas Cool Energy Sdn Bhd ("TCE") aims to address cooling requirements of prospective clients through energy optimisation or value engineering solutions. By improving the efficiency of their chilled water generation, clients are able to reduce their operating costs, greenhouse gas emissions, as well as reduce their capital expenditure requirements. Moving forward, TCE will continue to prospect to potential clients to expand this business.

KEY RISKS AND MITIGATION

The Group aims to manage risk with the view of minimizing adverse outcomes while maximizing shareholder interests in the long run. After identifying risks, management has taken steps to mitigate and reduce the likelihood of negative outcomes. In FY 2022, the following were identified as key risks to the Group.

Risks	Description	Mitigating Strategies
Adverse Climate Conditions	Heavy rainfall, flooding and poor weather adversely affects the quality and quantity of FFB produced from the Group's estates.	The estate will continue to adhere to its agricultural SOPs to maximise yield. Upgrading of internal and external field roads, drainage, and bridges are prioritized.
Downturn in CPO Prices	A severe downturn in CPO prices will negatively affect the Group's revenue and profitability	The Group will strive to increase its FFB production while maintaining its strict cost control. Where possible, the Group will consider hedging strategies to minimise downside risk.
Labour shortage	Labour constraints of foreign workers can directly affect the harvesting output of the estate	The estate seeks out alternative sources of labour such as local workers. In addition, mechanization of key estate processes are prioritized in order to reduce the labour-land ratio.
Credit Risk	Loss incurred due to non-payment from debtors	The Group manages its credit risk through proactive monitoring of its trade receivables as well as through initial credit checks of potential customers
Interest Rate Risk	Increasing interest rates may impact loans undertaken and operating margins	The Group will leverage existing financing sources alongside the previous raising of fixed interest rate sukuk / bonds

PROSPECTS

For 2023, the Group's performance in the plantation segment will be primarily influenced by CPO and Palm Kernel prices. These are in turn affected by a myriad of factors influencing the supply and demand of CPO such as global weather conditions, prices and production of substitute vegetable oils, crude oil prices, and general global economic conditions. Global growth is expected to moderate in 2023 and will continue to be fragile amidst high interest rates. However, the easing of inflation pressures will contribute to improved supply chains and reduced costs. At the same time, the Group will have to manage higher cost inputs, particularly from increased labour costs and fertiliser costs.

Nonetheless, the Group will continue to focus on increasing the production of FFB from its estates in order to achieve economies of scale. The Group's expansion of planted area will also contribute to this in the coming years. The Group remains fundamentally optimistic about the long-term prospects of the palm oil industry. It is the most efficiently produced vegetable oil in the world, and therefore more competitive than other vegetable oils. Owing to its versatility, it is used in a wide variety of products. In periods of high crude oil prices, biodiesel-driven demand for palm oil is expected to increase.

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 prospect and evaluate potential new projects to further expand this segment.

As always, the Group continues to prospect for new opportunities and sustainable businesses which can grow shareholder value in the long run.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2021 (“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 2022, 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. Roles and 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Roles and 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
- (d) Risk Management 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 reviewed of Board Charter was on 24 August 2022.

- 1.3 The Board has delegated to the Managing Director, the authority and responsibility for implementing of the Board policies, strategies and decisions adopted by the Board. The Managing Director takes on primary responsibility to spearhead and manage the overall business activities of the various business divisions of the Group. The Managing Director is assisted by key senior 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Roles and 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:

- (a) Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting, Extraordinary General Meeting and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;
- (b) Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia Securities Berhad on a timely basis;
- (c) Ensure that deliberations at the meetings are well captured and minuted;
- (d) Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;
- (e) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
- (f) Remind the Directors and principal officers to refrain from dealings in the Company's securities during the closed period;
- (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 unit 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 2022, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Roles and Board Responsibilities (Cont'd)

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

- 1.5 The Board members will be furnished with comprehensive explanation and board papers 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 full 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.

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 24 August 2022.

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 behavior and practice in the Company.

3.1 Code of Ethics and Conduct

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 and updated on 23 November 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Roles and Board Responsibilities (Cont'd)

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The board, management, employees and other stakeholders are clear on what is considered acceptable behavior and practice in the Company. (Cont'd)

3.2 Whistleblowing Policy

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 Whistleblowing Policy was last reviewed on 24 August 2022.

3.3 Anti-Bribery and Anti-Corruption Policy

The Board has adopted the Anti-Bribery and Anti-Corruption Policy and adequate measures to address across the Group in line with the guidelines provided under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 on 1 June 2020.

The Board believes that the policy would be key in ensuring a systematic approach to prevent corruption, and complying with applicable legal and regulatory requirements in the various jurisdictions in which the Group operates. Every director, employee and person acting on the Group's behalf is responsible for maintaining the Group's reputation and for conducting company business honestly and professionally.

The Board is assisted by the Compliance Unit to oversee all current and future matters relating to the Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy as well as to carry out general reporting and investigations into any whistleblowing reports.

The Compliance Unit comprises of members of senior management personnel of the Company from Accounts & Finance Department and Human Resources & Administration Department of the Company and its subsidiaries. The Compliance Unit shall meet at least once every six (6) months.

The details of the Anti-Bribery and Anti-Corruption Policy are available for reference at the Company's website at www.shcm.com.my. The Anti-Bribery and Anti-Corruption Policy was last reviewed on 24 August 2022.

The Anti-Bribery and Anti-Corruption Policy is made known to all the staff of its group and its stakeholders.

3.4 Sustainability of Business

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 operates to ensure long-term viability and sustainability of the Company's business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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 Currently as at todate, the Board consists of six (6) members; comprising one (1) Managing Director, four (4) Independent Non-Executive Directors and one (1) Alternate Director. 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 2021.

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 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 Managing Director who has in-depth knowledge of the business, the Board constitutes of individuals who are committed to business coupled with integrity and professionalism in all its activities.

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 2021 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 justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the ninth year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director.

Presently, YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI, Thomas Tuan Kit Kwong and Mak Hon Weng are Independent Non-Executive Directors of the Company whose tenure have exceeded a cumulative term of nine (9) years.

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI indicates his intention to retire from the Board upon the conclusion of the Sixty-First ("61st") Annual General Meeting ("AGM").

Thomas Tuan Kit Kwong and Mak Hon Weng who have served on the Board as Independent Non-Executive Directors of the Company to be retained as Independent Non-Executive Directors of the Company was deliberated at the Nomination Committee Meeting that was held on 22 February 2023. The Nomination Committee members were satisfied that Thomas Tuan Kit Kwong and Mak Hon Weng maintains their independency despite of their long service extended to the Company and recommended to the Board to seek for shareholders' approval at the forthcoming 61st AGM.

The re-election of Thomas Tuan Kit Kwong and Mak Hon Weng as Independent Non-Executive Directors at the forthcoming 61st AGM will be subject to two-tiers voting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (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)

4.2 The Board believes that although Thomas Tuan Kit Kwong and Mak Hon Weng have served more than nine (9) years on the Board, they remain unbiased, objective and independent in expressing their opinions and in participating in decision making of the Board. The length of their service on the Board has not in any way compromised with their 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 Thomas Tuan Kit Kwong as Independent Non-Executive Director of the Company. Accordingly, the Board is making a recommendation to shareholders for approval at the forthcoming 61st AGM of the Company that Thomas Tuan Kit Kwong and Mak Hon Weng to remain as Independent Non-Executive Directors.

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 summarized as follows:

- (i) To go through the assessment process guided by the Directors' Fit and Proper Policy and checklist from Bursa Listing;
- (ii) 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;
- (iii) 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;
- (iv) 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
- (v) Decision to be made by the Board on the proposed new appointment including appointment to the various Board committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(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)

- 4.4 The appointment of new board members and senior management will be guided by the skills, competencies, knowledge, experience, commitment and integrity of the candidate.
- 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, 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 61st AGM;
- (ii) Retention of Thomas Tuan Kit Kwong and Mak Hon Weng, whose tenure of service as an Independent Directors have exceeded a cumulative term of nine (9) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging their role and functions as Independent Directors.

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI who has served the Board for more than 12 years, shall retire upon the conclusion of 61st AGM.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (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 2022, 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 (Chairman/Independent Non-Executive Director)	4/4
DATO' CHOO KENG WENG (Managing Director/Non-Independent Executive Director)	4/4
THOMAS TUAN KIT KWONG (Independent Non-Executive Director)	4/4
YBM TUNKU MAHMOOD BIN TUNKU MOHAMMED D.K. PSI (Independent Non-Executive Director)	4/4
TUNKU AZLAN BIN TUNKU AZIZ (Independent Non-Executive Director)	4/4
CHOO KIN CHOONG (Alternate Director to Dato' Choo Keng Weng)	4/4

- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(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 During the financial year under review, except for Mak Hon Weng, Thomas Tuan Kit Kwong and Choo Kin Choong, the other directors have not attended any training programme due to prior schedules commitments.

The training and development programmes attended by the Directors during the financial year:-

Name of Directors	Date	Training Attended
MAK HON WENG	19 March 2022	The Investment Talk That You Should Attend Now by Capital Dynamic
	8-9 June 2022	Virtual MIA International Accountants Conference 2022: Leading ESG, Charting Sustainability
	22 September 2022	MIA Webinar: Investment Management in an Evolving and Volatile World
THOMAS TUAN KIT KWONG	19 March 2022	The Investment Talk That You Should Attend Now by Capital Dynamic
	8-9 June 2022	Virtual MIA International Accountants Conference 2022: Leading ESG, Charting Sustainability
	22 September 2022	MIA Webinar: Investment Management in an Evolving and Volatile World
CHOO KIN CHOONG	2 March 2022	TCFD Climate Disclosure Training Programme TCFD101 by Bursa Malaysia
	10 August 2022	Durian Investment & Cultivation Seminar by The Incorporated Society of Planters

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 Managing Director and senior 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 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 any new regulatory, rules that may affect 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (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.

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:

- Tunku Azlan Bin Tunku Aziz (*Chairman, Independent Non-Executive Director*)
- Mr. Mak Hon Weng (*Member, 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 2022. The details of the terms of reference of NC are available for reference at the Company's website at www.shcm.com.my.

The evaluation involves each and respective Director and Committee member 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 22 February 2023 and was satisfied with the performance of the Board and Board Committees as well as the performance of individual Director.

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.
- (viii) assess the records for new appointment and go through the evaluation in terms of professionalism, intergrity, industry experience and guided Directors Fit & Proper Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration

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

6.1 The Remuneration Committee ("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 ended 31 December 2022 in carrying 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.

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 RC 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 directors' fees and a meeting allowance for each meeting attended. Individual Director is refrained from deliberating 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (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.

7.1 The details of the Directors' remuneration received in financial year ended 31 December 2022 are set out as below:-

NAME	SALARY AND OTHER EMOLUMENTS^ (RM)	FEES (RM)	DEFINED CONTRIBUTION PLAN* (RM)	TOTAL (RM)
Executive Director				
DATO' CHOO KENG WENG	1,093,000	50,000 [#]	174,880	1,317,880
Total for Executive Director	1,093,000	50,000	174,880	1,317,880
Non-Executive Directors				
MAK HON WENG	17,500	30,000 [@]	-	47,500
THOMAS TUAN KIT KWONG	11,500	30,000 [@]	-	41,500
YBM TUNKU MAHMOOD BIN TUNKU MOHAMMED D.K. PSI	47,500	30,000 [@]	-	77,500
TUNKU AZLAN BIN TUNKU AZIZ	11,000	30,000 [@]	-	41,000
Total for Non-Executive Directors	87,500	120,000	-	207,500
Grand Total	1,180,500	170,000	174,880	1,525,380

Notes :-

[^] Other emoluments consist of bonus, benefit-in-kind, other allowances, etc.

^{*} Defined contribution plan is the contributions to Employees Provident Fund (EPF).

[@] Received from the Company.

[#] Received from the Group, including subsidiaries of Sin Heng Chan (Malaya) Berhad.

7.2 Remuneration disclosure for top five (5) Key Senior Management

The Board is of the view that disclosure of top five (5) Key Senior Management's remuneration on named and in bands of RM50,000 basis would not be in the best interest of the Company on the grounds of confidentiality and sensitivity concerns arising from such disclosure.

The Company believes that disclosure of the detailed remuneration of the top five (5) senior management in bands of RM50,000 may be detrimental to its own interest due to the scarcity of human resources with the relevant experience, expertise and knowledge in the Company's business environment and the competitive nature by other companies to acquire such resources.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

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 ("AC") to oversee the Group's financial reporting processes and the quality of its financial reporting.

The AC comprises of all Independent Directors, The composition of the Committee 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*)
- Tunku Azlan Bin Tunku Aziz (*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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (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)

8.3 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 AC, 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 28 April 2023.

8.4 The AC 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 AC 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 AC of the Company during the financial year.

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

The external auditors have an obligation to bring to the attention of the Board of Directors, the AC 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 AC a year to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the AC 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 2022 were as follows:-

	Group (RM)	Company (RM)
Audit Fees	127,000.00	50,000.00
Non-audit Fees	8,000.00	5,000.00
Total:	135,000.00	55,000.00

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (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 In considering the nature and scope of non-audit fees, the AC was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

The AC 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 61st AGM.

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

II. Risk Management and Internal Control Framework

9.0 Company makes informed decisions on the level of risk appetite and implement the necessary controls to manage and mitigate the risks. 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 Risk Management Committee comprises of senior management team who reported the Risk profile and risk management framework to the AC on quarter basis. The primary responsibility and purpose of the AC 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 AC 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 pages 39 to 41 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 outsourced to a professional firm who reports directly to the Audit Committee.

The Statement on Risk Management and Internal Control furnished on pages 39 to 41 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT (CONT'D)

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

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

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

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

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING 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 shareholders' 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-eight (28) days before the meeting. At the Annual General Meeting, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general to seek more information. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the Annual General Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. Conduct of General Meetings (cont'd)

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

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 9 years will be subject to 2-tier voting.

12.3 The Company embraces technology advancement by facilitating members to participate members' meeting via online and remote poll voting for AGM held in 2022 as a way to contain the outbreak of Covid-19 and to adhere to SOP by observing social distancing.

12.4 The online meeting with remote poll voting is in line with MCCG Code, to encourage more participants from nationwide in the AGM and voting in absentia.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2022, the Company has applied the principles and recommendations of the corporate governance set out in MCCG 2021, where necessary and appropriate.

The Board is required to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable prudent judgement and estimates, adopted to include new and revised MFRSs where applicable, in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2022. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

This CG Overview Statement is made in accordance with a resolution of the Board dated 19 April 2023.

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. The Audit Committee comprises of the following members:-

Chairman

MR. THOMAS TUAN KIT KWONG : Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

Members

YBM TUNKU MAHMOOD BIN TUNKU MOHAMMED D.K. PSI : Independent Non-Executive Director
MR. MAK HON WENG : Independent Non-Executive Director
TUNKU AZLAN BIN TUNKU AZIZ : Independent Non-Executive Director

MEETINGS

There were four (4) Audit Committee meetings held during the financial year 2022 and record of attendance for meetings detailed below:-

Name of Committee Members	Designation	Attendance
MR. THOMAS TUAN KIT KWONG	Chairman	4/4
YBM TUNKU MAHMOOD BIN TUNKU MOHAMMED D.K. PSI	Member	4/4
MR. MAK HON WENG	Member	4/4
TUNKU AZLAN BIN TUNKU AZIZ	Member	4/4

In addition to the AC members, the Head of Finance, the Head of Departments, the Internal Auditors, Compliance Officer 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 once 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:-

- have authority to investigate any matter within its terms of reference;
- 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;
- have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and
- 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 2022 in discharging its fiduciary 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.
- Review the Risk Management Report on the business operation, risk profile and risk management.
- The dates the Committee met during the financial year to deliberate on financial reporting matters appended below:

Date of meetings	Financial Reporting Statements Reviewed
23 February 2022	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2021.
26 April 2022	Audited Financial Statements for the financial year ended 31 December 2021, Statement on Risk Management and Internal Control and Audit Committee Report for the Board's approval and disclosure in the Company's Annual Report 2021.
26 May 2022	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the First quarter ended 31 March 2022.
24 August 2022	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Second quarter ended 30 June 2022.
23 November 2022	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Third quarter ended 30 September 2022.
22 February 2023	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2022.

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 2022 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 2022.
- Reviewed the External Auditors' findings arising from audits, particularly comments and response in management letters on key audit matters and appropriate actions to be addressed.
- 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 2022 i.e. 23 February 2022, 23 November 2022 and 22 February 2023 respectively to discuss on audit memorandum planning and audit matters.

Internal Audit

- Reviewed the scope of work and internal audit plans for the Group prepared by the Internal Auditors.
- Reviewed the Internal Audit Report for the financial year ended 31 December 2022 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 2022 i.e. 24 August 2022 and 23 November 2022 respectively to discuss on internal audit findings, follow-up audit review and internal audit reports.

AUDIT COMMITTEE REPORT

(Cont'd)

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (CONT'D)

Related Party Transaction ("RPT") and Conflict of Interest ("COI")

All Board members will disclose if they have any RPT during the quarter at each quarterly Board meeting.

At each quarterly meeting, the AC reviewed the RPT and if there is any COI 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 Recurrent RPT ("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 matters of COI; and
- (b) Assess and address the reasonableness of the RPT and COI 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 cases on COI 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 internal audit and risk advisory services to commercial organisations, whether listed or not, including multinational organisations. The professional fee and other cost incurred in respect of the internal audit function for the financial year ended 31 December 2022 was RM24,085.11.

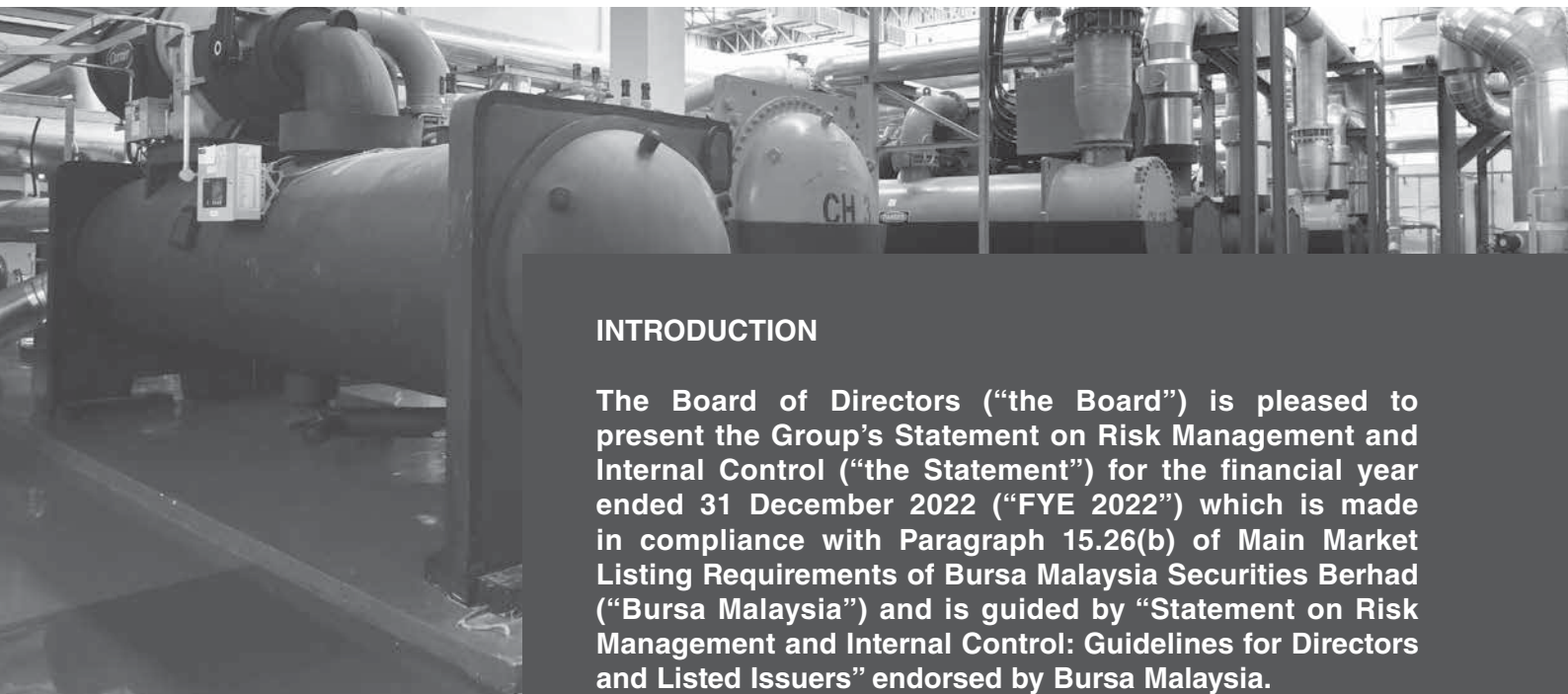
During the financial year ended 31 December 2022 the Internal Auditors have carried out audits to assess the adequacy of the internal controls of the main operating subsidiaries, based on the audit plan approved by the Audit Committee. The Internal Auditors reported their findings and recommendations 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



INTRODUCTION

The Board of Directors (“the Board”) is pleased to present the Group’s Statement on Risk Management and Internal Control (“the Statement”) for the financial year ended 31 December 2022 (“FYE 2022”) which is made in compliance with Paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) 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 assists 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 Risk Management Committee consists of key senior management responsible for identifying, managing and reporting on significant risks on an on-going basis and any significant risk matters identified are brought to the attention of the Board at their scheduled meetings.

The Audit Committee (“AC”) chaired by an Independent Non-Executive Director, meets periodically to discuss the risk faced by the Group and ensures that existing mitigation actions are adequate. The AC would ultimately report to the Board level on issues of concern, if any.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Cont'd)

RISK MANAGEMENT FRAMEWORK (CONT'D)

In addition, external and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. In order to ensure the objectivity of the review of the risk management and systems of internal controls in the Group, the AC is instituted by the Board to undertake this role.

The AC assists the Board to review the adequacy and integrity of the internal control system and its compliance with the Group's policies and procedures.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has engaged a professional firm, Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH" or "Internal Auditor") 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. The outsourced internal audit function is led by Mr. Kuan Yew Choong, the Head of Internal Audit of the outsourced service provider whereby he is a professional member of the Institute of Internal Auditors Malaysia and possesses the professional qualification of FCCA. The internal audit function is supported by a team of two (2) other internal auditors who have the relevant work experiences.

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 approved by the AC.

In the year under review, the following reviews on the Group's operations were undertaken by the Internal Auditor, according to the risk-based Internal Audit Plan approved by the AC:

- Contract Management for the New Planting; and
- Diesel Utilisation

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

THE INTERNAL CONTROL PROCESS

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

- a) Internal control efforts were done through standard operating procedures and guidelines involving operational planning, capital expenditure, safeguarding of assets against unauthorized use or disposition, financial and accounting records, reporting system and monitoring of Group's business and performances.
- b) The key senior management 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 AC 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 and enhanced in line with the changes in the operating environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Cont'd)

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 Group Chief Accountant, 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.

This statement on Risk Management and Internal Control is made by the Board in accordance to its resolution dated 19 April 2023.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of Main Market Listing Requirements of Bursa Malaysia, the External Auditors have reviewed the Statement for inclusion in the annual report for the financial year ended 31 December 2022. Their review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement, issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's internal control system. AAPG 3 does not require the External Auditors to, and they did not, consider whether this Statement covers all risk and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

SUSTAINABILITY STATEMENT



ABOUT THIS REPORT

Sin Heng Chan (Malaya) Berhad (“SHCM” or the “Group”) is pleased to report to interested stakeholders on our sustainability approach for all aspects of our business. This report has been prepared following the **Global Reporting Initiative (GRI)** and **Bursa Sustainability Reporting guide 3rd edition**. The sustainability reporting guidelines cover our pursuit of sustainable value creation through environment, social responsibility and governance in all our management activities and within our group operations in Malaysia. The structure and content of this report is based on Bursa Malaysia’s Framework and independently verified by a third-party consulting firm which was engaged and responsible for formal coordination with various subsidiaries in covering all key material sustainability matters within our group.

REPORTING SCOPE AND BOUNDARIES

The information presented in this sustainability statement is derived from the **SHCM fiscal year 2022**. This report provides an overview of SHCM’s sustainability performance and key achievements in managing our environmental, social, and governance impacts from **1st January 2022 to 31st December 2022**. The data disclosed in this Sustainability Statement takes into consideration the past three financial years in respect of Bursa Sustainability Guide 3rd Edition.

The scope of this disclosure focuses on our core business segments and cash-generating units (CGU), which comprise of our **plantation** and **energy & facilities management** segments.

SUSTAINABILITY STATEMENT

(Cont'd)

SUSTAINABILITY GOVERNANCE

“The responsibility of driving sustainability across the entire Group starts with our Governance.”

At SHCM, the Board of Directors (BOD) sets the vision for the Group's governance matters. The board takes responsibility for matters related to sustainability strategy and performance as well as ensuring the group business activities are aligned with those that may raise from environmental, social, and governance (ESG) impacts raised by stakeholders. The BOD reviews sustainability commitments and approves those aligned with the Group's vision, mission, and values.



Setting growth targets while embracing sustainability

The Sustainability Working Group (SWG) are composed of senior management members and is chaired by the Managing Director.

The SWG sets targets for key initiatives and sustainable growth plans while providing guidance on operational functions. The Group also assesses the sustainability performance and reports its findings to the Board. Sustainability targets, day-to-day management of sustainability matters and the implementations of initiatives are also coordinated by the SWG.

These approaches assist in aligning interests and coordinate actions for sustainability governance. Our BOD strives for the highest level of sustainability governance while embracing sustainability at the core of our business. We are steadfast in our efforts to respect human rights, support our local communities and minimize environmental harm.

SUSTAINABILITY STATEMENT

(Cont'd)

Sustainability Governance Structure

Board of Directors (BOD)

The highest governing body of SHCM accountable for Group sustainability strategy and performance

Ensure all business activities address Environmental, Social, and Governance (ESG) impacts

Approve the Sustainability Statement for inclusion in SHCM Annual Report

Reviews sustainability commitments and approves those that are consistent with the Group's vision, mission, and values

Sustainability Working Group (SWG)

Ensure quick response to any critical sustainability related issues

Monitor and track data to ensure the success of the Group's sustainability programs and reports its findings to the BOD

Manage a successful audit of MSPO 2530:2013, ISO 9001:2015 and ISO 45001:2018 certification as per schedule

Sets targets for key initiatives and sustainable growth plans while providing guidance on operational functions

Sustainability Governance Structure

SUSTAINABILITY STATEMENT

(Cont'd)

OUR SUSTAINABILITY APPROACH

“Our journey towards sustainability involves integrating sustainable practices into the very fabric of our organization, ensuring that it becomes an inherent part of our culture and way of doing business.”

The prominence of Environment, Social and Governance (ESG) methodology to identify industry leaders and laggards according to their exposure to risks is fast gaining rapport, requiring companies to provide a clear and concise position on how to demonstrate stewardship and create value for their stakeholders at all levels, both present and future. We believe in achieving sustainable development and we should act in solidarity with the global community as part of a global partnership contributing collectively to peace and prosperity for people and the planet, now and in the future.

ESG are the three pillars of SHCM as the key guiding principle for the group sustainability management approach.



ENVIRONMENT

To practice responsible stewardship of the environment and strive to adhere to the principle of sustainable development



SOCIAL

To build a mutually beneficial relationship with internal and external stakeholders via active engagement to enrich the communities where we operate



GOVERNANCE

To operate business ethically with integrity, honesty and excellent commitment

Mitigating risk through dedicated sustainability governance is an integrated part of our pursuit of long-term value creation as a foundation and is of utmost importance to ensure we remain relevant in a sustainable global supply chain and thereby continue to catalyse positive development.

SUSTAINABILITY STATEMENT

(Cont'd)

Stakeholder Engagement

SHCM remains committed to strengthening ties with our diverse stakeholders through engagement and actively addressing issues that affect their interests. Engaging our stakeholders enables us to achieve transformation across the industry value chain beyond our immediate activities. These meaningful engagements have also helped us improve our sustainability policies and strategies to meet the needs of our stakeholders.

The table below identifies our stakeholders and outlines our approach taken in engaging our stakeholders including the means and platforms in which the engagement is carried out, the frequency and the key topics discussed and areas of concerns that have been raised.

STAKEHOLDER GROUPS	INTERESTS AND AREAS OF CONCERNS	ENGAGEMENT METHODS AND ACTIVITIES	FREQUENCY OF ENGAGEMENT	RELATED KEY MATERIALITY MATTERS
Communities	<ul style="list-style-type: none"> Environmental protection Community development Preservation of cultural heritage Logistical and infrastructure improvements Job opportunities 	<ul style="list-style-type: none"> Compliance with environmental regulations Community engagements & programs Providing infrastructure and materials for local amenities Meetings and briefings on sustainable practices Complaint boxes at estate offices Local hiring 	Monthly, quarterly, annual basis	<ul style="list-style-type: none"> Community development Water management
Government and regulatory bodies	<ul style="list-style-type: none"> Compliance and environmental protection 	<ul style="list-style-type: none"> Compliance with regulatory requirements (environmental practices, OSHA practices, and labour practices) Enhancement of internal environmental protection MSPO certification ISO 9001:2015 certification ISO 45001:2018 certification 	Annual basis	<ul style="list-style-type: none"> Governance & ethics Sustainability certifications Employee wellbeing Occupational Safety and Health (OSH) Waste management Water management
Suppliers	<ul style="list-style-type: none"> Fair terms and conditions Compliance issues Capacity support Cost efficiency and introduction of products Environment, Health & Safety (EHS) 	<ul style="list-style-type: none"> Fair and transparent contracts Fulfilment of contractual obligations Engagement during safety day Performance review meetings and assurance audit EHS training Compliance awareness & training 	Quarterly basis	<ul style="list-style-type: none"> Agronomic practices Employee wellbeing Governance and ethics

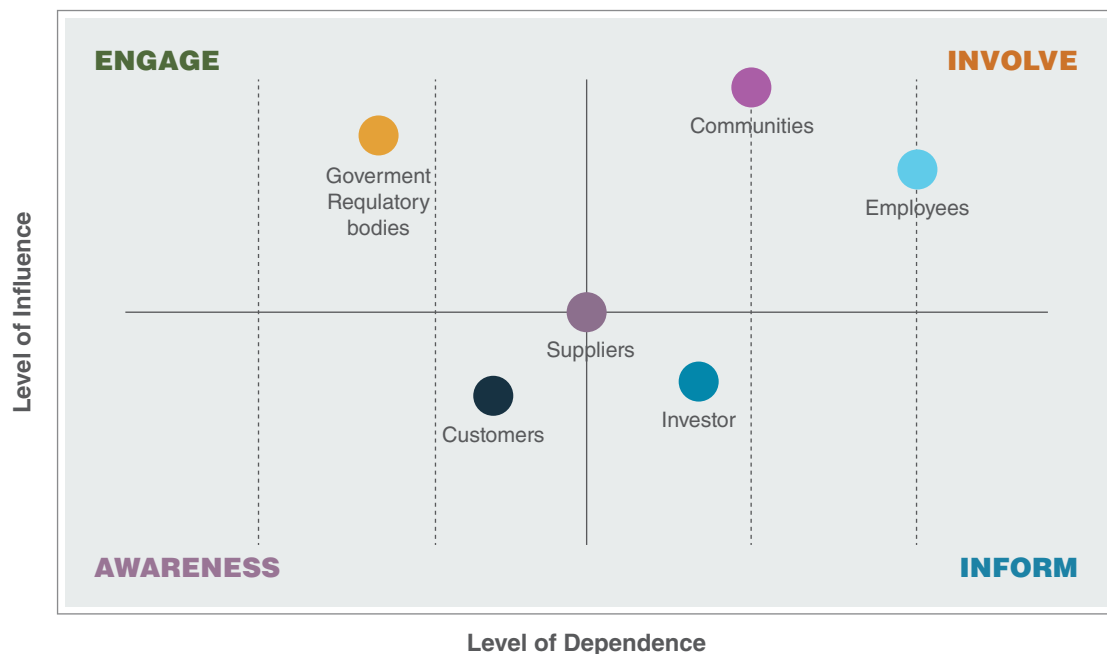
SUSTAINABILITY STATEMENT

(Cont'd)

Stakeholder Engagement (Cont'd)

STAKEHOLDER GROUPS	INTERESTS AND AREAS OF CONCERNS	ENGAGEMENT METHODS AND ACTIVITIES	FREQUENCY OF ENGAGEMENT	RELATED KEY MATERIALITY MATTERS
Investors	<ul style="list-style-type: none"> Dissemination of information Transparent disclosure of information and fiduciary duties 	<ul style="list-style-type: none"> Annual reports Timely release of financial results and Bursa announcements Compliance with latest accounting standards Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) 	Annual basis	<ul style="list-style-type: none"> Governance & ethics Technology & innovation
Employees	<ul style="list-style-type: none"> Health and Safety at work Job security and career development Fair remuneration and benefits Work competency 	<ul style="list-style-type: none"> Health and Safety training Covid-19 impact measures Performance reviews Career development plan Staff engagement programs Compliance of remuneration and benefits plans with the national and industry standards Compliance with labour laws 	Monthly, quarterly, annual basis	<ul style="list-style-type: none"> Employee wellbeing Occupational Safety and Health (OSH) Agronomic practices Training & education
Customers	<ul style="list-style-type: none"> Customer service Purchase price Product quality and information Biodiversity perspective 	<ul style="list-style-type: none"> Customer surveys Sustainable crop production FFB quality MSPO certification 	Monthly, quarterly, annual basis	<ul style="list-style-type: none"> Sustainability certifications

Stakeholder Prioritisation Matrix



SUSTAINABILITY STATEMENT

(Cont'd)

Materiality Assessment

We place emphasis on significant areas of interest pertaining to issues that would result in advantageous outcomes for our stakeholders, the community, and the ecosystem, while minimizing any potential adverse effects.

Annually, we reassess our prevailing materiality by engaging and considering the response from both internal and external stakeholders and perform an assessment and internal review of the key sustainability aspects and impact which represents the most critical area of our business operations. As an inclusive company, we believe, recognize, and respect the achievement of sustainable development. SHCM shall act in solidarity with the global community as part of a global partnership contributing collectively to peace and prosperity for people and the planet. As such, our business operation mapped the most relevant United Nations Sustainable Development Goals (UN SDGs) in each materiality topic and identified UN SDGs indicators according to our specific target.

The Materiality Assessment Process

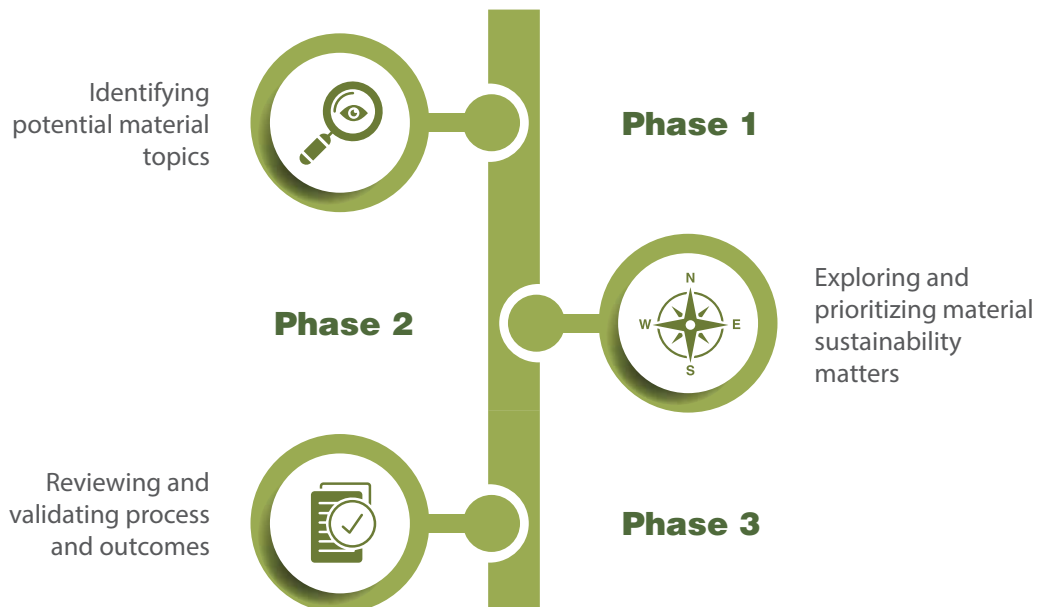


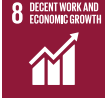













Figure 1. Materiality assessment process (derived from the Bursa Sustainability Reporting guide 3rd edition)

SUSTAINABILITY STATEMENT

(Cont'd)





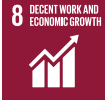



Materiality Matters

12 KEY MATERIALITY MATTERS IDENTIFIED	UN SDGS	RISK	MITIGATING MEASURES
Community development	  	Negative perception from communities due to their issues/ concerns are not recorded in grievance list and no further action taken to rectify it	<ul style="list-style-type: none"> Developing and implanting the internal and external grievance Standard Operating Procedures ("SOPs") and procedures Regular consultation with local communities
Technology & innovation	 	Excessive consumption with focusing on fuel combustion	<ul style="list-style-type: none"> Exploring usage of solar power as an alternative source of energy
Waste management	 	Pollute waterways and harm wildlife	<ul style="list-style-type: none"> Adopt responsible waste management practices according to law Initiate waste segregation practice by implementing reduce, reuse and recycle
Energy management		Vulnerable to fluctuations in energy prices, which can impact their profitability	<ul style="list-style-type: none"> To initiate discussions with Sarawak Energy Solar Hybrid station at Long Urun
Water management		Water resource contamination and water scarcity can lead to conflict between the plantation and local communities	<ul style="list-style-type: none"> Plan and monitor agrochemicals and pollutant usage A proper drainage system to prevent erosion and flooding
Biodiversity	  	May face reputational and financial risk due to boycott and campaign from customers. It can also lead to conflicts with local communities who depend on the resources from surrounding biodiversity	<ul style="list-style-type: none"> Urun Plantations Sdn Bhd ("UPSB") maintains a policy of No Deforestation, No Peat and Exploitation (NDPE)
Agronomic practices		Can lead to decreased productivity, environmental degradation, and social issues with local communities	<ul style="list-style-type: none"> Implementing sustainable land use practices, such as integrated pest management (IPM), and investing in technologies that reduce waste and emissions from their operations
Governance & ethics		Adverse reputational impacts arising from internal governance & ethics breached	<ul style="list-style-type: none"> Ensure that SHCM complies with the latest Companies Act 2016 and Malaysian Code on Corporate Governance 2021

SUSTAINABILITY STATEMENT

(Cont'd)

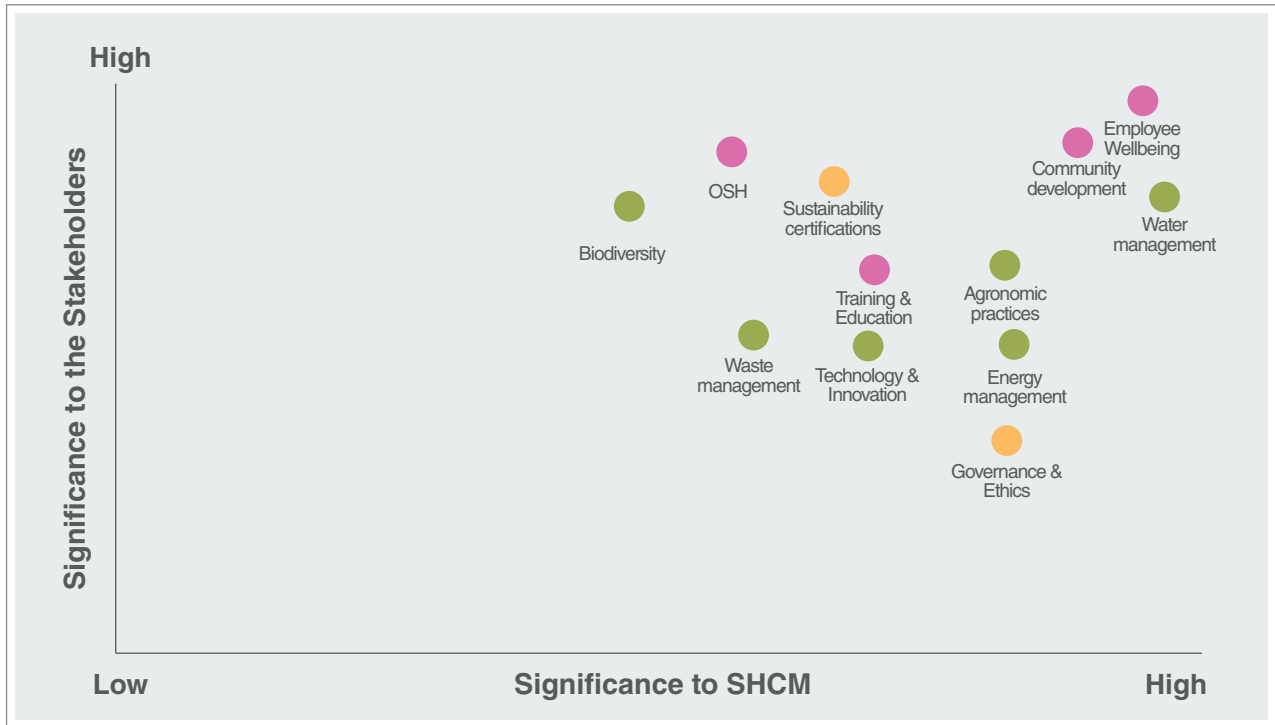
Materiality Matters (Cont'd)

12 KEY MATERIALITY MATTERS IDENTIFIED	UN SDGS	RISK	MITIGATING MEASURES
Occupational Safety and Health (OSH)	 	Lack of awareness of Occupational Safety and Health (OSH) measures among SHCM employees which lead to increase in Lost Time Injury (LTI)	<ul style="list-style-type: none"> Organise OSH Awareness Programmes for all SHCM employees such as:- <ul style="list-style-type: none"> ➢ Conduct OSH training ➢ Workplace inspection ➢ Safety toolbox talk during roll call or muster call
Training & Education	  	Increase in production cost due to higher Lost Time Injury (LTI), inefficiency, incompetency and higher employees turn-over	<ul style="list-style-type: none"> Implementing regular training programs for employees on environmental best practices, safety measures and sustainable farming technique To focus on career development and skills enhancement, the company can also provide opportunities for employees to participate in relevant courses and workshops
Employee well being	 	Reputational impacts arising from mismanagement of employees' needs and welfare. It can lead to sanctions from international markets	<ul style="list-style-type: none"> Ensuring compliance with labor laws and regulations, providing safe working conditions, fair pay, and benefits for employees
Sustainability certifications		Loss of opportunity to international market due to non- certification status	<ul style="list-style-type: none"> To meet the criteria of MSPO certification, indicating the corporation's dedication to eco-friendly approaches Complying with ISO 9001:2015 and ISO 45001:2018 standards to further enhance Tunas Cool Energy Sdn Bhd ("TCE") reputation and credibility in the industry

SUSTAINABILITY STATEMENT

(Cont'd)

Materiality Matrix



SUSTAINABILITY STATEMENT

(Cont'd)

UPHOLDING GOOD SOCIAL PRACTICES

“Proudly cultivating sustainable palm oil with the support of local communities and the diversity of foreign workers.”



SUSTAINABILITY STATEMENT

(Cont'd)

EMPLOYEE WELFARE

We believe that our employees are one of our greatest assets and the welfare of our employees is our top priority. Our goal is to attract, develop and retain a diverse workforce by providing them with a safe and welcoming work environment. We have a total of 77 employees across the Group's divisions. We value our employees and reward their hard work with fair remuneration, staff development opportunities and training prospects. We provide a fair and respectful workplace for all our employees while providing them a channel to air any grievances and protect from workplace harassment such as sexual harassment and violence.

SHCM HQ (Number of Employees)			
Year	2022	2021	2020
Key Senior Management	6	6	4
Mid Management	3	2	2
Executive	10	9	9
Operations	4	4	4
Gender Breakdown			
Male	13	12	11
Female	10	9	9

Energy and Facility Management (Number of Employees)			
Year	2022	2021	2020
Key Senior Management	5	5	5
Mid Management	2	0	0
Executive	2	0	0
Operations	0	0	0
Gender Breakdown			
Male	6	4	4
Female	3	1	1

Plantations (Number of Employees)			
Year	2022	2021	2020
Executive	5	4	4
Non-Executive	40	41	35
Gender Breakdown			
Male	37	35	33
Female	8	10	6

As well as our valued employees, our oil palm plantation relies heavily on manual labour, particularly for maintenance activities and harvesting of fresh fruit bunches (FFBs). In this social pillar, we will look at SHCM efforts in valuing our relationship with our employees and the local community, particularly in the resettlement area. Where possible, employment of local workers and contractors from surrounding communities are prioritised.

On a group basis, women represent approximately 27% of our workforce. Although this figure is predominantly skewed by the nature of plantation work, the Group is committed to ensure that all employees have the right to equal opportunity and treatment, regardless of race, gender, social class, religion, or politics.

SUSTAINABILITY STATEMENT

(Cont'd)



Championing the well-being of multi ethnicity workers

UPSB's efforts toward employee well-being and welfare were not only limited to the Covid-19 Movement Control Order (MCO) period but continue to this day by maintaining logistical supplies of food and other necessities actively to our employees.

UPSB has been operated for quite some time to ensure the comfort and safety of the employees and all workers. UPSB is in the process of upgrading the accommodation for our staff and workers, as well as increasing the number of accommodation sites, all of which are equipped with necessities such as water and electricity.



Worker's housing under development

SUSTAINABILITY STATEMENT

(Cont'd)

Training & Development

At SHCM, we believe that continuous development through training and further academic learning creates conducive working environment that embraces good practices, safety and well-being of employees. In the plantation division, the training plan for our staff is prepared annually for the respective plantation staff and management to ensure focused implementation on a regular basis for specific departments to ensure an efficient approach throughout the year.

The competence and skills of our employees are the most important contribution to the success of our plantation operation. These training modules cover Best Agricultural Practices, Occupational Safety & Health, Management Practices and other relevant topics for our employees. All these trainings are monitored by SHCM HQ, external consultants and certification bodies as part of the external audit of the annual MSPO audit.

Senior management are provided with on-the-job training in both the plantation segment as well as in other areas and employees are encouraged to attend seminars or courses to develop their skills where possible.

In the energy and facility management segment, engineers at TCE are encouraged to attend training courses to upskill and improve their competence. Acknowledging this comprehensive staff training plan is essential to ensure that all employees possess the necessary skills and knowledge to perform their duties safely and effectively.

To achieve this SHCM implemented an annual training programme to keep up to date with legislative changes and industry advancements. The training plan includes comprehensive onboarding and job-specific training for new employees, regular safety training to ensure safe work practises and ongoing professional development opportunities to enhance the competency and proficiency of employees in their respective fields. Training details includes hands-on training in chiller plant operation, Occupational Safety and Health Administration (OSHA) and fire safety drill procedures.

Communities Empowerment

Like all major companies, UPSB has multiple stakeholders. Operating in an industry that is constantly under scrutiny, we give voice to our multiple stakeholders to gain more inclusive and informed perspectives that will enables us to make decisions and formulate balanced and unbiased sustainability strategy.



Empowering and involving women in oil palm plantation

Our business provides a livelihood to the communities in which we operate resulting in many people depending on our group. Close relationships with our local communities are therefore an important priority for our organization. SHCM is committed to promoting socio-economic policies and progress for the local communities.

SUSTAINABILITY STATEMENT

(Cont'd)

Communities Empowerment (cont'd)

To this end, SHCM strive to maintain good relationships with all stakeholders to obtain and encourage honest feedback. Our stakeholders are critical to our business success, so it is beneficial for us to engage with them on an ongoing basis to get feedback on their expectations and perceptions. By listening to what they have to say, we are able to gather invaluable input to shape our risk management and business decision-making processes.

SHCM has a commitment to monitor and manage any impact our operations may have on these communities, while ensuring that our local communities receive financial, and social support and benefits by developing local communities through job creation, working with local businesses, and improving their infrastructures.

Extensive internal and external stakeholders' engagements was conducted in 2022 to obtain their insights and feedback, and their views on important sustainability matters which help us balance our actions.



Sundry store readily available in Urun Plantations

During the reporting year, we have engaged with a total of 6 stakeholder groups namely employees, communities in the resettlement area, suppliers, government agencies, BOD, and customers.

From the results of the engagement, we worked with stakeholders to determine the relative importance and impact of each identified sustainability matter and to gather thoughts and discuss opportunities for improvement that SHCM should consider. Stakeholders' feedback from the engagement sessions indicated that the most important issues were in the areas of operational excellence, human rights, employee welfare as well as environmental and resource management. We also received suggestions to collaborate with government agencies to improve the livelihood of the local communities. These include our social commitments:

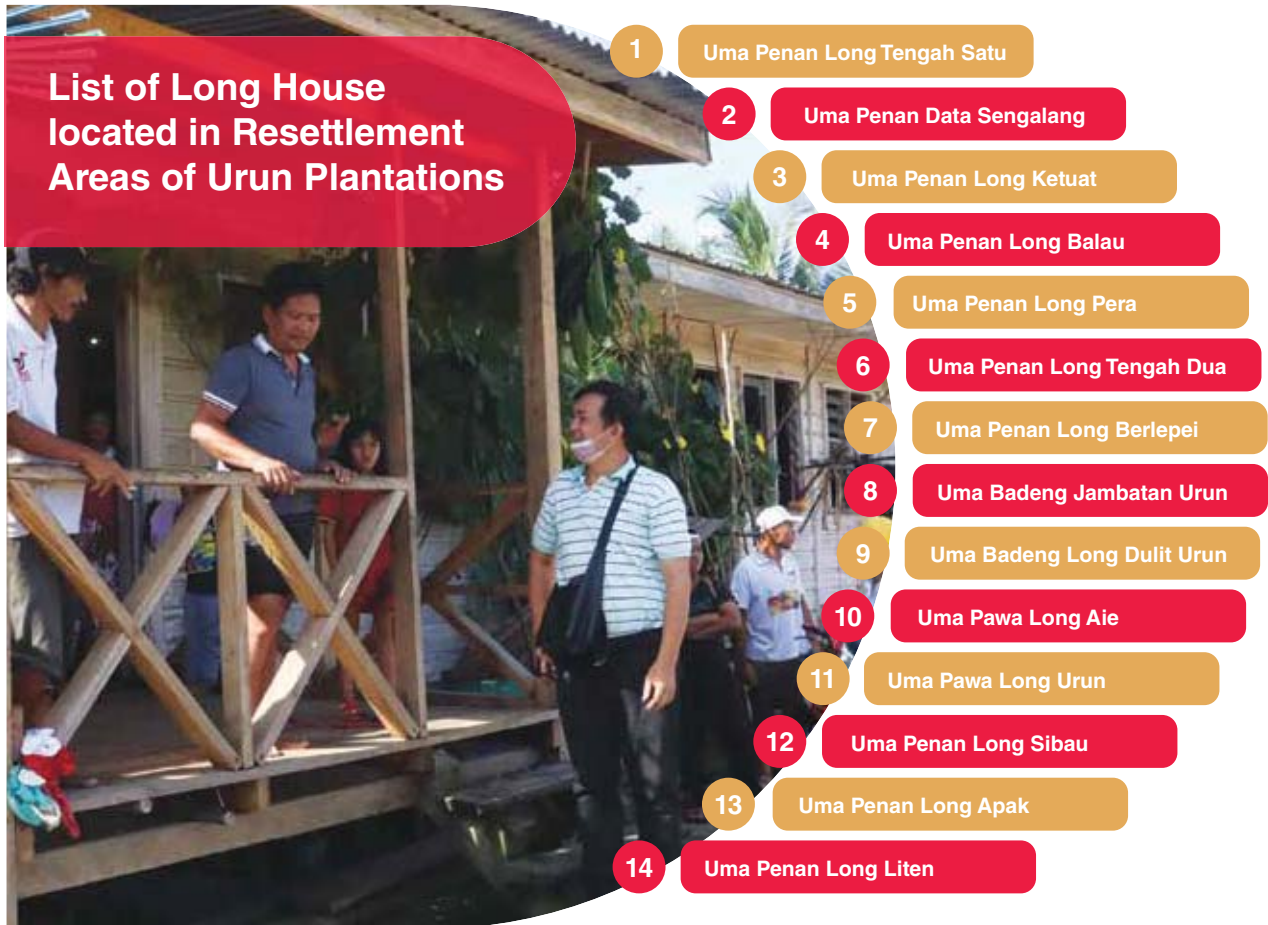
- The construction of a new bailey bridge in partnership with YB Kennedy Chuk Pai Ugon (ADUN N 66 Murum) allows safe commute for the local community
- Donations to funeral services at Penan Long House
- Donations to any festival celebrated by the workers and communities
- Donations to Sekolah Kebangsaan Long Urun

SUSTAINABILITY STATEMENT

(Cont'd)

Communities Empowerment (cont'd)

In Sarawak, land disputes must be managed and plantation management is not negligent in ensuring that commitment to human rights. To minimize land issues, SHCM has been involved in several land deals with the local community which have been amicably resolved.



We are committed to the principle of Free, Prior and Informed Consent (FPIC) and adhere to these principles in all our negotiations and interactions with stakeholders prior to any development. No development or expansion of our operations is permitted without FPIC. At SHCM, we are aware that community engagement and feedbacks are an essential part of our global sustainability strategy and initiatives, all compensations for lost benefits or relinquishing of rights are negotiated voluntarily as agreed upon by the communities. Recognizing all human rights are independent, interrelated and invisible, we embrace the following principle:

- Respecting cultural rights
- Exercising non-discrimination and promoting gender equity
- Observing the principle of Free, Prior and Informed Consent (FPIC)
- Respecting workers' right to Freedom of movement, joining and forming associations, collective bargaining, fair working hours, decent living conditions and safe working environment

SUSTAINABILITY STATEMENT

(Cont'd)

ENVIRONMENTAL STEWARDSHIP

“Adopting responsible measures and committed to zero burning and No Deforestation, No Peat and No Exploitation (NDPE) policy.”

SHCM recognizes the impact of climate change and will play our part in reducing greenhouse gas (GHG) emissions in line with natural commitments made in the Paris Agreement. SHCM value our natural resources and endeavour to eliminate or minimize negative impacts on the environment through the implementation of best practices and by continuously improving our sustainability performance. We are committed to adopting responsible measures to mitigate any negative impact that we may have on the environment. SHCM shall ensure our operations adhere to our commitments to zero burning and NDPE. Where applicable, SHCM shall initiate conservation efforts for the continuous protection of the ecosystem.

Zero Burning

Forest fires destroy the habitat of countless animal and plant species. This event also releases harmful amounts of carbon dioxide, which can result in lasting ecological and health effects. While the continuation of land use for plantations plays a key role in boosting economic advancement, UPSB is committed to pursuing environmentally friendly plantation practises that sets us apart from others. We wholeheartedly reject all forms of burning on our land while prioritizing efforts to reduce energy consumption associated with greenhouse gas emissions, water usage, and waste production as we strive for a circular economy approach with our deep concern for the environment.

Waste Management

To avoid contaminating the environment, UPSB implements appropriate waste management policies that comply with MSPO standards and local regulations. We have developed a set of waste management and segregation procedures in the UPSB itself and created SOPs for the handling of any used chemical classified as scheduled waste. Any usage and disposal of these chemicals are meticulously recorded and documented whereby unwanted empty pesticide and herbicide containers are punctured and disposed of by licensed contractors registered under eSWIS of the Department of Environment in Malaysia.

Specifically, general wastes, household wastes and scheduled wastes are handled on the plantation. Recyclable materials like plastic contain aluminium cans, etc have allocated proper storage areas before it is sent to the recycling centre. Even though our oil palm plantations do not engage in milling activities, the organic waste Empty Fruit Bunches (EFB) we receive from our buyers of Fresh Fruit Bunches (FFB) which are Belaga Palm Oil Mill Sarawak Oil Palms Berhad at Sepakau Mill Palm Oil Mill will become another supplementary fertilizer in our plantation's operation where we are practicing circular cycle wherever possible.



SUSTAINABILITY STATEMENT

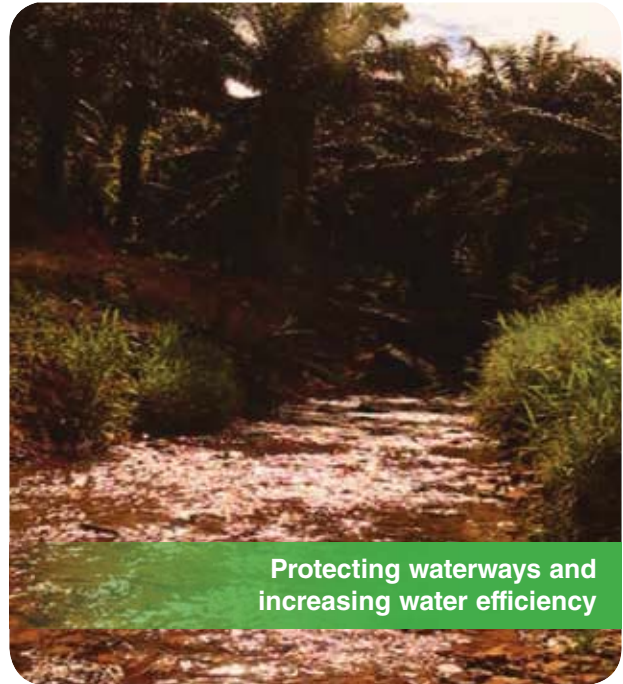
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Water Resources

Water resource management is the process of planning, developing and managing water resources in terms of water quantity and quality. Water is one of the most important natural resources on the planet. It is vital to note that the rehabilitation of riparian areas in our plantation is showing positive effects where we minimized organic and inorganic pollution washouts in all our plantation practices. UPSB measures to preserve and protect waterways and manage the use of water continuously for domestic use from natural water reservoirs available in this plantation since this area receives a high rainfall annually.

In the energy segment, TCE implement the usage of the Closed-Loop System in their District Cooling System (DCS). This DCS system can reduce water consumption by up to 5%—15%. Our district cooling systems utilize closed-loop chiller units, which uses a coolant fluid in a closed-loop system to transfer heat from various industrial and commercial processes. This approach is both cost-effective and eco-friendly, as it avoids the need for single pass cooling systems that use water only once before it is discarded. By utilizing a closed-loop water chiller and cooling tower, we can continuously recycle and reuse water in the system.

There are several advantages of a closed-loop system, including minimized water consumption, decreased wastewater treatment and disposal costs, and reduced environmental contamination. Additionally, closed-loop systems provide significantly higher returns on investment over time due to the space and operational energy savings they offer. Overall, these benefits make closed-loop systems a highly efficient and sustainable solution for various industrial and commercial applications.



Protecting waterways and increasing water efficiency

SUSTAINABILITY STATEMENT

(Cont'd)

Energy Management

Through the complete utilization of DCS, our energy division enhances energy efficiency and minimizes reliance on fossil fuels, which are a significant contributor to climate change. This enables us to support national sustainable development initiatives while also assisting in maintaining energy security. By making full use of DCS, our energy sector boosts energy effectiveness and decreases dependence on non-renewable sources of energy that may cause significant harm to the environment.

Our energy segment has several positive impacts on the society, including enhancing energy security and reducing energy costs. In addition, our energy solutions are aligned with the sustainable development agenda, which emphasizes the importance of balancing economic growth with environmental protection and social well-being. By providing affordable and sustainable energy solutions, we are helping to create a more resilient and equitable society for future generations.



Energy Monitoring

Both our core business segments carefully observe their usage of non-renewable energy such as fossil fuels and electricity. They evaluate the effectiveness of their energy consumption and endeavour to enhance it further. The data on energy utilization is collected for tactical assessment, aiming at minimizing its use for both ecological and financial advantages.

Green Energy and Technology

Significant advancements have been made in the realm of green energy technology. Currently, a comprehensive comprehension of sustainable energy usage across various processes is considered an essential element within both engineering and scientific education that requires proficiency in diverse energy systems. The sector responsible for managing our facilities and energy takes great pride in contributing towards Malaysia's goals pertaining to sustainable development. It is inevitable that urbanization and economic growth will result in amplified utilization of electricity, especially with air conditioning being one of the leading factors driving global demand over the forthcoming years; henceforth, eco-friendly approaches to cooling buildings are being sought by Malaysia. Our energy segment has one DCS project in the state of Malacca – Dataran Pahlawan Melaka Megamall – and one in the state of Johor – Pagoh Education Hub.

SUSTAINABILITY STATEMENT

(Cont'd)

Energy Monitoring (Cont'd)

Green Energy and Technology (Cont'd)

DCS systems have a reduced negative impact on the environment compared to traditional HVAC systems. Additionally, DCS technology offers advantageous energy demand management capabilities due to various factors.

1. Better utilisation of building space: Removing individual cooling facilities from buildings allows for space saving, where green space can be designed on the building roof which would have been used for the placement of exterior mechanical parts of air-conditioning ("AC") systems.
2. Decreased use of chemical compounds: Quantities of refrigerant used for a district are significantly less than the total amount used for individual in-building AC systems.
3. Energy efficient and lower GHG emissions: DCS consumes 20% – 40% less electricity than conventional AC systems. Carbon emissions are simultaneously reduced as energy and fuel are conserved.
4. High system reliability: Cooling equipment and backup chillers are installed in standby mode in standard operations. Hence, operations are not interrupted and will still perform normally in case of an emergency.
5. In comparison to traditional systems comprising of individual chillers, a DCS requires a lower capacity sizing in terms of cooling capacity. This is because less standby units of individual chillers are required. A DCS therefore provides cost savings to clients in terms of requiring spare equipment for redundant purposes. In our DCS in Johor, an estimated 19.7% reduction of installed chiller capacity was achieved via the technology.



Reduction of installed chiller capacity by DCS

Enhanced Time of Use

The electricity demand typically reaches its peak during the afternoon and early evening hours, resulting in higher costs. To address high energy consumption from air-conditioning during the day, cooled water is circulated through a storage system to release stored cooling energy onto buildings. This process minimizes chiller usage and decreases both operating costs and CO2 emissions.

SUSTAINABILITY STATEMENT

(Cont'd)

Energy Monitoring (Cont'd)

Reduction in Carbon Dioxide Emissions

Due to the savings in electricity consumption and higher efficiency, the DCS results in savings in terms of carbon dioxide (CO₂) emissions. Based on data from the Group's DCS in Johor, an estimated 700 tonnes of CO₂ emissions are reduced annually (equivalent to 9.5%) as a result of the implementation of the technology.



Reduction in CO₂ emissions

Lower operational costs for DCS compared to Individual Chiller Plant

DCS is operated by single operation team compared to individual chiller plant where each plant requires a dedicated operations team

03

Comprehensive maintenance cost for DCS is lower compared to individual chiller plant. The number of major equipment for DCS is less compared to individual chiller plant

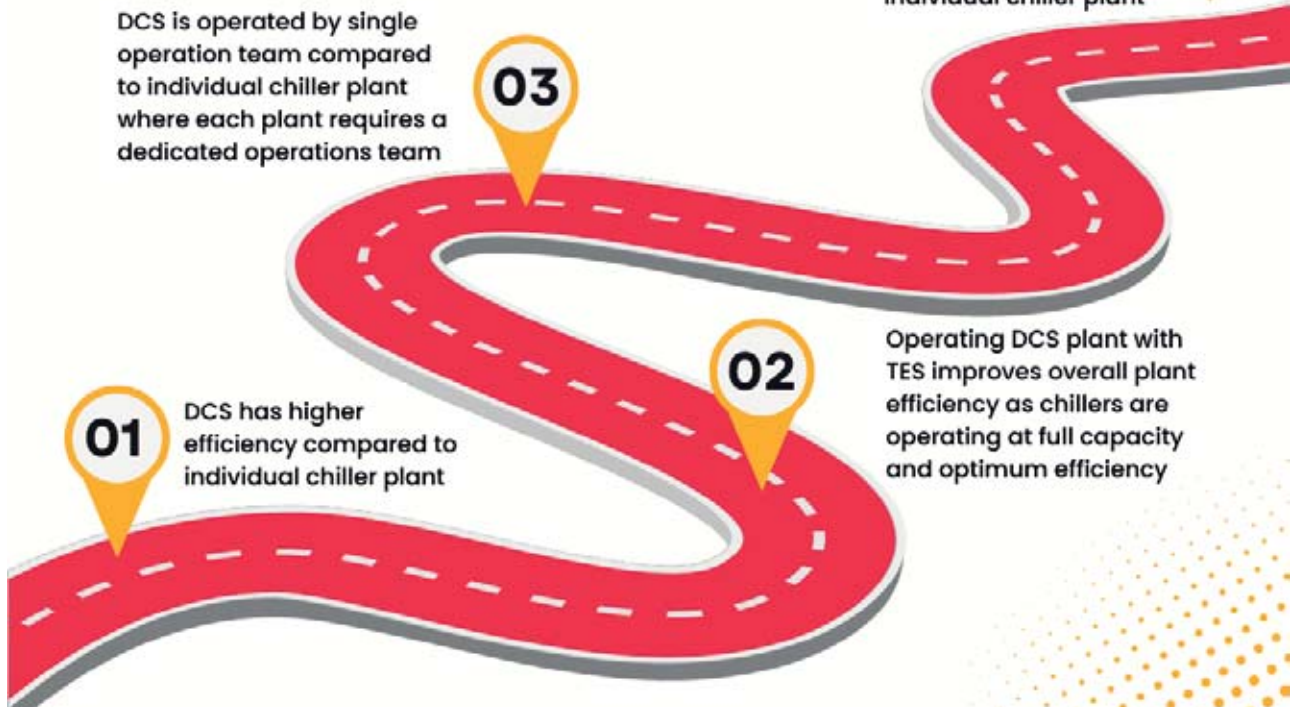
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01

DCS has higher efficiency compared to individual chiller plant

02

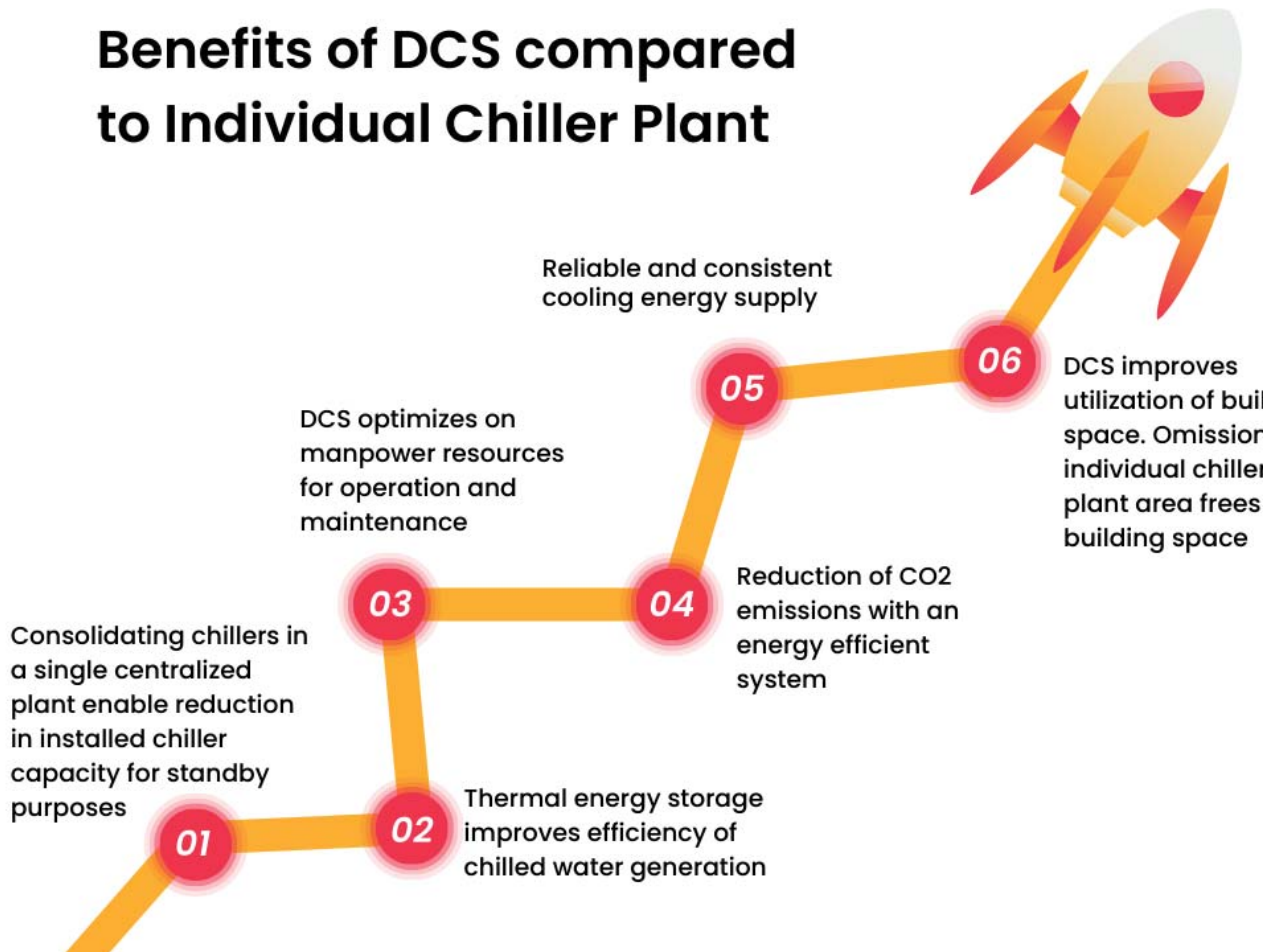
Operating DCS plant with TES improves overall plant efficiency as chillers are operating at full capacity and optimum efficiency



SUSTAINABILITY STATEMENT (Cont'd)

Energy Monitoring (Cont'd)

Benefits of DCS compared to Individual Chiller Plant



SUSTAINABILITY STATEMENT

(Cont'd)

ACCOUNTABLE GOVERNANCE

“Anchored by our strong governance structure, SHCM is devoted to responsible execution of operations and strategy.”

MSPO Certified

Malaysian Sustainable Palm Oil (MSPO) standard is a national certification scheme in Malaysia for oil palm plantations, independent and organized smallholdings and throughout the oil palm supply chain. UPSB is a MSPO-certified plantation and has focused on responsible agricultural production. In our journey, we place a high priority on sustainable business in this industry as part of a certified producer of sustainable palm oil. The documentation in compliance with MSPO's criteria requirements has been developed and by the continuous improvements measures that UPSB is practising, our plantation contributes to drive Malaysia's commodity and become a part of sustainable palm oil supply chain for global market consumption.

QMS ISO 9001:2015 & OSHA ISO 45001:2018

TCE is certified under QMS ISO 9001:2015 under Bureau Veritas. With this certification, our clients can focus on their core operations without having to focus on non-core activities in relation to their cooling requirements. This is especially important to our projects at Dataran Pahlawan Melaka Megamall and Pagoh Education Hub District Cooling System Project which provides stable operation as an essential service to achieve optimum comfort and peace.

On top of that, ISO 45001:2018 specifies requirements for occupational safety and health management system. TCE is highly committed to ensuring the management improve occupational health and safety, eliminating hazard and minimizing the risk to the employees by adopting this standard and being certified by Bureau Veritas. This will give better belief and satisfaction to our clients in our product and service safety.

Code of Ethics and Conduct

SHCM is committed to practicing good corporate governance and adopting best practices to ensure success and safeguard our business. With reference to the Malaysian Anti-Corruption Commission Act 2009 which was enforced on 1st June 2020, SHCM long-standing commitment to conducting business professionally, ethically and with integrity was encapsulated and formalized into a comprehensive suite of ethical conduct policies and procedures. The policy has been effective in Plantation effective throughout the Group and its subsidiaries since 28 May 2020.




The Board has formalized a Code of Ethics and Conduct that set out the basic principles to guide all the directors, employees and our subsidiary and associate companies consisting of an Anti-Bribery and Corruption Policy, Whistleblowing Policy and Ethical Conduct Policy. The Board shall observe and adhere to the company's Code of Ethics and Conduct which provide guidance regarding ethical and behavioural considerations or actions in discharging their duties and responsibilities. Periodically the policies will be reviewed in ensuring the matters remain relevant and appropriate for time being as an act of our transparent commitment. For more info, refer to the Group's website www.shcm.com.my.

SUSTAINABILITY STATEMENT

(Cont'd)

VALUE CREATION & SUSTAINABILITY TARGETS



VALUE CREATION	INITIATIVE	MEDIUM TERM TARGET (2022-2025)	REMARKS
For Earth 	Reduce environmental impact through all business activities	Record GHG emissions and identified baseline value from 2023	UPSB to implement Greenhouse Gas calculator as per MSPO 2503:2022 standard
	Monitoring of environmental impacts produced by our operations	Expansion of riparian buffer zone to cover all flowing rivers and streams in UPSB	-
		Water quality assessment of major river system within UPSB	Achieved. A quarterly test are conducted by an external lab.
	Implementing renewable energy in our business operations	To phase out the usage of diesel and genset as the source of electricity at UPSB	UPSB initiated a discussion with Sarawak Energy to utilise their excess solar energy
For People 	Play a vital role in contributing towards the welfare of the community in which it operates	Proactive stakeholder consultation throughout the year to identify any concerns raised by the community	UPSB had formed a specific department to handle issues related to stakeholder concerns in relation to MSPO requirements
	Continuously improve the socio-economic of employees and local communities	All employees paid above the legal minimum wage	The average wage per employee per month is above state and federal minimum wages
For Governance 	Group Sustainability Policy (GSP)	To develop and implement Group Sustainability Policy (GSP) which covers the entire SHCM business operations	UPSB created a Sustainable Palm Oil policy signed by Plantation Director in 2018

ADDITIONAL COMPLIANCE STATEMENT

1. UTILISATION OF PROCEEDS

i. Private Placement of up to 20% of the total number of Issued Shares of SHC

37,824,000 Placement Shares were listed and quoted on Bursa Malaysia on 10 December 2021 with total proceeds of RM15,129,600.

Status of the utilization of proceeds as at 7 April 2023 arising from the private placement is as follows: -

Purpose	Estimated timeframe for utilization	Proposed Utilisation RM'000	Actual Utilisation		Deviation		Explanations
			RM'000	%	RM'000	%	
Business expansion for plantations segment	36 months	12,559	8,800	70.07	3,759	29.93	On going
Working capital	12 months	2,500	2,500	100.0	0	0	Completed
Estimated expenses for Proposed Private Placement	Upon completion	70	70	100.0	0	0	Completed
Total		15,129	11,370	75.15	3,759	24.85	

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

Details of statutory audit, audit-related and non-audit fees paid/payable in the financial year ended 31 December 2022 to the external auditors are set out below:-

	Group RM	Company RM
Audit Fees	127,000.00	50,000.00
Non-audit Fees	8,000.00	5,000.00
Total:	135,000.00	55,000.00

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 26 May 2022. All RRPT under the financial year review is within the mandate threshold.
- (ii) The Group will seek for Shareholders' renewal mandate on the RRPT at the forthcoming Annual General Meeting to be held on 29 May 2023.

FINANCIAL STATEMENTS



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with audited financial statements of the Group and the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. There have been no significant changes in nature of these activities during the financial year.

The principal activities of the subsidiaries and associate are set out in Note 14 and 15 to the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	14,979,142	2,483,651

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as 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
Tunku Azlan bin Tunku Aziz
Choo Kin Choong*
(Alternate Director to Dato' Choo Keng Weng)

* Directors of the Company and certain subsidiaries

DIRECTORS' REPORT (Cont'd)

DIRECTORS (CONT'D)

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
Dato' Dr Abu Talib bin Bachik
Chu Siew Fei
Hedzir bin Aminudin
Captain Panirchellvum A/L Velaitham
Tan Sri Dato' Sri Haji Esa bin Haji Mohamed
Noriha binti Embong

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 7(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 31(i) 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:

	<u>Number of ordinary shares</u>			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Interest in the Company:				
Direct interest				
Dato' Choo Keng Weng*	23,264,293	-	-	23,264,293
Deemed interest				
Dato' Choo Keng Weng#	37,325,000	161,500	-	37,486,500
Choo Kin Choong**	60,589,293	161,500	-	60,750,793
YBM Tunku Mahmood bin Tunku Mohammed D.K PSI***	600,000	-	-	600,000

* Includes shares held by nominees

Deemed interested by virtue of his substantial shareholding in Macronet Sdn. Bhd., Goldquest Properties Pty Limited, Seng Hoe & Choong Corporation Sdn. Bhd., and Best Acres Sdn. Bhd.

** Deemed interested by virtue of shares held through Dato' Choo Keng Weng, Macronet Sdn. Bhd., Goldquest Properties Pty Limited, Seng Hoe & Choong Corporation Sdn. Bhd., and Best Acres Sdn. Bhd.

*** Deemed interested by virtue of shares held by Bayu Varia Sdn. Bhd.

DIRECTORS' REPORT

(Cont'd)

DIRECTORS' INTEREST IN SHARES (CONT'D)

	Number of irredeemable convertible preference shares			
	At 1.1.2022	Bought	Sold	At 31.12.2022
Interest in the Company:				
Deemed interest				
Dato' Choo Keng Weng^	72,000,000	-	-	72,000,000
Choo Kin Choong^	72,000,000	-	-	72,000,000

^ Deemed interest in a shares held by Seng Hoe & Choong Corporation Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration are disclosed in Note 7(b) to the financial statements.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares and debentures during the financial year.

SHARE OPTION SCHEME

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and the Company were prepared, 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 expected credit losses and satisfied themselves that there are no known bad debts and that adequate allowances had been made for expected credit losses in the financial statements of the Group and the Company; 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 it necessary to write off bad debts or the amount of the allowance for expected credit losses in the financial statements of the Group and 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 or assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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 Note 14 and 15 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in the Note 7 to the financial statements.

AUDITORS

The auditors, Al Jafree Salihin Kuzaimi 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 dated 19 April 2023.

DATO' CHOO KENG WENG
Director

Kuala Lumpur, Malaysia
19 April 2023

THOMAS TUAN KIT KWONG
Director

STATEMENT BY DIRECTORS

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

We, **DATO' CHOO KENG WENG** and **THOMAS TUAN KIT KWONG**, being two of the Directors of **SIN HENG CHAN (MALAYA) BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of 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 of Directors in accordance with a resolution of the Directors dated 19 April 2023.

DATO' CHOO KENG WENG
Director

Kuala Lumpur, Malaysia
19 April 2023

THOMAS TUAN KIT KWONG
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 251 (1) (b) OF THE COMPANIES ACT 2016

I, **MAK KAI MENG** (MIA Membership No.: 23958) 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 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at **Kuala Lumpur**)
in the state of **Federal Territory**)
on 19 April 2023.)

MAK KAI MENG

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD

OPINION

We have audited the financial statements of SIN HENG CHAN (MALAYA) BERHAD, which comprise the statements of financial position as at 31 December 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 77 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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 statement of the current year. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD

(Cont'd)

KEY AUDIT MATTERS (CONT'D)

Key audit matters	How our audit addressed the key audit matters
<p>1) Final purchase price allocation ("PPA") investment in a subsidiary</p> <p>On 30 September 2020, the Company entered into a share sales agreement with Tunas Selatan Construction Sdn. Bhd. to acquire 100% equity share of Tunas Selatan Pagoh Sdn. Bhd. ("TSP") representing the entire equity in TSP, for a total purchase consideration of RM145,900,000</p> <p>The assets and liabilities acquired were stated at their values which were determined on 21 May 2021, the acquisition date. This results in net assets measured at fair value amounting to RM241,550,256 which includes the recognition of negative goodwill amounting to RM98,302,229.</p> <p>In financial year ended 31 December 2022, the Group has completed the purchase price allocation ("PPA") exercise to determine the final fair value of the net assets of TSP, within stipulated time period, i.e twelve (12) months from the acquisition date, in accordance with MFRS 3, Business Combination. Based on the fair values of the assets of TSP, the negative goodwill amount has been reduced from RM98,302,229 to RM51,158,314. The adjusted fair value of TSP has been reflected in the Group's Consolidated Statement of Financial Position as at previous year ended 31 December 2021.</p> <p>The purchase price allocation performed by the management's expert requires the Directors to make discretionary decisions, estimates and assumptions. Changes in these assumptions may have a material impact on the fair values.</p> <p>Due to the matter described, we considered the business combination and in particular the purchase price allocation as a key audit matter in our audit.</p> <p>Refer to the disclosure of the acquisition of subsidiary in Note 34 to the financial statements.</p>	<p>We have performed the following in ensuring the bargain purchase are recognised in accordance to MFRS 3, <i>Business Combination</i>:</p> <ul style="list-style-type: none"> • We have reviewed and assessed the valuation performed by the valuer engaged by the Company and challenged the key basis/assumptions used in deriving the fair value of the equity interest. • We have reviewed and assessed the qualification, competencies, capabilities and objectivity of the valuer. • We have reviewed the double entries on the restatement working and disclosure in the financial statements to ensure the retrospective adjustment are correctly recorded.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD

(Cont'd)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Group and the Company are responsible for the other information. The other information comprises the Directors' Report, Statement by Directors' and Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report 2022, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with the 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 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 and the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD

(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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER MATTERS

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

AL JAFREE SALIHIN KUZAIMI PLT
201506002872 (LLP0006652-LCA) & AF1522
CHARTERED ACCOUNTANTS

AIZUL IZUAN BIN ABDUL HAMID
NO. 03509/07/2024 J
CHARTERED ACCOUNTANT

Dated: 19 April 2023

Selangor, Malaysia

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
		Restated			
Revenue	4	54,383,940	49,396,662	6,600,000	-
Cost of sales		(36,273,608)	(26,795,519)	-	-
Gross profit		18,110,332	22,601,143	6,600,000	-
Other operating income		4,384,961	55,473,811	4,312,501	3,329,197
Distribution costs		(1,097,287)	(1,255,770)	-	-
Administrative expenses		(8,101,094)	(6,087,717)	(4,005,550)	(3,441,469)
Other operating expenses		(3,293,106)	(6,380,694)	(1,269,561)	(3,246,303)
Profit/(Loss) from operations		10,003,806	64,350,773	5,637,390	(3,358,575)
Finance costs	6	(9,488,679)	(8,684,970)	(3,153,739)	(1,886,966)
Share of results of an associate		15,068,447	8,815,918	-	-
Profit/(Loss) before tax	7	15,583,574	64,481,721	2,483,651	(5,245,541)
Tax expense	8	(604,432)	(739,354)	-	-
Net profit/(loss) for the financial year, representing total comprehensive income/ (loss) for the financial year		14,979,142	63,742,367	2,483,651	(5,245,541)
Profit per share	9				
- Basic (sen)		5.11	30.01	-	-
- Diluted (sen)		3.63	21.88	-	-

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
			Restated		
Non-current assets					
Property, plant and equipment	10	104,022,384	98,048,246	354,684	310,186
Investment properties	11	347,566	356,478	347,566	356,478
Intangible assets	12	22,242,988	22,842,988	-	-
Concession financial assets	13	46,047,358	48,223,056	-	-
Investment in subsidiaries	14	-	-	223,237,042	223,237,042
Investment in associates	15	203,352,220	194,883,773	-	-
		376,012,516	364,354,541	223,939,292	223,903,706
Current assets					
Concession financial assets	13	2,175,698	2,047,363	-	-
Inventories	16	3,340,507	1,134,650	-	-
Biological assets	17	1,039,849	1,407,959	-	-
Trade receivables	18	3,834,032	5,120,530	-	-
Other receivables, deposits and prepayments	19	4,773,357	2,016,160	1,815,336	123,350
Amount owing by subsidiaries	20	-	-	25,091,283	17,390,012
Tax recoverable		2,253	7,000	-	-
Other investments	21	13,957,530	14,391,057	-	-
Fixed deposit, cash and bank balances	22	32,182,417	42,925,980	9,820,041	17,285,600
		61,305,643	69,050,699	36,726,660	34,798,962
Total assets		437,318,159	433,405,240	260,665,952	258,702,668

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(Cont'd)

	Note	Group		Company	
		2022	2021	2022	2021
		RM	RM	RM	RM
		Restated			
Equity					
Share capital	23	181,355,357	181,355,357	181,355,357	181,355,357
Irredeemable convertible preference shares	24	39,600,000	39,600,000	39,600,000	39,600,000
Retained earnings/(Accumulated losses)		40,387,892	25,408,750	(20,427,064)	(22,910,715)
		261,343,249	246,364,107	200,528,293	198,044,642
Non-current liabilities					
Borrowings	25	141,908,773	149,635,464	59,358,138	59,273,723
Finance lease liabilities	26	3,248,022	2,532,461	94,315	128,016
Deferred tax liabilities	27	8,493,733	7,930,716	-	-
Other payables	29	6,300	154,534	-	-
		153,656,828	160,253,175	59,452,453	59,401,739
Current liabilities					
Trade payables	28	5,219,490	2,520,877	-	-
Other payables	29	2,516,750	4,666,400	651,505	1,175,355
Borrowings	25	13,269,508	18,669,004	-	-
Finance lease liabilities	26	1,288,102	908,236	33,701	80,932
Income tax payable		24,232	23,441	-	-
		22,318,082	26,787,958	685,206	1,256,287
Total liabilities		175,974,910	187,041,133	60,137,659	60,658,026
Total equity and liabilities		437,318,159	433,405,240	260,665,952	258,702,668

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 2022

Group	Share capital RM	Irredeemable convertible preference shares RM	Retained earnings RM	Total RM
31 December 2022				
At 1 January 2022	181,355,357	39,600,000	25,408,750	246,364,107
Total comprehensive income for the year	-	-	14,979,142	14,979,142
At 31 December 2022	181,355,357	39,600,000	40,387,892	261,343,249
	Share capital RM	Irredeemable convertible preference shares RM	(Accumulated losses)/ Retained earnings RM	Total RM
31 December 2021				
At 1 January 2021	123,991,787	-	(38,333,617)	85,658,170
Ordinary shares issued through private placement	21,063,570	-	-	21,063,570
Ordinary shares issued pursuant to acquisition of a subsidiary	36,300,000	-	-	36,300,000
Irredeemable convertible preference shares issued pursuant to acquisition of a subsidiary	-	39,600,000	-	39,600,000
Total comprehensive income for the year	-	-	111,829,618	111,829,618
At 31 December 2021, as previously reported	181,355,357	39,600,000	73,496,001	294,451,358
Effect of prior year's adjustment on share of results of an associate	-	-	(943,336)	(943,336)
Effect of purchase price allocation exercise	-	-	(47,143,915)	(47,143,915)
At 31 December 2021, as restated	181,355,357	39,600,000	25,408,750	246,364,107

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 2022

(Cont'd)

Company	Share capital RM	Irredeemable convertible preference shares RM	Accumulated losses RM	Total RM
31 December 2022				
At 1 January 2022	181,355,357	39,600,000	(22,910,715)	198,044,642
Total comprehensive income for the year	-	-	2,483,651	2,483,651
At 31 December 2022	181,355,357	39,600,000	(20,427,064)	200,528,293
	Share capital RM	Irredeemable convertible preference shares RM	Accumulated losses RM	Total RM
31 December 2021				
At 1 January 2021	123,991,787	-	(17,665,174)	106,326,613
Ordinary shares issued through private placement	21,063,570	-	-	21,063,570
Ordinary shares issued pursuant to acquisition of a subsidiary	36,300,000	-	-	36,300,000
Irredeemable convertible preference shares issued pursuant to acquisition of a subsidiary	-	39,600,000	-	39,600,000
Total comprehensive loss for the year	-	-	(5,245,541)	(5,245,541)
At 31 December 2021	181,355,357	39,600,000	(22,910,715)	198,044,642

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 2022

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
	Restated			
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	15,583,574	64,481,721	2,483,651	(5,245,541)
Adjustment for:				
Allowance for impairment loss from subsidiaries	-	-	36,976	31,896
Amortisation of intangible assets	600,000	600,000	-	-
Amortisation of investment properties	8,912	8,912	8,912	8,912
Depreciation of property, plant and equipment	7,111,145	6,163,969	297,958	396,630
Share of results of associate	(15,068,447)	(8,815,918)	-	-
Bargain purchase	-	(51,158,314)	-	-
Fair value loss/(gain) on biological assets	368,110	(500,783)	-	-
Net unrealised gain on other investments	(94,399)	(11,240)	-	-
Net realised loss on other investments	4,868	-	-	-
Finance costs	9,488,679	8,684,970	3,153,739	1,886,966
Financial income from concession financial asset	(3,151,101)	(3,271,866)	-	-
Gain on disposal of property, plant and equipment	(46,738)	-	-	-
Interest income	(656,665)	(351,741)	(291,553)	(92,086)
Dividend received	(152,877)	-	-	-
Income from other investment	(67,811)	(63,271)	-	-
Operating profit/(loss) before changes in working capital	13,927,250	15,766,439	5,689,683	(3,013,223)
Changes in working capital:				
Inventories	(2,205,857)	437,883	-	-
Trade receivables	1,286,498	(285,298)	-	-
Other receivables, deposits and prepayments	(2,757,197)	1,741,505	(1,691,986)	4,511,549
Concession financial assets	5,198,464	5,198,464	-	-
Trade payables	2,698,613	(599,566)	-	-
Other payables and accruals	(3,382,050)	(3,216,048)	(644,041)	(1,074,062)
Cash generated from operations	14,765,721	19,043,379	3,353,656	424,264
Income tax paid	(35,877)	(48,536)	-	-
Net cash generated from operating activities	14,729,844	18,994,843	3,353,656	424,264

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 2022

(Cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
	Restated			
CASH FLOWS FROM INVESTING ACTIVITIES				
(Advance to)/Repayment from subsidiaries	-	-	(7,738,247)	11,147,356
Dividend received from:				
- Associate	6,600,000	8,800,000	-	-
- Other investment	152,877	-	-	-
Dispose/(Purchase) of other investment	523,058	(14,379,817)	-	-
Interest received	656,665	351,741	291,553	92,086
Profit earn from other investment	67,811	63,271	-	-
Purchase of property, plant and equipment	(13,119,975)	(9,954,040)	(377,146)	(31,781)
Proceeds from disposal of property plant and equipment	81,430	-	34,690	-
Addition of investment in a subsidiary	-	-	-	(7,000,000)
Acquisition of a subsidiary	-	(70,000,273)	-	(70,000,000)
Net cash used in from investing activities	(5,038,134)	(85,119,118)	(7,789,150)	(65,792,339)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares through private placement	-	21,063,570	-	21,063,570
Drawdown of borrowings	-	65,867,448	-	59,217,447
Repayment of borrowings	(7,681,254)	(3,742,055)	-	-
Interest paid	(8,404,513)	(6,888,925)	(2,949,133)	(1,830,690)
Proceed/(repayment) of lease liabilities	1,095,427	1,711,796	(80,932)	(111,330)
Net cash (used in)/generated from financing activities	(14,990,340)	78,011,834	(3,030,065)	78,338,997
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,298,630)	11,887,559	(7,465,559)	12,970,922
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	33,669,043	21,781,484	17,285,600	4,314,678
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	28,370,413	33,669,043	9,820,041	17,285,600

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 2022

(Cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
	Restated			
Cash and cash equivalents at end of year comprised:				
Fixed deposits with licensed bank	31,331,672	39,388,505	9,682,610	17,017,246
Cash and bank balances	850,745	3,537,475	137,431	268,354
Fixed deposit, cash and bank balances	32,182,417	42,925,980	9,820,041	17,285,600
Less: Bank overdraft	(3,812,004)	(9,256,937)	-	-
Cash and cash equivalents	28,370,413	33,669,043	9,820,041	17,285,600

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

The principal activities of the subsidiaries and associate are disclosed in Notes 14 and 15 to the financial statements.

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 Wilayah Persekutuan, Kuala Lumpur.

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

The financial statements were authorised for issue by the Board of Directors, in accordance with a resolution of the Directors on 19 April 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia. The financial statements have been prepared under the historical cost convention except otherwise stated in Note 2 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Standards, amendments to published standards and interpretations that are effective and adopted during the financial year

- Amendments to MFRS 141, "Measurement of Fair Value"
- Amendments to MFRS 3, "Reference to Conceptual Framework"
- Amendments to MFRS 116, "Proceeds Before Intended Use"
- Amendments to MFRS 137, "Onerous Contracts – Cost of Fulfilling a Contract"
- Amendments to MFRS 9, "Fees in the 10% Test for Derecognition of Financial Liabilities"
- Amendments to MFRS 1, "Measurement of Cumulative Translation Differences for Foreign Operation"

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(b) Standards and amendments that have been issued but not yet effective

Effective for financial year beginning on or after 1 January 2023

- Amendments to MFRS 101, "Classification of Liabilities as Current or Non-Current"
- Amendments to MFRS 101, "Disclosure of Accounting Policies"
- Amendments to MFRS 108, "Definition of Accounting Estimates"
- Amendments to MFRS 112, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

Effective for financial year beginning on or after 1 January 2024

- Amendments to MFRS 16, "Lease Liability in Sale and Leaseback"
- Amendments to MFRS 101, "Non-current Liabilities with Covenants"

Effective date has been deferred to a date to be determined by Malaysian Accounting Standards Board

- Amendments to MFRS 10 and MFRS 128, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The above procurements are either not relevant or do not have any impact on the financial statement of the Company.

2.2 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of Consolidation (Cont'd)

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.

2.3 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 acquiree) is goodwill or discount on acquisition. The accounting policy for goodwill is set out in Note 2.13.

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.

2.4 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.

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Associates (Cont'd)

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.

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.

2.6 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.

(i) Sale of fresh fruit bunches ("FFB")

The Group's plantation produce revenue are derived from sales of FFB. Revenue from sale of FFB 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Revenue from contracts with customers (Cont'd)

(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 occurs.

(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.

(v) Management fee

Management fees are recognised at a point in time upon performances of services, calculated in accordance with terms stipulated in resident contracts.

2.7 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

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 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").

2.8 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.

2.9 Taxation

(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:

- 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
- 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

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Taxation (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:

- 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
- 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.

2.10 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

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 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
Renovation, furniture, fittings and equipment	10% - 50%
Motor vehicles	20%
Office space	50%

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. See Note 2.15 on impairment of non-financial assets.

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.

2.11 Prepaid lease payments

Prepaid lease rentals represent payments for right to use land over a predetermined 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 (2021: 61 years).

2.12 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 2.15 on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 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.

2.14 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 grant or 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

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 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.

2.15 Impairment of non-financial assets

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

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. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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 amounts 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

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 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 of expected net cash flows to be 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 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.

2.17 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.

2.18 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.

2.19 Assets 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.

2.20 Financial assets

(a) Classification

The Group 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

(b) 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.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs 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

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial assets (Cont'd)

(c) Measurement (Cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

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 included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in reversal of impairment together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(ii) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses) on disposal of assets and Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) on foreign exchange and impairment expenses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(iii) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) on revaluation in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in change of fair value in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial assets (Cont'd)

(d) Subsequent measurement – Impairment

Impairment for debt instruments

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach for receivables and amount due from intercompany

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month 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 for assessment.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. 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.

The following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial assets (Cont'd)

(d) Subsequent measurement – Impairment (Cont'd)

Significant increase in credit & risk (Cont'd)

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

Write-off:

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Recoveries of amounts previously written off will result in impairment gains.

2.21 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 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.

2.23 Leases

Accounting by lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

While the Group revalues land and building (presented as part of property, plant and equipment) that it owns, it has chosen not to revalue the ROU building held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Leases (Cont'd)

ROU assets (Cont'd)

The Group applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment property owned by the Group. Refer to accounting policy Note 2.12 on investment property.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.24 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Provisions (Cont'd)

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

2.25 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 conditions 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.
- (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) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Current versus non-current classification

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

- (i) Expected to be realised or intended to sold or consumed in normal operating cycle;
- (ii) Held primarily for the purpose of trading;
- (iii) Expected to be realised within twelve months after the reporting period; or
- (iv) 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:

- (i) It is expected to be settled in normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) 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.

2.27 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.

2.28 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

3.1 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:

(i) 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.

(ii) 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.

3.2 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:

(i) Impairment assessment on cash generating unit relating to oil palm plantation ("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 exists, the Management shall estimate the recoverable amount of the CGU. The recoverable amount of the CGU was 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 12(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

3.2 Estimation uncertainty (Cont'd)

(i) Impairment assessment on cash generating unit relating to oil palm plantation ("Plantation CGU") (Cont'd)

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") (2021: RM503.59/mt), FFB yields per hectare ("ha") of 8-18 mt/ha (2021: 8-18 mt/ha) and discount rates of 8% and 10% (2021: 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.

(ii) 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 12(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:

	2022	2021
Projection period	9 to 19-year cash flows projection, based on the remaining period of the concession arrangement	9 to 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	6,377,693/rth per annum; and 15,300,000/rth per annum
Discount rates	9% per annum	9% per annum

The key assumptions are 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.

(iii) 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 financial position which in the position of net tangible liabilities. 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 3.2(i).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

3.2 Estimation uncertainty (Cont'd)

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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 RM106,204,255 (2021: RM110,379,865) and RM33,859,810 (2021: RM33,846,392) respectively at the reporting date as disclosed in Note 27.

(viii) 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 RM103,985 (2021: RM140,796).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

4. REVENUE

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Dividend received	-	-	6,600,000	-
Sales of fresh fruit bunches ("FFB")	40,727,412	36,656,755	-	-
Revenue from energy and facilities management services	13,656,528	12,739,907	-	-
	54,383,940	49,396,662	6,600,000	-
Timing of revenue recognition				
Goods transferred at a point in time	40,727,412	36,656,755	6,600,000	-
Services rendered over time	13,656,528	12,739,907	-	-
	54,383,940	49,396,662	6,600,000	-

5. 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.

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

Group	Revenue		Results	
	2022	2021	2022	2021
	RM	RM	RM	RM
				Restated
Plantations	40,727,412	36,656,755	9,013,712	13,260,397
Energy and facilities management	13,656,528	12,739,907	4,983,849	6,373,944
Investment holding	-	-	5,637,390	(3,358,575)
Others	-	-	(37,047)	(34,267)
Eliminations	-	-	(9,594,098)	48,109,274
Consolidated	54,383,940	49,396,662	10,003,806	64,350,773

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

5. SEGMENT REPORTING (CONT'D)

Group	2022 RM	2021 RM Restated
Consolidated		
Profit from operations	10,003,806	64,350,773
Finance costs	(9,488,679)	(8,684,970)
Share of results of associate	15,068,447	8,815,918
Profit before tax	15,583,574	64,481,721
Tax expense	(604,432)	(739,354)
Net profit for the financial year	14,979,142	63,742,367

Group	Other information Addition of property plant and equipment	
	2022 RM	2021 RM
Plantations	12,455,002	9,397,594
Energy and facilities management	287,827	524,665
Investment holding	377,146	31,781
Consolidated	13,119,975	9,954,040

Group	Other information Depreciation and amortisation	
	2022 RM	2021 RM
Plantations	6,600,073	5,663,248
Energy and facilities management	813,114	704,091
Investment holding	306,870	405,542
Consolidated	7,720,057	6,772,881

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

5. SEGMENT REPORTING (CONT'D)

Group Statement of Financial Position	Assets		Liabilities	
	Segment assets		Segment liabilities	
	2022	2021	2022	2021
	RM	RM	RM	RM
	Restated			
Plantations	86,820,647	80,097,804	66,962,484	66,992,696
Energy and facilities management	350,133,383	360,224,655	124,899,530	141,696,467
Investment holding	260,665,952	258,702,668	60,137,659	60,658,026
Others	13,529	13,600	20,336,927	20,299,950
Elimination	(260,315,352)	(265,633,487)	(96,361,690)	(102,606,006)
Consolidated	437,318,159	433,405,240	175,974,910	187,041,133

6. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Term loans	9,134,926	7,912,021	3,146,524	1,874,769
Bank overdrafts	105,920	94,719	-	-
Finance lease interest	247,833	178,230	7,215	12,197
Other interest	-	500,000	-	-
	9,488,679	8,684,970	3,153,739	1,886,966

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

7. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
	Restated			
Profit/(Loss) before tax arrived after charging/ (crediting):				
Interest income:				
Fixed deposits with licensed banks	(656,665)	(351,741)	(291,553)	(92,086)
Subsidiaries	-	-	(453,271)	(268,748)
Gain on disposal of property, plant and equipment	46,738	-	-	-
Share of results of associate	(15,068,447)	(8,815,918)	-	-
Fair value changes in biological assets	368,110	(500,783)	-	-
Financial income on concession financial assets	(3,151,101)	(3,271,866)	-	-
Management services fees from subsidiaries	-	-	(3,432,000)	(2,932,000)
Bargain purchase	-	(51,158,314)	-	-
Rental income	(62,118)	(91,516)	(20,803)	(36,271)
Allowance for impairment loss from subsidiaries	-	-	36,976	31,896
Auditors' remuneration	127,000	127,000	50,000	50,000
Amortisation of:				
Intangible assets	600,000	600,000	-	-
Investment properties	8,912	8,912	8,912	8,912
Dividend received	(152,877)	-	-	-
Income from other investments	(67,811)	(63,271)	-	-
Realised gain on other investments	(745)	-	-	-
Unrealised gain on other investments	(107,951)	(11,240)	-	-
Realised loss on other investments	5,613	-	-	-
Unrealised loss on other investments	13,552	-	-	-
Legal fees	160,243	390,200	134,848	374,512
Depreciation of property, plant and equipment	7,111,145	6,163,969	297,958	396,630

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

7. PROFIT/(LOSS) BEFORE TAX (CONT'D)

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

	Group	
	2022	2021
	RM	RM
Consumables inventories	12,150,665	5,993,648
Amortisation of intangible assets	600,000	600,000
Depreciation of property, plant and equipment	4,518,440	4,190,415

(b) Directors' remuneration:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Executive Directors:				
Fees	130,000	60,833	30,000	15,000
Salaries and other emoluments	2,131,145	1,705,943	1,093,000	945,050
Defined contribution plan	288,460	238,638	174,880	147,438
Non-Executive Directors:				
Fees	120,000	84,167	120,000	60,000
Other emoluments	87,500	69,000	87,500	69,000
	2,757,105	2,158,581	1,505,380	1,236,488

(c) Staff costs:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Salaries, allowances and others	6,839,849	5,370,546	1,966,475	1,636,668
Defined contribution plan	586,802	438,681	237,864	198,817
	7,426,651	5,809,227	2,204,339	1,835,485

Staff costs of the Group are remunerations included in cost of sales amounting to RM4,664,502 (2021: RM3,973,742).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

8. TAXATION

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Taxation comprises				
Current income tax expenses	61,256	30,441	-	-
(Over)/Under provision in prior year	(19,841)	9,593	-	-
Deferred tax:				
Origination and reversal of temporary differences	563,017	699,320	-	-
Total tax expense	604,432	739,354	-	-

The reconciliation of tax expense applicable to profit or loss before tax at the statutory tax rate to tax expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
	Restated			
Profit/(Loss) before tax	15,583,574	64,481,721	2,483,651	(5,245,541)
Tax expense at income tax rate of 24% (2021: 24%)	3,740,058	15,475,613	596,076	(1,258,930)
Income not subject to tax	(3,263,524)	(14,324,570)	(1,584,000)	-
Non-deductible expenses	2,405,125	2,969,137	987,924	645,331
Deferred tax assets not recognised during the financial year	-	613,599	-	613,599
Utilisation of previously unrecognised deferred tax assets	(2,820,403)	(4,703,338)	-	-
Deferred tax liabilities recognised during the year	563,017	699,320	-	-
(Over)/Under provision in prior year	(19,841)	9,593	-	-
Total tax expense	604,432	739,354	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

9. PROFIT PER SHARE

Basic profit per share

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

	Group	
	2022	2021
	RM	RM
		Restated
Net profit attributable to Owners of the Company	14,979,142	63,742,367
	Units	Units
Weighted average number of shares in issue	292,877,387	212,395,539
Basic profit per share (sen)	5.11	30.01

Diluted profit per share

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

	Group	
	2022	2021
	RM	RM
Net profit attributable to Owners of the Company	14,979,142	63,742,367
	Units	Units
Weighted average number of shares in issue	412,877,387	291,299,649
Diluted profit per share (sen)	3.63	21.88

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

Group	Bearer plants RM	Plant and machinery RM	Renovation furniture, fittings and equipment RM	Motor vehicles RM	Planting infrastructure RM	Construction work in progress RM	Right of use RM	Total RM
2022								
Cost								
As at 1 January 2022	91,450,650	5,353,915	1,993,105	8,096,402	20,239,324	1,755,349	33,505,709	162,394,454
Addition	6,457,513	2,102,330	413,083	1,134,314	1,693,352	1,067,725	251,658	13,119,975
Transferred	-	-	24,556	40,774	315,848	(495,499)	114,321	-
Disposal	-	(381,250)	(125,689)	-	-	-	-	(506,939)
As at 31 December 2022	97,908,163	7,074,995	2,305,055	9,271,490	22,248,524	2,327,575	33,871,688	175,007,490
Accumulated depreciation								
As at 1 January 2022	34,287,156	3,491,526	1,680,925	5,927,178	8,982,880	-	9,976,543	64,346,208
Charge for the year	2,905,945	729,339	184,983	835,659	1,612,494	-	842,725	7,111,145
Disposal	-	(381,248)	(90,999)	-	-	-	-	(472,247)
As at 31 December 2022	37,193,101	3,839,617	1,774,909	6,762,837	10,595,374	-	10,819,268	70,985,106
Net book value as at								
31 December 2022	60,715,062	3,235,378	530,146	2,508,653	11,653,150	2,327,575	23,052,420	104,022,384

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Bearer plants RM	Plant and machinery RM	Renovation furniture, fittings and equipment RM	Motor vehicles RM	Planting infrastructure RM	Construction work in progress RM	Right of use RM	Total RM
2021								
Cost								
As at 1 January 2021	88,329,547	3,455,400	1,852,173	7,141,220	18,431,161	140,049	33,090,864	152,440,414
Addition	3,121,103	1,880,141	140,932	942,400	1,707,750	1,852,647	309,067	9,954,040
Transferred	-	18,374	-	12,782	100,413	(237,347)	105,778	-
As at 31 December 2021	91,450,650	5,353,915	1,993,105	8,096,402	20,239,324	1,755,349	33,505,709	162,394,454
Accumulated depreciation								
As at 1 January 2021	31,528,444	3,127,486	1,506,694	5,194,873	7,698,410	-	9,126,332	58,182,239
Charge for the year	2,758,712	364,040	174,231	732,305	1,284,470	-	850,211	6,163,969
As at 31 December 2021	34,287,156	3,491,526	1,680,925	5,927,178	8,982,880	-	9,976,543	64,346,208
Net book value as at								
31 December 2021	57,163,494	1,862,389	312,180	2,169,224	11,256,444	1,755,349	23,529,166	98,048,246

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10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Renovation furniture fittings and equipment RM	Motor vehicles RM	*Right of use RM	Total RM
2022				
Cost				
As at 1 January 2022	794,405	943,058	285,557	2,023,020
Addition	189,712	-	187,434	377,146
Disposal	(125,689)	-	-	(125,689)
As at 31 December 2022	858,428	943,058	472,991	2,274,477
Accumulated depreciation				
As at 1 January 2022	603,611	823,666	285,557	1,712,834
Charge for the year	116,093	119,387	62,478	297,958
Disposal	(90,999)	-	-	(90,999)
As at 31 December 2022	628,705	943,053	348,035	1,919,793
Net book value as at 31 December 2022	229,723	5	124,956	354,684
Company	Renovation furniture fittings and equipment RM	Motor vehicles RM	*Right of use RM	Total RM
2021				
Cost				
As at 1 January 2021	762,624	943,058	285,557	1,991,239
Addition	31,781	-	-	31,781
As at 31 December 2021	794,405	943,058	285,557	2,023,020
Accumulated depreciation				
As at 1 January 2021	478,888	664,204	173,112	1,316,204
Charge for the year	124,723	159,462	112,445	396,630
As at 31 December 2021	603,611	823,666	285,557	1,712,834
Net book value as at 31 December 2021	190,794	119,392	-	310,186

* Right of use of the Company consists of lease of office space.

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10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Asset held under finance lease

The carrying amount of the Group's and the Company's motor vehicles held under finance lease at the reporting date was RM4,391,989 (2021: RM3,461,069) and RM Nil (2021: RM118,489) respectively.

(b) Assets held under trust

The motor vehicle of the Group and the Company with net carrying amount of RM 1 (2021: RM78,865) are held under trust by a person connected to a Director of the Company.

(c) Movement of bearer plants

Group	Mature RM	Immature RM	Total RM
2022			
Cost			
As at 1 January 2022	87,178,374	4,272,276	91,450,650
Addition	-	6,457,513	6,457,513
As at 31 December 2022	87,178,374	10,729,789	97,908,163
Accumulated depreciation			
As at 1 January 2022	34,287,156	-	34,287,156
Charge for the year	2,905,945	-	2,905,945
As at 31 December 2022	37,193,101	-	37,193,101
Net book value as at 31 December 2022	49,985,273	10,729,789	60,715,062
Group	Mature RM	Immature RM	Total RM
2021			
Cost			
As at 1 January 2021	87,178,374	1,151,173	88,329,547
Addition	-	3,121,103	3,121,103
As at 31 December 2021	87,178,374	4,272,276	91,450,650
Accumulated depreciation			
As at 1 January 2021	31,528,444	-	31,528,444
Charge for the year	2,758,712	-	2,758,712
As at 31 December 2021	34,287,156	-	34,287,156
Net book value as at 31 December 2021	52,891,218	4,272,276	57,163,494

(d) Assets pledged as security

Bearer plants and planting infrastructure have been charged as security for borrowings as disclosed in Note 25.

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10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(e) Right of use

Group	Leasehold building RM	Prepaid lease payments RM	Office space RM	Total RM
2022				
Cost				
As at 1 January 2022	7,847,351	24,667,212	991,146	33,505,709
Addition	-	-	251,658	251,658
Transferred	114,321	-	-	114,321
As at 31 December 2022	7,961,672	24,667,212	1,242,804	33,871,688
Accumulated depreciation				
As at 1 January 2022	1,039,262	8,261,502	675,779	9,976,543
Charge for the year	129,609	468,735	244,381	842,725
As at 31 December 2022	1,168,871	8,730,237	920,160	10,819,268
Net book value as at 31 December 2022	6,792,801	15,936,975	322,644	23,052,420
2021				
Cost				
As at 1 January 2021	7,741,573	24,667,212	682,079	33,090,864
Addition	-	-	309,067	309,067
Transferred	105,778	-	-	105,778
As at 31 December 2021	7,847,351	24,667,212	991,146	33,505,709
Accumulated depreciation				
As at 1 January 2021	911,068	7,792,767	422,497	9,126,332
Charge for the year	128,194	468,735	253,282	850,211
As at 31 December 2021	1,039,262	8,261,502	675,779	9,976,543
Net book value as at 31 December 2021	6,808,089	16,405,710	315,367	23,529,166

The Group's prepaid lease payments pertain to leasehold land, with an unexpired lease period of 35 years (2021: 36 years).

The leasehold land is pledged to a licensed bank for credit facilities granted to the Group as disclosed in Note 25 to the financial statements.

The prepaid lease payments are identified as part of the oil palm plantation cash-generating unit of the Group. Details of its impairment assessment are disclosed in Note 3.2(i) to the financial statements.

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11. INVESTMENT PROPERTIES

Group and Company	2022 RM	2021 RM
Cost		
At 1 January/31 December	418,129	418,129
Accumulated amortisation		
At 1 January	61,651	52,739
Amortisation for the year	8,912	8,912
At 31 December	70,563	61,651
Net carrying amount	347,566	356,478

The fair value of the investment properties as at 31 December 2022 is estimated at RM1,080,408 (2021: RM572,414) has been arrived at by the Directors based on reference to market evidence of transaction prices for similar properties. As at 31 December 2022, 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 is 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 RM182 (2021: RM182).

12. INTANGIBLE ASSETS

Group	As at 1.1.2022 RM	Addition RM	As at 31.12.2022 RM
Cost			
Goodwill	19,192,988	-	19,192,988
Concession intangible asset	6,000,000	-	6,000,000
	25,192,988	-	25,192,988
Accumulated amortisation			
Goodwill	-	-	-
Concession intangible assets	2,350,000	600,000	2,950,000
	2,350,000	600,000	2,950,000

NOTES TO THE FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS (CONT'D)

Group	2022 RM	2021 RM
Net carrying amount		
Goodwill	19,192,988	19,192,988
Concession intangible assets	3,050,000	3,650,000
	<u>22,242,988</u>	<u>22,842,988</u>

(a) Concession intangible assets

In 2018, 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 25 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:

	2022 RM	2021 RM
CGU		
Plantation	16,329,389	16,329,389
District cooling system	2,863,599	2,863,599
	<u>19,192,988</u>	<u>19,192,988</u>

The recoverable amounts of these two CGU 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 3.2(i) and 3.2(ii) respectively.

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

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13. CONCESSION FINANCIAL ASSETS

	Group	
	2022	2021
	RM	RM
Current	2,175,698	2,047,363
Non-current	46,047,358	48,223,056
	<u>48,223,056</u>	<u>50,270,419</u>

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

	Group	
	2022	2021
	RM	RM
At 1 January	50,270,419	52,197,017
Concession revenue recognised	9,824,606	9,824,606
Finance income recognised	3,151,101	3,271,866
Receipts	(15,023,070)	(15,023,070)
At 31 December	<u>48,223,056</u>	<u>50,270,419</u>

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 charged as security for borrowings as disclosed in Note 25 to the financial statements.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2022	2021
	RM	RM
Unquoted shares, at cost	72,989,017	72,989,017
Additions	150,248,027	150,248,027
	<u>223,237,044</u>	<u>223,237,044</u>
Less: Accumulated impairment losses	(2)	(2)
At 31 December	<u>223,237,042</u>	<u>223,237,042</u>

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14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiaries	Effective equity interest		Principal activities
	2022	2021	
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
Tunas Selatan Pagoh Sdn. Bhd.	100%	100%	Project management services and investment holding
Subsidiary of Tunas Cool Energy Sdn. Bhd.			
SHC Capital Sdn. Bhd.	100%	100%	Special purpose vehicle and investment holding

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.

As result of the impairment test, management believes that no impairment to be recognised for the current financial year.

15. INVESTMENT IN AN ASSOCIATE

	Group	
	2022	2021
	RM	RM
		Restated
Unquoted shares, at cost	8,800,000	8,800,000
Share of post acquisition retained earnings	194,552,220	186,083,773
	203,352,220	194,883,773

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15. INVESTMENT IN AN ASSOCIATE (CONT'D)

The associate incorporated in Malaysia are as follows:

Name of associate	Effective equity interest		Principal activities
	2022	2021	
Sime Darby Property Selatan Sdn. Bhd. *	40%	40%	Investment holding, asset management and construction

* Audited by firm of auditors other than Al Jafree Salihin Kuzaimi PLT

In 2021, the Company acquired the entire shares of Tunas Selatan Pagoh Sdn. Bhd. The subsidiary holds 40% of the issued equities of Sime Darby Property Selatan Sdn. Bhd.. The associate is principally engaged in the business of investment holding, asset management and construction.

The summarised financial information based on the audited results of the associate for the financial year ended 31 December 2022, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2022	2021
	RM	RM
		Restated
<u>Assets and liabilities</u>		
Non-current assets	1,201,019,868	1,250,250,563
Current assets	245,325,464	264,150,346
Non-current liabilities	(814,648,917)	(901,326,923)
Current liabilities	(123,423,886)	(125,989,920)
Net assets	508,272,529	487,084,066
<u>Results</u>		
Revenue	37,308,562	36,868,806
Net profit for the financial year	37,688,463	39,017,125
Share of profit for the financial year	15,068,447	8,815,918

16. INVENTORIES

	Group	
	2022	2021
	RM	RM
At cost:		
Consumables	3,340,507	1,134,650

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17. BIOLOGICAL ASSETS

	Group	
	2022	2021
	RM	RM
At 1 January	1,407,959	907,176
Fair value changes	(368,110)	500,783
At 31 December	1,039,849	1,407,959

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

The quantity of unharvested FFB of the Group as at 31 December 2022 included in the fair valuation of FFB was 1,369 metric tonnes (2021: 1,245 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.

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	
	2022	2021
	RM	RM
10% increase	103,985	140,796
10% decrease	(103,985)	(140,796)

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18. TRADE RECEIVABLES

	Group	
	2022	2021
	RM	RM
Trade receivables		
Third parties	3,834,032	5,120,530

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 (2021: 14 to 60 days).

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Other receivables	4,244,759	1,871,238	1,864,841	155,987
Less: Allowance for impairment losses	(1,658,954)	(1,658,954)	(140,487)	(140,487)
	2,585,805	212,284	1,724,354	15,500
Refundable deposits	1,287,506	1,178,933	41,218	52,563
Prepayments	900,046	624,943	49,764	55,287
	4,773,357	2,016,160	1,815,336	123,350

Included in other receivables, deposits and prepayments of the Group and of the Company are rental deposits and advance rental of RM85,349 (2021: RM73,684) and RM35,312 (2021: RM34,732) 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 31 to the financial statements.

20. AMOUNT OWING BY SUBSIDIARIES

	Company	
	2022	2021
	RM	RM
Amount owing by subsidiaries		
- Net of allowance for impairment losses of RM13,884,371 (2021: RM13,847,395)	25,091,283	17,390,012

Amount includes loans to wholly owned subsidiaries amounting to RM23,227,000 (2021: RM14,427,000) bear interest at 2.5% (2021: 2%) per annum. The remaining balances arose mainly from non-trade transactions, which are unsecured, interest free and are repayable on demand.

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20. AMOUNT OWING BY SUBSIDIARIES (CONT'D)

Movement of the Company's allowance for impairment losses on advance to subsidiaries is as follows:

	Company	
	2022	2021
	RM	RM
At 1 January	13,847,395	13,815,499
Addition	36,976	31,896
At 31 December	13,884,371	13,847,395

21. OTHER INVESTMENTS

	Group	
	2022	2021
	RM	RM
Investments at fair value through profit or loss:		
Investment in unquoted bond	513,005	-
Investment in unit trust	9,787,675	13,041,050
Investment in quoted shares	3,656,850	1,350,007
	13,957,530	14,391,057

22. FIXED DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Fixed deposits with licensed banks	31,331,672	39,388,505	9,682,610	17,017,246
Cash and bank balances	850,745	3,537,475	137,431	268,354
Fixed deposits, cash and bank balances	32,182,417	42,925,980	9,820,041	17,285,600

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

	Group		Company	
	2022	2021	2022	2021
	Days	Days	Days	Days
Fixed deposits with licensed bank	1 - 92	1 - 92	1 - 92	1 - 33

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22. FIXED DEPOSITS, CASH AND BANK BALANCES (CONT'D)

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

	Group		Company	
	2022	2021	2022	2021
	Rates (%)	Rates (%)	Rates (%)	Rates (%)
Fixed deposits with licensed bank	1.00 - 3.65	1.00 - 1.90	2.25 - 3.65	1.00 - 1.80

23. SHARE CAPITAL

Group and Company

	2022	2021	2022	2021
	Number of shares	Number of shares	RM	RM
Issued and fully paid up				
At 1 January	292,877,387	131,866,787	181,355,357	123,991,787
Issued for cash through private placement	-	51,010,600	-	21,063,570
Issued for acquisition of a subsidiary	-	110,000,000	-	36,300,000
At 31 December	292,877,387	292,877,387	181,355,357	181,355,357

In 2021, the issued and paid-up ordinary share capital of the Company was increased from 131,866,787 to 292,877,387 by way of the issuance of 51,010,600 new ordinary shares through private placement at issue price ranging RM0.40 to RM0.45 per ordinary shares and issuance of 110,000,000 new ordinary shares at the price of RM0.33 per ordinary shares for the acquisition of new subsidiary company, Tunas Selatan Pagoh Sdn. Bhd. ("TSP").

The new ordinary shares issued during the previous 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.

24. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Group and Company

	2022	2021	2022	2021
	Number of shares	Number of shares	RM	RM
Issued and fully paid up				
At 1 January	120,000,000	-	39,600,000	-
Issued for acquisition of a subsidiary	-	120,000,000	-	39,600,000
At 31 December	120,000,000	120,000,000	39,600,000	39,600,000

The holders of ICPS have the same rights as holders of ordinary shares as regards to receiving notices, reports and audited financial statements and attending general meetings.

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24. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONT'D)

The ICPS shall carry no right to vote at any general meeting or participation in any rights, allotments and/or other distribution in ICPS until and unless such holders convert their ICPS into new ordinary shares except in the following circumstances:

- On a proposal in respect of the winding up, liquidation, compromise and/or arrangement of Company and during the winding-up, liquidation, compromise and/or arrangement of SHC;
- Any proposal that affects the rights and privileges attached to the ICPS, including, the creation and issuance of further preferences shares ranking in priority to the ICPS;
- Any proposal to reduce Company's share capital (excluding any cancellation of share capital which is lost or unrepresented by assets); and
- Any proposal for the disposal of the whole or a substantial part of the property, business and undertaking of Company. For the avoidance of doubt, such disposal shall constitute "Major Disposal" within the meanings as prescribed under the Listing Requirements in which the ordinary shares are listed and quoted on.

25. BORROWINGS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current:				
Bank overdraft	3,812,004	9,256,937	-	-
Term loan I	3,000,000	3,000,000	-	-
Term loan II	296,196	281,007	-	-
Term loan III	668,066	661,798	-	-
Term loan IV	493,242	469,262	-	-
Islamic medium-term note I	5,000,000	5,000,000	-	-
	13,269,508	18,669,004	-	-
Non-current:				
Term loan I	8,465,070	10,741,041	-	-
Term loan II	658,248	950,813	-	-
Term loan III	1,830,976	2,491,686	-	-
Term loan IV	3,063,937	3,525,356	-	-
Term loan V	4,650,000	4,650,000	-	-
Islamic medium-term note I	63,882,404	68,002,845	-	-
Islamic medium-term note II	59,358,138	59,273,723	59,358,138	59,273,723
	141,908,773	149,635,464	59,358,138	59,273,723
Total borrowings				
Bank overdraft	3,812,004	9,256,937	-	-
Term loan I	11,465,070	13,741,041	-	-
Term loan II	954,444	1,231,820	-	-
Term loan III	2,499,042	3,153,484	-	-
Term loan IV	3,557,179	3,994,618	-	-
Term loan V	4,650,000	4,650,000	-	-
Islamic medium-term note I	68,882,404	73,002,845	-	-
Islamic medium-term note II	59,358,138	59,273,723	59,358,138	59,273,723
	155,178,281	168,304,468	59,358,138	59,273,723
Less: Repayable after one year	(141,908,773)	(149,635,464)	(59,358,138)	(59,273,723)
	13,269,508	18,669,004	-	-

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25. BORROWINGS (CONT'D)

The maturity profile of borrowings is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Less than one year	13,269,508	18,669,004	-	-
More than one year but less than three years	23,768,939	15,128,628	-	-
More than three years but less than five years	14,599,902	23,700,064	-	-
More than five years	103,539,932	110,806,772	59,358,138	59,273,723
	155,178,281	168,304,468	59,358,138	59,273,723

All borrowings are denominated in Ringgit Malaysia.

Bank overdraft, Term Loan I and II

Bank overdraft bore effective interest rate of 5.42% (2021: 5.42%) per annum.

Term loan I and II amounted to RM60,000,000 with a drawdown of RM32,360,400, bear interest at 6.42% (2021: 6.42%) per annum.

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

- First party first legal charge over 2 adjoining pieces of oil palm land held by the Company as prepaid lease payments;
- A specific debenture over the oil palm plantation of a subsidiary of the Company; and
- Corporate guarantee from the Company for RM85,000,000

Term loan III

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

Term loan III are secured by:

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

Term loan IV and V

The term loan IV amounted to RM5,000,000. bear interest at 6.67% per annum, and are repayable by monthly installments of RM57,208.

The term loan V amounted to RM4,650,000. bear interest at 5.42% per annum, and are repayable by monthly instalments of RM121,647.

NOTES TO THE FINANCIAL STATEMENTS

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(Cont'd)

25. BORROWINGS (CONT'D)

Term loan IV and V (Cont'd)

Term loan IV and V are secured by:

- a. First party first legal charge over 2 adjoining pieces of oil palm land held by the Company as prepaid lease payments; and
- b. Corporate guarantee given by Company.

Islamic medium-term notes I ("Sukuk Wakalah")

In 2020, a wholly owned subsidiary of the Company, SHC Capital Sdn. Bhd. ("SHCC") issued Sukuk Wakalah of RM80,000,000 in nominal value. The proceeds from the issuance of the Sukuk Wakalah is expected to be utilised for finance investment activities, capital expenditure, working capital requirement and other general corporate purposes, which include repayment of any financing activities, borrowings or advances.

The period of repayment is 18 years commencing from December 2020 until June 2037 with effective interest rate of 6.38%.

The major covenants that are required to be complied by the subsidiaries are as follows:

- (i) SHCC shall maintain a Finance Service Cover Ratio for so long as any Sukuk Wakalah remains outstanding; and
- (ii) SHCC shall maintain a Finance Service Reserve Account Minimum Required Balance.

The Sukuk Wakalah is secured by the followings:

- (i) An assignment by TCE over its rights, title, interest and benefits under the cooling energy supply agreement entered between the Sime Darby Property Selatan Satu Sdn. Bhd. ("SDPS") and TCE dated 13 November 2015 ("CESA") in respect of certain payments payable by SDPS to TCE;
- (ii) An assignment by TCE over its rights, title, interest and benefit under the cooling energy agreement entered between TCE and KJ Technical Services Sdn. Bhd. ("KJTS") dated 24 January 2017 ("CEA");
- (iii) An assignment by TCE over its rights, title, interest and benefits in all the Takaful contracts/Insurance policies taken by TCE in relation to its district cooling system business in Pagoh Education Hub, Johor ("Takaful/Insurances");
- (iv) A first ranking charge by the SHCC over the Designated Accounts (as defined under Details of designated account (s)) and the credit balances therein;
- (v) An assignment by the SHCC over its rights, interest and benefits in relation to the inter-co financing agreement entered or to be entered into between the SHCC and TCE in respect of the advance by the SHCC to TCE;
- (vi) A debenture by the SHCC incorporating a first ranking fixed and/or floating charge over and on its assets, both present and future; and
- (vii) Any other security deemed appropriate and mutually agreed between the SHCC and the PA/LA.

Islamic medium-term notes II ("Sukuk Wakalah")

In 2021, the Company issued Sukuk Wakalah of RM60,000,000 in nominal value. The proceeds from the issuance of the Sukuk Wakalah is expected to be utilised to fund 86% of the cash consideration portion of RM70,000,000 for the acquisition entire shares in Tunas Selatan Pagoh Sdn. Bhd..

The Sukuk were issued on an unrated basis with tenures of eights (8) to years, nine (9) and ten (10) years, with periodic distributions payable on a semi-annual basis.

NOTES TO THE FINANCIAL STATEMENTS

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(Cont'd)

25. BORROWINGS (CONT'D)

Islamic medium-term notes II ("Sukuk Wakalah") (Cont'd)

The major covenants that are required to be complied by the subsidiaries are as follows:

- (i) The Company shall ensure that TSP shall remain a wholly owned subsidiary of the Company so long as Sukuk Wakalah is outstanding;
- (ii) The Company shall ensure that Sime Darby Property Selatan Sdn. Bhd. shall remain at least 40% owned by TSP so long as Sukuk Wakalah is outstanding;
- (iii) The Company may incur, assume or permit to exist any indebtedness for borrowed monies from lenders/ financier, provided that the Consolidated Finance to Equity Ratio ("Consolidated FE Ratio") is not more than 3.0 times; and
- (iv) Finance Service Cover Ratio ("FSCR") of at least 1.25 times.

The Sukuk Wakalah is secured by the followings:

- (i) A first legal assignment and charge by the Company over 4,000,002 shares of Tunas Selatan Pagoh Sdn. Bhd. ("TSP"), including the Company's right over the dividend payments from TSP;
- (ii) A first legal assignment of all the Company's right, interests, titles and benefits under the Share Sale Agreement ("TSP Share Sale Agreement") between the Company and Tunas Selatan Construction Sdn. Bhd.; and
- (iii) A first party assignment and charge over all of the rights, title, interests and benefits in the Tranche 1 Designed Accounts and all balances standing to the credit of the Tranche 1 Designated Accounts.

26. FINANCE LEASE LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Future lease payment payable:				
Not later than one year	1,515,668	1,080,501	38,628	88,147
Later than one year and not later than five years	3,505,432	2,752,508	99,746	138,374
Later than five years	-	-	-	-
Total future minimum lease payments	5,021,100	3,833,009	138,374	226,521
Less: Future finance charges	(484,976)	(392,312)	(10,358)	(17,573)
	4,536,124	3,440,697	128,016	208,948

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

26. FINANCE LEASE LIABILITIES (CONT'D)

Present value of minimum lease payments:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
With one year	1,288,102	908,236	33,701	80,932
Later than one year and not later than two years	2,461,027	1,678,540	72,132	68,978
Later than two year and not later than five years	786,995	853,921	22,183	59,038
Later than five years	-	-	-	-
	4,536,124	3,440,697	128,016	208,948
Analysed as:				
Repayable within twelve months	1,288,102	908,236	33,701	80,932
Repayable after twelve months	3,248,022	2,532,461	94,315	128,016

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 1.6% to 4.91% (2021: 2.24% to 4.91%) per annum.

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

27. DEFERRED TAX LIABILITIES

	Group	
	2022	2021
	RM	RM
Deferred tax liabilities		
Temporary differences arising from:		
Revaluation of property, plant and equipment, and prepaid lease payments	(6,223,620)	(6,527,775)
Property, plant and equipment	(8,579,201)	(7,876,157)
	(14,802,821)	(14,403,932)
Deferred tax assets		
Unabsorbed capital allowances	760,529	760,529
Unused tax losses	5,548,559	5,712,687
	6,309,088	6,473,216
	(8,493,733)	(7,930,716)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

27. DEFERRED TAX LIABILITIES (CONT'D)

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 2022, 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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Unabsorbed capital allowances	9,636,298	14,707,174	-	-
Unused tax losses	96,567,957	95,672,691	33,859,810	33,846,392
	106,204,255	110,379,865	33,859,810	33,846,392

28. TRADE PAYABLES

	Group	
	2022	2021
	RM	RM
Third parties	5,219,490	2,520,877

Trade payables are non-interest bearing. The credit period granted to the Group for ranges from 15 to 90 days (2021: 15 to 90 days).

29. OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Non-current				
Other payables	6,300	154,534	-	-
Current				
Other payables	839,260	3,576,173	178,771	763,650
Accruals	1,677,490	1,090,227	472,734	411,705
	2,516,750	4,666,400	651,505	1,175,355

30. FINANCIAL GUARANTEES

As at 31 December 2022, the Company gave financial guarantees to licensed banks and financial institutions in respect of facilities granted to certain subsidiaries amounting to RM99,150,000 (2021: RM99,150,000).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

31. SIGNIFICANT RELATED PARTY DISCLOSURES

(i) Significant related party transactions

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	
Tunas Selatan Construction Sdn. Bhd.	A Director of the Company has interest	
Tunas Selatan Property Sdn. Bhd.	A Director of the Company has interest	
Desa Samudra Sdn. Bhd.	A Director of the Company has interest	
Sime Darby Property Selatan Sdn. Bhd.	Associate Company	

Group	2022 RM	2021 RM
Tunas Selatan Construction Sdn. Bhd.		
- Repayment by the Group	(2,500,000)	(3,398,110)
- Interest charged to the Group	-	(500,000)
Desa Samudra Sdn. Bhd.		
- Rental of premises charged to the Group	(325,673)	(244,882)
Sime Darby Property Selatan Sdn. Bhd		
- Billings issued by the Group	(15,023,070)	(15,016,865)
- Repayment to the Group	16,268,788	15,023,070
- Dividends paid to the Group	6,600,000	8,800,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(i) Significant related party transactions (Cont'd)

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

Company	2022 RM	2021 RM
Urun Plantations Sdn. Bhd.		
- Management services fee charged by the Company	852,000	852,000
- Repayment to the Company	8,800,000	1,463,376
- Interest charged by the Company	453,271	268,748
Tunas Cool Energy Sdn. Bhd.		
- Management services fee charged by the Company	1,380,000	1,380,000
Tunas Selatan Pagoh Sdn. Bhd.		
- Management services fee charged by the Company	1,200,000	700,000
- Dividends paid to the Company	6,600,000	-
Desa Samudra Sdn. Bhd.		
- Rental of premises charged to the Company	(126,968)	(112,445)

(ii) Remuneration of key management personnel

The remuneration of key management personnel (inclusive of Directors' remuneration as disclosed in Note 7 to the financial statements) during the year are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Salaries, allowance and bonus	3,578,600	3,364,150	1,812,500	1,735,350
Defined contribution plan	465,552	438,741	264,420	243,219
Social security contribution	4,650	6,433	2,004	2,770
Fees	250,000	145,000	150,000	75,000
	4,298,802	3,954,324	2,228,924	2,056,339

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

32. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	Group	
	2022	2021
	RM	RM
Financial assets at FVTPL		
Other investments	13,957,530	14,391,057
Financial assets at amortised cost		
Concession financial assets	48,223,056	50,270,419
Trade receivables	3,834,032	5,120,530
Other receivables and deposits	3,873,311	1,391,217
Fixed deposits, cash and bank balances	32,182,417	42,925,980
	88,112,816	99,708,146
Financial liabilities at amortised cost		
Trade payables	5,219,490	2,520,877
Other payables	2,523,050	4,820,934
Borrowings	155,178,281	168,304,468
Finance lease liabilities	4,536,124	3,440,697
	167,456,945	179,086,976
	Company	
	2022	2021
	RM	RM
Financial assets at amortised cost		
Other receivables and deposits	1,765,572	68,063
Amount owing by subsidiaries	25,091,283	17,390,012
Fixed deposits, cash and bank balances	9,820,041	17,285,600
	36,676,896	34,743,675
Financial liabilities at amortised cost		
Other payables	651,505	1,175,355
Borrowings	59,358,138	59,273,723
Finance lease liabilities	128,016	208,948
	60,137,659	60,658,026

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

32. 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 2022, 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 decrease or increase the Group's profit before tax, by approximately RM4,072,741 (2021: RM3,665,675).

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group 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 25.

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 increased or decreased as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Floating rate liability:				
Borrowings	775,891	841,522	296,791	296,367

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

32. 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 (2021: 4) which constitutes approximately 100% (2021: 100%) 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 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:

	2022 RM	2021 RM
Trade receivables		
Neither past due nor impaired	2,920,204	3,265,146
<i>Past due but not impaired:</i>		
Less than 30 days	164,821	1,418,527
31 to 60 days	322,901	298,111
More than 60 days	426,106	138,746
	913,828	1,855,384
	3,834,032	5,120,530

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

32. 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 Group. None of the trade and other 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 2022, RM913,829 (2021: RM1,855,384) 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.

The tables below summaries the maturity profile of the Group's and 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 year RM'000	One to five years RM'000	Over five years RM'000
2022					
Financial liabilities at amortised cost					
<u>Non-interest bearing:</u>					
Trade payables	5,219	5,219	5,219	-	-
Other payables	2,523	2,523	2,517	6	-
<u>Interest bearing:</u>					
Finance lease liabilities	4,536	5,021	1,516	3,505	-
Borrowings	155,178	253,288	20,117	66,802	166,369
	167,456	266,051	29,369	70,313	166,369

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

32. 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 the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payments: (Cont'd)

Group	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000
2021					
Financial liabilities at amortised cost					
<u>Non-interest bearing:</u>					
Trade payables	2,521	2,521	2,521	-	-
Other payables and accruals	4,821	4,821	4,666	155	-
<u>Interest bearing:</u>					
Finance lease liabilities	3,441	3,833	1,080	2,753	-
Borrowings	168,304	277,338	25,757	69,384	182,197
	179,087	288,513	34,024	72,292	182,197
Company					
Financial liabilities at amortised cost					
<u>Non-interest bearing:</u>					
Other payables and accruals	652	652	652	-	-
<u>Interest bearing:</u>					
Finance lease liabilities	128	138	38	100	-
Borrowings	59,358	83,118	2,942	11,824	68,352
	60,138	83,908	3,632	11,924	68,352

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

32. 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 year RM'000	One to five years RM'000	Over five years RM'000
2021					
Financial liabilities at amortised cost					
<u>Non-interest bearing:</u>					
Other payables and accruals	1,175	1,175	1,175	-	-
<u>Interest bearing:</u>					
Finance lease liabilities	209	227	88	139	-
Borrowings	59,274	86,060	2,942	11,800	71,318
	<u>60,658</u>	<u>87,462</u>	<u>4,205</u>	<u>11,939</u>	<u>71,318</u>

(c) Fair value of financial instruments

	2022		2021	
	Carrying amount RM'000	Fair amount RM'000	Carrying amount RM'000	Fair amount RM'000
Group				
Finance lease liabilities	<u>4,536</u>	<u>4,536</u>	<u>3,441</u>	<u>3,441</u>
Company				
Finance lease liabilities	<u>128</u>	<u>128</u>	<u>209</u>	<u>209</u>

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 other 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

31 DECEMBER 2022

(Cont'd)

33. SEGMENT INFORMATION

The Group is organized into business units based on its products and services, and has four reportable operating segments as follow:

Plantations	Cultivation of oil palm
Energy and facilities	Supplying cooling energy, special purpose vehicle, project management services,
Investment holding	Investment holding and provision for management services
Others	Dormant and pre-operating

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

(a) Segment results

	Plantations	Energy and facilities	Investment holding	Others	Adjustment	Consolidated
2022	RM	RM	RM	RM	RM	RM
Revenue						
External revenue	40,727,412	13,656,528	-	-	-	54,383,940
Internal revenue	-	-	6,600,000	-	(6,600,000)	-
Cost of sales	(25,948,591)	(9,414,576)	-	-	(910,441)	(36,273,608)
Gross profit	14,778,821	4,241,952	6,600,000	-	(7,510,441)	18,110,332
Other operating income	129,211	5,269,010	4,312,501	-	(5,325,761)	4,384,961
Distribution costs	(1,097,287)	-	-	-	-	(1,097,287)
Administrative expenses	(2,633,884)	(1,104,786)	(4,005,550)	-	(356,874)	(8,101,094)
Other operating expenses	(2,163,149)	(3,422,327)	(1,269,561)	(37,047)	3,598,978	(3,293,106)
Profit/(Loss) from operations	9,013,712	4,983,849	5,637,390	(37,047)	(9,594,098)	10,003,806
Finance costs	(2,245,144)	(5,853,554)	(3,153,739)	-	1,763,758	(9,488,679)
Share of results of an associate	-	15,068,447	-	-	-	15,068,447
Profit/(Loss) before tax	6,768,568	14,198,742	2,483,651	(37,047)	(7,830,340)	15,583,574
Tax expense	(15,513)	(893,074)	-	-	304,155	(604,432)
Net profit/(loss) for the financial year	6,753,055	13,305,668	2,483,651	(37,047)	(7,526,185)	14,979,142

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

33. SEGMENT INFORMATION (CONT'D)

(a) Segment results (Cont'd)

Restated 2021	Plantations RM	Energy and facilities RM	Investment holding RM	Others RM	Adjustment RM	Consolidated RM
Revenue						
External revenue	36,656,755	12,739,907	-	-	-	49,396,662
Cost of sales	(17,268,751)	(8,763,561)	-	-	(763,207)	(26,795,519)
Gross profit	19,388,004	3,976,346	-	-	(763,207)	22,601,143
Other operating income	579,513	5,429,644	3,329,197	-	46,135,457	55,473,811
Distribution costs	(1,255,770)	-	-	-	-	(1,255,770)
Administrative expenses	(2,097,785)	(191,590)	(3,441,469)	-	(356,873)	(6,087,717)
Other operating expenses	(3,353,565)	(2,840,456)	(3,246,303)	(34,267)	3,093,897	(6,380,694)
Profit/(Loss) from operations	13,260,397	6,373,944	(3,358,575)	(34,267)	48,109,274	64,350,773
Finance costs	(2,221,854)	(6,537,008)	(1,886,966)	-	1,960,858	(8,684,970)
Share of results of an associate	-	8,815,918	-	-	-	8,815,918
Profit/(Loss) before tax	11,038,543	8,652,854	(5,245,541)	(34,267)	50,070,132	64,481,721
Tax expense	-	(1,043,509)	-	-	304,155	(739,354)
Net profit/(loss) for the financial year	11,038,543	7,609,345	(5,245,541)	(34,267)	50,374,287	63,742,367

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

33. SEGMENT INFORMATION (CONT'D)

(b) Segment assets and liabilities and additions to non-current assets

	Plantations	Energy and facilities	Investment holding	Others	Adjustment	Consolidated
2022	RM	RM	RM	RM	RM	RM
Segment assets						
Operating assets	86,820,647	350,133,383	260,665,952	13,529	(260,315,352)	437,318,159
Segment liabilities						
Liabilities	66,962,484	124,899,530	60,137,659	20,336,927	(96,361,690)	175,974,910
Additions to non-current assets are as follows:						
- capital expenditure	12,455,002	287,827	377,146	-	-	13,119,975
Capital expenditure consists of the following:						
Property, plant and equipment	12,455,002	287,827	377,146	-	-	13,119,975
Restated 2021						
Segment assets						
Operating assets	80,097,804	360,224,655	258,702,668	13,600	(265,633,487)	433,405,240
Segment liabilities						
Liabilities	66,992,696	141,696,467	60,658,026	20,299,950	(102,606,006)	187,041,133
Additions to non-current assets are as follows:						
- capital expenditure	9,397,594	524,665	31,781	-	-	9,954,040
Capital expenditure consists of the following:						
Property, plant and equipment	9,397,594	524,665	31,781	-	-	9,954,040

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

34. ACQUISITION OF SUBSIDIARY

Final purchase price allocation ("PPA") in 2022

During the current financial period, the Group has completed the purchase price allocation ("PPA") exercise to determine the fair values of the net assets of Tunas Selatan Pagoh Sdn. Bhd. ("TSP") a wholly-owned subsidiary company, within stipulated time period, i.e twelve (12) months from the acquisition date of 21 May 2021, in accordance with MFRS 3, Business Combination. Based on the fair values of the assets of TSP, the bargain purchase amount has reduced from RM98,302,229 to RM51,158,314. The adjusted fair value of TSP has been reflected in the Group's Consolidated Statement of Financial Position as at previous year ended 31 December 2021. Below are the effects of the final PPA adjustments in accordance with MFRS 3:

	Recognised fair value at date of acquisition (provisional) RM	Adjustment RM	Recognised fair value at date of acquisition (final) RM
Investment in associate	242,011,770	(47,143,915)	194,867,855
Cash at bank	273	-	273
Other payables	(461,787)	-	(461,787)
Net identifiable assets and liabilities	241,550,256	(47,143,915)	194,406,341
Waiver of debts	2,651,973	-	2,651,973
Bargain purchase	(98,302,229)	47,143,915	(51,158,314)
Purchase consideration	145,900,000	-	145,900,000
Net cash outflows, net of cash acquired, presented as investing activities in the Group's statement of cash flows	70,000,273	-	70,000,273
Cash outflows, presented as investing activities in the Company's statement of cash flows.	70,000,000	-	70,000,000

The fair value of the 110,000,000 new ordinary shares issued as part of the consideration paid was determined based on the market value of the Company's shares on the acquisition date.

The above adjustment were recorded with effect from date of acquisition. As a result, certain balances on the statement of financial position at 31 December 2021 were restated (Note 36). There were impact to comprehensive income and financial position for the year ended 31 December 2021 as shown in Note 36.

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 2022.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

35. CAPITAL MANAGEMENT (CONT'D)

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.

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

	2022 RM	2021 RM Restated
Debt	167,456,945	179,086,976
Less: Cash and bank balances	(32,182,417)	(42,925,980)
Net debt	135,274,528	136,160,996
Capital		
Equity attributable to owners of the Company	261,343,249	246,364,107
Capital and net debt	396,617,777	382,525,103
Gearing ratio	34%	36%

36. COMPARATIVE FIGURES

During the financial year, the Group has completed the purchase price allocation for the acquisition of TSP on 21 May 2021 (Note 34). Adjustments were made retrospectively to the provisional fair values recorded in the prior year and comparative amounts in the statements of comprehensive income, financial position and cash flows.

In addition, the Group's associate company, held through the acquired subsidiary above has conducted a reassessment on its Industrial Building Allowance ("IBA") claims for tax purposes and basis used in deferred tax recognition. This assessment has resulted in as restatement of the deferred tax liabilities, tax provision and tax recoverable balances with a corresponding adjustment to equity that has impacted the share of profit of the Group after the acquisition date.

	As previously stated RM	Adjustments RM	As restated RM
As at 31 December 2021			
Consolidated Statement of Comprehensive Income			
<u>Other operating income</u>			
Bargain purchase	98,302,229	(47,143,915)	51,158,314
Share of results of an associate	9,759,254	(943,336)	8,815,918
Consolidated Statement of Financial Position			
<u>Non-current assets</u>			
Investment in associates	242,971,024	(48,087,251)	194,883,773

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

(Cont'd)

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

In November 2022, the subsidiary company, Urun Plantations Sdn. Bhd. applied for a credit facility from Alliance Bank worth RM20,625,000 to partially finance the planting cost of 1,250 hectares of oil palm plantation at Long Urun, Belaga, Sarawak held under Titles No. Provisional Lease Lot 4, Punan Land District, Sarawak and Provisional Lease Lot 7, Dulit Land District, Sarawak. The facility is secured by the Company's corporate guarantee for RM20,625,000.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2022

Landed properties in the Group consist of:

Location		Description	Area	Tenure (Year Expiring)	Age of Building	Net Book Value (RM)
A.	Leasehold					
1	Lot 228, Melaka Tengah Jalan Tun Mutahir 75300 Melaka	Vacant Land	9,440 sq. ft.	2061	N/A	347,566
2	Provisional Lease Block 31, Lot 1 Punan Land District, Sarawak	Oil Palm Plantation with Office/ Store/Worker Quarters	10,667 hectares	2057	22 years	15,936,975
	Lease Of State Land Block 67 Lot 1 Dulit Land District, Sarawak	Oil Palm Plantation	210.5 hectares	2057	N/A	
GRAND TOTAL						16,284,541

ANALYSIS OF SHAREHOLDINGS

AS AT 7 APRIL 2023

Number of Shares Issued	:	292,877,387
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote Per Ordinary Share
No. of shareholders	:	4,050

DISTRIBUTION OF SHAREHOLDINGS AS AT 7 APRIL 2023

Category	No. of Shareholders	No. of Shares	Percentage (%)
Less than 100	127	3,499	0.00
100 - 1,000	911	782,644	0.27
1,001 - 10,000	1,773	9,279,498	3.17
10,001 - 100,000	1,061	35,557,410	12.14
100,001 - less than 5% of issued shares	174	113,988,418	38.92
5% and above of issued shares	4	133,265,918	45.50
Total	4,050	292,877,387	100.00

LIST OF SUBSTANTIAL SHAREHOLDINGS AS AT 7 APRIL 2023

No.	Names	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1	Tunas Selatan Sdn. Bhd.	77,000,000	26.29	-	-
2	Seng Hoe & Choong Corporation Sdn. Bhd.	22,000,000	7.51	-	-
3	Wan Jin Resources Sdn. Bhd.	19,182,125	6.55	-	-
4	Dato' Choo Keng Weng	23,264,293 ¹	7.94	39,046,500 ^{2,3,4,6&7}	13.33
5	Tan Sri Dato' Sri Haji Esa Bin Haji Mohamed	4,338,989	1.48	90,960,000 ^{3,5&6}	31.06
6	Choo Kin Choong (Alternate Director to Dato' Choo Keng Weng)	-	-	62,310,793 ⁸	21.28

Notes:

- ¹ Includes shares held by nominees.
- ² Deemed interest in shares held by Seng Hoe & Choong Corporation 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.
- ⁴ Deemed interest in shares held by Macronet Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁵ Deemed interest in shares held by Tunas Selatan Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁶ Deemed interest in shares held by Tunas Selatan Construction Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁷ Deemed interest in shares held by Best Acres Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁸ Deemed interest (held through Dato' Choo Keng Weng, Seng Hoe & Choong Corporation Sdn. Bhd., Macronet Sdn. Bhd., Goldquest Properties Pty Limited, Best Acres Sdn. Bhd. and Tunas Selatan Construction Sdn. Bhd.) by virtue of Section 59(11) (c) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 7 APRIL 2023

(Cont'd)

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 7 APRIL 2023

No.	Name	No. of Shares held	Percentage (%)
1	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tunas Selatan Sdn Bhd</i>	77,000,000	26.29
2	Seng Hoe & Choong Corporation Sdn Bhd	22,000,000	7.51
3	Sabah Development Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wan Jin Resources Sdn Bhd</i>	19,182,125	6.55
4	Choo Keng Weng	15,083,793	5.15
5	Goldquest Properties Pty Limited	12,400,000	4.23
6	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kuala Lumpur Medical Centre Sdn Bhd</i>	11,000,000	3.76
7	Sabah Development Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Samudera Sentosa Sdn Bhd</i>	8,000,000	2.73
8	HSBC Nominees (Tempatan) Sdn Bhd	7,478,500	2.55
9	Niaga Serimas Sdn Bhd	5,001,000	1.71
10	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Stocks N Options Sdn Bhd</i>	5,000,000	1.71
11	Tee Tiam Lee	5,000,000	1.71
12	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Esa Bin Mohamed</i>	4,338,989	1.48
13	Macronet Sdn Bhd	2,925,000	1.00
14	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Su Ming Ming</i>	2,052,000	0.70
15	Lim Chin Lee	2,000,000	0.68
16	Tan Aik Choon	1,828,300	0.62
17	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Sy Choon Yen</i>	1,735,600	0.59
18	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tunas Selatan Construction Sdn Bhd</i>	1,560,000	0.53
19	Asraman Sdn Bhd	1,283,900	0.44
20	Teo Kwee Hock	1,158,400	0.40
21	Ngo Seh Tee	1,100,000	0.38
22	Geoffrey Lim Fung Keong	903,000	0.31
23	UOB Kay Hian Nominees (Tempatan) Sdn Bhd	876,100	0.30

ANALYSIS OF SHAREHOLDINGS

AS AT 7 APRIL 2023

(Cont'd)

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 7 APRIL 2023 (CONT'D)

No.	Name	No. of Shares held	Percentage (%)
24	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Maybank Securities Pte Ltd for Eng Holdings Sdn Bhd</i>	838,553	0.29
25	Citigroup Nominees (Asing) Sdn Bhd	778,571	0.27
26	See So Kim Huat	749,800	0.26
27	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cheng Teck Loong</i>	740,000	0.25
28	Tan Liong Huat @ Tan Swee Huat	739,400	0.25
29	Gan Hong Liang	702,800	0.24
30	Lee Lai Leng	695,600	0.24

DIRECTORS' INTERESTS IN SHARES AS AT 7 APRIL 2023

No.	Names	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1	Dato' Choo Keng Weng	23,264,293 ¹	7.94	39,046,500 ^{2,3,4,6&7}	13.33
2	YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	-	-	600,000 ⁵	0.20
3	Thomas Tuan Kit Kwong	-	-	-	-
4	Mak Hon Weng	-	-	-	-
5	Tunku Azlan Bin Tunku Aziz	-	-	-	-
6	Choo Kin Choong (Alternate Director to Dato' Choo Keng Weng)	-	-	62,310,793 ⁸	21.28

Notes:

- ¹ Includes shares held by nominees.
- ² Deemed interest in shares held by Seng Hoe & Choong Corporation 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.
- ⁴ Deemed interest in shares held by Macronet Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁵ Deemed interest in shares held by Bayu Varia Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁶ Deemed interest in shares held by Tunas Selatan Construction Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁷ Deemed interest in shares held by Best Acres Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.
- ⁸ Deemed interest (held through Dato' Choo Keng Weng, Seng Hoe & Choong Corporation Sdn. Bhd., Macronet Sdn. Bhd., Goldquest Properties Pty Limited, Best Acres Sdn. Bhd. and Tunas Selatan Construction Sdn. Bhd.) by virtue of Section 59(11) (c) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS - IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES (“ICPS”)

AS AT 7 APRIL 2023

Total Number of shares issued : 120,000,000 ICPS

LIST OF SUBSTANTIAL SHAREHOLDINGS AS AT 7 APRIL 2023

No	Name	Direct		Indirect	
		No of Shares	%	No of Shares	%
1	Kuala Lumpur Medical Centre Sdn Bhd	6,000,000	5	-	-
2	Seng Hoe & Choong Corporation Sdn Bhd	12,000,000	10	60,000,000 ¹	50
3	Tunas Selatan Construction Sdn Bhd	60,000,000	50	-	-
4	Tunas Selatan Sdn Bhd	42,000,000	35	60,000,000 ¹	50

Notes:¹ Deemed interest in shares held by Tunas Selatan Construction Sdn Bhd by virtue of Section 8 of the Companies Act 2016**LIST OF SHAREHOLDERS AS AT 7 APRIL 2023**

No	Shareholders	Holdings	%
1	Kuala Lumpur Medical Centre Sdn Bhd	6,000,000	5
2	Seng Hoe & Choong Corporation Sdn Bhd	12,000,000	10
3	Tunas Selatan Construction Sdn Bhd	60,000,000	50
4	Tunas Selatan Sdn Bhd	42,000,000	35

DIRECTORS' INTEREST IN SHARES AS AT 7 APRIL 2023

No	Name	Direct		Indirect	
		No of Shares	%	No of Shares	%
1	Dato' Choo Keng Weng	-	-	72,000,000 ¹	60
2	YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI	-	-	-	-
3	Mak Hon Weng	-	-	-	-
4	Thomas Tuan Kit Kwong	-	-	-	-
5	Tunku Azlan Bin Tunku Aziz	-	-	-	-
6	Choo Kin Choong (Alternate Director to Dato' Choo Keng Weng)	-	-	72,000,000 ¹	60

Notes:¹ Deemed interest in shares held by Seng Hoe & Choong Corporation Sdn Bhd by virtue of Section 8 of the Companies Act 2016

NOTICE OF SIXTY-FIRST (61ST) ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty-First (61st) Annual General Meeting ("AGM") of Sin Heng Chan (Malaya) Berhad ("SHCB" or the "Company") will be held on fully virtual and entirely via remote participation and voting at the Broadcast Venue: Board Room of SHC, Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan on Monday, 29 May 2023 at 10.00 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|--|--------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors' and Auditors' Reports thereon. | Please refer to Note 2. |
| 2. | To approve the payment of Directors' fees and benefits payable up to RM350,000.00 for the period from the conclusion of 61 st Annual General Meeting until the conclusion of the 62 nd Annual General Meeting. | Ordinary Resolution 1 |
| 3. | 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 2 |
| 4. | To re-appoint Messrs Al Jafree Salihin Kuzaimi PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 3 |

AS SPECIAL BUSINESS

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

- | | | |
|-----|---|------------------------------|
| 5. | RETENTION OF INDEPENDENT DIRECTORS | |
| 5.1 | Subject to the passing of ordinary resolution no. 2, to retain Mak Hon Weng who has served the Board for more than nine (9) years as Independent Non-Executive Director of the Company. | Ordinary Resolution 4 |
| 5.2 | To retain Thomas Tuan Kit Kwong who has served the Board for more than nine (9) years as Independent Non-Executive Director of the Company. | Ordinary Resolution 5 |
| 6. | AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 | Ordinary Resolution 6 |

"THAT subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

NOTICE OF SIXTY-FIRST (61ST) ANNUAL GENERAL MEETING (Cont'd)

AND THAT pursuant to Section 85 of the Act, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new Company shares ranking equally to the existing issued Company shares arising from any issuance of the new Company shares pursuant to Sections 75 and 76 of the Act."

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

Ordinary Resolution 7

"THAT the Company and/or its subsidiaries ('the Group') be and is/are hereby authorised to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group ('Related Parties') as specified in Section 2.2.1 of the Circular to Shareholders dated 28 April 2023 ('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 FURTHER RESOLVED 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."

8. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

By order of the Board,

LIM SECK WAH
(MAICSA 0799845)
(SSM PC No. 202008000054)
KONG MEI KEE
(MAICSA 7039391)
(SSM PC No. 202008002882)
Company Secretaries

Kuala Lumpur
Dated this: 28 April 2023

NOTICE OF SIXTY-FIRST (61ST) ANNUAL GENERAL MEETING

(Cont'd)

Notes:-

1. In light of the COVID-19 outbreak and as part of our safety measures, this Annual General Meeting ("AGM") will be conducted fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue. The Broadcast Venue is strictly to comply with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. No shareholders/proxy(ies) should be physically present at the Broadcast Venue on the day of this AGM.
2. 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.
3. YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI, the Independent Non-Executive Director, who has served the Board for more than 12 years, does not wish to seek to continue the office. He will retire at the conclusion of the 61st AGM.
4. 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 19 May 2023. Only a depositor whose name appears on the Record of Depositors as at 19 May 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
5. 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.
6. 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.
7. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.
8. 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.
9. The Proxy Form must be deposited at the office of the Poll Administrator, Mega Corporate Services Sdn. Bhd. situated at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan or submitted via email to AGM-support.SHG@megacorp.com.my, not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
10. All resolutions set out in this Notice of AGM will be put to vote by way of poll pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements
11. The 61st AGM will be conducted on fully virtual at the Broadcast Venue, the members are advised to refer to the Administrative Notes on the registration and voting process for the Meeting.
12. **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 61st Annual General Meeting on the Directors' fees and benefits under resolution 1.

The Directors' benefits comprising travelling, meeting allowance and benefits in-kind.

NOTICE OF SIXTY-FIRST (61ST) ANNUAL GENERAL MEETING (Cont'd)

Notes:- (Cont'd)

12. Explanatory Notes: (Cont'd)

Ordinary Resolutions 4 and 5 on Retention of Independent Directors

The Board of Directors has vide the Nomination Committee conducted an assessment of independence of the following directors who have served as Independent Non-Executive Directors for a cumulative term of more than nine (9) years and recommended them to continue to act as Independent Non-Executive Directors based on the following justifications:

- (i) Mak Hon Weng
- (ii) Thomas Tuan Kit Kwong

Justifications:-

- (a) They 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, they would be able to function as check and balance, provide a broader view and brings an element of objectivity to the Board;
- (b) Their years of experience as businessmen enabled them to provide the Board with a diverse set of experience, expertise and independent judgment; and
- (c) They have performed their duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposal from the Management.

Pursuant to the Malaysian Code on Corporate Governance, the Company would apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond nine years of tenure.

Ordinary Resolution 6 on Authority to issue shares by the company pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 6 is a mandate given by the shareholders 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 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.

The mandate was obtained at the last AGM held on 26 May 2022. As at the date of this Notice, no shares have been issued and allotted under that mandate.

Ordinary Resolution 7 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 28 April 2023.

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 page 4 Profile of the Board of Directors in the Company's Annual Report 2022.

Mak Hon Weng the Director is retiring in accordance with Article 94 of the Constitution of the Company and eligible for re-election at the forthcoming 61st AGM.

YBM Tunku Mahmood Bin Tunku Mohammed D.K. PSI who has served the Board for more than 12 years shall retire at the conclusion of the 61st AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADMINISTRATIVE NOTES

FOR THE 61ST ANNUAL GENERAL MEETING ("61ST AGM")

Day/Date : Monday, 29 May, 2023
Time : 10.00 a.m
Broadcast Venue : Boardroom of SHC, Level 3, Wisma E&C, Damansara Heights, Kuala Lumpur



Voting via Digital Ballot Form at a Fully Virtual 61st AGM

1. **Shareholders will not be allowed to attend the 61st AGM in person at the Broadcast Venue on the day of the meeting.** Shareholders who wish to participate at the 61st AGM will therefore have to do so remotely. Pre-registration of attendance is required via the link at <https://vps.megacorp.com.my/9RAKF4> (please refer to para 4 for further details). After the registration is validated and accepted, Shareholders will receive an email with a link to grant access to the **Digital Ballot Form ("DBF")**.
2. With the DBF and the Meeting Link, you may exercise your right as a shareholder of the Company to participate and vote during the 61st AGM, at the comfort of your home or from any location.
3. Shareholders may use the *Questions' Pane facility* (located at the top right corner of the screen) to submit questions in real time during the meeting via the Live-Streaming solution. Shareholders may also submit questions before the meeting via email to the following e-mail address in relation to the agenda items for the 61st AGM:

AGM-support.SHC@megacorp.com.my

Registration Procedure

4. Kindly follow the steps below to ensure that you are able to obtain your DBF and details to log in to the Live-Streaming session to participate and vote remotely during the 61st AGM online:
 - a. Open this link <https://vps.megacorp.com.my/9RAKF4>, or scan the QR code at the top right corner of this document, and submit all requisite details at least twenty-four (24) hours before the date of 61st AGM.
 - b. Only Shareholders are allowed to register their details online. Shareholders can also appoint proxies or Chairman of the meeting as proxy via online, as in step (a) above. Please ensure that your details are accurate as non-compliance would result in you not being able to participate in the Meeting.
 - c. Alternatively, you may deposit your Proxy Form, duly completed with the proxy's email address and mobile phone number, at the office of the Poll Administrator 48 hours before the AGM:

Mega Corporate Services Sdn. Bhd.

Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan or;

Submit via e-mail to:

AGM-support.SHC@megacorp.com.my

- d. For corporate Shareholders/nominee accounts, please execute Form of Proxy as per step (c) above.

ADMINISTRATIVE NOTES

FOR THE 61ST ANNUAL GENERAL MEETING (“61ST AGM”)

(Cont’d)

- e. Upon verification on your registration, the Poll Administrator, Mega Corporate Services Sdn. Bhd., will send the following via email:
 - i. **Meeting Link** – for the Live-Streaming Session
 - ii. **DBF** – for Voting Purposes

Record of Depositors (“ROD”) for the 61st AGM

- 5. The date of ROD for the 61st AGM is Friday, 19 May, 2023. As such, only Shareholders whose name appear in the ROD shall be entitled to participate and vote at the 61st AGM or appoint proxy(ies)/corporate representative(s) to participate and vote on his/her behalf.

Poll Voting

- 6. The voting of the 61st AGM will be conducted by poll. The Company has appointed Mega Corporate Services Sdn. Bhd. as the Poll Administrator to conduct the polling process by way of e-voting, and Cygnus Technology Solutions Sdn. Bhd. as Scrutineers to verify the poll results.
- 7. Shareholders can proceed to vote on the resolutions and submit your votes during the voting period as stipulated in the DBF. Upon completion of the voting session for the 61st AGM, the Scrutineers will verify the poll results after which the Chairman will announce the poll results of the resolutions.

Enquiry

If you have any enquiries on the above, please contact the following during office hours (Monday to Friday):

Mega Corporate Services Sdn. Bhd.

Email : AGM-support.SHC@megacorp.com.my
Tel : +60 (3) 2694 8984
Alfred : +60 (12) 912 2734
Hisham : +60 (12) 252 9136

**SIN HENG CHAN (MALAYA) BERHAD**Registration No. 196201000185 (4690-V)
(Incorporated in Malaysia)**PROXY FORM**

(Before completing this form, please refer to the notes)

CDS Account No.	:	
No. of shares held	:	

I/We * _____ NRIC/Passport/Registration No.* _____

(Full name in block)

of _____

(Address)

with email address _____ mobile phone no. _____

being a member/members* of **SIN HENG CHAN (MALAYA) BERHAD** ("the Company") hereby appoint(s):-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings %
Address		
Email Address		
Mobile Phone No.		

and/or*

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings %
Address		
Email Address		
Mobile Phone No.		

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend, speak and vote for *my/our behalf at the Sixty-First Annual General Meeting of the Company to be held fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Boardroom of SHC, Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur on Monday, 29th May 2023 at 10.00 a.m. or any adjournment thereof in the manner 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 payable up to RM350,000.00 for the period from the conclusion of 61 st Annual General Meeting until the conclusion of the 62 nd Annual General Meeting.				
2.	Re-election of Mak Hon Weng as a Director retiring under the Constitution of the Company.				
3.	Re-appointment of Messrs Al Jafree Salihin Kuzaimi PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.				
SPECIAL BUSINESS					
4.	Retention of Mak Hon Weng as an Independent Non-Executive Director.				
5.	Retention of Thomas Tuan Kit Kwong as an Independent Non-Executive Director.				
6.	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.				
7.	Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.				

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 _____ 2023

* Strike out whichever is not desired.

Fold This Flap For Sealing

Notes:-

1. In light of the COVID-19 outbreak and as part of our safety measures, this Annual General Meeting ("AGM") will be conducted fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue. The Broadcast Venue is strictly to comply with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. **No shareholders/proxy(ies)** should be physically present at the Broadcast Venue on the day of this AGM.
2. 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 19 May 2023. Only a depositor whose name appears on the Record of Depositors as at 19 May 2023 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
3. 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.
4. 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.
5. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.
6. 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.
7. The Proxy Form must be deposited at the office of the Poll Administrator, Mega Corporate Services Sdn. Bhd. situated at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan or submitted via email to AGM-support.SHC@megacorp.com.my not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
8. All resolutions set out in this Notice of AGM will be put to vote by way of poll pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.
9. By submitting the duly executed form of proxy, a member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for this meeting and any adjournment thereof.

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AFFIX
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The Poll Administrator

SIN HENG CHAN (MALAYA) BERHAD
(Registration No. 196201000185 (4690-V))
C/O MEGA CORPORATE SERVICES SDN. BHD.

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

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SIN HENG CHAN (MALAYA) BERHAD

Registration No. 196201000185 (4690-V)

(Incorporated in Malaysia)

TO : Sin Heng Chan (Malaya) Berhad
Level 3, Wisma E&C,
No. 2, Lorong Dungun Kiri,
Damansara Heights,
50490 Kuala Lumpur.

Contact Person : Ms. Shahira/Ms. Shew

Email : info@shcm.com.my

Tel No. : +603-2094 7992

Fax No. : +603-2094 7996

Please send me a copy of the following report(s) of Sin Heng Chan (Malaya) Berhad which is/are ticked on the relevant box(es) below:-

☐

Annual Report 2022

☐

Circular To Shareholders In Relation To Proposed Renewal of Existing Shareholders' Mandate For Recurrent Related Party Transactions of A Revenue or Trading Nature

Particulars of Shareholder

Name of Shareholder : _____

Mailing Address : _____

NRIC No./Passport No./Company No. : _____

CDS Account No. : _____

Email Address : _____

Telephone No. : _____

Signature

Date:

Note:-

We shall forward a printed copy of the Annual Report 2022 or/and Circular to Shareholders on RRPT as soon as reasonably practicable upon receipt of your verbal or written request.

Fold This Flap For Sealing

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STAMP

Sin Heng Chan (Malaya) Berhad

Level 3, Wisma E&C,
No. 2, Lorong Dungun Kiri,
Damansara Heights,
50490 Kuala Lumpur

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www.shcm.com.my



SIN HENG CHAN (MALAYA) BERHAD

(Reg. No. 196201000185 (4690-V))

(Incorporated in Malaysia)

Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri,
Damansara Heights 50490 Kuala Lumpur, Malaysia
Tel : 603 - 2094 7992 Fax : 603 - 2094 7996